



# Still Growing

The increase in voluntary sales at U.S. work sites shows the line is recession-proof.

by Gil Lowerre and Bonnie Brazzell

**V**oluntary sales of individual or group life and health products, sold at the work site and paid for by employees through payroll deductions, continued to grow in 2008, according to the latest study of voluntary/work-site carriers by Eastbridge Consulting Group.

The annual study, *U.S. Worksite Sales*, reports data on voluntary sales and in-force premium. This year's study includes data from 1997 through 2008, in addition to detailed results for 61 carriers.

According to Eastbridge, new U.S. voluntary sales totaled an estimated \$5.2 billion, an increase of just under 4% over 2007 results. While somewhat lower than the growth rate achieved in 2007, the result is good considering the state of the economy, especially in the all-important fourth quarter of 2008. (Fourth-quarter sales often account for 40% or more of voluntary sales per year.)

Seventy-nine percent of 2008's total sales were generated by the industry's

top 15 companies. These 15 companies had an average growth rate of 11% over 2007. The \$5.225 billion in sales is mostly new dollars to the industry, either from new cases, new employees or additional coverages sold.

About 28.5% of sales in 2008 were "takeover" sales—new sales derived from a carrier taking over or replacing the coverage sold by another carrier. While takeover sales are increasing in the voluntary market, compared to traditional group business, having more than 70% of market sales in new dollars is remarkable.

The voluntary market's in-force premium increased about 11% in 2008, bringing the estimated total of in-force premium to between \$17.4 billion and \$22.9 billion.

### Sales by Product Line

By line of business, short-term disability led the field with more than \$800 million in sales. Term life came in second with almost \$778 million. Disability (voluntary short-term plus voluntary long-term) and life insurance (term plus universal life/whole life) held an almost identical market share in overall product market share, coming in at 22% each.

► **The Situation:** Despite the recession, U.S. work-site sales increased by just under 4% last year compared to 2007.

► **The Significance:** The \$5.2 billion in sales is mostly new dollars to the industry.

► **Watch For:** Work-site sales' growth rate to reach the 3% to 5% range in the next three to five years.

After two years of declines, voluntary life sales were up for 2008. The total increase for the year was 21% compared to declines of 6% in 2007 and 3% in 2006. Total life sales were \$1.15 billion, of which term sales accounted for about two-thirds of that amount.

Total disability sales were \$1.15 billion and were up only slightly from 2007, at 0.8%. Almost all product lines showed positive sales growth for 2008, but term life and critical-illness products led the way with growth rates of 30% and 19%, respectively.

The mix of products between group and individual platforms moved somewhat in 2008. Group sales increased their mix to 48% of total sales, up from 46% in 2007. The growth rate for group products in 2007 was significantly higher than for individual. Group sales grew by almost 9% while individual sales were down by 0.3%.

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Over the past several years the benefit broker segment has accounted for the largest percentage of sales of any single segment (46% of total voluntary sales in 2008).

Career agents were next with 31% of total voluntary sales.

### Five Channels

Eastbridge has identified five distinct segments selling voluntary/work-site products: career agents, benefit brokers, classic work-site brokers, work-site specialists and occasional work-site producers.

The largest percentage increase in new sales came from the classic work-

site broker segment.

Last year, Eastbridge forecast an average compound growth rate of 8% over the next three to five years, bringing the industry's total sales to more than \$6.3 billion in 2010.

Looking at the state of the market and economy today, Eastbridge believes the growth rate in the short term is more likely to be 3% to 5%. The recession has impacted employee counts which, in turn, impact voluntary sales.

But Eastbridge also believes that more employers will be looking to add voluntary benefits to keep their benefit packages competitive.

This strategy will give employees the

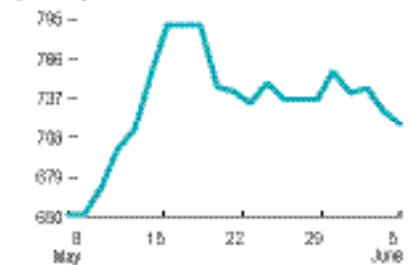
tools they need to deal with the costs of providing health care and financial security for their families. **BR**

### At the Market: Health/HMO

Stock performance: From May 8, 2009 to June 5, 2009

Dec. 31, 2004 = 1,000

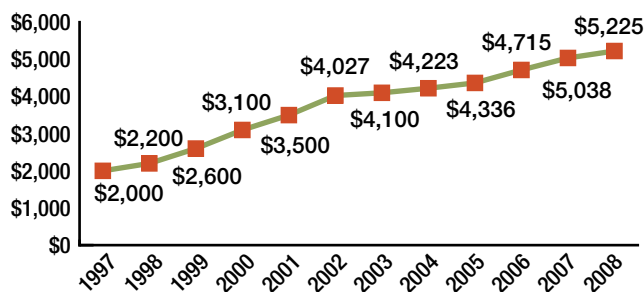
A.M. Best's U.S. Health & HMO Insurance Index (AMBIH)



## Work-Site Marketing at a Glance

### Work-Site Marketing Premium Growth

2008 results were up just under 4%.  
(\$ millions)



### In-Force Premium

In-force premium increased about 11% in 2008.

Year	Low Estimate (billions)	High Estimate (billions)
2008	\$17.4	\$22.9
2007	\$15.7	\$20.7
2006	\$14.8	\$19.5
2005	\$13.4	\$17.7
2004	\$12.5	\$16.6



### Sales Increases by Distribution Segment

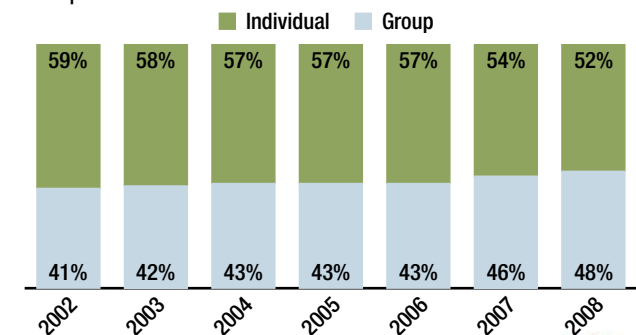
The biggest increase in new sales came from the classic work-site broker segment.



Segment	Increase/Decrease Over 2007
Career Agent	-6.9%
Benefit Broker	8.0%
Classic Work-Site Broker	39.0%
Work-Site Specialist	-7.9%
Occasional Producer	-27.5%

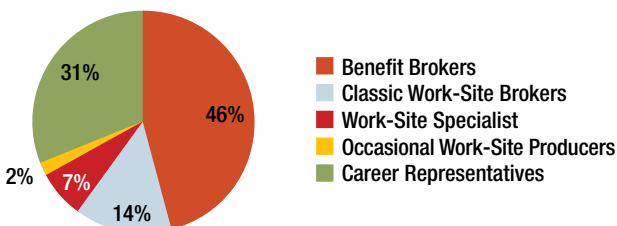
### Group and Individual Work-Site Sales

Group sales increased their mix to 48% of total sales.



### Work-Site Sales by Distributor Segment

Benefit brokers continue to be work-site sales leaders.



Source: Eastbridge Consulting Group

### Mix of Sales by Product Line

After two years of declines, voluntary life sales were up in 2008.

