



## Insurance Expense Management – *Trust but Verify*

We all know the model. A friend, an alumni, a fraternity brother, or a neighbor offers your company CEO to help with insurance. A start-up asks for insurance but never tests the market as the start-up grows in size. We all have friends or relationships that we trust. But do we verify that what might have been best before might not be the best today?

Insurance costs are often some of the highest expenses in a company. Like taxes, we often assume these expenses are a necessary evil and turn our focus on running the business. However, some insurance, such as health insurance, are the number one indirect expense concern among CEOs and CFOs. Annual double digit cost increases are a major profit drain and can even impact to the ability to do business.

We often assume all carriers and brokers offer similar pricing and services, so our “friend” might as well get the business. In reality, this appearance is based on a broker industry that is paid commissions on the sale. So, “why should your broker want to lower your cost?” Why should competing brokers want to lower your cost?

- Premium increases are broker salary increases. Do you get a double digit salary increase every year?
- Bill management can lower premium rates. Does your broker explain how to review the bills?
- Cost management can lower premium rates. Does your broker

explain how to implement cost management best practices?


- Competition can lower premium rates. Does your broker create competition among carriers? If so, how do they do so?
- Design changes can lower premium rates. Does your broker proactively work with you to design the optimum plan?
- Risk management can lower premium rates. Does your broker analyze your data and recommend best practices?

What do you really get from your broker?

If you think about it, doing extra work takes the broker’s time and reduces their **income** – not a good model. You might want to consider testing your broker. Are you getting the best deal? Are you getting the best advice? Or, is there an opportunity to create significant savings and improve internal practices?

Our recommendation: *Trust but Verify*. Bring in a success fee based third party who is compensated by saving you money. If no savings are found, that increases your trust. If significant savings and process improvements are found, then you have added measurable value to the company and you might even be considered a hero!

For more information or questions about how to *Trust but Verify*, contact Jim Villwock, IEM Group, at 678-485-1687.

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<p><b>Business Insights</b></p>	<p style="text-align: right;"><b>Volume 9– June 2006</b></p>

**Interested in making more money?** Give us a call. There is no charge for asking!

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