

# Worksite Marketing 2009 and Beyond

Northern Illinois Association of Health Underwriters

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# Worksite Marketing 2009 and Beyond

## WHAT IS IT?

Worksite marketing?

Voluntary benefits?

Payroll deduction (PRD)?

List bill?

Mass Marketing?

# Worksite Marketing 2009 and Beyond

- Let's keep the following in mind:
  - Leveraging the opportunity
  - Keeping the competition out
  - Providing great service
  - Financial rewards

# Worksite Marketing 2009 and Beyond

- Change in Dynamics of the Insurance business
  - Was a Kitchen Table Business
  - Now gone as we knew it because of:
    - The do not call list
    - Caller ID
    - Answering machines
    - Voice mail
    - Changes in lifestyle
    - Don't bother me at home attitude
  - Concerns about future legislation



# Worksite Marketing 2009 and Beyond

- Worksite Marketing is the current “Kitchen table” business
  - The Workplace (cafeteria) replaces the home
  - Now a daytime business (24 hours)
  - Fewer Agents in the insurance business
  - Pursuit of Upper income clients
  - Many employees are working paycheck to paycheck
  - Lower income and middle income employees are being ignored by most insurance agents
  - Employees don't want to be bothered at home



# Worksite Marketing 2009 and Beyond

- Why should agents sell Worksite products?
  - Additional revenue stream
  - Sell many products at one time
  - Day time market
  - Employers cutting benefits, yet employees still need benefits for their families
  - Employees in the lower and middle markets don't always get access to quality benefits
  - Agents need to keep the competition out

# Worksite Marketing 2009 and Beyond

- Why don't agents sell worksite products?
  - Could lose my existing business
  - Don't believe in the products
    - Cancer insurance?
    - Accident insurance?
  - Don't have a worksite partner I can trust, or have confidence in
  - Don't understand the business
    - Group products vs. individual products
    - What products do you sell?
  - Can't make much money selling worksite products

# Worksite Marketing 2009 and Beyond

- There are philosophical differences in the approach to the market
  - Spread sheet driven?
  - Product design offering?
    - Group vs workplace products
  - Concept sale using benefit communication
    - Why should an employer offer voluntary benefits?
    - Why should employers allow you to sell insurance to their employees?

# Worksite Marketing 2009 and Beyond

- Advantages to the Employer
  - Ability to offer additional benefits at no additional hard dollar cost
  - Gives employees access to group products
  - Potential advantages to special underwriting offers
  - Reduction of payroll taxes (Section 125)
  - Can improved recruiting and retention
  - Can improved morale
  - Better communication to employees
  - Competitive advantage in the market
  - Customization of benefit communication programs
  - Improved bottom line



# Worksite Marketing 2009 and Beyond

- Advantages to the Employee
  - Access to benefits only available thru payroll deductions
    - Group products and rates
    - Individual products that are portable
  - Preferred underwriting
  - Ease of payments thru the payroll
  - Ability to customize benefits based on the needs of the family
  - Increased knowledge of benefit package
  - Annual updates of benefits
  - Portability of products
  - Buying power of Section 125
  - Lock in rates and benefits
  - Benefits for family members



# Worksite Marketing 2009 and Beyond

- Personal experiences show the following:
  - Employees want to buy insurance at the worksite
  - Initially employers were concerned that employees would want the employer to pay
  - Employers are concerned about the bottom line of the paycheck – perception
  - With the rising cost of health benefits, employees understand that they now must participate in the cost of their benefit programs
  - Employees want portable benefits



# Worksite Marketing 2009 and Beyond

- Leveraging the opportunity
  - Worksite business in 2008
    - Sales were up 10%
    - New sales exceeded \$1.8 Billion
- LIMRA and Eastbridge

# Market drivers

- Health insurance rate volatility:
  - Rate increases
  - Future of benefit plans
- Equity market volatility:
  - 401 (k)
  - 403 (b)
- Ordinary life:
  - Reduction in ordinary field force
    - Middle market underserved
- Concerns about the viability of Social Security



# Where the market is headed?

- Plan innovation:
  - Life insurance: *life events coverage*
    - With Long-term care rider
    - Disability income
    - Critical Illness
    - Waiver of premium
  - Critical Illness can supplement group medical
  - Group Voluntary Insurance Products vs traditional
  - Mini Medical / Hospital indemnity plans
  - Technology Improvements to help with enrollments



# Where is the market headed?

- With the US economy low
  - 30% of consumers have no confidence in insurance companies
  - 33% have no confidence in mutual fund companies
  - 46% have no confidence in stockbrokerage or investment firms
  - 48% have no confidence in rating agencies
  - 50% have no confidence in government regulators
- November 11, 2008 Voluntary.com article



# Where is the market now?

- Many taking a wait and see approach
  - 21% putting off buying insurance
  - 5% plan to cancel benefits
  - 6% would buy more benefits
  - 52% plan to reduce debt
  - 12% will lower retirement contributions

November 11, 2008 Voluntary.com article

# Workplace Benefits:

## *the role of communication*

- Financial implications:
  - “Managing Human Resources” – *anytime an employee leaves, it takes the equivalent of 3-4 months of the terminating employee’s salary to replace the terminating employee. Sherman and Bohlander*
  - “Human Capital as a Lead Indicator of Shareholder Value” – *firms that designate resources to communicate benefits, experience, on average a 7.9% greater return to shareholders. Watson Wyatt*

