



Benefits Briefing VOLUME 7

Perspectives on Current Offerings and New Choices
from a Survey of Employers (Q4, 2008)

National Employee Benefits Advisory Forum (NEBAF)

Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted an online information exchange in mid-November 2008, to understand its members' interest and experience regarding important employee benefits and some new approaches to the kinds of choices employers and employees may have in the near future.

The information in this report is based on an online survey taken by 90 employers. Where appropriate, we also compare the views of employers with brokers.

The following pages include findings from these employers regarding their perspectives on:

- Group Life Annuity Payouts,
- Group Disability Employer and Claimant Satisfaction,
- Communications & Company Image,
- Dental insurance,
- Group Auto and Home insurance, and
- Views on impact of current economy.

Executive Summary

This Briefing reports the views of employers (*and brokers in some cases*).

With regard to a Group Life Annuity Payout Concept,

- Employers and brokers show substantial interest in this concept. Both say they are more likely to recommend it if the beneficiary (not the enrolled participant) has the ability to decide whether to receive an annuity payout.

In the area of group disability employer /claimant satisfaction,

- The majority of employers currently offer group disability insurance. Interestingly, among them, most do not have a formal process for measuring and tracking satisfaction among claimants, but claimant satisfaction does substantially affect their views of and relationships with carriers.

Trends related to communications and company image are included:

- The majority of employers say they will spend the same on open enrollment communications even in the current economic environment.
- Some employers feel that being perceived as 'Green' has a positive impact on several non-fiduciary aspects of their company.

In the area of dental insurance,

- Employers and brokers were presented with a new concept about a dental package combining PPO plans and DHMO plans. The response is positive; most employers indicate at least some level of interest in it, while most brokers say they are at least somewhat likely to recommend it.

Trends in Group Auto and Home insurance are also presented.

- More than two-thirds of employers have never considered offering group auto and home insurance. The top three reasons are: additional administrative burden, perceived lack of interest by employees, and lack of product knowledge.

Views on the economy are included:

- Both employers and brokers are concerned about the financial stability of group insurance carriers. Brokers report a somewhat higher level of concern (two in five brokers are very concerned vs. about one-quarter of employers). AIG, followed by Hartford, is seen as the most financially unstable carrier by both groups.

Group Life Annuity Payouts

Views on Group Life Annuity Payout Concept

Both employers *and brokers* were given a description of a concept around group life annuity payouts (see left panel of this page) and asked about it.

Overall, response is **favorable**. **Both employers and brokers demonstrate interest in this concept.**

Here's how employers reacted:

- 15% are *very interested* in learning about this concept; 46% say somewhat interested.
- 16% are *very likely* to offer this option to their employees; 46% are somewhat likely.

Here's how brokers reacted:

- 19% feel their clients would be *very interested* in offering this product; 60% say somewhat interested.
- 25% are *very likely* to recommend this option to their clients; 55% are somewhat likely.

This appears to be a concept that both brokers and employers would be receptive to.

Who Should Decide – Participant or Beneficiary?

Both employers and brokers were asked about two options with regard to who should be the decision-maker of such a concept:

1. The participant at the time of enrollment decides
2. The beneficiary when filing a claim decides

Most employers and brokers agree that **the beneficiary should have the option to decide** to receive the benefits in the form of an annuity when filing a claim (versus the participant at the time of enrollment). Both groups would be more likely to recommend the annuity payout concept if the beneficiary is the decision-maker.

Group Disability Employer and Claimant Satisfaction

Nearly all employers (89%) say their company currently offers group disability insurance. The responses of the questions in this section are based on those employers who do offer group disability insurance.

Suppose...

Group Life Annuity Payout Concept

A trusted group life insurance carrier had an option whereby beneficiaries could receive all or a portion of beneficiary payments in the form of an annuity, whereby benefits would be paid through guaranteed monthly payments over an extended period of time.

What Brokers Think: *Managing Beneficiary Changes*

We asked brokers how much time a typical client might spend handling all beneficiary change requests, for all benefits.

Most brokers feel this task *is not particularly time-consuming* for their clients; nearly two in three estimate that this accounts for less than 5 hours (with 34% saying less than 1 hour).

