



VOLUNTARY BENEFITS ON THE RISE

Reduced costs for employers and employees make these a win-win

By Dave Willis

Smart investors diversify their portfolios. More and more, smart P&C agents are doing the same thing. They're expanding product offerings to broaden revenue streams, placing greater emphasis on account rounding to bolster client retention, and using a range of products and services—some old, some new—to open doors to new business opportunities.

Today, agents are using voluntary benefits in their move to diversify. "Voluntary products have definitely seen an increase in sales in 2011," says Robert Nevers, RHU, director, worksite and voluntary marketing for Standard Life and Accident Insurance Company. "That trend should continue."

Voluntary business experts say the time is right for agents to get engaged, in light of health care reform initiatives. Tom Giddens, senior vice president and director of sales for Aflac, says, "More Americans now recognize the importance of taking charge of their health care decisions and finding coverage that best fits their medical needs."

He calls the outlook for voluntary benefits in 2012 very positive, with high demand coming from employees in particular. A Harris Interactive study, titled, "2011 Aflac WorkForces Report," found that 66% of employees would be willing to apply for additional insurance products to ensure coverage where employers don't provide it.

"With continued economic uncertainty, confusion in benefits, and rising health care costs, many businesses have reduced the amount of coverage they make available," Giddens explains. "In some cases, they've forgone offering

certain benefit options altogether." He calls this news "alarming," since the Aflac study found that 63% of employees say their benefits packages factor into their decision to change jobs.

John Burke, director, Group Benefit Products Center at Dearborn National, agrees that voluntary products can offer value for agents and brokers, as well. "We're placing more emphasis on our voluntary business this year," he says. "Why? 2014," when remaining health care reform provisions take effect. Agents who are dependent on health insurance revenues need a plan for 2014 to compensate for potential business loss, he believes, and those without a book of health business can use voluntary benefits as an entrée during what may be turbulent times.

"If employers are thinking about sending employees to a public exchange and getting out of offering traditional benefits, producers can view that as an opportunity," Burke adds. "Without the burden of a full health care plan, employers may be more willing to fund, or at least support, ancillary voluntary benefits."

Product options

John Stanley, chief marketing officer for Transamerica Employee Benefits, has observed increased interest in voluntary plans that fill gaps left when employers opt for higher-deductible health insurance programs. "We're definitely seeing a re-emergence in the supplemental health space," he explains. "In the smaller and middle markets, specifically, there's interest in products that help employers contain costs."

"Everybody's talking about 2014 and health care reform," Stanley observes. "Well, mom-and-pop and mid-

sized and smaller customers are dealing with these issues today. They're asking how to cover rising health insurance costs and provide competitive benefits to retain valued employees." His firm offers a gap plan that sits underneath a high-deductible plan.

"A gap product lets employers offer major medical with a significantly higher-deductible and provide the employee supplemental benefits to cover a lot of out-of-pocket expenses," Stanley explains. "At the same time, the employer is able to lower its annual premiums and, perhaps, pass some of the savings on to employees." Often, the employer will align contributions for supplemental products with the employee contribution for traditional health insurance.

Supplemental health products can cover a range of expenses, from inpatient and outpatient deductibles to emergency transportation and more. They can also be bundled with other voluntary life, health and accident products. "Employees really value these products, and we can offer them on a guaranteed-issue basis and make enrollment and administration simple for employees and employers," Stanley notes.

Short-term disability is another valued voluntary product. "Statistics show that one out of three people will become disabled before age 65," explains Nevers, "so disability insurance is important. It protects people's ability to earn a living in case something happens; they can still have money coming in to pay the bills."

Kurt Petersen, lead underwriter for Petersen International Underwriters' Guaranteed Issue Programs, concurs. His company is seeing a trend toward multi-life guar-



anteed or simplified underwriting disability coverage. "Higher limits are being offered," he says. This allows high-income earners to get adequate amounts of income protection.

Petersen says disability carriers have been profitable for the past 10 years and now are "spending some of their hard-earned capital exploring ways to get more people insured by offering lower rates, streamlined underwriting and electronic enrollments." He cites an example of a large law firm that recently requested a voluntary program for supplemental disability insurance to augment their long-term disability plan.

"The supplemental benefits provided on a voluntary basis were up to \$50,000 per month in addition to the underlying \$25,000 per month group plan, for a total of \$75,000 per month issue limits," Petersen says. Participation requirements were modest and premium discounts of 30% were offered. "About half of the eligible participants were insured for supplemental income protection, with a collective annual premium just shy of \$1 million," he says.

Nevers says disability insurance sales tend to rise in a down economy, and that interest is high in a number of industries. "Blue collar workers have been the bread and butter," he explains, "but we're also seeing success in other areas, including schools." Reduced funding has led to budget cuts, so voluntary benefits are coming into play. "Another growing market for disability and other products is the association world," he says.

Critical illness insurance is also gaining traction in the voluntary arena. "There's a lot of interest from the producer community—more than I've seen since any company started marketing the product," says Burke. "Producers are trying to determine how they can use that in conjunction with high-deductible medical plans."

Life insurance has been a popular product for years. "There's group term and permanent life insurance," says Nevers. "Many employees don't understand that life insurance they get through work doesn't go with them when they retire. Portability is an increasingly important factor."

Dental insurance has become an increasingly popular voluntary product. "We're seeing a continuous trend of dental plans going from employer-paid to voluntary," Burke explains, "We've seen this for the last couple of years. Today, more than 60% of our dental sales are on the voluntary side."

Agent opportunities

Interest among agents in voluntary products has been growing. "Savvy agents started getting more involved two to three years ago, when they saw what might be coming down the pike with health care reform," says Nevers. "They were looking for new ways to generate revenue, so many looked to the voluntary side, to worksite products."

Stanley adds, "In a soft P&C market, voluntary benefits represent a tremendous way for agents to leverage existing customers, and to open up new opportunities with employers they're

not dealing with today, to develop new and recurring revenue streams."

Nevers agrees that voluntary benefits present great cross-selling opportunities for P&C agents. "They already have businesses as existing clients, and for little or no extra cost, they can build a script for CSRs to use when they're talking with these customers."

Producers and principals can get into the mix, too. "Traditional P&C agents are already dealing with the business owner, the CEO and/or the CFO," says Stanley. "That's where benefits decisions are being made now, because benefits represent what is often the second highest expense for most employers, just after payroll. The P&C producer already has a relationship and is already discussing risk management strategies. It makes sense to include benefits in such strategy discussions, because that's a real risk for many employers; it's an issue they're all struggling with."

According to Giddens, agents can jump-start success by becoming familiar with voluntary issues and products, and then sharing that expertise. "Agents and brokers have a great opportunity to educate consumers and businesses on benefit options available," he explains. The Aflac study found that nine out of 10 workers choose the same benefit options year after year, despite confusion with policies and what they are selecting. In fact, 47% of workers said they have made mistakes or have regrets about choices made during open enrollment.

"Statistics show that one out of three people will become disabled before age 65, so disability insurance is important. It protects people's ability to earn a living in case something happens; they can still have money coming in to pay the bills."

—Robert Nevers, RHU
Director, Worksite and Voluntary Marketing
Standard Life and Accident