Benefits Briefing VOLUME 17

Perspectives on Ancillary Product Offerings, Experiences with Carriers, and Non-Traditional Distribution Channels from a Survey of Employers and Brokers (Q3, 2012)

National Employee Benefits Advisory Forum (NEBAF)

Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted an online information exchange in August and September 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 210 brokers and 164 employers.

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

- Ancillary Product Offerings,
- Experiences with Carriers, and
- Information about Brokers & their Businesses.

Executive Summary

This Briefing includes insights and opinions of brokers and employers on ancillary group insurance products in the market, carriers of those products, and the bundling of those products. We asked brokers to answer questions based on their clients with 2 to 49 employees. Employer responses include the opinions of employers of all sizes.

- Supplemental/Voluntary Life, Voluntary Short-Term Disability, Voluntary Long-Term Disability, and Accidental Death and Dismemberment (AD&D) are the most common ancillary products sold by brokers (beyond group Life, Dental and Disability).
- Group Dental, Accidental Death and Dismemberment (AD&D), and Group Life are the most commonly offered group non-medical products by employers.
- Brokers reported that clients and prospects show the most interest in Voluntary Short-Term Disability and/or Supplemental/Voluntary Life (again other than Group Life, Dental and Disability).
- When we asked employers a similar question based on their employees' interest, Group Dental was the most common mention, followed by Vision and Supplemental / Voluntary Life.
- We asked brokers only which carriers that supply ancillary products they work with most frequently and which are most successful at servicing ancillary products in the small market. The same two carriers, Guardian and MetLife, were the top mentioned carriers in both areas.
- The majority of employers said they currently have more than one group non-medical product with a single carrier.
- Both brokers and employers agreed that the most attractive reasons for bundling multiple products with one carrier are consolidated billing for the employer, multi-product discount for the employer, and single point of contact for all products. Yet, the two groups differ in the order of these three reasons; brokers ranked consolidated billing for employers the highest, while employers ranked single point of contact at the top.
- When asked to rank various reasons for not bundling multiple products with one single carrier, both brokers and employers agreed on the top three reasons: preferred carrier does not have all the products needed, prefer to use a carrier that is best-in-class for a particular product, and no/not enough of a multi-product discount for the employer.

Executive Summary (cont.)

Both brokers and employers provided information on their experiences regarding carriers for several types of products.

- When we asked both groups which carriers they use for employer-paid medical coverage, responses were the same; Aetna/US Healthcare, Blue Cross/Blue Shield, and United Healthcare were the top mentions among both groups.
- When it comes to employer-paid non-medical coverage and voluntary benefits, we see more variation in responses between the two groups, with several different carriers named.

Brokers only shared information on non-traditional distribution channels.

- Brokers are split on the use of non-traditional distribution channels such as banks, third-party administrators, or general agencies; half feel the use of them has increased in the past two years and another half don't think their use has increased.

Ancillary Product Offerings

Brokers and employers were asked various questions about ancillary products and the carriers who offer these products. For this section, we asked brokers to respond with the 2 to 49 employee size category in mind.

Ancillary Products Sold

We asked brokers which group ancillary insurance products they currently sell, other than group Life, Dental, and Disability.

Roughly four in five brokers indicated they currently sell the following: *Supplemental/Voluntary Life, Voluntary Short-Term Disability, Voluntary Long-Term Disability,* and/or *Accidental Death and Dismemberment (AD&D)***.** Nearly three in four say they are selling *Critical Illness* and/or *Accident and Health.*

Ancillary Products Offered

We also asked employers *of all sizes* which group non-medical products they currently offer.

The most popular products were: *Group Dental, Accidental Death and Dismemberment (AD&D),* and/or *Group Life*, named by more than four-fifths of employers.

More than half reported currently offering *Group Long-term Disability, Vision, Supplemental/Voluntary Life,* and/or *Group Short-Term Disability.*

When we compare small employers (less than 500 employees) to mid-size / large employers (500+ employees), we see some big gaps in offerings as might be expected. See left sidebar for more details.

Interest in Ancillary Products

We then asked brokers what ancillary products garner the most interest from their clients and prospects (other than Group Life, Dental and Disability).

First, we asked specifically about clients and prospects with 2 to 24 employees. **Roughly three in five brokers answer *Voluntary Short-Term Disability and/or Supplemental/Voluntary Life.***

We also asked about clients and prospects with 25 to 49 employees. For this group, brokers identified the same two products as garnering the highest interest. Yet, for the 25 to 49, brokers show even more agreement, with roughly seven in ten naming these two products.

