



*Minnesota Life Group Insurance
Intermediary Study*

March 2005

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Objectives

The objective of this study was to gather opinions from benefits consultants and brokers (Intermediaries) to identify Intermediaries' expectations and marketing preferences from group insurance carriers whom they would recommend. Specifically, this study was designed to better understand:

- Intermediaries' expectations of group life insurance carriers;
- Intermediaries' preferences of how they are marketed to; and
- The carriers most often recommended.

The one-on-one methodology is clearly a qualitative technique. Its value is in defining the range and intensity of attitudes and opinions.

Methodology

A total of 30 Intermediaries were interviewed by an independent marketing researcher. The companies represented by the 30 Intermediaries were:

• ABD	• Aon Consulting
• Associated Financial Group	• Benefit Control
• Capital Risk	• CBIZ – HDR Benefit Advisors
• Cobbs, Allen & Hall	• Corporate Synergies
• Cundy Insurance	• Deloitte & Touche
• Gallagher Benefit Services, Inc.	• Hewitt Associates
• Insurance Risk Management	• Marsh
• Mellon Consulting	• Mercer
• Palmer & Cay	• Peachtree Benefits
• Seabrook Consulting	• Strategic Benefits Advisors
• Towers Perrin	• Willis
• Woodruff & Sawyer	

The Intermediaries were geographically dispersed and represent the following regions:

	Southern	Eastern	Western	Midwest	Southwest	Northern	Total
Brokers	5	6	5	4	3	2	25
Consultants	2	0	0	1	2	0	5
Total	7	6	5	5	5	2	30

Interest was high in meeting with, learning about and considering carriers that are new to the intermediary's markets; being aware allows them to best meet clients' needs.

Carriers must be service-oriented, competitive, and financially strong if Intermediaries are to work with them.

- A financially strong carrier must be A-rated by A.M. Best, Standard & Poor's, Moody's.
- For the intermediary, excellent service is defined as:
 - Reps that are available, responsive — calls/e-mails returned within 24- to 48-hours.
 - Reps that quickly answer questions and resolve issues.
 - Delivery of materials on time (e.g., proposals, renewals, and reports).
 - User-friendly technology.
- For the intermediary's clients, excellent service is defined as:
 - Meeting clients' needs and expectations.
 - Answering questions and resolving issues.
 - Delivery of contracts and employee literature in a timely manner.
 - Paying claims swiftly and correctly.
 - Flexible; willing to work with clients.
 - Offer technology that is user-friendly.

Intermediaries prefer a combination of in-person visits, e-mails and telephone calls when establishing and maintaining a relationship with a carrier.

- In-person visits are important when carriers are new to the intermediary; they can get acquainted with the rep, learn about the carrier, and develop trust and confidence in doing business with them.
 - **Before** business is booked, in-person visits should be scheduled, be brief and occur quarterly or semi-annually; carrier information should be concise, informative and client-ready.
- Periodic in-person visits, e-mails, and/or phone calls were recommended following initial introductions as a way to keep the carrier's name top-of-mind.
 - **After** business is booked with a carrier, the type and frequency of contact and information will likely change, depending on client and Intermediary needs.
- Intermediaries are busy and inundated with information from carriers, so it is important not to make contact too often.

Proposals should be delivered on time, answer all questions and contain clearly delineated contract provisions.

Intermediaries' information needs vary:

- **From a new contact:** clear, concise information about the carrier's financial ratings, product offerings, target market, unique features of its program, and contact information.
 - This information should be provided in client-ready form, most likely during a sales call.
- **From a developed relationship:** periodic updates via e-mail or phone calls with new information or important announcements (new or enhanced products or services).
- **From carriers submitting proposals:** clear, detailed proposals that follow RFP guidelines. All questions should be answered, the contract provisions should be clearly delineated, and it should be delivered by the stated deadline.

Intermediaries might enjoy an occasional lunch with a carrier's rep, anything more is discouraged.

- The carrier's ability to meet the client's needs is more important; no amount of socializing will make up for poor service.
- Dinners, golf games, sporting events, or trips were discouraged; intermediaries don't have the time/interest, don't want to feel obligated, or don't want the appearance of impropriety.

