



Benefits Briefing VOLUME 16

Perspectives on Products, Portability, and Supplemental Health Benefits
from a Survey of Employers and Brokers (Q1, 2012)

National Employee Benefits Advisory Forum (NEBAF)

Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted an online information exchange in March 2012 to understand its participants' 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 233 brokers and 186 employers.

The following pages include findings from brokers and employers regarding their perspectives on all or some of the following:

- Current Product Offerings
- Supplemental Health Benefits, and
- Recordkeeping Services for Group Life insurance.

Executive Summary

This Briefing explores the views of brokers and employers on current group insurance products on the market, and the perceived value of optional features of those products.

- When asked about the importance of four key attributes of Group Term Life, brokers named waiver of premium as the most important option, while employers most often identified portability as having the most importance in their decision whether or not to choose a product offering.
- Results show portability is a feature that is prevalently offered on Group Life Plans.
- Brokers said the main reason they recommend portability to their clients is to match current plan design.
- Brokers and employers agreed on the most appealing aspects of portability. More than half of each group think the same four features are very appealing: the ability to offer coverage to former employees during transition, no portability charges if the employee satisfies medical evidence, using preferred portability rate, and automatically quoting portability. Yet, brokers rated using preferred portability rate and automatically quoting portability higher than employers did.

This quarter's survey also delves into the views of both brokers and employers on supplemental health benefits and providers.

- Four specific types of supplemental health benefit offerings were described. These were *Accident Insurance Only*, *Hospital Indemnity Insurance*, *Accidental Death and Dismemberment Insurance*, and *Critical Illness Insurance*.
- When asked which of the four products they provide, better than half of all brokers reported offering all four products, with AD&D Insurance being the most frequently mentioned product. Employers also indicated that AD&D Insurance is also the most common supplemental health benefit they offer.
- Very few brokers or employers indicated an expectation to sell/add any of these supplemental health benefits to their plans in the next 12 months.
- Similarly, brokers and employers both view supplemental benefit products as voluntary – meaning paid for by employees, rather than *core* – paid for by employer.

Executive Summary (cont.)

- Brokers and employers named the specific carriers that provide the majority of coverage for each supplemental health benefit product. Among the top mentions, across the board, were Aflac, Colonial Life, Humana, Lincoln, MetLife, Transamerica, Unum, and United Healthcare.
- The majority of brokers and employers report being unlikely to switch insurance carriers for these products in the next 12 months.

Employers only shared their experiences and opinions regarding recordkeeping services for group life insurance.

- Employers most commonly named Hartford, Lincoln Financial, MetLife, and Unum, as best-in-class providers of recordkeeping services for group life insurance.
- When asked reasons for their choice in best-in-class provider, billing stood out as most important to employers; reporting and online enrollment also emerged as critical functions.
- Asked what platform or technology the carrier or TPA uses to manage and administer records for group life insurance products, many described online systems, proprietary web-based systems, and internet portals.

Current Product Offerings

Brokers and employers were asked which group insurance products they offer and which attributes of these products they believe are particularly important when consulting or recommending options for employers or employees.

Overview of Products Offered

We asked brokers and employers about the following specific products: *Group Term Life, Dental, Disability, Group Accidental Death and Dismemberment (AD&D), Group Universal Life, and Group Variable Universal Life.*

We found that **nearly all brokers sell, service or consult on Group Term Life, Dental, Disability, and Group Accidental Death and Dismemberment (AD&D).** Consistent with this, more than four-fifths of employers said they offer these four group products. A relatively smaller percentage of both groups sell/offer Group Universal Life or Group Variable Universal Life.

Features of Group Term Life

After asking brokers and employers which products they sell/offer, the survey went a step further, drilling down to the specific features of Group Term Life. We asked how both groups rated each of four key attributes in terms of importance.

Brokers and employers differed somewhat in their responses.

Brokers ranked *Waiver of Premium* as the most valuable attribute, while employers rated *Portability* as the most important option. For both groups, Accelerated Benefits Option was third and Will Preparation was a distant last.

These findings suggest a communication gap between brokers and employers. It seems that either brokers need to better communicate the value of waivers of premium to employers, or employers better need to better communicate to brokers why they value portability.

Frequency of Portability

We posed the following question to both brokers and employers, “of the products you sell or the benefits you offer, which *could* (in the case of brokers) or *do* (in the case of employers) include portability?”

Here we see that brokers and employers answer similarly. Almost all brokers responded that Group Term Life can include portability. Group AD&D received the second most mentions. Employers also cited Group Term Life as the most likely to include portability, followed by Group AD&D.