Many (27%) say they don't know how long their clients spend doing this activity. This seems to be an area where brokers could learn more about their clients and potentially offer solutions that help them.



As reported in August...

What Employers Said About Spending on Open Enrollment Communications:

We asked employers how much their company spends annually per employee (including dependents) on open enrollment communications. *More than half spend less than \$10 per employee*, and about one in five spend between \$10 and \$50. Interestingly, about one in four do not spend anything on open enrollment communications.

What Employers Said About Characteristics of Their Workforce During Open Enrollment:

The majority of employers think their employees have negative feelings. The top response was 'confusing', named by 42%. About one-fifth said 'frustrated' or 'annoyed'.

Satisfaction of Disability Claimants

More than three-quarters of employers **do not currently have** a formal process in place to collect and track satisfaction among disability claimants. A mere 12% say they do.

Despite the fact that most employers do not measure satisfaction among disability claimants, employers report that claimant satisfaction affects relations with their group disability carrier in several ways:

- 82% say that claimant satisfaction has **at least some influence** in their company's decision to stay with or switch disability carriers.
- 86% say that claimant satisfaction has **some level of impact on their own satisfaction** with their group disability carrier.

These results seem to suggest a need for employers to track and measure satisfaction among disability claimants with a formal process, in order to have data with which to make and influence decisions.

Communications & Company Image

Open Enrollment Communication

We asked employers how the current economic environment impacts their spending on open enrollment communication. **Most do not anticipate much of an impact**; nearly four in five say their company will spend **the same** on open enrollment. A small number do plan on scaling back and spending less (12%).

On the surface, this is very positive given current economic trends. Yet, given the results of our August information exchange (employers reporting current low levels of spending and perceived negative employee experiences - see left sidebar), it is clearly still an area where brokers and carriers can provide added assistance.

Carriers, Intermediaries and/or TPAs Helping with Open Enrollment

Many employers (47%) feel that there has **not been a change in the help** provided by carriers, intermediaries and/or TPAs in this changing economic environment. The other half have experienced a change, and:

- 28% say these outside sources have provided a template of communication materials to use/modify,
- 27% say they have sponsored group meetings, and
- 23% say they have provided the exact communications to distribute to employees.

Communications & Company Image (cont.)

The Impact of Being Perceived as 'Green'

When we asked employers their views on being 'Green', some employers **strongly believe** that being perceived as 'Green' has a **positive impact** on their company:

- 24% say it strengthens their company's image,
- 20% say it strengthens their company's appeal to prospective employees, and
- 13% say it strengthens employee loyalty to their company.

This suggests there are positive effects of being 'Green' beyond helping the environment, thus, giving companies more and more reasons to consider this eco-friendly way of doing business.

Dental Insurance

Concept Test: Views on a Dental Package Concept

Both employers *and brokers* were given a description of a dental package concept (see description in left panel of this page) and asked their opinions of it.

Overall, **both groups respond favorably**, brokers slightly more so than employers. **Nearly half of brokers would be very likely** to recommend a dental package like the one described, that allows employees to select from 3 dental plans, to their clients. About two in five would be somewhat likely.

Most employers show at least some interest in offering this package as well. About one-quarter say they would be very interested, while about two-fifths say they would be somewhat interested.

This positive reaction suggests a potential opportunity for insurance carriers.

Concept Test: Preferred Combinations

We then provided participants with additional definitions of high value and low value plans (see sidebar on following page) and asked them, given the choice of various three-way combinations, to rank their preferences.

The table below shows the cumulative percentage of employers and brokers ranking each option as either a #1 or a #2 choice.

Dental Package Concept

A dental package that combines Preferred Provider Organization (PPO) plans with Dental Health Maintenance Organization (DHMO) plans. There would be a choice of 3 plans (e.g., either 2 PPO's and 1 DHMO or 1 PPO and 2 DHMO's).

Definitions:

PPO: A network of dentists who have agreed to accept discounted fees for patients covered by a specific dental program. If the patient chooses to see a dentist who is not designated as a "preferred provider," that patient may be required to pay a greater share of the fee-for-service.

