Trends in Worksite Marketing

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Worksite Marketing (WSM) Defined

Benefits sold on a voluntary basis to employees of a corporation. The premiums are collected at the workplace (via payroll deduction) and there is no employer contribution towards the premium.
# Reasons Employees Purchase WSM Benefits

<table>
<thead>
<tr>
<th>Why Buy</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll deduction is convenient</td>
<td>62%</td>
</tr>
<tr>
<td>Payroll deduction helps me to be more disciplined</td>
<td>51%</td>
</tr>
<tr>
<td>I can sign up for insurance without medical exams</td>
<td>50%</td>
</tr>
<tr>
<td>More convenient than shopping on my own</td>
<td>43%</td>
</tr>
<tr>
<td>Better rates/group rates</td>
<td>41%</td>
</tr>
<tr>
<td>I trust employer to screen carriers and find best products</td>
<td>32%</td>
</tr>
<tr>
<td>My employer will provide objective info about vol. benefits</td>
<td>32%</td>
</tr>
<tr>
<td>I will get better customer service from co.’s providing benefits</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: MetLife Employee Benefits Trend Survey, 2004
Overview of the WSM Industry

In-Force Premiums
(In $ Billions)

Source: Eastbridge Consulting Group, Inc.
Overview of the WSM Industry

New Business Premiums
(In $ Millions)

Source: Eastbridge Consulting Group, Inc.
What Are Consumers Asking For?

• “Medical-Related” products
• Dental
• Vision
• Prescription Drug
• Long Term Care (LTC)
• Long Term Disability (LTD)

Source: National Underwriter Life & Health; March 28, 2005
Overview of the WSM Industry

Product Mix of 2004 Sales

- DI: 23%
- Accident: 15%
- Cancer/CI: 12%
- Health Insurance: 12%
- Dental: 10%
- Other: 3%
- LTC: 1%
- Life: 24%

Source: Eastbridge Consulting Group, Inc.
Most Profitable Products in 2004

1. Accident
2. Hospital Indemnity
3. UL / Whole Life
4. Term Life

Source: National Underwriter Life & Health; March 28, 2005
Life Products vs. Health Products

2004 Sales Growth

• Health products greater than Life products

• Hospital Indemnity / Supp Medical = +80%

• Disability = +3%

• Life = -3%

Source: National Underwriter Life & Health; September 26, 2005
Individual Products vs. Group Products

- 2004 New Sales
  
  Group = 40%
  Individual = 60%

- 2004 Sales Growth
  
  Group = +4%
  Individual = +1%

Source: National Underwriter Life & Health; September 26, 2005
Individual Products vs. Group Products

Individual
• Can be customized to fit individual needs
• Low or no participating requirements
• Will not loose coverage if employer stops deductions

Group
• Employer determines eligible classes and benefits
• Minimum participation required
• Employer can cancel coverage leaving a gap for employees

Source: LIMRA Worksite Presentation
Why Some Carriers Use Group Filings

• Ease of filing

• Ease of implementing rate increases

• More simplified pricing approach
## Distributors of WSM Sales

### Broker Segments
- Employee Benefit Brokers = 36%
- Classic Worksite Brokers = 13%
- Worksite Specialist Brokers = 8%
- Occasional Worksite Vendor = 8%
- Multi-Line Agencies = 3%

### Career Agents = 28%

* Percents do not total to 100%

*Source: National Underwriter Online News Service, August 30, 2005*
Winning WSM Sales Tactics

• Earn employer buy-in at all levels

• Set expectations up-front

• Employ effective, multi-faceted communications approaches

• Spend more time educating and less time selling

• Close the loop; get all employees to consider and reply

Source: National Underwriter Life & Health; March 28, 2005
Challenges to WSM Sales

• Discretionary money to spend (not much left due to increasing healthcare cost burden shifted to employees)

• New regulations (e.g. CA mini-med only available if covered under full medical)
Metrics used by WSM Carriers

Question: What gets tracked often?
Answer: Sales (80%-90% track quarterly)

Question: What gets tracked less often?
Answer: Profit (≈25% do not track on-going) and Persistency (20% do not track on-going)

Largest Challenges Facing WSM Carriers

Profit

Persistency

Source: National Underwriter Life & Health; March 28, 2005
Challenges to WSM Profit

- Irrational pricing
- Reduced margins to increase sales
- Employer/Broker push to reduce risk tools:
  - Increase GI limits
  - Increase enrollment period limits
  - Reduce medical underwriting
- Initial participation
- Persistency
- High up-front acquisition costs

Source: National Underwriter Life & Health; March 28, 2005
Guarantee Issue

• True group usually has GI
• WSM usually ties GI to participation
• Brokers want GI to get more paying customers...needed to support high acquisition costs
• GI risk can be mitigated by pre-ex
Participation

• Increasing participation from 25% to 30% will have an expected improvement in risk results of approximately 7% to 9%

• Even at 50% participation, the improvement in risk results for a 5% improvement in participation can be expected to be $\approx 4\%$ to $5\%$

Source: National Underwriter Life & Health; June 17, 2002
Persistency

- 40% to 60% first year lapse rates
- Efforts to maintain customer if they leave their employer
Compensation

• True Group
  All Years = Level 15% to 30%

• Worksite Marketing
  First Year = 60% to 80%
  Renewal years = 15% to 20%
Summary

• Continued shift to employee paid benefits

• Strong sales of medical-related products

• Carriers filing WSM products on group chassis

• Carrier focus on tracking/correcting profitability and persistency issues
The End