Brokers only were asked what percent of their Group Term Life clients have portability as a part of their plan design; **about three in five said that better than half of their clients include the feature in their offering.** Just thirteen percent said that all of their clients have portability as part of their plans.

What is Portability?

Investopedia defines 'Portable Benefits' as:

“Benefits that have been paid into or accrued in an employer-sponsored plan and that can be transferred to a new employer's plan or to an individual who is leaving the workforce. Applies to benefits from health plans, retirement plans and most other defined-contribution plans.”

Brokers talk about the most appealing characteristics of portability...

Here are brokers talking about the features of portability they feel are most appealing:

"The most important is the ability to port the insurance at affordable rates without needing to prove further insurability (at least for the amount they are porting)."

"Those where the carrier assists in notification of employees of their continuation rights."

"Ability to port regardless of medical condition. Ability to port at same rates or rates close to current. Ability to port spouse's or children's coverage."

"Full portability, no health requirements, no requirement to convert coverage from term to permanent."

"Port with same rates as active, exclude the sick or injured and retirement exclusion during portability, benefits stay the same."

Frequency of Portability as Part of a Plan (cont.)

By comparison, less than 50% of brokers said that more than half of their clients offer portability with Accidental Death and Dismemberment, and only seven percent said that all of their clients include portability with AD&D.

Reasons Brokers Recommend Portability for Group Term Life

We asked brokers only why they recommend that their clients include portability in their Group Term Life plan.

The two most common responses were to **match current plan design or as per an employer request**. Brokers also mentioned ideas around how adding this option is a "differentiator," "a richer benefit," "a recruitment tool," and generally the right thing to do for employees.

Portability's Appeal

First, we asked brokers only *unaided* to describe the types of portability features that are most appealing. See left side bar for representative quotes.

Then we asked both brokers and employers to rate a list of features of portability based on how appealing they are.

The following features were rated as 'very appealing' by better than half of each group:

- **The ability to offer coverage to former employees during transition**
- **No portability charges if the employee satisfies medical evidence**
- **Using preferred portability rate**
- **Automatically quoting portability**

Yet, brokers and employers were not totally in agreement in their opinions. While both groups agree that the features above are appealing, **brokers place more value on two items**. They rated *using preferred portability rate* and *automatically quoting portability* higher in appeal than employers did.

This might suggest that communication between brokers and employers could be improved to bring more alignment of their opinions and priorities.

Supplemental Health Benefits

Both brokers and employers were asked about the supplemental health insurance benefits they offer, the top providers, and future plans.

Current Offerings of These Benefits

First, four specific types of supplemental health benefits were defined and asked about. They were: *Accident Insurance Only*, *Hospital Indemnity Insurance*, *Accidental Death and Dismemberment Insurance*, and *Critical Illness Insurance*. See left side bar for the definitions provided.

Nearly all brokers said that their clients offered Accidental Death and Dismemberment Insurance to employees. Over half reported their clients offer each of the other three types of supplemental insurance. Both small and mid/large brokers' responses were similar, with the exception of Critical Illness Insurance; more mid/large brokers than small brokers say their clients offer Critical Illness.

Similarly, employers also responded that they most commonly offer employees AD&D plans. About a third say they offer Accident Insurance Only, Hospital Indemnity Insurance, and/or Critical Illness Insurance. Small employers differ from mid/large employers in *Hospital Indemnity Insurance*; small employers are more likely to offer this benefit to their employees, than mid/large are.

Future Expectations for These Benefits

Brokers and employers were asked if they expected to sell/offer employees any of these additional insurance products in the next 12 months.

From both standpoints, **there is very little expectation that employers will add any of these products in the near future.**

These results could suggest a missed opportunity for both brokers and employers. Given the fact that these supplemental health benefits are usually voluntary products, there would be no cost to employers for offering these products. So for no additional cost employers could offer employees benefit options they might not have available elsewhere.

Perceptions of These Products: Core vs. Voluntary

We asked both groups their view of whether Supplemental Health Benefits are Core Benefits (where the employer pays all of the cost of the premium) versus Voluntary Benefits (where the employee pays all the cost of the premium). **The majority of brokers and employers agree that these are Voluntary Benefits products.**

What are supplemental Health Benefits?

Accident Insurance Only provides the insured with benefits for covered injuries and accident-related expenses including medical services and treatment, hospitalization, lodging, etc.

Hospital Indemnity Insurance provides the insured with benefits for hospitalization, outpatient surgery and certain medical tests.

Accidental Death and Dismemberment Insurance provides the insured with benefits for an accident that results in paralysis or the loss of a limb, speech, hearing or sight. In the event of a fatal accident, benefits are paid to the designated beneficiary.