DHMO: A dental insurance plan whereby a dentist joins in a contract with the DHMO to provide dental treatment for the patients who are a part of the DHMO. The DHMO pays the dentist a certain amount per patient who is enrolled in the group. If the contract specifies, the patient pays a co-payment for certain treatments, while paying nothing for standard treatments, such as exams and cleanings. In a DHMO, the patients must visit only dentists that are part of the DHMO network.

Dental Package Concept (cont.)

Additional Definitions:

High Value: refers to a plan design with higher premiums for Employees but with more comprehensive coverage levels. It may have higher annual maximums and lower deductibles. Employees would have higher reimbursement levels for minor procedures such as root canals and extractions (e.g., 80%) and major procedures such as crowns (50%).

Low Value: refers to a plan design with lower premiums for Employees but with less comprehensive coverage levels. It may have lower annual maximums and higher deductibles. Employees would have lower reimbursement levels for minor procedures such as root canals and extractions (e.g., 50%) and major procedures such as crowns (20%).

Concept Test: Preferred Combinations (cont.)

Both employers and brokers seem to prefer packages with two PPOs, versus those with two DHMOs. Brokers strongly prefer the high value PPO/low value PPO/high value DHMO option, while employer preference is slightly more varied.

Percentage of Participants Ranking as a #1 or #2 Choice

Plan Package Variations	Brokers	Employers
High Value PPO + Low Value PPO + High Value DHMO	87%	69%
High Value PPO + Low Value PPO + Low Value DHMO	57%	55%
High Value PPO + High Value DHMO + Low Value DHMO	48%	50%
Low Value PPO + High Value DHMO + Low Value DHMO	8%	25%

Group Auto & Home Insurance

Whether Employers Offer Group Auto & Home Insurance

Most employers (67%) **have never considered offering** either group auto or group home insurance.

When offered, the two products seem to go hand in hand, as 14% currently offer both group auto and home, yet, only 3% offer auto insurance alone and 0% offer home insurance alone.

Fifteen percent say they have discussed offering either product with carriers/brokers in the past 12 months.

Reasons for Not Offering Group Auto & Home Insurance

We asked employers about the reasons why their company has not offered group auto and/or home insurance to their employees.

Administrative burden was the top response; 41% of employers say they don't offer the products because they don't have the resources to take on additional administrative burden.

Other common reasons are related to **communications**: 36% don't think employees would participate, and 29% don't know enough about the product.

This suggests that a communications gap exists for these products, and employers need more information in this area.

Views on Impact of Current Economy

Trust With Financial Rating Agencies

We asked employers how much they trust various financial rating agencies in helping them select an insurance carrier.

Many employers responded that they were unsure; more than one-third said ‘don’t know’ for each of the agencies.

Employers that could answer the question indicated some level of trust with the agencies. A.M. Best is the most trusted agency (44% of those rating the agency say they strongly trust it). About 3 in 10 say they strongly trust Moody’s and/or S&P.

Level of Concern

We also asked employers *and brokers* how concerned they are with the financial stability of group insurance carriers.

- Employers indicate being **concerned, but to a lesser extent than brokers are.** About one-quarter is very concerned, while half are somewhat concerned.
- Two-fifths of brokers say they are **very concerned with the financial stability of group insurance carriers;** half are somewhat concerned. Nearly all think that their **group customers are at least somewhat concerned** around the recent events involving AIG.

This suggests a need for communication on the part of group insurance carriers as to the state of their financial stability, and reassuring customers of that stability.

Carriers Perceived as Unstable


When we asked employers *and brokers* which group insurance carriers they thought were currently financially unstable, results were similar.

Among both groups, the top response, not surprisingly, was **AIG,** named by 60% of employers and 66% of brokers. **Hartford** was second among both groups, with 10% of employers and 32% of brokers.

Many employers (23%) say they just don’t know. Again, reinforcing the need for more communication and information by carriers.

Brokers & RFP Activity

We asked brokers about the state of the economy, and its impact on Request for Proposal (RFP) activity. Based on recent events in the economy, many brokers expect their RFP activity to increase among group customers (54%). Some anticipate no affect on RFP activity (31%).



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