

# GOING UP

Voluntary work-site sales increased 3.3% in 2009.

by Gil Lowerre and Bonnie Brazzell

The results are in and, once again, the voluntary market is up. Despite the recession, 2009 voluntary sales showed another year of growth, based on the results released in Eastbridge Consulting Group's U.S. Worksite Sales report. This annual study tracks sales and in-force premium for the voluntary industry with detailed sales, in-force premium, distribution and product data on the performance of 60 carriers, both group (voluntary) and individual (work-site). It contains the largest number of carriers in any sales report for the industry.

This year's study includes data from 1997 through 2009. The terms "work site" and "voluntary" are used interchangeably and are defined as individual or group life and health products, sold at the work site, and paid for by the employees through payroll deductions.

*Contributors:  
Gil Lowerre is president, and Bonnie Brazzell is vice president, of Eastbridge Consulting Group Inc. in Avon, Conn. They can be reached at info@eastbridge.com.*



## Total Sales Results

In 2009, voluntary/work-site sales increased 3.3%. Total 2009 voluntary sales are estimated at \$5.397 billion, up from \$5.225 billion in 2008. With this increase and the almost 4% increase in 2008, the industry has shown itself to be quite resilient, despite the recession.

The industry's top 15 companies account for 80% of market share. As a group, the average sales increase for the top 15 companies was 3.1%. Among the top 15 companies, 10 had sales increases and five had decreases. Five of the companies had double-digit increases ranging from 14% to 34%.

Takeover sales, in which one carrier's plan is replaced with a similar plan issued by a different insurance carrier, accounted for almost 38% of the \$5.397 billion of new voluntary sales premium in 2009. This percentage is up from 29% in 2008. Research also shows that carriers expect this trend to continue as more and more companies add voluntary benefits. Still, 38% is a lot lower than for other lines in the benefits business. In addition, there is a lot of virgin business in the market, and many employers

► **The Situation:** Voluntary work-site sales continued to increase despite the recession.

► **The Significance:** There is a lot of virgin business in the market and many employers are open to adding more types of voluntary products for their employees.

► **Watch For:** More voluntary product opportunities as a result of the health care reform bill.

are open to adding more types of voluntary products than they offer today.

In-force premium increased just under 8% in 2009, bringing the estimated total in-force premium for voluntary products between \$18.8 billion and \$24.7 billion.

## Sales by Product Line

By line of business, life sales accounted for 24% of all voluntary sales in 2009. This gave life insurance the top market share for the year, replacing short-term disability (which had the top share in 2008). New life sales were \$1.3 billion for the year, up about 14% over 2008. Term life sales generated the most premium in 2009 and were up almost 21% over 2008.

Disability products accounted for the next-largest share of voluntary sales, coming in at 20% of the total, but sales for this line were down in 2009 as compared to 2008. Accident sales accounted for 13% of total voluntary sales, as did

**Health/Employee Benefits**

the hospital indemnity/supplemental medical line. These lines were followed by cancer and critical illness with a combined market share of 12%.

In addition to term life, high-growth products for 2009 included critical illness (up 88%), vision (up 42%) and accidental death and dismemberment (up 27%).

The voluntary/work site market continues to move toward becoming primarily a group business. In 2009, group products increased their mix to 49% of the total voluntary sales, up from 48% in 2008. The growth rate for group products in 2009 was 6.7%, significantly higher than the almost flat individual sales, up by just 0.2%.

Benefit brokers continue to account for the largest portion of work site/voluntary sales. According to the study, this segment generated

52% of 2009 sales—more than \$2.8 billion of the \$5.397 billion total. Only one of the five segments—the career agent category—did not show growth in 2009. This segment has seen mixed results over the past few years as more and more voluntary insurance has been sold by benefits brokers and as more insurance companies (even those that historically sold through career agents) have looked to brokers to gain additional sales.

**The Future**

Eastbridge continues to be very optimistic about the future of voluntary benefits. The impact of health care reform on voluntary products is limited to very few products (such as certain mini-med plans), so it does not represent a threat.