Critical Illness Insurance provides a lump-sum benefit upon diagnoses of a covered condition, which usually include cancer, heart attack, stroke, major organ transplant and kidney failure. Benefits assist with out-of-pocket expenses associated with the illness, including co-pays and lost income.

Brokers share their views of “product bundling”...

Here are brokers talking about reasons for recommending or not recommending product bundling, specifically with regard to these supplemental health benefits:

“Often times, the price of one product can derail the sale. If the products are bundled the extra cost is embedded.”

“One carrier, one bill, less administrative burden on HR.”

“Great way to increase benefits while reducing costs.”

“Employers are more likely medical carriers. Bundling all products makes it more difficult to change and has less flexibility. By unbundling you can achieve “best in class” for each product line.”

“I’m a big believer in bundling insurance carriers to realize administrative efficiencies.”

Employers share their views of “product bundling”...

Here are employers talking about reasons for offering or not offering product bundling, specifically with regard to these supplemental health benefits:

“Bundled packages usually get better pricing breakout that could be beneficial to our employees if we offered.”

“It typically takes less time to administer a single bundled package rather than 3 or 4 stand alone plans. Also, in a bundled package the cost per benefit is usually less than in a stand alone plan.”

“We like our employees to be able to pick the plans that best suit their needs - so that if they only need one or the other of the types of coverages, why force them to buy “all”.”

Perceptions of These Products: Core vs. Voluntary (cont.)

This demonstrates that brokers and employers have a common understanding of these products. And, this reinforces our previous point that employers could offer these to employees with no additional costs to themselves.

Top Providers of These Products

Both groups were asked to name the carrier that provides the majority of coverage for their employees or clients for each of these supplemental health insurance products. The table below shows the top mentions by product among brokers and employers.

Top Carriers among Brokers and Employers by Product

Product	Broker Top Mentions	Employer Top Mentions
Accidental Death and Dismemberment	Colonial Life, Lincoln, MetLife, Unum	Lincoln, MetLife, Prudential, Unum
Accident Insurance Only	Aflac, Colonial Life, Humana, Unum	Aflac, Colonial Life, MetLife, Unum
Hospital Indemnity Insurance	Aflac, Colonial Life, Transamerica, Unum	Aflac, Colonial Life, Humana, United Healthcare
Critical Illness Insurance	Aflac, Colonial Life, Humana, Unum	Aflac, Colonial Life, MetLife, Unum

Plans to Change Providers

We then asked both brokers and employers the likelihood of their clients/themselves switching the carriers they currently use for these supplemental health benefits in the next 12 months.

For the most part, **neither brokers nor employers indicate a likelihood or plan to switch insurance carriers for these products in the next 12 months.**

This is positive news for insurance carriers as it suggests a level of satisfaction with current offerings and service. On the flip side, an innovative product offering might present a way for a provider to differentiate itself.

Record Keeping for Group Life Insurance

We asked employers only about their use of carriers or Third Party Administrators for recordkeeping services for group life insurance.

Leading Providers of Recordkeeping Services

Employers were asked what carrier or Third Party Administrator (TPA) they consider to be the leading or best-in-class provider for recordkeeping services. The top four responses were:

- **Hartford**
- **Lincoln Financial**
- **MetLife**
- **Unum**

Characteristics of Best-in-Class Providers

As a follow-up, we asked employers to indicate what capabilities help differentiate the carrier or TPA they cited as best-in-class. **Billing was by far the most critical priority, followed by Reporting and Online Enrollment.** All three were named by more than half of employers.

With the increasing complexities of benefits offerings, it's not surprising that employers need assistance with the burden of day-to-day recordkeeping, and look to carriers/TPAs that provide the best support in this area. This may be an area to focus on differentiation through excellent service.

Platforms/ Technologies Used

Employers were asked what platform or technology the carrier or TPA uses to manage and administer records for group life insurance products. **Many described online systems, proprietary web-based systems, and internet portals.**

As employers come to expect online access to TPA services, it becomes ever more critical to have a user-friendly application that provides an excellent client experience.

The description of "Recordkeeping Services for Non-Medical Insurance Employee Benefits":

"Plan Administration services that a Human Resources department might handle in-house or outsource to a Third-Party Administrator (TPA), their benefit carrier, or another entity, as part of the day-to-day administration and managing of records associated with that benefits plan. Services may include billing, reporting, and online claims submission, enrollment, statement-of-health (SOH) submission, among other tasks.

Employee benefits in this category could be employer-paid and/or voluntary. Specific insurance benefits could include group term life, group universal life (GUL), group variable universal life (GVUL), group disability, individual disability sold at the workplace, dental benefits, group long-term care, individual long-term care sold at the workplace, and group auto-and-home sold at the workplace, among others."



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