Conferences and regional seminars with CE credits are appealing:

- They would likely attend a conference or regional seminar if the topics were of value.
- They do not consider topics related solely to life insurance of value.

Low bidding is a common occurrence among carriers, and the following points were made:

- It can be cyclical; no rhyme or reason.
- Driven by a carrier's internal goals and objectives.
- Carriers feel they can assume more risk.
- Carriers believe the client "just had a bad year," or simply utilize different underwriting models.
- Carrier wants to grow its market share, build that block of business.
- Carrier wants to add a well-known client to their books
- Carrier wants to inflate their numbers to look more appealing to potential buyers.

Intermediaries acknowledge the advantage of life-only carriers over one-stop shops.

- Specializing in life insurance allows a carrier to focus on providing superior products and services.

Technology is important to Intermediaries and their clients.

- Clients reportedly “want to do everything online;” intermediaries would like the same/similar options to provide better service to their clients:
 - Online access to forms, certificates, contracts, case management reports, employee booklets and billing were mentioned.

Rates might land the business, but poor service will lose it.

Primary reasons Intermediaries consider changing/expanding the group insurance carriers they work with:

- Rates and service; rates might land the business, but poor service will lose it.
- Changes in a carrier’s financial rating, reputation, ability to meet clients’ needs, product offerings.
- Awareness of a new carrier in the market and word-of-mouth.

Expectations of Carriers

Intermediaries repeatedly said they expect the carriers they do business with to provide excellent service, have competitive rates, and be financially strong. These are the most important components in the decision-making process, followed by price.

Carriers should be able to 'think outside the box' if circumstances warrant.

Service for Intermediaries.

- Timeliness/Responsiveness:
 - Available sales/service reps.
 - 24- to 48-hour response to phone calls/e-mails.
 - Quick resolution when issues arise.
 - On-time renewals/Clear explanation of rates.
 - Flexibility/Willingness to work with the Intermediary.
- Proposals:
 - Meet RFP deadlines.
 - Follow bid specifications.
 - Timely underwriting.
 - Prompt/Accurate reports.

Service for Clients.

- Meet clients' needs/expectations.
- Answer questions/Address issues/Solve problems.
- Easy administration of the plan.
- Timely delivery:
 - Payment of claims.
 - Contracts.
 - Employee booklets and brochures.
- Flexibility/Willingness to work with the client.

Effective sales/service reps.

- Helpful/Knowledgeable/Proactive.
- Professional/Dedicated/Timely.
- Honest/Accurate.
- Able to get things done when issues arise.
 - "Think outside the box" if circumstances warrant.
- Willing to build working relationships with Intermediaries.
- Conservative/Not "flashing their success" in front of clients.

Online capabilities.

- Customer friendly/Easy to use.
- Real-time reporting:
 - Track Evidence of Insurability.
 - Compare client claims to normative data.

Financial stability.

- A-rated by A.M. Best/Standard & Poor's/Moody's.
- Able to assume large risk without re-insurance.
- Can handle retiree life plans.

Interaction with Carrier Reps

The Intermediaries said they prefer a combination of in-person visits, e-mails and telephone calls.

- Early in the year was said to be the best time to visit.
- October through December was said to be the worst.
- In-person visits are important, especially when a carrier is new to that market:
 - Become acquainted with the carrier's rep
 - Learn about/Develop impressions of the carrier
 - Develop trust in the rep/carrier
 - Feel confident about doing business with the rep/carrier
- Once familiar with a carrier's representative, occasional visits, e-mails, and/or telephone calls help keep that carrier top of mind when cases go out to bid.

It is important to limit contact with Intermediaries, however.

- They are busy people who are inundated with information from carriers.
- After business is booked with a carrier, the type and frequency of contact will likely change.
- Before any business is booked, preferences were:
 - Brief in-person visits
 - Call before/Don't "drop in"
 - Quarterly or semi-annual visits
 - Provide concise, informative sales collateral/No "fluff"
- Occasional e-mails and/or phone calls as follow-up to visit, to announce new/enhanced products or developments.

Intermediary information needs

- From a new contact:
 - Concise and informative sales literature
 - Financial ratings
 - Product offering
 - Target market; group size and industry specialty
 - Carrier's strengths/unique program features
 - Contact information

“The best proposal will win on its own merits.”