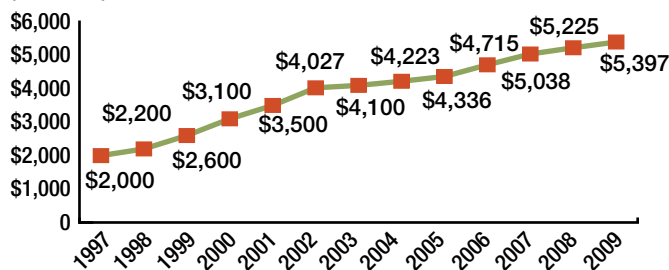
In fact, Eastbridge believes that there will be more voluntary product opportunities as a result of the health care bill. What these opportunities will look like may take a little time to sort out, but there is already talk about increased broker interest in products, like critical illness, that provide lump-sum benefits to help with both the medical and non-medical costs of surviving a serious illness. Other types of products are also being positioned to provide more funds for people to seek the medical treatment they need and/or to provide more financial security for their families.

However it all shapes up, the workplace will continue to be the primary venue for most Americans to get their benefits, and voluntary sales will continue to help employers provide their employees more options and choices. **ER**

**Work-Site Marketing at a Glance**

**Voluntary New Business Annualized Premium**

2009 results were up 3.3%.  
(\$ million)



**In-Force Premium for the Voluntary Market**

In-force premium increased just under 8% in 2009.

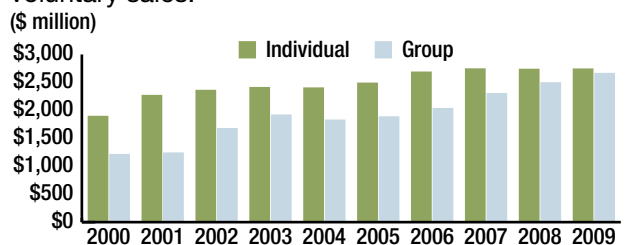
Year	Low Estimate (billions)	High Estimate (billions)
2009	\$18.8	\$24.7
2008	\$17.4	\$22.9
2007	\$15.7	\$20.7
2006	\$14.8	\$19.5
2005	\$13.4	\$17.7
2004	\$12.5	\$16.6

**Sales Increases by Distribution Segment**

Segment	2009 Sales Projected (\$ million)	Increase/Decrease Over 2008
Benefit Broker	\$2,826.8	18.8%
Career Agent	\$1,176.9	-27.2%
Classic Work-Site Broker	\$793.6	6.8%
Work-Site Specialist	\$421.8	14.5%
Occasional Producer	\$177.9	50.1%

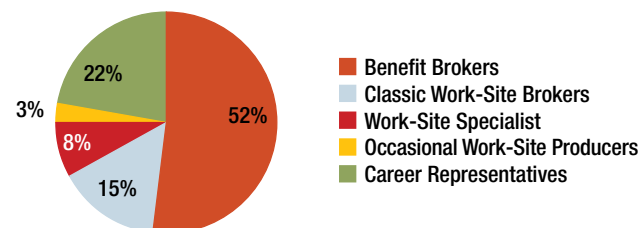
**Group vs. Individual Work-Site Sales 2009**

Group products increased their mix to 49% of total voluntary sales.



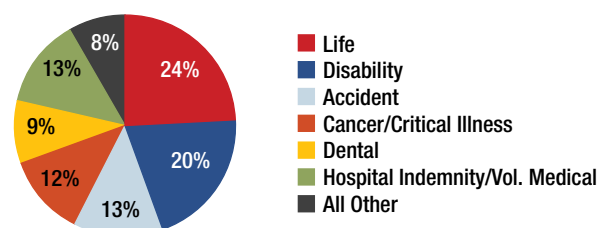
**Work-Site Sales by Distributor Segment**

Benefit brokers continue to be work-site sales leaders.



**2009 Mix of Sales by Product Line**

Life insurance has the largest market share in voluntary work-site sales.



Source: Eastbridge Consulting Group