

PLOT POINTS

By Gil Lowerre and
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Best of breed

“Things are changing, and as is often the case in our business, they are changing fast.”

HOW MANY DIFFERENT insurance companies does your typical client use for their voluntary benefit offerings? Have you brought in one carrier to provide all voluntary products? Have you brought in several companies? And what does the number of carriers say about you?

There are many reasons an employer-client might have multiple voluntary carriers. If the broker has changed over the years, each new broker might have had different relationships and preferred partners. In other cases, employers may have their own reasons for wanting certain coverages from certain carriers. But the most likely reason is that the current broker recommended different carriers for different products.

Based on repeated surveys over the last decade, brokers who bring all voluntary products from a single company are doing so to avoid administrative complexity or to maximize commission potential. But given the administrative solutions available today, these are not necessarily client-centric motivations. And unless the broker really believes that one company can be the best-of-breed in every voluntary product category and every



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service offered, that may result in a suboptimal benefit strategy for the client.

But things are changing, and as is often the case in our business, they are changing fast. Increasingly, brokers are moving from a one- or two-carrier strategy to a multi-carrier strategy, searching for the best products from the best carriers. By far, the most common reason brokers bring in a new carrier is that the “new carrier offers better features”—a client-centric motivation.

And the evidence of this movement is flowing in.

Just four years ago, 79 percent of employers who offer voluntary products used three or fewer carriers. Only 7 percent used more than five carriers. In 2016, 53 percent of these employers used three or fewer carriers, and 17 percent used more than five.

This is a major shift in a short period of time. Employer clients have wider portfolios and are using more voluntary carriers to offer their employees better products and services. And there are some nice side effects. Offering products from category leaders makes it more challenging for a competitor trying to take over the account. Conversely, it is much simpler to replace a single carrier offering five products than it is to replace five carriers.

This is a great sign for brokers, demonstrating that they are quickly becoming more knowledgeable about voluntary product options and more sophisticated about voluntary services in general. And it's even better news for our employer-clients and employee customers. They are increasingly being offered best-of-breed products and services from a best-of-breed broker.

Number of Carriers that Employers Use for their Voluntary Products

