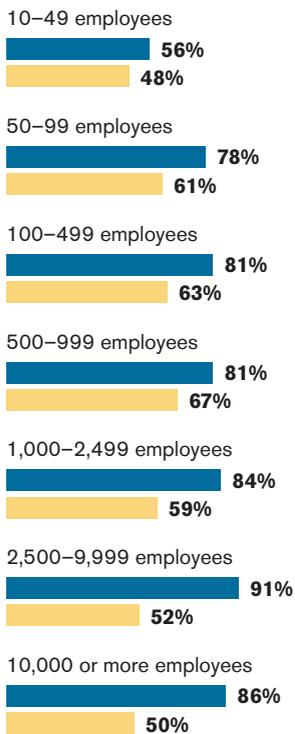


PLOT POINTS

By Bonnie Brazzell
and Nick Rockwell

Opportunity for all sizes

Voluntary penetration by case size



■ Employers offering at least one voluntary product

■ Employees owning at least one voluntary product

EMPLOYERS of all sizes offer brokers the potential for growth. Brokers focusing on the small-case market look to expand up-market, and large national brokerage/consulting houses are looking at opportunities down-market. The voluntary penetration chart shows the percentage of employers offering voluntary products and employees who own them.

SMALL MARKET (FEWER THAN 100 LIVES)

The small-market segment is under-penetrated and has the lowest employee ownership. These case sizes represent around 90 percent of all U.S. employers (when under 10 employee businesses are included) and a third of all employees. The largest obstacles in serving this market are finding cost-effective methods to reach the masses and being able to write a large enough volume of cases. The upside is that the market is less competitive. A broker can use just one carrier and offer paper enrollment, as most employers don't have a preferred enrollment method.

Small-market employers struggle the most to provide full benefits packages and often can't afford to contribute as much (if at all) and to as many products. Substantial opportunity exists for brokers to add a variety of products to enhance employers' limited offerings.

MIDDLE MARKET (100-999 LIVES)

Around 80 percent of U.S. employers in the middle-market segment already offer at least one voluntary benefit, and middle-market employers are fertile with opportunities to add other products. This segment makes up just 2 percent of all employers, yet 19 percent of employees.



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Brokers must be able to sell at both the employer and employee levels and offer electronic enrollment on their system of choice, often the employer's ben admin system. They must be able to offer a variety of methods to meet employer preferences and facilitate delivery of personalized communications. Employees have high rates of ownership of four or more voluntary products, so brokers must deliver in needs-based selling strategies.

LARGE MARKET (1,000 LIVES AND OVER)

The large-market segment has average penetration, with around 55 percent of employees owning at least one voluntary product. It represents less than 1 percent of all U.S. employers, yet accounts for 47 percent of employees. With few employers but a high percentage of employees, brokers can expect fierce competition.

In addition to selecting best-of-breed products from multiple carriers, brokers must excel in seamless technology integration and be able to facilitate electronic enrollment of all products on the employer's administration system.

Finally, brokers must be able to perform detailed portfolio reviews, articulate the value of voluntary benefits and offer cost-savings strategies. Employers in this segment are also more likely to make changes to their existing benefits.

All segments present opportunity for growth. The small-market opportunity is massive yet tempered by financial constraints, while the middle market requires a strong combination of employer- and employee-level sales skills. In the large market, brokers best positioned to capitalize on opportunities understand the segment size nuances and tailor their product and strategies accordingly.