

# THE ADVANTAGES OF SHIFTING TO THE THIRD-PARTY ADMINISTRATOR (TPA) MODEL FOR INSURANCE BROKERS



## INTRODUCTION

The insurance domain is undergoing a paradigm shift, driven by a growing need for enhanced customization and responsiveness in the rapidly changing market. With the Canadian group insurance marketplace traditionally overshadowed by sizable insurers, a new player, the Third Party Administrator (TPA), is emerging as a formidable force.

The flexible and adaptable nature of TPAs has made them attractive to a wide range of clients, including small businesses that have historically struggled to find tailored insurance solutions.

Group insurance brokers considering adopting the TPA model stands to gain innumerable benefits and operational efficiency. From enhanced customer service to the ability to curate personalized insurance packages, the TPA model offers a new path to success for brokers. Collaboration with large insurers, optimized benefit packages, and customer service excellence are just some of the hallmarks of this emerging approach.



### The Core of a Third-Party Administrator (TPA)

TPAs operate as intermediaries, distinct from insurers, adept at executing the administrative and operational duties associated with employee benefits plans. Their purpose stems from the increasing complexities encountered in employer and union administration, ranging from specialized employee eligibility protocols to intricate hour bank systems.

In the words of Keith Foot, President of Automated Administration Services Inc., the unique selling proposition of TPAs is encapsulated as:

***“The ability to provide employers with flexibility and choice to achieve the best amalgamation of product, service, and price.”***

## Drawing the line: TPS VS. Insurers

The distinction between TPAs and Insurers is palpable.

- **Product Packaging:** Unlike insurers, TPAs seldom own exclusive products. Instead, they curate packages by amalgamating diverse insurer products, yielding competitive benefits plans. This strategy provides unparalleled flexibility, resulting in personalized solutions over generic packages. Additionally, they can offer fringe benefits, voluntary benefits, and perks within their product packages.
- **Customer Service Prowess:** Their relatively smaller operational scale empowers TPAs to provide unmatched personal customer service. For instance, interactions transcend automated systems, connecting callers directly to human personnel.

## The quintessential benefits of associating with a TPA

### Strategic alliances and superior benefit design

Collaboration with Large Insurers: TPAs, operating distinctively from large insurers, collaborate with them to curate top-tier benefit offerings. They extract the zenith of benefits from multiple insurers, culminating in bespoke plans to align with diverse organizational requirements.

Optimized Benefits Packages: TPAs are synonymous with offering superior benefits. By liaising with numerous major insurers, TPAs meld best-in-class products, translating into formidable benefits plans.

Moreover, since benefits derive from diverse insurers, they can be rated independently, avoiding the pitfalls of packaged benefits or escalated rates.

- **Customer Service Excellence:** Rooted in specialized service and intricate administration, TPAs have etched their mark by ensuring adaptability and flexibility. Clients are always greeted with warmth, professionalism, and a deep-seated commitment to problem-solving.
- **In the Canadian Group Insurance Landscape: The Role of Third-Party Administrators (TPAs)**
- In the Canadian group insurance marketplace, the domain of delivery, administration, and claims adjudication have long been led by large insurers. However, emerging from the shadows, TPAs have carved a niche for themselves and are transforming the insurance arena.



## SELECTING THE RIGHT TPA: KEY CONSIDERATIONS

Choosing the right TPA is imperative. TPAs differ in their range of services, with some focusing primarily on eligibility and premium administration while others offer comprehensive in-house services. Given this, it's essential to ask several risk-mitigating questions:



- **Services Offered:** Ascertain what services are provided in-house and which ones are outsourced. An informed understanding ensures that you're aware of where your data is processed and managed.
- **Carrier Exclusivity:** Does the TPA have an exclusive partnership with one insurance carrier, or do they freely choose based on the client's best interest?
- **Relationship with Independent Brokers:** TPAs working well with independent brokers signifies a high level of customer service.
- **Experience:** Consider the TPA's tenure in the market. A long-standing TPA typically indicates a robust business presence and a positive reputation

### Addressing the elephant in the room: Challenges for TPAS

Every silver lining has a cloud. The primary challenge confronting TPAs is the perceived lack of industry regulation, leading to trepidation among insurer and employers.

To assuage these concerns, several Canadian TPAs established the Third Party Administrators Association of Canada (TPAAC), aiming to echo the collective voice of TPAs across the insurance arena and government bodies. Although not a formal regulator, TPAAC enforces a strict code of conduct, providing members with the necessary resources to uphold these standards.

## CONCLUSION

The ever-evolving insurance landscape is pointing towards the Third Party Administrator (TPA) model as a game changer in the Canadian group insurance sector. Beyond operational efficiency, TPAs redefine the value brokers deliver, positioning them at the forefront of industry transformation.

The ability to customize offers, guarantees superior client service, and the optimized benefit packages set brokers who adopt this model apart. In a rapidly shifting world, TPAs aren't merely a trend but are shaping up to be the new standard. For brokers, embracing the TPA model is more than a transition—it's a pivotal strategic leap, potentially redefining success in Canada's insurance sector.

## ABOUT SEGIC

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Segic is a Canadian technology company specializing in the development of a global platform for an organization's group and individual benefits. Segic's platform enables employers to offer personalized, customized benefits to their employees, facilitating access to voluntary, individual and group discount benefits on health, financial and insurance services.

### Find out more about Segic:

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