

VOLUNTARY AND SUPPLEMENTAL HEALTH BENEFITS solutions OUTLOOK 2010

Flexibility Makes Voluntary Benefits Attractive

More Employers Expected to Offer Option



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The past year has been tough, but we are beginning to see signs of improvement. In 2010, if the economy picks up and we see reductions in the unemployment rate, employers will once again face competition for good employees. And in this competitive environment, benefits will be extremely important. Salary may continue to be considered by many as “king,” but employees will expect and appreciate a robust selection of benefits.

Voluntary benefits have been around for many years. But as employer budgets have been squeezed and health insurance costs have continued to rise unabated, the role of voluntary benefits has grown—as has their importance. Voluntary benefits offer flexibility, which is important to employees for two key reasons.

First, voluntary products allow employees to tailor their benefits to their unique needs. The “one-size-fits-all” benefits of the 1960s no longer meet the needs of today’s diverse employee population. The needs of a 24-year-old single male are not the same as those of a married woman with two children and a working husband. Voluntary benefits allow employers to offer employees the ability to pick and choose what makes sense for their situation.

Second, and just as important, voluntary benefits allow employees the flexibility to choose a level of coverage at a price they can afford. In tough economic times or anytime money is tight, employees still want coverage to meet their needs (i.e., they feel some coverage is better than none). So they want the flexibility to buy, for example, 40% income replacement or a flat benefit of \$800 per month rather than having to choose between full coverage or no coverage. Unlike traditional group benefits where everyone gets 60% of salary for disability or two-times

salary for life insurance, voluntary products allow employees to choose coverage up to the maximum level for which they qualify.

For these reasons, as well as others, 66% of all U.S. employers (with 10 or more employees) offer at least one voluntary benefit. This number increases to about 80% for larger employers. Companies with 100 or fewer employees are the least likely to offer voluntary products, but this segment has seen the most growth in voluntary since 2006. Today, 65% of all employers with 10 to 100 employees offer at least one voluntary benefit—and we expect even more to add voluntary benefits in the near future. The following chart compares the percentage offering voluntary by size as well as by year.

Employers Offering at Least One Voluntary Product

Employer Size	Percent Offering in 2006	Percent Offering in 2009
10 - 100 employees	50%	65%
101 - 500 employees	79%	77%
501 - 2,000 employees	72%	78%
2,001 or more employees	80%	87%
Average for all U.S. employers with 10 or more employees	54%	66%

The most commonly offered voluntary products today include short- and long-term disability, cancer/critical illness, dental, and vision insurance. The majority of employers, however, either offer or plan to offer an even wider array. In fact, 12% of employers surveyed in late 2009 said they are looking to add a new voluntary product in the next 18 months. An additional 7% said they are

likely to move a benefit from employer-funded to employee-pay-all. The chart on page 48 shows the benefits most commonly offered by employers and how these are funded.

So why exactly do employers offer voluntary products to their employees? The majority (80%) of benefit managers said that employee interest drives their decision. Almost 60% said they offer voluntary benefits to aid in recruiting and retaining employees. And once an employer starts offering voluntary, they usually offer several. In our recent survey, most employers offer at least three voluntary products, although some offer as many as 12.

Offering multiple choices is certainly beneficial to employees, but doing so can make the decision-making process more difficult for them, especially when one considers that many employer-funded benefits such as medical or dental insurance offer multiple choices as well. That’s why an effective pre-enrollment and enrollment process is essential.

Advance Work Educational

Pre-enrollment is the educational part of the process; it provides employees information including fliers, posters, emails, brochures, etc. The most useful materials are those that help identify common needs and coverage solutions as opposed to product information.

A good number of employers also offer employee benefit statements. In our most recent survey, 54% of employers offer a benefit statement that covers both core (employer-funded) benefits as well as voluntary benefits. Providing these statements before enrollment helps employees see the gaps in their current coverage and provides an overview of the benefits available. In addition to educational

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materials, there needs to be plenty of advance notice about the enrollment dates.

When the actual enrollment begins, there are many options available to employers, especially when voluntary benefits are included to facilitate the decision-making process. Voluntary brokers and insurance companies selling these products typically offer a wide variety of enrollment methodologies to communicate the available benefit options. These include group meetings, individual meetings, inbound and outbound calls, and the Internet. Unfortunately, however, we find that the majority of the time (68%) employees are left to self-enroll either on paper or on a website. While some websites are helpful and give employees tools to help them sift through the choices, too many are simply electronic versions of a paper form.

