

Get more
out of life

#1

A New Day for Group Life Insurance
The time is right for you to get more out of group life products



Welcome to a new day

A new day is dawning over the ever-changing corporate benefits landscape. Corporations continue to cut costs in an attempt to squeeze the most from their resources. The fickle economy is forcing employees to take a hard look at their benefits packages as they try to make up for stagnating incomes. The reality of tightening budgets and increasing workloads quickly makes it clear why more attention than ever is being given to corporate benefits solutions.

Instead of massaging their standard benefits package until it fits the current business environment, more and more employers are turning to carriers and intermediaries to provide new alternatives. It's a new playing field, and together, you and your clients must address these issues to flourish in the years to come.

In this first installment of a series, we outline the major shifts and finer nuances of change in the employer benefits arena. The goal is to provide you with the knowledge to better understand the often-overlooked potential of the group life insurance market, ultimately helping you sell these products with renewed purpose.

First, a few words about balance

A competitive global business environment, unstable financial markets and an uncertain employment outlook are forces that have created an unsettling and unbalanced day-in-and-day-out struggle for both employers and employees.

On one hand, companies are trying to generate profits in an economic landscape that's straining their resources and their ability to achieve growth. On the other, more employees are living paycheck to paycheck, and work/life worries have taken center stage. Their need to provide financial well-being for their families and ensure they have enough money on which to live once they stop working, makes employees more dependent than ever on employers to provide a mix of benefits beyond health insurance.

Given the balancing act most HR managers face – keeping costs down, while delivering more benefits value – it's clear they can no longer be conservators of the status quo. Increasingly, their response has been greater reliance on the expertise and support of carriers and intermediaries. The carriers and intermediaries who are able to find creative new solutions are the ones poised to capitalize on the evolving corporate benefits scene, more specifically, in the area of voluntary benefits.

In this environment, benefits such as group life insurance are finding fertile ground for growth. The competitive rates of group life products, combined with high employee interest, place these products in a new, more favorable light as employees and employers alike pursue a balanced benefits strategy.

We've hit the macro-trend trifecta

How exactly have we gotten here? More pointedly, how have voluntary benefits taken a position alongside basic, bread-and-butter products in the world of corporate benefit planning? To understand, we must take a closer look at three distinct trends currently shaping our economy.

1. Baby Boomers exiting the workforce

The mass exodus of 77 million Baby Boomers from the workforce is upon us. The largest American population in recorded history is in the early stages of testing the limits on everything from healthcare to Social Security to tax rates. Though Boomers typically have higher incomes, the true financial picture is far from rosy. About one-quarter of Boomer households have so far failed to accumulate significant retirement savings, and appear likely to depend entirely on government benefits in retirement¹. Another 25% of this group, based on assumptions about savings rates of return and retirement age, may experience moderate declines in their standard of living during retirement².

2. The savings bust

While Boomers prepare to exit the workforce, the generations behind them are not saving at all. In fact, the average American family saves a mere 1% of disposable income. That's right, one penny of every dollar of after-tax income³! This failure to save adequately for their financial future has left many employees behind where they hoped to be with their retirement savings. This is especially true among employees in the 41-50 age group where only a small percentage have achieved their savings goals⁴.

3. Healthcare cost crisis

Healthcare costs began to accelerate in 1998. And over the past two decades, the growth rate for healthcare expenditures has been twice the rate of increase of the gross national product⁵. According to the 2003 Health Care Costs Survey by Towers Perrin, healthcare costs for large employers have increased over 40% since 2001⁶.

Simply put, employers' most important benefits objective is cost reduction. Yet, the rising costs of healthcare have made the task all but impossible. Benefits managers must take a more progressive, long-range view of benefits to help restore normalcy to the corporate balance sheet.

The rise of voluntary benefits

Meet the new target for group life insurance products

As many economists have indicated, to counter-balance the forces of an entire generation leaving the workforce, escalating healthcare costs and the lack of savings, a portion of the American population will be hit with a “double-whammy” of higher taxes and reduced benefits.