For both company sizes, *Voluntary Long-Term Disability* and *Accident and Health* are the next most common products clients show interest in, according to brokers.

Employers were also asked which non-medical products garner the most interest among employees. ***Group Dental* had the most responses,** named by roughly two-thirds of employers. *Vision and Supplemental / Voluntary Life* were also common mentions. We explore differences by company size on the left side bar.

Ancillary Products Offered By the Numbers

When we look at ancillary products offered by size category, we see some similarities and some differences.

For both small (less than 500 employees) and mid/large (500+ employees) company sizes, Group Dental, Accidental Death and Dismemberment (AD&D), and Group Life are the most commonly offered ancillary products.

Beyond that, we find that mid/large companies are more likely than small companies to be offering the following products: *GVUL/GUL Insurance, Legal insurance, Pet insurance, Group Auto and Home insurance, Supplemental/Voluntary Life Insurance, Voluntary Long-Term Disability Insurance and Vision Insurance.*

Interest in Ancillary Products By the Numbers

When we look at interest in ancillary products by size category, again, we see some similarities and some gaps.

Group Dental and Group Vision are the top two mentions, among both small (less than 500 employees) and mid/large (500+ employees); no differences are seen.

Beyond that, mid/large companies report that their employees show more interest in the following products than those at small companies do: *Accidental Death and Dismemberment (AD&D) Insurance, Supplemental/Voluntary Life Insurance, Voluntary Long-Term Disability Insurance.*

Brokers talk about what makes carriers successful in the small market segment…

Here are brokers talking about what makes carriers successful for servicing ancillary products for companies with 2 to 49 employees:

"Competitive rates. Company has appetite for small business."

"Products offered fit the needs of the client at the most affordable rate. Competitive pricing, good customer service, ease of administration and strong contracts."

"Hotline for enrollments, online administration, good sales dept with quick turn around time, individual / personalized employee packets."

"Rates are good.... products have innovation."

"Specially crafted programs and administration targeted to the size segment make this carrier one of the three regularly placed vendors."

"Good products and rates, focused on small employer, guarantee issue, customized to each employee."

"Unique, affordable product offerings, good name and reputation, solid service."

"They are competitive, offer great service including a Sales Rep that keeps in touch and follows up. They have good products."

Carriers Used for Ancillary Products

We then asked brokers about the carriers that supply ancillary products. First, we asked which three carriers they work with most frequently for companies with 2 to 24 employees and also for those with 25 to 49 employees.

For both company sizes, **Guardian and MetLife** are the top responses. Unum/Colonial Penn comes in third for companies with 2 to 24 employees and Lincoln Financial has the third most mentions for 25 to 49 size companies.

Most Successful Carriers for Ancillary Products

Then, we asked which three carriers brokers feel are most successful at servicing ancillary products for companies with 2 to 24 employees and those with 25 to 49 employees.

Results are the same. **Guardian and Met** receive the most mentions for both company sizes; both named by more than two in five brokers. Yet, different than frequency of use, Unum/Colonial Penn rates third for both company sizes in the area of successful servicing.

What makes a carrier successful for this market? See left sidebar for representative quotes from brokers. These findings indicate that some carriers are more focused on the small market and their needs.

Having More Than One Product With a Single Carrier

We asked employers only whether their company currently places more than one group non-medical insurance product with a single carrier.

More than three-quarters answer yes, they do have more than one group non-medical product with a single carrier. Employers most commonly have more than one group non-medical product with the following carriers: Cigna, Lincoln Financial, MetLife, and Unum/Colonial.

It's clear that employers see some benefits in bundling products together. The next section explores what these are.

Benefits of Bundling Multiple Products with One Carrier

We asked both brokers and employers to rate a list of 9 attributes on their attractiveness to placing multiple products with one carrier.

The following are the top 3 benefits of bundling brokers find most attractive (in order of responses):

1. Consolidated billing for their client
2. Multi-product discount for their client
3. Single point of contact for all products

Benefits of Bundling Multiple Products with One Carrier (cont.)

This is what employers told us are most attractive to them about bundling (in order of responses):

1. Single point of contact for all products
2. Multi-product discount for their company
3. Consolidated billing for their company

This highlights the fact that both brokers and employers **agree that the same three attributes are the most attractive reasons.** They differ on the attractiveness of these three attributes. Brokers ranked consolidated billing higher and single point of contact lower, while employers ranked single point of contact higher and consolidated billing lower.

