

## ARRA and the good news



We all know now that there are new COBRA provisions in the American Recovery and Reinvestment Act. During a recent industry meeting, we were repeatedly asked by attendees if we thought the new COBRA subsidies are going to negatively impact voluntary.

(Some people even asked if this would “kill” voluntary sales.) The answer is “no.”

The legislation allows eligible individuals to pay for 35 percent of their COBRA premiums for a nine-month period (with the other 65 percent paid for by the federal government/employer through credits against the employer’s payroll tax liability). Most experts agree that this subsidy will mean significantly higher COBRA participation. But regardless, we don’t see that this will impact voluntary sales at all. Those leaving an employer are not the ones that are buying new voluntary products. If they have existing voluntary products, the subsidy might make taking those voluntary products with them (porting them) more affordable, but that’s a different question. Given our industry’s history of ignoring meaningful conservation efforts, it’s not likely to make any real difference in conservation rates.

We continue to believe that the things that are likely to drive whether sales increase or decrease (and at what rate) are still employment numbers and broker and employee attitudes. Employee count and job security are key in voluntary, and reduced hiring or increased layoffs can mean fewer employees buying. Additionally, and maybe more importantly, are producers’ attitudes. This is the time to emphasize voluntary coverages. But if brokers allow the economic situation to discourage their marketing, or staff recruiting, or their promotion of voluntary alternatives, then their sales may start slowing.

The good news is that, in the surveys we have done this year, brokers (and carriers) appear to be cautiously optimistic about future voluntary sales. In fact, many are saying they’ve had the best first quarter they’ve had in several years.

And, released just last week, the MetLife Employee Benefits Trends Study found that the financial downturn has caused many (six out of 10) employees to take steps to evaluate their own financial situation – including the need for life and disability insurance. Since many employers are cutting back on the funding of these plans, but employees recognize the need for protecting themselves and their family against financial risk, voluntary can fill the need.

Sounds like good news to us!

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