



## Benefits Briefing VOLUME 8

Perspectives on Current Offerings and New Choices  
from a Survey of Brokers (Q1, 2009)

National Employee Benefits Advisory Forum (NEBAF)

## Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted an online information exchange in mid-February 2009, 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 157 brokers. Where appropriate, we also compare the views of brokers with employers (119 in total).

The following pages include findings from brokers regarding their perspectives on

- The impact of the current economy,
- Two concepts for potential life insurance products/services, and
- Hot topics.

## Executive Summary

This Briefing reports the views of brokers (*and employers where available*).

Views on the impact of the current economy are included:

- Both brokers and employers were asked how their interest in offering various products would change in the next year given the current economy. Both groups anticipate less interest in Long-Term Care insurance. For other products, they expect little to no change in interest.
- Yet, brokers anticipate many *more* actions and cutbacks in the next 12 months as a result of the current economy, than employers do. Both groups identify 'putting on hold planned increases/ implementation of new benefits' as the most commonly expected reaction to the economy.
- When asked open-ended what concerns they have regarding their personal business given the current economy, brokers' top response is loss of revenue (commissions, etc.) due to employee layoffs cutbacks.
- Brokers and employers tell us what topics are "hot" in the current economy.

With regard to the two life insurance enhancement concepts:

1) Adding funeral services assistance to life insurance,

- Brokers are open to this idea. Some say they would recommend the group life insurance of the carrier offering it and/or it would positively impact their feelings toward this carrier.
- Brokers tend to like the idea of providing employees with assistance during a difficult time, but they are concerned with issues such as cost, appropriateness for the workplace, and utilization.
- When it comes to willingness to pay for this service, brokers are split; about half think their clients would be willing to pay for this service, while the other half do not think their clients would be willing to pay.

2) Executive carve outs:

- When presented with a new Life Insurance Executive Carve Out concept, brokers respond favorably to this idea. Most brokers are at least somewhat likely to recommend this idea to their clients. The majority of brokers also say their clients would be at least somewhat interested in offering this product.

# The Impact of Current Economy

We asked both brokers *and* employers about the impact of the state of the economy on future offerings and actions.

## Benefits Offerings in the Next 12 Months

When we asked brokers how they think their clients' level of interest in offering various products will change in the next year given the current economy, **about three in four say they expect no change** in interest for all products, with the exception of **long-term care insurance** – *where nearly three in five brokers expect to see less interest.*

When we asked employers how they think their interest in offering various products will change in the next year based on the economy, **roughly 90% think that their level of interest will not change.** Similar to brokers, long-term care insurance is the one exception; slightly more than one in four anticipate less interest in offering.

Overall, when comparing responses, brokers appear to be **slightly more pessimistic** than employers. They expect more change in interest in the next year due to the current economy and they expect that change to be in less interest in offering products at all.

The table below shows the percentage of brokers and employers expecting less interest in offering various products in the next 12 months and clearly illustrates the gap in perceptions.

### Percentage of Participants Saying Employers Will Have Less Interest in Offering

| Benefits                          | Brokers | Employers |
|-----------------------------------|---------|-----------|
| Long-Term Care insurance          | 56%     | 28%       |
| Dental insurance                  | 17%     | 3%        |
| Disability insurance              | 17%     | 4%        |
| Term Life insurance for employees | 15%     | 6%        |
| Health / Medical insurance        | 2%      | 1%        |

## In the News

A recent *Wall Street Journal* article that ran on Feb. 26, 2009, 'Layoff Are Just One Threat', discusses employers' cost-cutting options amidst the current economic climate.

The article quotes a recent Watson Wyatt survey that cites a drop in layoffs, but an increase in other cost-cutting strategies - one of the most common being cut backs in employee benefits.

According to the survey of 245 large US Companies:

- 24% expect to raise the % employees pay for health insurance
- 18% intend to reduce or eliminate tuition reimbursement, subsidized dining programs and other financial perks
- 12% plan to reduce contributions to workers' 401(k) plans

These numbers support the expectations of our employer participants, and suggest that while benefits cutbacks are a current trend, hopefully they will not be as severe as brokers anticipate.