While this demonstrates that brokers and employers have a common understanding of key benefits, there is room for increased communication and closer alignment.

Benefits of Bundling for Brokers

We then asked brokers only what the most attractive benefits to placing multiple products with one carrier are from their perspective. We asked them to rank three benefits.

Following is the order of attractiveness, according to brokers:

1. Single point of contact for all products
2. Value-added services to brokers
3. Broker compensation benefits

Similar to employers, brokers see the most value for themselves in the single point of contact. It's not surprising to find this as most attractive with the increasing multiple demands on people's time.

Reasons for Not Bundling Multiple Products with One Carrier

Brokers and employers were asked to rank various reasons for *not* placing multiple products with one carrier. Brokers were asked specifically about clients with 2 – 49 employees.

Among twelve items asked about, brokers and employers cite the same top three reasons:

- Preferred carrier does not have all the products needed
- Prefer to use a carrier that is best-in-class for a particular product
- No/not enough of a multi-product discount

What are other important reasons for brokers for placing multiple products with one carrier?

Here are brokers talking about other important reasons, from their perspective, for bundling, other than those ranked:

"Working partnerships with the carriers and the ability to provide favorable renewals and value added services to employers under 50."

"Guaranteed issue and participation requirements."

"We want to make life easier for the client and ourselves. Packaging is the way to accomplish this."

"It is doing what is best for the client in many circumstances regardless of any of the situations above and we put that as our primary concern over everything else."

"To create leverage and volume discounts. Service is best if everything is in one place and we have one point of contact for all products."

"Bundled administrative tools for the client and employees - enrollment, plan servicing and billing."

Reasons for Not Bundling Multiple Products with One Carrier (cont.)

Again, this shows that brokers and employers have a mutual understanding of bundling. Findings do not indicate a need for further education between brokers and employers. They do, however, identify possible areas and gaps for carriers to improve on in order to allow for greater bundling of products.

Experiences with Carriers

We asked both groups about their experiences with carriers for several types of products.

Carriers Used for Various Products

We asked brokers which carriers they have worked with in the past 12 months for various types of products. We also asked employers which carriers they use for the same products. The table below shows the top mentions among brokers and employers.

For the most part, responses between the two groups are similar, particularly for employer-paid medical coverage, where they are in fact the same. We do see some differences for employer-paid non-medical coverage and voluntary benefits.

Top Carriers among Brokers & Employers by Product Type (in alphabetical order)

Product Type	Broker Top Mentions	Employer Top Mentions
Employer-Paid Medical Coverage	Aetna/ US Healthcare, Blue Cross/Blue Shield, United Healthcare	Aetna/ US Healthcare, Blue Cross/Blue Shield, United Healthcare
Employer-Paid Non-Medical Coverage (such as life, disability, or dental)	Delta Dental, Guardian, Lincoln Financial, MetLife	Dental Dental, Cigna, MetLife, Unum / Colonial
Voluntary Benefits (100% employee paid benefits)	Guardian, Lincoln Financial, MetLife, Unum / Colonial	Hartford, Lincoln Financial, MetLife, Unum / Colonial

Non-Traditional Distribution Channels

We asked brokers only a question about non-traditional distribution channels.

Change in Use of Non-Traditional Distribution Channels

Brokers were also asked whether they have seen an increased usage of non-traditional distribution channels such as banks, third-party administrators, or general agencies to purchase non-medical group insurance products over the past two years.

Responses were split; about half have seen an increase and about half have not.

Those who feel the use is increasing shared their reasons for their view. See left side bar for representative quotes.

These results indicate that non-traditional distribution channels are a growing trend, and one that brokers may want to keep an eye on moving into the future.

Why is the Use of Non-Traditional Distribution Channels Increasing?

Here are brokers talking about reasons they think the use of non-traditional distribution channels to purchase non-medical group insurance products has increased over the past two years:

"They have the customer base and if they can increase the number of products per customer they will increase their income."

"Businesses are trying all means possible for clients to become sticky to them. The more ways to be connected makes it harder to leave."

"Risk on Medical is increasing so an attempt to offset the risk is being made with other types of products."

"Tighter margins in those industries have them branching out to offer other coverages to their customers."

"They have a broad reach, by offering these products, the clients may see an ease of doing business with these entities."

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