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FEATURE

New lease on life

Analysts suggest revitalized approaches to overcoming commoditization and flat sales growth in group life insurance

BY ROBERT WHIDDON

Group life insurance sales growth has been slight for nearly a decade and for the past five years has averaged just 2%. But a new report from LIMRA International has triggered new discussions about the nature of the problem, potential solutions and emerging opportunities.

First the bad news: Group life is not group medical and never will be. Like many other benefits, group life will continue to suffer in the shadow of rising health care costs, considering that's where the typical benefits brokerage derives most of its revenue.

Indeed, LIMRA's research shows that only 15% of a benefits broker's revenue comes from non-medical group insurance lines, including life, accidental death and dismemberment, and disability. Nearly two-thirds, 60%, of their revenue comes from group medical, which they spend just about half their time on. Individual life and health insurance gets 15% of the typical broker's day, whereas true group gets just 10%.

This attention deficit is compounded by group life commoditization. Kateryna Saponova, an employee benefits product research analyst for LIMRA, says brokers are famous for "spreadsheets" group life. Again, rising health care costs are partially to blame. Once the conversation finally turns away from the client's 15% group medical increase, both broker and

employer are looking to save a few pennies. The easiest way to do that on group life is to list the rates and pick the cheapest one, without regard for the specifics.

"That's the problem that's been going on for years, and I'm not certain how that's going to change in the near term, if at all," Saponova says.

Designing for women

Still, LIMRA and other analysts do offer some suggestions. For one thing, they recommend brokers take a closer look at two oft-ignored (albeit frequently cited as being slighted) constituencies: small employers and women.

LIMRA's research shows that the number of women owning group life insurance trails the men's rate by nearly 10 points, 45% to 36%. The gap is narrower with individual policies, with 43% of men and 40% of women owning such coverage.

Saponova and her colleague and report co-author, Anita Potter, recommend the industry review their gender-specific marketing and communication tools and procedures to tap into the growing number of female workers.

"What has worked in the past is not going to work going forward," says Potter, assistant vice president for product research at LIMRA International. She adds that while the employer has been the target in the past, shrinking levels of employer-sponsored coverage and the saturation of the large-case market demand that brokers and carriers alike pay

more attention to the new end-user, the employee. That will require a different type of marketing and communication, she says.

Carriers are already addressing female consumers among the marketing changes. For example, Prudential Financial, building off of LIMRA's demographic data, recently launched an online calculator for women to assess their total monetary contribution. Dubbed the "value of all you do" the tool also capitalizes on a recent Salary.com report that estimated a salary range for homemaking activities. Their estimate: \$85,000 to \$135,000.

"We specifically designed this tool to assist with understanding the economic impact that a stay-at-home spouse has on their family household," Maria Umbach, vice president of marketing for the Prudential Insurance Company of America's individual life insurance business, said following the release of the online calculator. The research from Salary.com and others helps illustrate the issue of under-insurance. Traditional employer-sponsored group programs offer workers a flat amount or a multiple of their salary. Many employers allow workers to buy additional insurance, but one or two-times annual salary is unlikely to cover everything, as the high price tag on domestic duties helps to illustrate.

Downsized expectations

Penetration rates at employers with more than 100 employees are significant, averaging 67% of workers. Roughly half that amount participate in the group life insurance program at small employers.

However, Saprionova cautions against

racing to the bottom of the market. It is not under penetrated for lack of trying. It is a difficult market, one with many hurdles. Still, the authors write:

"Not surprisingly, many group life carriers are now going 'further down market,' searching to increase their market share in the seemingly under-penetrated small business segment, despite its notoriously higher barriers for entry. The key for carriers is to find ways to reach this market profitably while not eroding their profit margins and/or return on equity. One way of achieving this goal might be through worksite/voluntary efforts."

But even if carriers believe they've found a way to make their group product work in the small case market, there is a good chance there won't be enough people to sell it. Carrier myopia — a common broker condition whereby they get to know and understand the offerings of a handful of carriers in order to reduce the time and administrative work spent per case — continues to plague the group life market. Carriers continue to strive to differentiate their products, but that good work is often undone by the broker who has neither the incentive nor the time to stay abreast of the changing group life landscape.

MassMutual's recent decision allowing non-registered representatives to sell its executive group life insurance product is one example of an action carriers can take to stoke group life. It's a boon for brokers as well. The employer's existing health, disability or long-term care adviser can offer this as well.

Again, according to Potter, as the market shifts to individual consumers and voluntary arrangements, the carriers must do a better job communicating the products, and bro-

kers must fully understand the breadth of offerings. Carriers are starting to leverage readily available communications technologies to push more information to producers, but are the brokers using it?

"It varies by broker. Some are very good, some may not be," Potter says.

But even beefed-up education efforts many be ineffective as the broker community continues to gray, Saprionova adds. The average age continues to rise, and as it does brokers are increasingly less likely to change their ways. Add to that the fact that newbies are often trained by the old guard, and it becomes clear that things are unlikely to change. Old practices and preferences are passed from one generation to the next.

"The existing broker comes to the point when they have decided they know it all," Saprionova says. "If the old broker tells the new broker the way he does things, nothing changes." In sum: "The educational link between carrier and broker is not working very efficiently at the moment."

That, like much of today's group life market, needs to change if real group growth is expected. Still, some carriers and brokers continue to thrive. Minnesota Life, for example, clocked in at 14% growth in group life for 2005, bringing its five-year annualized growth rate to a whopping 18%. An affiliate of Sercurian Financial Group, Minnesota Life has climbed from the 16th spot on A.M. Best's ranking in 1997 to sixth in 2004. The company attributes part of its success to an extensive Web-based management system for its customers. In 2005, Minnesota Life added online quotations, underwriting and exam scheduling to its Internet system. — *R.L.W.*