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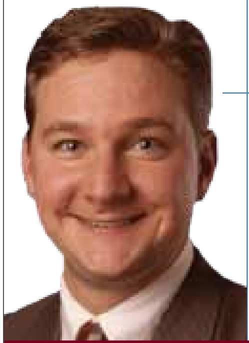

By
Jeff Schuh

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Voluntary Benefits A Work in Progress

Both insurers and brokers must learn from the past in order to boost future sales.

The employee benefits marketplace has touted group voluntary benefits since the 1990s, predicting strong growth for life, disability, long-term care, critical illness and other ancillary employee-paid products. Rising health care and medical insurance costs, it was thought, would soak up most of the employer's benefit dollars, shifting the cost of other benefits to employees who would still see the need for coverage and take advantage of group pricing.

Work site success, however, turned out to be harder than expected. Of the roughly 100 insurers in the work site and voluntary market, approximately 80% of the sales come from the top 15. Clearly there are many challenges to succeeding in this space. Still, there is cause to be optimistic about the future of voluntary benefits. Let's look at some of the initial hurdles and how these challenges are currently being addressed.

Cost shifting. Initially, the assumption was that employers covering the rising costs of health insurance would shift costs for ancillary benefits to employees. However, employees also had to shoulder some of the rapidly increasing medical premiums, reducing the amount of employee dollars available to purchase voluntary benefits.

Today, rather than "front end" cost-shifting, with employees paying a higher share of insurance premiums, there is more "back end" shifting via high-deductible plans and larger co-pays. This kind of shift creates gaps in employee coverage that voluntary and work site products can fill.

Technology. Voluntary benefits require flexible and reliable technology, especially in the enrollment and premium administration processes. The legacy systems of many carriers could not handle this well, and the complexity and frustration employees faced cost carriers customers at both enrollment and renewal time.

Today, homegrown and vendor systems take advantage of modern technology and are more flexible, innovative and diverse. An array of web, laptop and telephonic solutions can be used to reach employees in new ways, and the current generation of young workers is not only comfortable with this level of accessibility, but they have even come to expect it.

Complexity. Early work site/voluntary ventures often suffered from self-inflicted complexity due to too many products and plan designs being offered. Carriers active in this market today have learned to keep it simple, offering a limited number of simplified voluntary products and combining enrollments with the employer's core benefits.

Health care reform. Companies selling health insurance, and their brokers, are keenly aware of the need to diversify. The effect of minimum-loss-ratio requirements on commissions means brokers can't afford to ignore ancillary benefits. It's fair to say this subject was on the minds of many brokers at a recent conference that RGA hosted.

The work site/voluntary market is here to stay. While some carriers have been disappointed with the amount of growth, others have overcome the early hurdles and become very successful in this market. The timing may now be right for some to re-evaluate their strategy. BR

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