



Eliminating \$250,000 in Hidden Exposure Risk:

How one brokerage removed compliance risk and created stronger relationships with their clients



David P. is the owner of an employee benefits brokerage located in the heart of Texas. Among his staff of five, he is the primary rainmaker for the organization, with several hundred group accounts, a few of which have yielded him revenue in excess of six figures each.

David has always been hands-on and service-oriented with his clients, but he used to worry about gaps in his knowledge. He subscribed to several popular industry-standard benefits compliance and HR tools, and while he felt fairly confident that he had covered all of his bases, he still wondered if there were things he did not know. His biggest fear was damaging the trust he'd worked so hard to earn with clients.

Challenge: Trust Shaken

Among David's most important clients is a legacy account called Watkins Tools. He'd been their broker for over ten years, but recently, the company had undergone a leadership transition, shifting control of employee benefits from the CFO to the Vice President of Human Resources. In taking on these new responsibilities, the VP of HR, Kevin C., wondered if the CFO had met all compliance obligations.

One day, Kevin was approached by an ambitious young employee benefits broker from a top-five brokerage, who was looking to entice Watkins Tools away from David's firm.

“Your current broker has exposed your company to massive fines,” he said, “and his incompetence goes back *years*.”

Kevin was shocked by the accusation. The company had never been disappointed in the quality of David’s work. To prove his claim, the young broker produced evidence he’d pulled off the U.S.



Department of Labor’s website showing that their current broker had failed to file 5500 Series forms for *multiple* years, which had exposed Watkins Tools to IRS fines totaling as much as \$700,000.

Solution: Revealing the Truth

David’s worst fear had come to pass! An oversight on his part had created a huge problem for one of his most important clients, threatening a long-term relationship—not to mention a significant revenue stream. He knew he needed to find a solution that would earn back the full trust of a cherished client, so he suggested to Kevin that they audit their employee benefits plan through a third-party consultancy. The client was immediately on board, anxious to know the full truth about any exposure.

With his client’s approval, David contacted Benefits Compliance Solutions, and we were brought on board to conduct the audit. We quickly discovered that Watkins Tools had roughly \$250,000 in exposure on their self-insured group health plan, largely from potential fines for regulatory non-compliance.

Specifically, they had failed to adequately follow HIPAA guidelines by: 1) not implementing any risk assessment, 2) not designating security or privacy officers, and 3) not properly distributing COBRA notices. On top of that, COBRA eligibility did not match their documented leave policy in the employee handbook. Not only was the company wide open for potential fines, but they had also become an easy target for lawsuits.

Ironically, at the same time, we also learned that the Form 5500 claim from the young upstart broker did not apply until the previous year, which made his attempt to grab the account look foolish.

Results: Trust Restored

The client was relieved to finally know the true nature of their exposure, and they praised David for bringing us on board. We conducted a review of the broker's recommendations and provided Watkins with a roadmap for fixing the problems we'd discovered. However, the company determined that they lacked the bandwidth to implement the roadmap on their own, so they requested a proposal for help executing it.

We created a plan of action, and they were excited to get to work closing the gaps. At last, Watkins Tools was able to focus on their core business without the stress of lawsuits or massive fines hanging over their heads. We continued to work with them for several months, instituting new policies and procedures to ensure everything flowed smoothly.

In the end, what began as an aggressive attempt by a competing broker to make David look incompetent became an opportunity for David to provide a solution that gave the client a thorough picture of their non-compliance and currency exposure, created a roadmap for closing all gaps, and offered a specific plan of action for implementing the roadmap. As a result, David was able to solidify his relationship with the client and ensure a major revenue stream for years to come.