## Benefits Actions in the Next 12 Months

We then asked brokers how likely their clients would be to do various actions in the next year given the current economy. In general, brokers think the current economy will have a **substantial impact on what employers are doing** with regard to employee benefits. More than two in five brokers think employers are **very likely** to undertake all actions asked about (with the exception of adding a guaranteed income option to their 401K).

### About 7 in 10 expect employers will:

- Put on hold planned increases or implementation of new benefits
- Reduce the coverage level of employees benefits offered
- Shift costs for current health plan to employees

Employers were asked the same question. They are **less likely** than brokers to anticipate undertaking actions with regard to employee benefits due to economic conditions. The action employers see as most likely is **putting on hold planned increases or implementation of new benefits** (42% say they are very likely to do this).

The table below compares the responses of the two groups. The gap between them is fairly large and it appears that brokers could be overestimating how employers will react to current economic conditions.

### Percentage of Participants Saying Employers Will Be Very Likely to Undertake

| Actions   | Brokers | Employers |
|---|---------|-----------|
| Put on hold planned increases or implementation of new benefits | 73%     | 42%       |
| Reduce coverage levels  | 69%     | 13%       |
| Shift health plan costs to employees                            | 69%     | 16%       |
| Reduce 401(k) match/contribution                                | 57%     | 18%       |
| Move benefits to employee-paid                                  | 51%     | 10%       |
| Reduce the number of benefits                                   | 42%     | 7%        |
| Add a guaranteed income option to their 401k                    | 20%     | 2%        |

## Talking about Hot Topics

Here are **Brokers** talking about the topics of interest:

*"Health care reform at the national level how employers are dealing with increasing benefits costs and a declining business environment, how employers are managing expectations for compensation increases in the current economy are employers providing educational tools to help employees address credit issues."*

*"COBRA administration, Wellness, moving cost to employees, Consumer Driven Health plans (high deductibles, HSAs, etc.)."*

*"The clients and prospects that I meet with are more and more interested in voluntary products. Whether that is taking benefits like life, dental, and disability and making them voluntary offerings, or the increase of traditional supplemental products (i.e. Aflac), employers are looking for more and more ways to offer a comprehensive benefit package without impacting their bottom line. Any voluntary type products seem to be of interest as the economy continues to suffer."*

Here's what **Employers** had to say:

*"Primarily what other employers are doing to manage their health insurance premiums/ shift the burden to employees. We offered an HSA option for the first time during 2009 - curious how many other employers do so and what their experience has been - both from a participation standpoint (if not mandatory choice) and an employee satisfaction standpoint."*

*"Our company is very concerned about continuing to provide a good health plan for our employees without breaking our bank or theirs. We are trying to find creative ways to not only educate our employees about health care costs and what drives them, but getting them to seriously buy in and help to control them versus just expecting that benefit to always be there and thinking they have no control over costs."*

"I would be interested in hearing about creative ways that people would adjust benefits plans to save costs - whether this would be reducing benefits or changing benefits to provide different coverage without great impact on the benefits the employees receive." Life Insurance Enhancement Concept One:

## Benefits Actions in the Next 12 Months (cont.)

While certainly some employers are cutting back on their employee benefits, these results seem to suggest that the majority of employers are not planning on cutting back at this point. This is positive for employees as well as the employee benefits market as a whole.

## Hot Topics in the Current Economy

### What Brokers Are Concerned About

We asked brokers what concerns they had regarding their personal business given the current economy.

The top responses are:

- COBRA issues and new regulations
- General client financial pressures
- Impact of the new administration
- Loss of revenue due to employer cutbacks/workforce reductions
- State of healthcare

### What Brokers' Clients Are Interested In

We asked **brokers** what employee benefits topics their clients and prospective clients are more interested in now than before the economy started to decline.

The most popular topic areas include:

- Cost saving strategies
- The Cost of healthcare, and Consumer Driven Health Plans (CDHPs), particularly Health Savings Accounts (HSAs)
- Wellness Programs
- COBRA laws, regulation changes, and the new Administration
- Voluntary benefits

### What Employers Are Interested In

We also asked **employers** what employee benefits topics they and their company are more interested in now than before the economy started to decline.

