

# Growth Factors

U.S. work-site sales have increased 150% in the past 10 years.

by Gil Lowerre and Bonnie Brazzell

**V**oluntary/work-site insurance carriers recorded another year of healthy growth in 2007, according to a recently released study, *U.S. Worksite Sales*, by Eastbridge Consulting Group Inc. This year's study includes data from 1997 through 2007 and tracks, in detail, the performance of 64 voluntary carriers.

"Work-site sales" is defined as employee-paid life and health products, either individual or group, sold at the work site and paid for by payroll deduction. In the study, the terms "work site" and "voluntary" are used interchangeably.

According to the study, new U.S. work-site sales totaled an estimated \$5.038 billion in 2007, an increase over 2006 results of just under 7%. This is the second year of growth in the 7% to 8% range. It appears that the market is on the way to overcoming the somewhat slower growth of three or four years ago. The work-site sales market has increased by 150% since Eastbridge began tracking sales in 1997.

The \$5.038 billion in sales for

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2007 is mostly new dollars to the industry—either from new cases, new employees, or additional coverages sold. The study estimates that just 17% of the sales in 2007 were "takeover" sales (new sales derived from a carrier taking over or replacing the coverage sold by another carrier). The sheer volume of sales and the fact that they are from mostly new dollars makes this a very attractive market.

In-force premium increased about 6% in 2007, bringing the estimated total in-force premium for voluntary sales between \$15.7 billion and \$20.7 billion.

## Sales by Product Line

By line of business, disability (voluntary short-term plus voluntary long-term) came in ahead of life insurance (term plus universal life/whole life) in overall product market share, 23% to 19%. This is the second year in a row that disability sales premium exceeded life sales premium. Disability sales overall showed a 3% increase over 2006 while life insurance sales decreased by more than 10%.

Positive sales increases also were seen in the accident (personal injury accident plans, not accidental death and dismemberment), dental and vision lines.

► **The Situation:** U.S. work-site sales of voluntary insurance products in 2007 increased by just under 7% over 2006 results.

► **The Significance:** The \$5 billion in 2007's sales are mostly new dollars to the industry; only 17% came from taking over accounts.

► **Watch For:** Work-site sales are expected to reach \$6.3 billion in 2010.

## Group vs. Individual

Over the past few years, group platform products have grown at a faster pace than individual plans. Traditional group carriers are well-represented in the top 15 or so carriers in the marketplace. In 2007, nine of the top 15 voluntary carriers (by new sales premium) were group carriers. While the group players are a staple in the market today, the growth rates for both lines over the past two years were similar. In 2007, group products grew 7.2% while individual products grew 6.6%.

The mix between group and individual platform plans also has stabilized, with new sales of 46% for group products and 54% for individual products.

## Sales by Distribution Segment

Again in 2007, the benefit broker segment accounted for the largest percentage of voluntary sales of any





single segment—44% of total work-site sales, which is about the same as in 2006. Eastbridge has identified five distinct segments selling voluntary/work-site products: career agents and four brokerage segments—benefit brokers, classic work-site brokers, work-site specialists and occasional work-site producers.

While the benefit broker is the largest segment, for 2007 Eastbridge saw the greatest percentage increase in new sales from the work-site specialists' segment. However, all segments showed increases.

### Future Trends

Several years ago, Eastbridge was asked if the work-site market was in decline, given the low single-digit sales increases year after year. Instead, Eastbridge saw evidence that the market would continue to grow and evolve in the years to come—which it has.

In addition to continued positive sales trends, market penetration is deep-

ening. Fifty-four percent of employers offer at least one voluntary product; among employers with at least 100 employees, the rate surpasses 70%.

Additionally, 65% of all employed Americans say they own at least one voluntary product. And, among those who own at least one product, most own more than one. In fact, almost 30% own four or more voluntary products. This trend is expected to continue, since voluntary products

are an increasingly important tool for helping both employers and employees deal with the costs of providing health care and financial security.

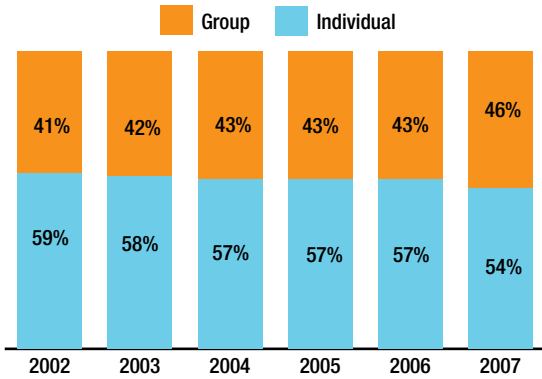
Eastbridge believes that voluntary sales will continue to grow at a faster rate than most insurance industry segments, forecasting an average compound growth rate of 8% over the next three to five years, bringing the industry more than \$6.3 billion in annual premium in 2010.

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# At a Glance: Work-Site Marketing

## Group and Individual Work-Site Sales

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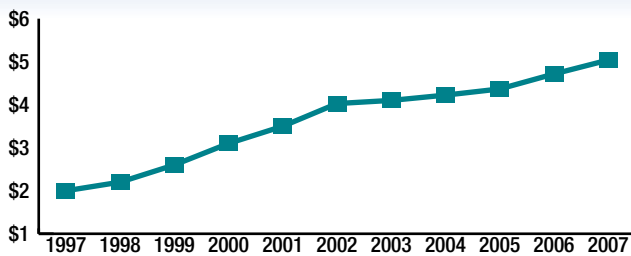
## In-Force Premium

In-force premium grew about 6% in 2007.  
\$ Billions

Year	Low Estimate	High Estimate
2007	\$15.7	\$20.7
2006	\$14.8	\$19.5
2005	\$13.4	\$17.7
2004	\$12.5	\$16.6
2003	\$11.3	\$15.0

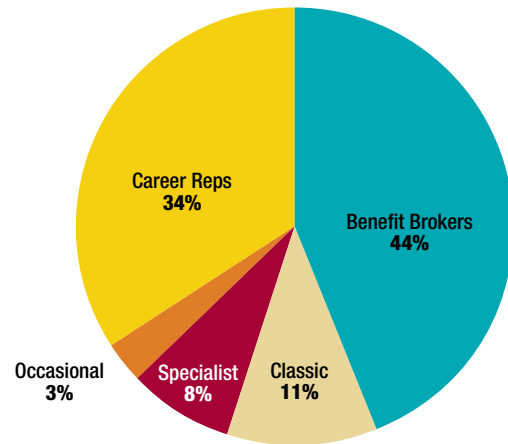
## Work-Site Market Premium Growth

2007 is the second year of growth in the 7% to 8% range.  
(\$ Billions)



## Work-Site Sales by Distributor Segment

The greatest percentage increase in new sales came from the work-site specialist segment.



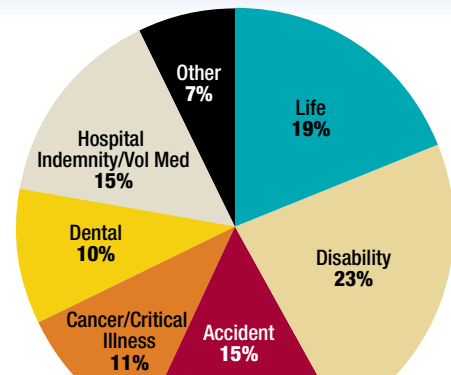
U.S. work-site sales totaled an estimated

**\$5 Billion**  
in 2007.



## Mix of Sales By Product Line

Disability sales showed a 3% increase over 2006, while life sales dropped by more than 10%.



Source: Eastbridge Consulting Group Inc.