Most benefit managers surveyed stated that their employees receive adequate information about the benefits offered, but only 75% felt that their employees make wise decisions about their benefits.

Personal Touch Helpful

Employees need and want help in understanding voluntary benefits and how these various options would work in their situation. Most benefit managers surveyed (91%) stated that their employees receive adequate information about the benefits offered, but only 75% felt that their employees make wise decisions about their benefits.

That's why many voluntary brokers prefer

group enrollment meetings followed by one-on-one meetings. This gives employees more support and information and helps them make better decisions. The group meeting covers the plans and options available while the one-on-one session gives individual attention to the employee's unique situation and needs.

The good news is that benefit managers are open to these and other types of enrollment methods. Over half of the employers surveyed recently said they would be willing to allow employees to attend a group meeting followed by a one-on-one session with an enroller. Benefit managers understand the employee's need for assistance but just don't have the staff and expertise needed to do one-on-one meetings themselves.

Enrollment Approaches the Employer Would Allow

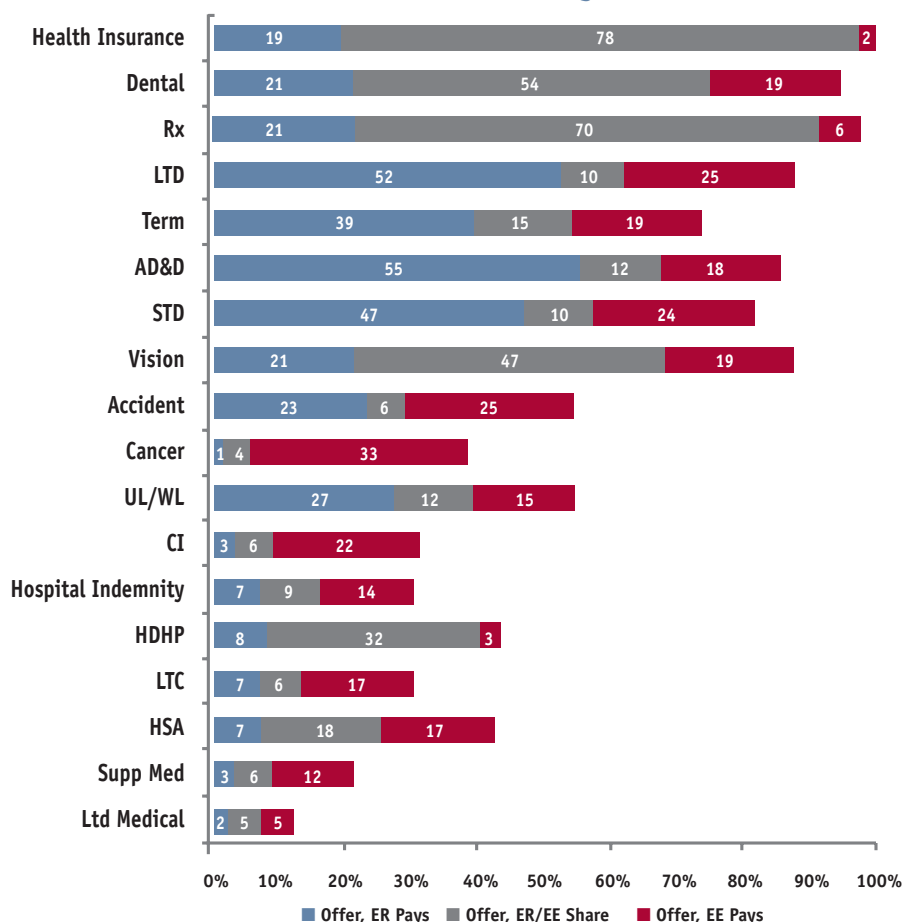
As we move into a new decade, we believe that voluntary benefits will no longer be an afterthought. Rather, voluntary will become an important tool for employers to manage their benefits—just as important as the traditional employer-funded benefits. Success, however, will depend upon providing employees with enough choices to meet their individual needs and then giving them the information they need to make an informed and beneficial purchasing decision. ■

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