The most common topic area is Healthcare, the rising cost of and options for such as CDHPs and other non-traditional medical plans. Other common themes include: Wellness programs, ways to save on employee benefits, in general, and retirement benefits.

These are potential areas for brokers to provide their employer clients with more and better information and education and present another opportunity for brokers to differentiate themselves.

## Life Insurance Enhancement Concept One:

### Adding Funeral Service Assistance to Life Insurance

Adding to life insurance, help for employees and their dependents with funeral pre-planning and assistance services.

### How much would clients pay?

We asked brokers what percent of their clients' current group life premium they might pay for a funeral service like the one described.

Not surprisingly, given current market conditions, nearly half think their clients would not pay for this service. An additional one-quarter say their clients would probably pay 1% - 2% of their current group life premium.

Thirteen percent answered 10% or more.

# Life Insurance Enhancement

## Concept One:

### Concept Test: Views on a Funeral Services Concept

Participants were given a description of a funeral services assistance concept (see description in left panel of this page) and asked their opinions of it.

Overall, brokers were open to the concept. When asked their agreement with various statements, **about one-quarter of brokers strongly agree** with the following statements:

- If a group life insurance carrier added this service to their benefit offering, I would likely recommend the group life insurance of this carrier to my clients.
- If a group life insurance carrier added this service to my clients' plans, it would positively impact my feelings toward this carrier.

Additionally, **about one in three strongly disagree** with the following statements:

- This is too difficult of a topic for workplace benefits.
- This service is not needed for my clients' employees/dependents.

### Benefits & Obstacles of Concept

We asked participants open-ended questions on the key benefits and obstacles of this funeral services assistance program concept.

Brokers most often cite the following as **key benefits** of the concept:

- *Assistance to employees during a difficult time, lowering stress*
- *Employee education / a good education resource*
- *Great value-add service, particularly as part of life insurance*
- *Making arrangements would be easier / more convenient*
- *Pre-planning component may encourage more planning*
- *Providing options / competitive quotes to employees*
- *Tangible assistance with flowers, travel arrangement, etc.*

### Benefits & Obstacles of Concept (cont.)

Brokers name the following as common **concerns and obstacles**:

- *Concerns over the quality of the service/product*
- *Cost, particularly with the recession and cutbacks*
- *Employer effort (additional admin. time, etc.)*
- *Difficulty of discussing service with employees; communication challenges*
- *Not appropriate / too invasive for the workplace and group benefits*
- *Utilization (would people use it?)*



## Specific Advantages of Concept

We provided participants with a list of advantages, and asked how significant an advantage each one would be.

Brokers see **'access to call center support' as the most significant advantage** of the concept (50% rate as significant). Brokers also think that the following are significant advantages:

- Availability of pre-planning tools (43%)
- Lack of these specific services elsewhere in the group benefits market (42%),
- Availability of final memorialization & arrangement support (41%).

## Carriers Most Likely to Recommend

We asked brokers to rate how likely they would be to consider recommending this concept to their clients if offered by various insurance carriers.

The top 5 carriers are all well-known employee benefit carriers and a third to almost a half of brokers mention the following: Aetna, Cigna, Hartford, MetLife and Prudential.

## Suppose...

### Life Insurance Enhancement Concept Two:

A trusted group life insurance carrier offered a product called "Executive Carve Out Life Insurance", targeted to highly compensated employees. The plan would be individually-owned by the employee, and offer larger coverage amounts than on traditional plans and a tax-advantaged savings vehicle.


## Life Insurance Enhancement

### Concept Two:

#### Reaction to GUL Executive Carve Out Concept

Participants were given a description of a concept around Executive Carve Out Life Insurance (see left panel of this page) and asked about it.

Response to this concept is **positive**. **Nearly all brokers report some level of interest in this idea**—almost half feel their clients would be very interested in offering the product and a similar percentage say they are very likely to recommend this option to their clients.



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