

( IS SOCIAL SECURITY A SAFETY NET OR MONEY PIT? )

# BENEFITS SENSENG

BenefitsPro.com

Volume 10, No. 8 | August 2012

## INSIDE:

### SUPREME COURT SPECIAL:

STOREY SOUNDS OFF ON THE  
SCANDAL OF THE SUPREMES...

WHILE MAYER BREAKS DOWN  
THE CONVOLUTED RULING

# A-LIST

EVEN WITHOUT HIS \$75 MILLION BOOK OF BUSINESS,  
TED TAFARO SOMEHOW MAKES HIS JOB LOOK COOL.

**+** GOT DEPENDENTS?  
ELIGIBILITY AUDITS CUT  
COSTS. NOT BENEFITS.



# The \$75 million man

**TED TAFARO'S JOB IS WAY COOLER THAN YOURS.**

*By Kathryn Mayer || Photographs by Natalie Brasington*

He actually makes insurance look interesting, even to those outside the business. Tafaro, president and CEO of Exceptional Risk Advisors in Mahwah, N.J., insures high-end professionals—anyone from a real-life surgeon to an actor playing one on television.

“There are very few files on my desk you would look at and not know who they were,” he says.

Tafaro, 43, tells a story about his three young kids having no interest in his job, until they heard about a certain superstar. Then they had questions.

Though impressive to his children, celebrity status is all just part of another day at the office for Tafaro. But the coolness factor hits him as he drops names on a colleague, he says.

“Their faces light up, and then I kind of get it,” he says.

Tafaro founded Exceptional Risk Advisors in 2006, after working in the business for more than a decade. Echoing most other insurance guys, Tafaro says, “You’re either born into insurance or fall into it by accident.”

Tafaro is part of the first group. After graduating from Gettysburg College in 1991 with degrees in management and economics, he started underwriting reinsurance for a company his father started.

But after more than a decade, Tafaro thought he could make a career of narrowing in on sophisticated-only cases. He was right. And he loves every second of it. The Lloyd’s of London Cover-holder is responsible for managing various underwriting authorities at Lloyd’s that exceed \$75 million per individual risk.

“I certainly believe with my hand on my heart that I have the best job in the insurance business,” he says.

And it shows. Both he and his company have earned all kinds of accolades: In 2010, Inc. magazine recognized Exceptional Risk Advisors as one of the country’s fastest growing privately held companies. In 2008, NJBIZ named Tafaro one of the “Top Forty Executives Under 40.”

Despite the stress the insurance business has incurred over the past few years, Tafaro’s business has been a success. Its revenue has averaged \$8 million in the past two years.

And starting a business amid a recession wasn’t as crazy as it sounds. “We’ve been very fortunate,” he says. “While we started the business from scratch, we had an experienced team that really helped build a fantastic business.

“There’s still a need, at the end of the day, to underwrite and market something people want to buy,” he explains. “Plus there’s a void in the marketplace, and that makes it easy.”

It sounds easy coming from a guy who called for the interview during his day’s “break”—an hour-long hike.

Easy also isn’t how some might describe working with celebrities and athletes, whose volatile personalities and careers often make headlines. But to Tafaro, there’s an obvious need for dedication and





protection to this group, and he fulfills it.

Sounds like a guy you might trust with your life, right?

## THE BUSINESS OF TED TAFARO

Tafaro built his company on a niche market—he says he’s only got four competitors nationally, all of whom have their own strengths.

“The business we’ve built isn’t able to translate to small policies and a lot of transactions,” he says. “We’d prefer to work on the bigger, more sophisticated policies. That’s our value. The lower end of the market is too open for commoditization. No one’s gonna appreciate saving 75 bucks on a \$750 policy.”

And it’s more involved than just insuring a celebrity’s legs—though he’s done that.

“A [celebrity’s] accountant might approach us and say, ‘XYZ entertainer makes \$10 million; she’s 36 years old, she has no disability/income protection, so how do we do that?’ If she’s a musician and her hands are injured, she can’t work.

“The second side is protecting

exposures—everything from disability to a TV producer looking to protect their star from their runaway series,” he says.

“In the entertainment and sports base, there’s an increased focus on liability protection and disability. They have a very compressed career—football players only have a couple years and most entertainers don’t make it more than a decade, if they’re lucky,” he says. “They have a compressed amount of time to make a lot of money, so it’s imperative for their advisors working in that space that they adequately protect them.”

