

Recovery Time

Voluntary work site benefits sales slid last year due to layoffs and economic worries.

by Gil Lowerre and Bonnie Brazzell

After faring well and maintaining growth in both 2008 and 2009, the voluntary work site sales industry finally showed the impact of the recession.

The industry's results for 2010 were recently released in Eastbridge Consulting Group's latest *U.S. Work Site Sales Report*, an annual study tracking sales and in-force premium for the voluntary industry with detailed sales, in-force premium, distribution and product data.

It includes data on the performance of 64 carriers for sales of individual or group life and health products sold at the work site, and paid for by the employee through payroll deductions.

Total 2010 Sales Results

Total 2010 voluntary sales are estimated at \$5.2 billion, down 2.8% from \$5.3 billion in 2009. Eastbridge said that 2010 was the first year since it began tracking voluntary sales in 1997 that total sales did not increase over the prior year. Graphs on the following page show statistics from the report.

The industry's top 15 companies account for 80% of the voluntary sales in the market and, as a group, had a sales decrease of 2.6%. Among these top 15 companies, six had sales increases, six had decreases and the others' sales were flat.

*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.*



Brazzell

Lowerre

Of those with increases, four had double-digit growth.

Takeover sales, in which one carrier's plan is replaced with a similar plan issued by a different carrier, accounted for 41% of new voluntary sales premium in 2010. This continues the trend in recent years, but the slope of the increase has moderated a bit.

Sales by Product Line

By line of business, life and disability insurance again accounted for almost half of all voluntary sales in 2010. Life was one-quarter of all new 2010 voluntary sales, and disability accounted for another 20%.

Term life sales led the way with \$931 million in sales, down slightly from 2009. Universal life and whole life sales had one of the few increases, with \$400 million in new sales, up almost 8% over 2009.

Voluntary disability product sales were down by just under 3% but still accounted for more than \$1 billion in new premium. Short-term disability was 74% of all voluntary disability sales.

Only a few lines showed increases in 2010, including vision, long-term care and universal/whole life. The most significant decreases by line were in the accident, cancer and critical illness segments.

Group vs. Individual

The mix of sales in 2010 between group and individual platform products almost reached an even split: 49.8% for group and 50.2% for individual. Total individual sales were only \$25 million more than total group sales last year.

Both group and individual sales decreased in 2010, but the

Key Points

► **The Situation:** Voluntary work site benefit sales felt the effects of the recession in 2010.

► **The Back Story:** Until last year, this segment had increased annual new business premium for 13 consecutive years.

► **Looking Ahead:** Indications are that the economic recovery will help voluntary benefits purchases resume their upward climb.

individual segment had a larger decrease, -3.8%, compared to -1.9% for group.

Sales by Distribution Segment

Benefit brokers continue to account for the largest portion of work site/voluntary sales. According to the report, this segment generated 52% of 2010 sales.

Here are the overall results:

The Benefit Broker segment was down in 2010, at -3.4%, with sales of \$2.7 billion. The Career Agent and Classic Work Site Broker segments were more or less flat. Specialists had the highest increase of all segments, gaining 6.4%.

In-Force Premium

In-force premium decreased by -0.3% in 2010. Based on survey data, the 2010 in-force voluntary/work site premium is estimated at between \$18.7 billion and \$24.6 billion.

Where to From Here?

Clearly 2010 was a difficult year for the voluntary industry. During the recession, many workers moved back to the basics. Employees focused on what they perceived as their core coverage needs—medical, prescription drug, dental and vision.

Other products became less important and employees often delayed purchasing these less-essential products. But as markets recover, historic patterns of buyer behavior should reassert themselves through a wider array of voluntary offerings.

Another Eastbridge survey, *The Voluntary Confidence Index*, tracks the opinions and attitudes of work site

executives and brokers. The index follows their viewpoints toward sales, employee behavior and industry performance. These individuals serve as "leading indicators" of future voluntary activity at an industry level.

Voluntary Confidence Index

The voluntary insurance segment still offers what both employers and

employees want.

For employers, it's a way to enhance the benefits package while maintaining control on costs.

