

Worksite Marketing 2009 National Association of Health Underwriters

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Worksite Marketing 2009

WHAT IS IT?

Worksite marketing?

Voluntary benefits?

Payroll deduction (PRD)?

List bill?

Mass Marketing?

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- Change in Dynamics of the Insurance business
 - Was a Kitchen Table Business
 - Now gone as we knew it because of:
 - The do not call list
 - Caller ID
 - Answering machines
 - Voice mail
 - Changes in lifestyle
 - Don't bother me at home attitude

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- Employees want to buy insurance at the worksite
 - Initially employers were concerned that employees would want the employer to pay
 - Employers are concerned about the bottom line of the paycheck – perception
 - With the rising cost of health benefits, employees understand that they now must participate in the cost of their benefit programs

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- Worksite Marketing is the current “Kitchen table” business
 - The Workplace (cafeteria) replaces the home
 - Now a daytime business (24 hours)
 - Fewer Agents in the insurance business
 - Pursuit of Upper income clients
 - Many employees are working paycheck to paycheck
 - Lower income and middle income employees are being ignored by most insurance agents
 - Employees don't want to be bothered at home

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- Advantages to the Employer
 - Ability to offer additional benefits at no additional hard dollar cost
 - Gives employees access to group products
 - Potential advantages to special underwriting offers
 - Reduction of payroll taxes (Section 125)
 - Can improved recruiting and retention
 - Can improved morale
 - Better communication to employees
 - Competitive advantage in the market
 - Customization of benefit communication programs
 - Improved bottom line

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- Advantages to the Employee
 - Access to benefits only available thru payroll deductions
 - Group products and rates
 - Individual products that are portable
 - Preferred underwriting
 - Ease of payments thru the payroll
 - Ability to customize benefits based on the needs of the family
 - Increased knowledge of benefit package
 - Annual updates of benefits
 - Portability of products
 - Buying power of Section 125
 - Lock in rates and benefits
 - Benefits for family members

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- Philosophical Differences in the approach to the market
 - Spread Sheet Driven
 - Product design offering
 - Why sell Cancer Insurance?
 - What about Accident Insurance?
 - Concept sale using benefit communication
 - Why should an employer offer voluntary benefits?
 - Why should employers allow you to sell insurance to their employees?

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- Where the market is
 - What is driving the market
- The role of voluntary benefits
 - The role of communication
 - Global view

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Where the market is:

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- Estimated Worksite New Sales Growth (millions)
 - 2006 \$4,715
 - 2005 \$4,366
 - 2004 \$4,223
 - 2003 \$4,100
 - 2002 \$4,027
 - 2001 \$3,500
 - 2000 \$3,100
 - 1999 \$2,600
 - 1998 \$2,200
 - 1997 \$2,000
- May 2007 Eastbridge Consulting Group Inc.

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- Worksite Marketing of Voluntary Products
 - Sales were up 10%
 - New sales exceeded \$1.8 Billion
- LIMRA Sales Survey 2nd Quarter 2007

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- The Market
- Employer Size and % offering at least one voluntary product
- Eastbridge Consulting Group
Sept 2007

Employer size	% offering
10-100	50%
101 – 500	79%
501-2,000	72%
2,001-4,999	80%
5,000 +	78%
Average	54%

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- Top Voluntary Products Offered
 - Large employers 5,000 +
- Eastbridge Consulting Group
September 2007

Product	Large ER's	All ER's
Vision	44%	22%
LTD	36%	22%
LTC	33%	19%
Personal Accident	31%	25%
Cancer	24%	37%
STD	24%	24%
AD&D	24%	16%
CI	20%	26%
Dental	20%	19%
UL/WL	18%	19%
Term Life	18%	20%
Hosp supp	9%	19%

Workplace Benefits:

What is driving the market

Market drivers

- Health insurance rate volatility:
 - Rate increases
 - Strip-out plan design
- Equity market volatility:
 - 401 (k)
 - 403 (b)
- Ordinary life:
 - Reduction in ordinary field force
 - Middle market underserved
- Viability of Social Security

Workplace Benefits:

direction of voluntary benefits

Where the market is headed?

- Plan innovation:
 - Life insurance: *life events coverage*
 - Long-term care
 - Disability income
 - Critical Illness
 - Waiver of premium
 - Critical Illness
 - Group Voluntary Insurance Products
 - Mini Medical / Hospital indemnity plans
 - Technology Improvements

Where is the market headed?

- With the US economy low
 - 30% of consumers have no confidence in insurance companies
 - 33% have no confidence in mutual fund companies
 - 46% have no confidence in stockbrokerage or investment firms
 - 48% have no confidence in rating agencies
 - 50% have no confidence in government regulators
 - November 11, 2008 Voluntary.com article quotes LIMRA study

Where is the market headed?

