

The Rising Demand for Voluntary Benefits
Capture a larger piece of the benefits pie



Workers' rising expectations are fueling demand for voluntary benefits

In part one of the Get More series, we introduced a new day dawning in the benefits arena and talked about how rising health care premiums, as well as the general economic environment, are forcing corporations to slash costs and seek the most value for their benefit dollar. At the same time, employees are becoming more demanding about their benefits choices and expecting more from their employers in terms of providing benefits to maintain life balance.

In this installment, we'll show you some of the more significant characteristics of this influential market segment and point to the current issues and problems that shape their behavior, attitudes and beliefs. Then we'll reveal how group life insurance products are uniquely poised to help this group obtain a more secure financial future without costing their employers precious benefit dollars.

Employers are trying to do more with less

It's not even news anymore — health care benefit costs are increasing, both for employers and employees. On the average, health premiums increased 10.5 percent last year, and are expected to climb another 10 percent in 2005.*

As health care costs rise, the budget for other benefits shrinks, and along with it, the staff that administers benefits. Human resources departments are smaller than ever before.

Employees are taking on more

When less money is available for the purchase of quality benefits, employees end up shouldering a larger share of the cost. While paying more in health insurance premiums than ever before, they're absorbing more of the cost for medical benefits that aren't covered by their plans.

And when expenses rise, saving goes down. Increasingly, employees tend to live paycheck to paycheck. The average American saves just one percent of disposable income. This is especially true among employees in the 41-50 age bracket. Losing sight of the future, however, is something these employees can ill afford to do.

More than three in five (61 percent) employees surveyed expressed an interest in purchasing a wider array of voluntary benefits at work, including group life insurance.

– Met Life Study

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 help restore equilibrium.

As employees pick up more of the cost of benefits, employers are looking for new offerings to offset the takeaways. One way employers can put things back into balance for their employees is by adding or enhancing optional group life insurance programs. Employees want and need financial security for their families — group life insurance is one of the easiest and most affordable ways to accomplish that.

Who is driving the demand for voluntary benefits?

Baby Boomers are the most influential age group in terms of deciding what voluntary products will be offered in the workplace. While the first wave of Baby Boomers leave the workforce to test the waters of retirement, Social Security and tax rates, the second wave, along with a large portion of Generation X, are left behind to learn and prepare. These are the people who are driving demand. These are the people employers need to listen to.

Who are these people?

Merging the common characteristics of these two groups yields an interesting marketing profile.

Both second wave Baby Boomers and Generation Xers are familiar with the uncertainty of today's economic environment. They are casting about for security in the midst of change. They are active consumers, with an eye to added value. Though they are willing to shell out top dollar for premium products, they also seek and appreciate discounts or preferred pricing. Because they are used to driving market demand and being marketed to, they want personalized benefits, tailored to their unique needs. Technologically savvy, they are comfortable with PDAs, cell phones, computers and the blurring between home and work that these devices allow. They lead busy, full lives, and, they want the convenience of being able to take care of many of their needs where they spend the largest portion of their time: work.

The generation right behind them is even more inclined to “shop” where they work. Younger employees, aged 21-30, are interested in voluntary benefits and see the workplace as a growing channel for the purchase of financial products. The stage is being set now for a voluntary benefit boom. These younger workers are on the threshold of their professional lives, and expecting the workplace to provide voluntary financial and legal products. They are starting families and in need of every kind of benefit, from child care discounts to cash accumulation life insurance.

What are they worried about?

During their working lives, today's employees have seen unprecedented stock market volatility, both high and low. They survived the downturn of 2001 and many of them lost their jobs or have had to change careers in the last few years. They no longer expect to work at one company from young adulthood to retirement, but they do expect their companies to help them stay on track to get there. And it's slowly dawning on those riding the backwash of the baby boom generation that Social Security is not going to "be there" for them the way it is for the employees just a few years ahead of them.

Plus, many of these same employees depend on work benefits to provide the majority of their life insurance coverage. They may have financial responsibility for both aging parents and children who are college-bound. Almost half of employees say they are concerned about their family's financial security should their partner die.

At the same time, with high expectations of living to 100, they face the very real likelihood that they will outlive their savings. Lump on top of that the initial signs of the realities of aging: limited mobility, reduced vision, hearing impairment, and the picture becomes distressing indeed. It's all just around the corner, and they are not ready.

What do they want?

Though a mix of what marketers like to call two age "cohorts," these groups also have some common goals and objectives as consumers.

They want products that do a lot, but that are not difficult to understand or operate (they have better things to do). They like products that are easy to understand and intuitive to use. They look forward to a retirement with enhanced independence and self-sufficiency. The idea of uniqueness and being "cool" extends into their vision of retirement. They expect to maintain their quality of life, expecting good health and activity well past 80. In short, they intend to have it all: good health, active lifestyle, financial freedom.

“The advantages of voluntary benefits include convenience, tax savings and discounts for employees, and increased worker loyalty and cost-containment for the employer.”

Employers can help employees get there without breaking the benefits bank.