# Workplace Benefits:

## *the role of communication*

- Effective communications is:
  - A strategy to effectively communicate benefits in a manner that is completely understood and comprehended by most.
- Remember the audience
- Drive benefit messages
- Age of entitlement

# Workplace Benefits:

## *the role of communication*

- “Forward-thinking perspective”
  - Weaknesses and exposure of current plans
  - Confusion about benefits
  - Lack of appreciation for what is offered
  - Anticipated design changes

# Worksite Marketing 2009 and Beyond

- Opportunity according to survey results from:
  - LIMRA
  - Eastbridge
  - US Chamber of Commerce

# Worksite Marketing 2009 and Beyond

- OPPORTUNITY AHEAD

- 44% of US households say they need more life insurance
  - Mortgage protection
  - Education funding
  - Estate planning

LIMRA

# Worksite Marketing 2009 and Beyond

- OPPORTUNITY AHEAD
  - 58% of individuals have no individual Life Insurance
    - Opportunity to sell group UL or individual permanent life insurance products
    - Big term life sales

LIMRA

# Worksite Marketing 2009 and Beyond

- OPPORTUNITY AHEAD
  - Only 28% of individuals have DI/Accident coverage
    - Most employers don't have a formal salary continuation plan

LIMRA

# Worksite Marketing 2009 and Beyond

- OPPORTUNITY AHEAD

- Only 27% of full-time employees estimate correctly that their company spends \$4,000 or more per year, per employee for medical insurance benefits
  - Education
  - Value of employee benefit review
  - Hidden paycheck review

US Chamber of Commerce

# Worksite Marketing 2009 and Beyond

- How do I get started in the Worksite business?
  - Who are your clients?
    - Group health cases
    - Commercial fleet customers
    - 401k customers
  - Do I know any business owners?
  - Do I know any decision makers?

# Worksite Marketing 2009 and Beyond

- How do I approach the market?
  - If I could show you how to save 10 to 15% on your health insurance premiums, would you give me 10 minutes of your time? Can I see you at 8:50 or 10:50 which is better for you? (HSA or HRA)
  - If I could show you how to offer more benefits to your employees without any additional premium cost, would you give me 10 minutes of your time to show you an idea? Can I see you at 9:50 or 1:50?

# Worksite Marketing 2009 and Beyond

- When should I approach my group clients about voluntary benefits?
  - At renewal?
    - Not if you have a big rate increase
    - Tie voluntary enrollment to the core enrollment
    - Maximize the opportunity to see the employees
  - Mid-year?
    - Especially if you had a big rate increase
    - Why wait until group medical renewal

# Worksite Marketing 2009 and Beyond

- What products should I offer?
  - Agents like to offer:
    - Life
      - Employers dropping group term life
      - Great opportunity to sell more life insurance
    - DI
      - Good door opener
      - Consider offering a worksite DI product
  - After Medical and Prescription drugs, employees want:
    - Dental
    - Vision

# Worksite Marketing 2009 and Beyond

- Typical Worksite Products
  - Life (UL/WL/Term)
  - DI (LTD/STD)
  - Accident
  - Cancer
  - Heart/Stroke
  - Dental
  - Supplemental Health
  - Critical Illness
  - LTC
  - Vision
  - Mini Med
  - Legal Plans
  - Pet Insurance

# Worksite Marketing 2009 and Beyond

- Can I make any money selling voluntary benefits?
  - Average premium \$440
  - Commission for traditional worksite products vary but average around 70% regardless of the product sold
  - Cross selling opportunities (fact finding very important)
    - Buy Sell
    - Key man
    - 401k
    - Group medical
    - Etc...

# Worksite Marketing 2009 and Beyond

- What are the pitfalls?
  - Billing problems
    - Especially paper bills
  - Time to enroll employees
    - Good enroller sees 15 – 20 employees per day
  - Access to the employees
    - Are meetings mandatory
    - Multi state locations
  - Partnering with a professional enrollment company
    - Trust and confidence
    - Split commissions

# Worksite Marketing 2009 and Beyond

- According to Eastbridge Consulting
  - Worksite potential \$28 billion market
  - Current market penetration is only 30%
  - Market is growing at a rate of 10% to 15% annually

Eastbridge Consulting



# Worksite Marketing 2009 and Beyond

- Why should I sell worksite products?
  - Keep the competitors out
  - Provides a service to your clients
  - Additional stream of revenue
    - LIMRA says more lines of coverage with a client the better chance of keeping them
  - If you don't sell these products someone else will sell them and you may lose a client

# Worksite Marketing 2009 and Beyond

- When looking to get started in Worksite Business
  - Strength of corporate financials
  - Commitment to the voluntary benefits market
    - Companies entering the business and exiting
  - Competitive product portfolios
  - Competitive producer compensation
  - Field support
  - Who owns the business?
  - Service and Technology to support the sale
  - Technology to support the enrollment process
  - Producer friendly, Relationship Driven Company
  - Consider a worksite professional partner

# Worksite Marketing 2009 and Beyond

- Providing excellent service
  - Contact your groups each month
    - Ask the following questions:
      - Do you have any billing problems?
      - Do you have any claim problems?
      - Have you hired anyone new?
      - Did anyone quit or get fired?
      - Did anyone retire?

# Worksite Marketing 2008 and Beyond

- QUESTIONS ?

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- Thank you

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