- From carriers responding to an RFP:
 - Clear, detailed proposals:
 - Follow the guidelines
 - Answer all the questions
 - Clearly delineate contract provisions
 - Meet the deadlines
 - Hard and/or electronic copies of various materials:
 - Sample reports/claim forms/employee brochures.
 - Names of large/well-known companies the carrier insures.
 - Complete set of the carrier’s portfolio.

Socializing with carrier reps is only moderately important.

- An occasional lunch is nice but not necessary. Anything larger, such as dinners, golf games, sporting events, trips, etc., was discouraged by the majority.
- “The best proposal will win on its own merits.”

Intermediaries would attend a conference or regional seminar.

- CE credits were identified as a powerful incentive.
- Topics of interest included:
 - Emerging trends:
 - What underwriters look for.
 - Case studies.
 - Government/Legal/Compliance issues.
 - Carrier’s handling of terrorism and reaction to terrorism.
 - Defined contribution plans.
 - Disability claims management.

Intermediaries prefer all carriers' rates to truly represent the client's experience/risk — they want their clients to stay with carriers long-term, rather than switching at renewal.

Intermediaries said low bidders are more appealing to clients than they are to the Intermediaries.

- Described as “cyclical” and having “no rhyme or reason.”
- Seen most with life and disability.
- Reasons a carrier will submit a low bid include:
 - Be more aggressive.
 - Can assume more risk.
 - Believes the client “just had a bad year.”
 - Utilizes different underwriting models.
 - Grow market share/Build that block of business.
 - Add a well known/recognized client to its books.
 - Inflate its numbers to look more appealing to potential buyers.

The Intermediaries prefer that all carriers' rates truly represent the client's experience/risk.

- Want their clients to stay with carriers long-term, rather than switching at renewal.
- Ultimate decision is the client's.
- Some clients go for low rates, some do not.

When a low bid is received, Intermediaries typically:

- Identify it as a “low-ball” bid/a carrier trying to “buy the business.”
 - Ask questions of the carrier.
 - Seek reasons justifying the low rate.
- Examine the carrier's record:
 - Quality of service.
 - Financial stability.
 - Reputation.
- Look for a multi-year guarantee.
- Explain the ramifications to the client:
 - Rates “too good to be true.”
 - Anticipate much higher rates at renewal.
 - Expect to switch carriers at renewal.

Recommending carriers

The following factors were cited as most important to Intermediaries as they consider recommending and working with a carrier:

- Competitive rates.
- Top-notch service:
 - Responsiveness.
 - Good account management.
 - Ease of administration.
 - Dependability and flexibility.
- Financial ratings.
- Long-term business relationships:
 - Trust built between Intermediary and rep/carrier.
 - Intermediary knows the carrier is dependable.
 - Intermediary knows the rep will work well with that client.
 - Large block of business increases Intermediary's negotiating power.
- Technology.
- Reputation within the industry and among peers.
- Unique products:
 - EAP with disability
 - Financial planning
 - Seminars for employees
- Name recognition.
- Life-only carriers are preferred over one-stop shops.

The Intermediaries and their clients would like to see the following information and capabilities online:

- Forms/Certificates/Contracts:
 - Enrollment/Eligibility.
 - Evidence of Insurability/Supplemental Life Approval.
 - Request to Increase Coverage/Waiver of Premium.
- Case management reports:
 - Claims experience.
 - Premiums versus claims.
 - Profit loss statements.
 - Average turnaround on death claims.
 - Renewals
 - Reserves
- Employee booklets/pamphlets.
- Billing.
- SPDs.

Future considerations

When considering changing or expanding the group insurance carriers they work with, Intermediaries identified rates and service as key factors.

Intermediaries explained that competitive rates often influence the decision to go with a carrier, and poor service will likely cause a change in carriers. Other factors said to influence Intermediaries' decision to change or expand the group insurance carriers they work with were:

Quality of the carrier:

- Change in financial rating/stability.
- Change in reputation.

Ability to meet client's needs:

- Plan design.
- Ease of administration.
- Responsive/Flexible.
- Does business in client's industry.

Product offerings:

- New/Expanded/Unique products.
- Meet needs of client's industry.

Awareness of a new carrier in the market.

- Sales calls.
- Word of mouth among intermediaries' peers.

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