So who are these people? And why are they asking employers to help lift the burden through more voluntary benefits, specifically products like group life?

The people in greatest need of a balanced benefits mix – one that meets both short and long range financial goals – are the youngest Baby Boomers as well as a good portion of Generation X. That’s the cake. Now the icing; to a large extent employees themselves are driving the demand for these products. Industry statistics show 40% of all Americans rely solely on their employers for their life insurance⁷. And employees who have taken group life products for granted in the past are now asking for them as a part of their benefits package. Why? As these employees continue to struggle to meet their savings goals, they are seeking benefits that help them address their entire financial picture. Group life products offer just such a solution.

Companies are looking for ways to make cost-saving adjustments in their benefits mix to help offset the increasing cost of providing employees with adequate health insurance. By offering working families the protection of a term policy or the cash accumulation of a group universal life product, employers can both improve their bottom lines and help employees achieve greater short-term and long-term financial security.

Progressive companies and group life products

By providing a cost-effective benefit that allows employees to choose several times their salaries in life insurance coverage (with or without tax-deferred asset accumulation), HR managers are simultaneously appeasing CFOs looking for a healthier bottom line and employees demanding more value from their benefits package.

In addition, here are a few other unique features that make group life products especially timely and attractive to your customers:

- **Easy to administer.** Savvy carriers are helping employers “get out of the insurance business” by automating key functions such as medical underwriting and claims. By harnessing the internet, we have made the administration of once complex processes nearly hands-off for benefits managers. Paperwork is virtually eliminated with the web. On our online benefits system, for instance, participants can make enrollment selections and receive an underwriting response in less than a minute. In this way, certain carriers and third party administrators become extensions of the employer’s HR department, able to answer employees’ questions about their benefits plans faster and with less expense.
- **In demand.** How do you make an employee happy? Give them something they want. Our research shows a profound rise in voluntary benefits. As employees become more familiar with these products, the more pressure they will place on their employers to provide a wider array of voluntary benefits.
- **Portable.** Portability is becoming more of a must-have rather than simply a nicety. We view group life insurance as a portable, personal benefit employees can take with them when their employment changes. We also offer cash value products to help employers show their commitment to the savings needs of employees.
- **Cost effective.** How does a company offset the high cost of healthcare, particularly if it’s asking employees to pick up more of the cost themselves? Simple. With group life insurance products: Term, Group Universal Life and Variable Group Universal Life. While healthcare costs continue to rise, the rates for group life are decreasing, which is good news to benefits managers everywhere.

Up next

In part two of the series, “The Rising Demand for Voluntary Benefits,” we will help you identify and capitalize on this new demographic as it continues to drive need for benefits like group life insurance, in turn helping you uncover new sales opportunities and distinguish your business with group life insurance products.

For more information

To learn more, contact the group sales manager in your region or call our national sales office at 1-800-606-LIFE (5433) or visit www.lifebenefits.com.

Sources:

1. *Congressional Budget Office Economic and Budget Issue Brief, March 2004.*
2. *The MetLife Study of Employee Benefit Trends, November 2003.*
3. *Economagic.com.*
4. *Congressional Budget Office Economic and Budget Issue Brief, March 2004.*
5. *National Center for Policy Analysis (www.ncpa.org).*
6. *The 2003 Towers Perrin Health Care Costs Survey.*
7. *LIMRA, 2004.*

Minnesota Life Insurance Company

A Securian Company

Securian Life Insurance Company

A New York admitted insurer

400 Robert Street North, St. Paul, MN 55101-2098
1.800.606.LIFE (5433) • 651.665.7898 Fax
www.lifebenefits.com

Variable Products are distributed by **Securian Financial Services, Inc.**
Securities Dealer, Member FINRA/SIPC. • 1.888.237.1838

©2007 Securian Financial Group, Inc. All rights reserved.

F62382-8 Rev 2-2009
A00650-0209