- Many taking a wait and see approach
 - 21% putting off buying insurance
 - 5% plan to cancel benefits
 - 6% would buy more benefits
 - 52% plan to reduce debt
 - 12% will lower retirement contributions

November 11, 2008 Voluntary.com article quotes
LIMRA study

Workplace Benefits:

the role benefits communication

Workplace Benefits: *the role of communication*

- Financial implications:
 - “Managing Human Resources” – *anytime an employee leaves, it takes the equivalent of 3-4 months of the terminating employee’s salary to replace the terminating employee. Sherman and Bohlander*
 - “Human Capital as a Lead Indicator of Shareholder Value” – *firms that designate resources to communicate benefits, experience, on average a 7.9% greater return to shareholders. Watson Wyatt*

Workplace Benefits: *the role of communication*

- Effective communications *is*:
 - A strategy to effectively communicate benefits in a manner that is completely understood and comprehended by most.
- Remember the audience
- Drive benefit messages
- Age of entitlement

Workplace Benefits: *the role of communication*

- “Forward-thinking perspective”
 - Weaknesses and exposure of current plans
 - Confusion about benefits
 - Lack of appreciation for what is offered
 - Anticipated design changes

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- Opportunity according to survey results from:
 - LIMRA
 - Eastbridge
 - US Chamber of Commerce

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- OPPORTUNITY AHEAD
 - 44% of US households say they need more life insurance

LIMRA

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- OPPORTUNITY AHEAD

- 60% of middle-income consumers prefer to buy life insurance through someone they meet in person

LIMRA

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- OPPORTUNITY AHEAD
 - 58% of individuals have no individual Life Insurance

LIMRA

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- OPPORTUNITY AHEAD
 - Only 28% of individuals have DI/Accident coverage

LIMRA

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- OPPORTUNITY AHEAD

- Only 27% of full-time employees estimate correctly that their company spends \$4,000 or more per year, per employee for medical insurance benefits

US Chamber of Commerce

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- How do I get started in the Worksite business?
 - Who are your clients?
 - Group health cases
 - Commercial fleet customers
 - 401k customers
 - Do I know any business owners?
 - Do I know any decision makers?

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- How do I approach the market?
 - If I could show you how to save 10 to 15% on your health insurance premiums, would you give me 10 minutes of your time? Can I see you at 8:50 or 10:50 which is better for you?
 - If I could show you how to offer more benefits to your employees without any additional premium cost, would you give me 10 minutes of your time to show you an idea? Can I see you at 9:50 or 1:50?

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- When should I approach my group clients about voluntary benefits?
 - At renewal?
 - Mid-year?

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- What products should I offer?
 - Agents offer
 - Life
 - DI
 - After Medical and Prescription drugs, employees want
 - Dental
 - Vision

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- Typical Worksite Products
 - Life (UL/WL/Term)
 - DI (LTD/STD)
 - Accident
 - Cancer
 - Heart/Stroke
 - Dental
 - Supplemental Health
 - Critical Illness
 - LTC
 - Vision
 - Mini Med
 - Legal Plans
 - Pet Insurance

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- Can I make any money selling voluntary benefits?
 - If you don't someone else will
 - AOR
 - More companies entering the market
 - Also exiting
 - Cross selling opportunities
 - Buy Sell
 - Key man
 - 401k
 - Etc...

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- What are the pitfalls?
 - Billing problems
 - Especially paper bills
 - Time to enroll employees
 - Good enroller sees 15 – 20 employees per day
 - Access to the employees
 - Are meetings mandatory
 - Multi state locations
 - Partner with a professional enrollment company
 - Split commissions

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- Final thoughts

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- According to Eastbridge Consulting
 - Worksite potential \$28 billion market
 - Current market penetration is only 30%
 - Market is growing at a rate of 10% to 15% annually

Eastbridge Consulting

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- Why should I sell worksite products?
 - Keeps out the competitors
 - Provides a service to your clients
 - Additional stream of revenue
 - LIMRA says more lines of coverage with a client the better chance of keeping them
 - If you don't sell these products someone else will sell them and you may lose a client

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- When looking to get started in Worksite Business
 - Strength of corporate financials
 - Commitment to the voluntary benefits market
 - Competitive product portfolio
 - Producer compensation
 - Who owns the business?
 - Service and Technology to support the sale
 - Technology to support the enrollment process
 - Producer friendly, Relationship Driven Company

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- QUESTIONS ?

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- Thank you

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