Though some of the policies might sound over the top, when Tafaro describes it, it makes sense. The company has done all the body-part-insurance requests the general public reads rumors about: They’ve insured a woman’s breasts for a million bucks. They’ve insured hands and legs.

“You name the insane request, we’ve done it,” Tafaro says. “Some are scary sounding but still very legitimate.”

Still, there are requests that surprise

even him.

Earlier this year, Tafaro got a call from a company that put all their high-level execs on one flight, including their founder and their CEO—their entire c-suite, he says. Just one airplane ride was insured for a cool \$100 million.

## A DIFFERENT BALLGAME

Exceptional Risk Advisors—comprised of 16 employees and 1,500 unique policies—focuses on three main groups: athletes, entertainers and the c-suite.

“Each one has its pluses and minuses,” he says. As far as what’s popular for other brokers trying to get into the biz, that’s an easy one. Guys grow up wanting to be professional athletes; when that doesn’t happen, they often want to work with sports figures.

“So many people approach us and say they want to be in sports insurance,” Tafaro says. “But it’s tough, and it’s dominated by a select few brokers who are really good at what they do.”

Dealing with athletes, as well as their



sports agents and their demands, can be tough.

"It's a really intensive labor market," Tafaro says. First of all, it's extremely risky.

"There's a real short shelf life—could be only three years," he says. There also are different economics for different sports.

But for sports players, insurance is obviously extremely vital. After all, an athlete's greatest asset is his ability to play his sport. So disability insurance is the most critical form of insurance any player can own.

For Tafaro, personally, insuring athletes ruins the fun of a favorite pastime.

"It's definitely taken some of the joy out of watching Sunday football when all I'm doing is worrying about someone getting hurt."

## THE EXECUTIVES

"If we're being totally honest, pound for pound, we prefer working with the c-suite," he says. There's an obvious reason for that, being that those policies last years. Unlike celebrity status or a sports career, execs usually don't have a short shelf life.

Plus, there's a clear need for insurance for executives, which sometimes they don't see—or maybe just don't have the time to see.

"Fewer business owners are protecting their biggest asset—their business," he says.

These are people, he says, who "are making millions and millions—bonus compensation, stock shares—but the reality is, [their benefits] fall dramatically

short. So they look to supplement their long-term disability and individual disability with high-limit disability that will more accurately support their income levels."

Usually, 60 percent of their incomes are covered.

"In this day and age, it's more commonplace to maybe not insure their entire value, but they're certainly looking to ensure cash compensation," he says. "There's a whole new level of focus on the marketplace today in respect to board level succession planning and CEO succession, and we're seeing a renewed pickup of buying both life and disability insurance."

But it's still a complicated matter. "It's not happening in every company but we've certainly seen a noticeable uptick in companies having that discussion." That may be in part due to high profile CEOs like Apple's Steve Jobs, who died last October. "The high-profile nature of some of the losses that have occurred over the last few years have brought the issue to light, and then there are regulatory factors that have put CEO succession squarely on the shoulders of the board of directors."

"If I'm an employee, I'm looking to protect my liability, and insurance is one mitigating way to do that. It doesn't solve the problem but it helps facilitate it if it does happen."

## A TOUGH SELL?

Voluntary benefits, any broker can tell you, can be a tough sell, and that

could be especially apparent when it comes to disability protection. There's the common belief that it's not going to happen, so why bother insuring against it?

The truth is, Tafaro explains, death is a certainty. Disability isn't. But when selling that to high-level execs, it's not a tough thing to convince them of its worth because they're less price sensitive. So Tafaro has the leg up.

"It's a pretty easy sell. If their base plan provides \$25,000 a month and their executive needs a total of \$50,000 a month to protect a million dollars' worth of income, the incremental spend of another \$6,000 to cover that risk—there's not really much of a discussion; they are just going to do it.

"In a lot of respects, it's Selling 101," he says. "It's getting it to the right people, asking the right questions, uncovering the need. Do they have a desire to solve the problem? Then it's about you presenting them with a solution."

Still, you have to get them to see that they need and want a solution. The most difficult part of selling insurance, Tafaro says, is education. One key to success is persistence.

"They think, 'Yeah, that's a great idea,' then they go back to what they're doing."

"You just need to migrate them over," he says. "They'll take a sip of the Kool-Aid and like it, and then they'll keep drinking." ☐