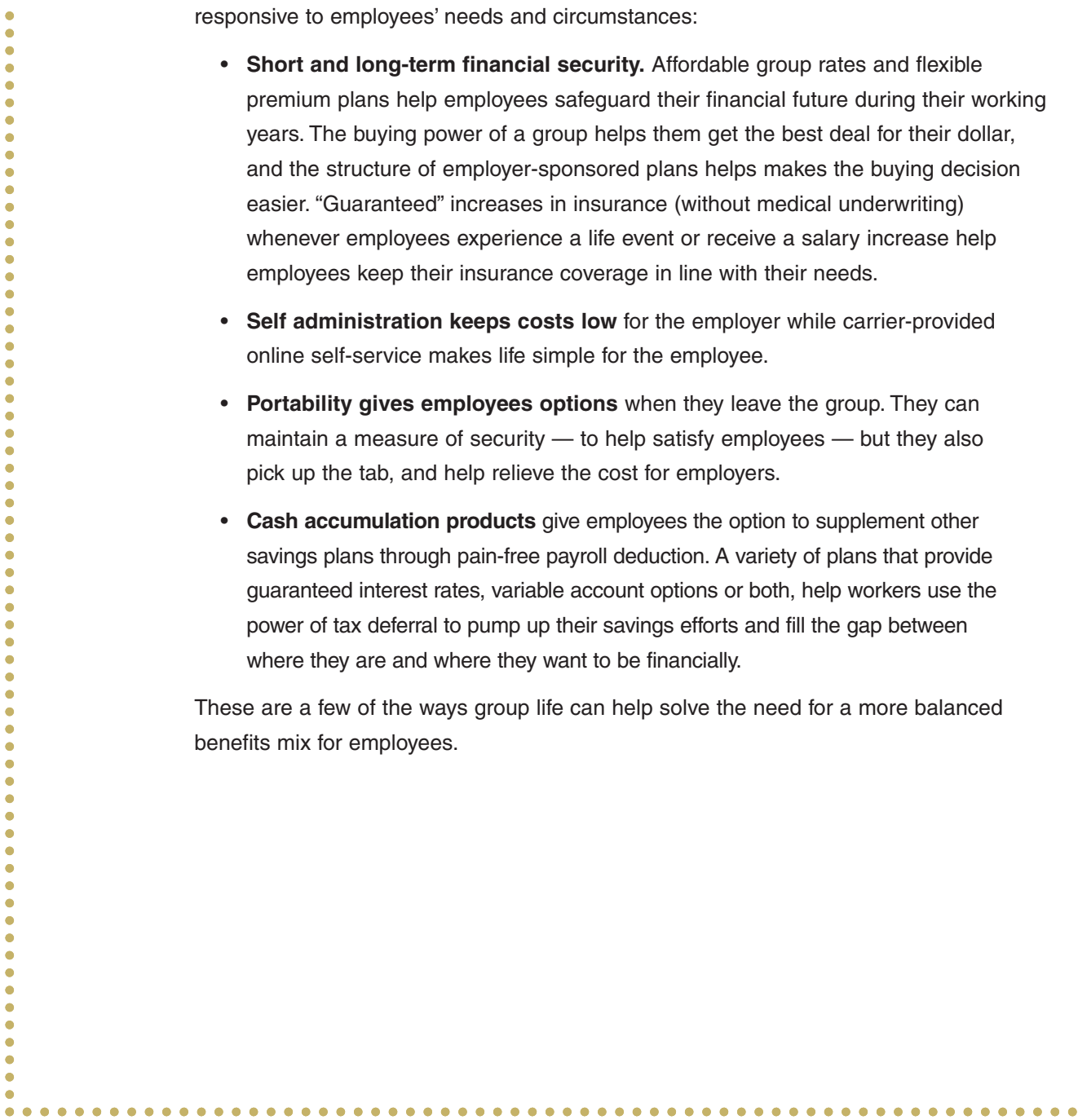
Group life insurance may be employers’ equivalent of “having it all.” Striving for a more balanced benefits mix, employers don’t have a lot of cash to make it happen. By working with the right carrier, however, costs associated with optional life insurance programs, can be minimized.

— Employee Benefit News

Group life insurance has several features that work well in a benefits mix that is responsive to employees’ needs and circumstances:

- **Short and long-term financial security.** Affordable group rates and flexible premium plans help employees safeguard their financial future during their working years. The buying power of a group helps them get the best deal for their dollar, and the structure of employer-sponsored plans helps makes the buying decision easier. “Guaranteed” increases in insurance (without medical underwriting) whenever employees experience a life event or receive a salary increase help employees keep their insurance coverage in line with their needs.
- **Self administration keeps costs low** for the employer while carrier-provided online self-service makes life simple for the employee.
- **Portability gives employees options** when they leave the group. They can maintain a measure of security — to help satisfy employees — but they also pick up the tab, and help relieve the cost for employers.
- **Cash accumulation products** give employees the option to supplement other savings plans through pain-free payroll deduction. A variety of plans that provide guaranteed interest rates, variable account options or both, help workers use the power of tax deferral to pump up their savings efforts and fill the gap between where they are and where they want to be financially.

These are a few of the ways group life can help solve the need for a more balanced benefits mix for employees.



Employers: Fringe benefits of offering voluntary programs

The very nature of voluntary benefits speaks to the customization your target market is looking for and demanding.

- Save money: employees typically bear full or most of cost.
- Entice new workers to join the company.
- Retain talent: 84 percent of employers surveyed believe that offering voluntary benefits increases loyalty and retention.
- Strengthen your partnership with your employees and increase loyalty.
- Help employees protect and plan for their future financial security.

Up next:

In part three of the series, “Progressive Companies and Group Life Products,” we’ll discuss what progressive companies are doing to meet the increasing demand for a more balanced mix of benefits. How do these companies stave off increasing health care costs? And how can intermediaries begin to recognize these companies? This information should help you better identify and target progressive companies that are taking a proactive approach to counterbalance economic trends, and in turn, help you meet the needs of benefits managers who depend on your expertise.

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.

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F62382-9 Rev 2-2009
A00651-0209