

Avoiding Disaster:

How one agent almost lost \$140k in revenue by hesitating to help an employer address known compliance gaps



BENEFITS
COMPLIANCE
SOLUTIONS

Matthew, a benefits broker from a small brokerage in Oklahoma, called and spoke to us for the first time one afternoon, and we chatted for a while. He mentioned that he was concerned about a client company of his that had recently undergone a transition of leadership in their human resources department. Matthew suspected that the previous HR director had made a number of compliance mistakes. The new director, Beth, was struggling to pick up the pieces, but the full range of their compliance problems wasn't clear.

We offered to conduct a full audit, but the broker wasn't ready to engage with us. Instead, he thanked us and said he would get back in touch soon. However, time passed, and we didn't hear from him again.

The Problem

Six months later, Matthew's client received a penalty letter from the IRS for delinquent ACA (Affordable Care Act) reporting. The company was facing fines in excess of \$900,000, and on top of that, they had to pay an attorney to represent them as they attempted to work out a deal with the IRS.

This was one of Matthew's highest-value clients, bringing in six figures a year in revenue, and he'd worked with them for over ten years. He couldn't afford to lose them, so he offered to pay for an audit that would identify any and all areas of noncompliance. Seeking expert help in conducting the audit, he remembered his initial phone call with us and got in touch.

The Solution

We went to work right away, and his client was excited at the prospect of finally gaining a full and complete picture of any potential currency exposure. During the process, as we peeled back the layers, it soon became clear that there were significant compliance gaps in their employee benefits plan.

Specifically, we learned that the company had major problems with their leave of absence policy. Also, their benefits plan eligibility rules were unclear, and the employee handbook promised better benefits than the benefits plan carrier's contract. The company had created a perfect storm that opened them up to employee complaints, unpaid claims from the carrier, and potential lawsuits that could go all the way back to the broker. In the end, our audit revealed that they were exposed to another potential \$350,000 in fines and penalties, not including the possible lawsuits.

The Complication

Upon learning the results of our audit, Beth, the new HR director, complained, "Our broker should have warned us about this sooner. Maybe we made a mistake using a small-time brokerage. A large brokerage would have caught these problems and let us know!"

She threatened to end her contract with Matthew. In a meeting with us, he lamented that he hadn't conducted the audit months earlier. By waiting, the compliance problems had only gotten worse and more possible fines had accrued.

Fortunately, during the course of our audit, we were able to find proof that the broker had warned the client multiple times over the years about various compliance problems, including delinquency with ACA reporting and 5500 filings. Time and time again, he had gone out of his way to reveal the client's exposure and offer advice for correcting them, but the former HR director had chosen to ignore the warnings.

The Resolution

Seeing this evidence, the new HR director had a change of heart. We were able to prove that Matthew had the company's best interests in mind, and as a result, the client decided not to change brokers.

Furthermore, we went to work with the company on a project to fix all of the issues that the audit had revealed. They were anxious to get started and hopeful that they could weather the storm and come out the other side in a better position. In the months to come, working side by side with the broker, we tackled the client's compliance issues one by one, turning things around for the company.

In the end, Matthew's relationship with an important client was saved, and the company was able to climb out of a mess that had seemed insurmountable. As he later told us, "I wish I'd started working with Benefits Compliance Solutions right away. I would have saved myself a whole lot of stress and worry!"