

Benefits firm sees boost as regulations enforcement stiffens

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Government contractors are facing more scrutiny from the Department of Labor, and one Austin company — Fringe Benefit Group — believes it's in a position to help them follow wage and benefit rules.

To do business with the government, contractors must comply with the Davis-Bacon Act of 1931, which requires contractors to pay prevailing wages and benefits to employees assigned to public works projects.

In the last year, compliance has become an even bigger issue for contractors as the Labor Department has begun to crack down on businesses. Last year, the Labor Department hired 250 field investigators to ensure government contractors are complying with the Wage and Hour Law.

"Now they are having eight to nine Department of Labor conferences a year. They are saying you must be informed, it's not acceptable to say, 'Oh, I didn't know,'" said Matthew Knippa, director of sales for the Insurance Network of Texas.

At the same time, there will be \$76.9 billion in contract, grant and loan stimulus funding awarded nationally, according to Recovery.Gov. In Texas, there is \$9 billion in federal grants and contracts still available, according to Fringe Benefits. The availability of stimulus funding, coupled with stricter compliance regulation, has boosted business for Fringe Benefit.

"The pie is getting bigger in the government contracting space for the first time in a while," said Travis West, president and CEO of Fringe Benefit. "So our business

has really grown."

Since 1983, the Austin-based company has carved a niche by providing health and welfare benefit and retirement plans for companies that pursue government contracts, as well as benefit plans for hourly employees across all industries.

In 2009, the company sold 30 percent more retirement plans than the year before and 50 percent more health premiums.

West declined to disclose revenues, saying only that the company will underwrite close to \$90 million in health insurance premiums this year and administers more than \$400 million in a retirement trust. Sales are also expected to rise this year because of a national business partnership with the Associated Builders and Contractors, a leading national industry organization.

"Our biggest problem is keeping up with the influx," said Adam Bonsky, Fringe Benefit's executive vice president of government markets.

The 85-person company has partnered with new wholesalers throughout the country to support its growth, and it hired about 15 employees during the last year.

Fringe Benefit, which also provides limited medical plans across industries, sells its products through its network of independent insurance brokers.

In the last year or so, heightened competition in the construction industry has made benefit products easier to sell. Fringe Benefits is not the only local health plan provider in the government contracting niche. But Knippa, who sells Fringe Benefit's products, said what makes its products stand out is their flexibility and simplicity.



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Fringe Benefit Group CEO Travis West, left, and Executive Vice President Adam Bonsky have grown their business helping contractors comply with wage and benefit laws.

"They don't have the stipulations that can cut out groups or companies. They are much more broad," Knippa said.

Instead of applying benefits to a program, most contractors will roll the required benefits with hourly wages because it's simple to do so. But that method usually adds more to the bottom line because it subjects paychecks to taxes and insurance.

Another concern is that wage and benefit requirements vary by location, which causes confusion among contractors, Bonsky said.

Utilizing a benefits program helps contractors reduce labor costs, meet guidelines and ultimately submit more competi-

tive bids, Bonsky said.

"If a contractor isn't bidding competitively in a plain and simple lowest-bidder-wins market, you aren't going to get work," Bonsky said. "We come in and show them you can bid much more effectively and free up profits if you change that one business practice."

While being more competitive is a positive consideration for engaging a company such as Fringe Benefit, consequences of failing to comply with Davis-Bacon can be costly to a business, Knippa said. The Labor Department can either force a contractor to pay back wages, suspend the contract or debar the contractor, he said.