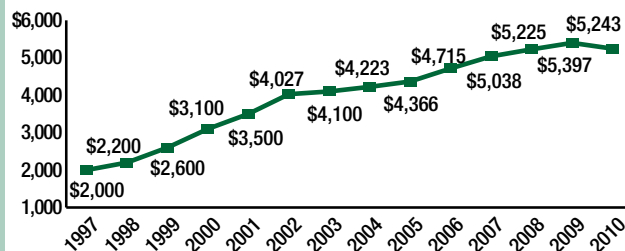
For employees, it's the ability to tailor a benefit package to their unique needs.

Based on the Eastbridge surveys, the future for voluntary insurance seems bright. **BR**

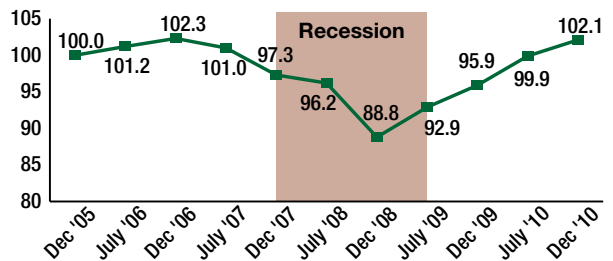
Work Site Marketing at a Glance

Voluntary New Business Annualized Premium

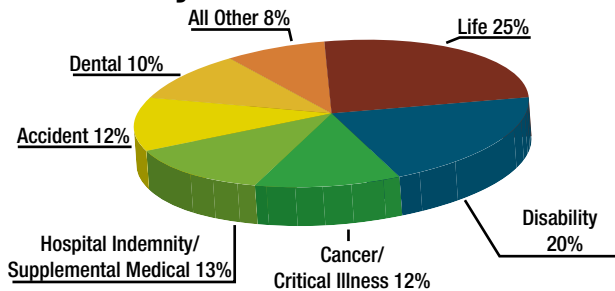
(\$ millions)



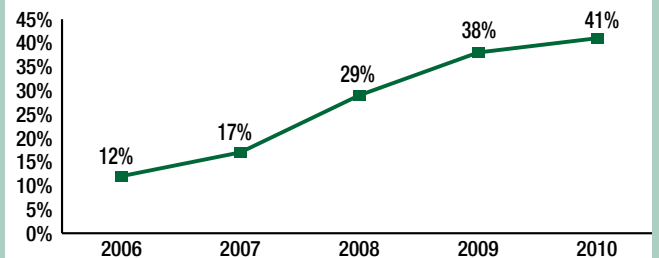
Voluntary Confidence Index



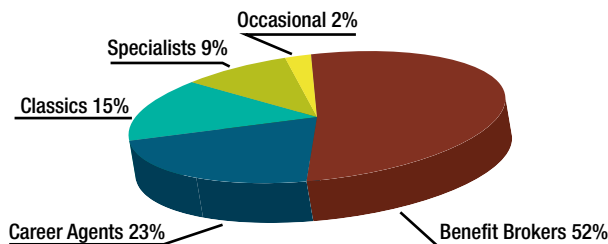
2010 Mix by Line of Business



Takeovers as Percent of New Business Annualized Premium

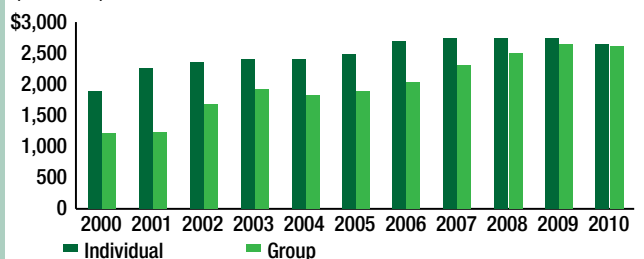


2010 Sales Mix by Distribution Segment



Group vs. Individual

(\$ millions)



In-Force Premium for the Voluntary Market

(\$ billions)

Year	Low Estimate of In-Force Premium	High Estimate of In-Force Premium
2010	\$18.7	\$24.6
2009	18.8	24.7
2008	17.4	22.9
2007	15.7	20.7
2006	14.8	19.5

Sales Increases by Distribution Segment

(\$ millions)

Segment	2010 Sales	vs. 2009
Benefit Broker	\$2,730	-3.4%
Career Agent	1,184	0.6%
Classic Work Site Broker	794	0.1%
Work Site Specialist	449	6.4%
Occasional Producer	86	-51.4%

Charts by Eastbridge Consulting