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Pan-American is an established leader in the government contractors' market, with a dedicated SCA/DBA team that offers affordable, compliant benefit plans as well as superior, knowledgeable service. Pan-American Insurance Company is rated "A" Excellent by A.M. Best and "A" (Strong) by Fitch Ratings.

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A Lucrative, Overlooked Market: Government Contractor Benefits

These days, proactive agents and brokers are getting creative in their quest for new sales opportunities. After all, due to the downturn, many corporations are limiting their employee benefit spending. However, there is one large, lucrative market that has remained relatively stable despite the fluctuating economy: Employee benefits for government contractors.

Yes, some government contracts have been put on hold due to COVID-19, but many new, COVID-related contracts have also been put into place. Traditionally, despite highs and lows, government

contract work goes on. And in order to secure those contracts, employers must meet special wage and hour requirements. For service companies, that means not only paying workers prevailing wages, as defined by the federal government, but certain "bona fide fringe benefits."

These benefits include health insurance, dental, vision, life/AD&D and disability insurance among others. As a result, this market is a great fit for established life and health insurance agents who are not only licensed to sell them but know them inside and out.

Furthermore, the government contractor market is huge. According to the GAO, federal agencies spent just short of \$355 billion in service contracts in the 2019 fiscal year—and spending appears even higher in fiscal year 2020.¹ There are literally tens of thousands of government contractors across the U.S., including large and small businesses. In fact, you may already count some among your clients whether you know it or not.

Finally, there's a way that agents and brokers can enter the government contracting market fairly quickly without a daunting learning curve. It's not so much what you know, but with whom you partner.

Government Contractor Benefits in a Nutshell

Wage and hour requirements for government contractors are specified under the Service Contract Act (SCA) and Davis Bacon Act (DBA), the latter which applies specifically to construction companies.

Service industries that are heavily involved in government contracts include food service, janitorial, engineering, defense, security, and grounds maintenance, just to name a few.

In addition to prevailing wages, SCA government contractors must pay eligible workers a current fringe benefit of at least \$4.54 per hour (\$4.22 under EO 13706). Employers have the option of paying workers their benefits in cash or by providing employee benefits. DBA fringe rates vary.

Unlike traditional employee benefits—in which costs are shared by employers and employees—SCA-mandated fringe benefits are 100 percent employer paid and typically with 100 percent participation.

So, what type of premiums might you expect? Well, say a service contractor has 100 full-time employees. \$4.54 per hour multiplied by 140 hours per month equals \$635 per employee per month, or \$63,560 for all 100 employees. Multiplied by 12 months, that's \$762,720 in annual premiums.

The Many Advantages of Fringe Benefits

Employers who provide fringe benefits

enjoy some significant advantages over those who pay their workers cash, including:

- Lower payroll taxes—lower payroll translates to lower payroll taxes. Although it varies by state and situation, it's estimated that employers reduce their payroll taxes by about 20 percent when they switch to providing fringe benefits.
- More competitive bidding—lowering payroll expenses allows contractors to lower their bids, too, so they're more competitive and will potentially win more contracts.
- A recruiting/retention edge—service workers want benefits, too, especially healthcare, so employers who offer them are more likely to attract and keep quality workers. Benefits may also be provided to part-time and seasonal workers.

Fringe benefits also offer significant advantages to workers, starting with affordable access to healthcare. Fringe benefits may take the form of ACA-compliant health insurance, limited-access medical benefits and direct primary care plans, which help reduce workers' out-of-pocket expenses. Coverage may also be made available to eligible dependents.

For low-wage service workers, employers that provide thoughtful fringe benefits can not only make them feel valued, but will make a meaningful difference in the quality of their lives.

How Agents and Brokers Can Enter this Market

The fastest, easiest way to enter this market is to align yourself with an insurance carrier and/or third-party administrator that is an established expert. Some carriers are proactively expanding their sales presence and may even be able to help you with leads and prospecting.

Frankly, the first step toward identifying clients and prospects who may benefit from these coverages is simply to sharpen your awareness of this market.

Once you master enough basic information to surface some qualified leads, you can then turn the case over to your expert to handle the heavy lifting.

With each new case, you'll grow in your knowledge and be able to participate to a greater degree. In addition, by adding government contractors' benefits to your portfolio, you may gain entry to a range of potential new clients.

How do you identify your best SCA-plan partner? Start by looking for carriers that:

- Have maintained their strong financial ratings throughout the pandemic. (Unfortunately, a number of carriers have been downgraded or put on a negative outlook since COVID struck.)
- Offer a full range of benefit options, including multiple health plan options, dental, vision, life/AD&D, etc. That includes ACA-compliant plans and limited health plans designed for workers with fluctuating hours.
- Provide comprehensive service, including auditing and accounting, perhaps via vetted service partners.
- Offer access to a national PPO network, as well as plans without deductibles and copays.
- Provide increasingly-popular telemedicine benefits.
- Offer a single point of service for both agents and employers, which typically leads to improved client satisfaction.
- Provide prompt, reliable customer service—and can prove it.
- Provide extensive monthly reporting to employers, offering transparency.
- Provide online tools and resources, allowing employers and employees to get more from their plans.
- And last but not least, have an experienced sales and marketing team in place to support your prospecting and sales activity, beyond ongoing plan administration.

No, these are not the easiest of times. But there are opportunities for those who keep their eyes open and are willing to try something new. You don't need to be an expert in government contracting benefits to compete successfully in this market. You just need a partner who is. 🌍

Reference:

1. Bloomberg Government.