

The Shift to New Benefits Strategies

Helping progressive companies respond to the changing economic landscape



83% of companies offer at least one voluntary (employee-pay-all) insurance plan.

Finding new growth in the benefits marketplace

In the current business climate, many employers are struggling with disappointing earnings results. They are cutting costs, including their payroll. If they do enhance benefits programs, they are looking for cost-effective funding strategies, including employee-pay-all arrangements.

But even in an economic dry spell, progressive companies continue to build for the future. They know that the economy will turn — it's only a matter of time. And, in the race to keep valued employees, they don't want to lose out to a competitor's compensation package. Here's where intermediaries can have significant influence. By generating innovative ideas to help your clients manage benefits costs and more effectively deploy resources, you can actually help them improve their bottom line.

In the last installment of the Get More series, we outlined the rising demand for voluntary benefits, and talked about the influential market segment responsible for it. We pointed out the current issues and problems facing this group, as well as the goals and objectives important to them. We then showed how group life insurance products are uniquely poised to address the benefit needs of this target consumer group.

In this installment, we'll discuss the approaches progressive companies take to offer a more balanced mix of benefits to employees, including new offerings, new methods and cost control. We'll help you recognize these forward-thinking companies and suggest ways to better meet their evolving needs through optional group life insurance programs.

Beyond the status quo: Nontraditional benefits are growing

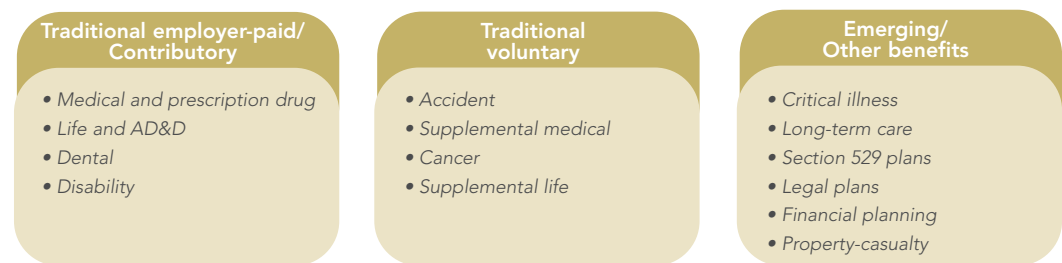
Given the balancing act today's HR managers face — keeping costs down while delivering more benefits value — it's clear they can no longer be conservators of the status quo.

Progressive employers are venturing beyond traditional programs to offer many new options, as well as enhancing core benefits such as health, life, disability and dental. Employers are looking to voluntary benefits as a way to “round out” their existing benefits package, providing benefits they feel will add to the well-being of their employees. Large employers — especially those who have a comprehensive benefits package in place — believe voluntary benefits are a point of differentiation that will help attract and retain quality employees.

While life insurance is still the most frequently offered voluntary product, the list of voluntary benefits now being offered by employers has expanded beyond the traditional to include:

- Travel accident insurance
- Travel medical assistance
- Cancer insurance
- Critical illness insurance
- Extended leave programs
- Financial planning
- Flexible spending accounts
- Life/Work balance benefits
- Smoking cessation and weight loss incentives
- Long-term care insurance
- Prepaid legal plans
- Property-casualty insurance
- Mortgage counseling
- Pet insurance
- Section 529 college savings plans
- Concierge services

Types of voluntary benefits



Keeping a close watch on the bottom line

Progressive employers also see new benefits offerings as a way to control costs, while still presenting a competitive benefits package. To offset rising health care costs, they are turning to programs which are funded wholly or in part by employees themselves. Somewhat surprisingly, research suggests that employees support this decision, if

What sets apart the benefits approach of progressive companies?

- They ask employees what they want.
- They provide low-cost benefits that are perceived as being high return.
- They encourage employees to take charge of their own benefit planning.
- They outsource functions outside their expertise.
- They benchmark their position vis a vis the competition.

making basic coverages voluntary helps keep health insurance premium increases in check.

In fact, today's employees seem to make little distinction between the value of subsidized and voluntary benefits and praise both types for their ease of purchase, attractive pricing and convenience. One of the key reasons employees are embracing voluntary benefits is the opportunity to customize them to meet individual needs.

Marching to a different drummer

Progressive companies often grow from small beginnings, but they usually succeed by doing things differently — taking bold steps to move ahead of the competition. How do you recognize a progressive company? Size is certainly an indicator, yet not all large companies are open to the idea of nontraditional benefit programs. They may not need to be as concerned if their industry isn't competing for the same pool of talent.

In terms of benefit strategies, the profile of a progressive company begins with its perspective of employees. They see employees as a crucial asset rather than as an expense. Given this mindset, they encourage and implement employee input on benefit offerings and are committed to helping workers make critical decisions that affect their long-term financial security.

Progressive companies use online services in every aspect of their business, so it's not at all surprising that they centralize employee administrative functions and provide robust online experiences for employees. Often growing through acquisitions, they are all about consolidation of HR management systems and increasingly likely to outsource HR support functions.

Finally, progressive companies are keenly aware of their position in the marketplace and are continually benchmarking their benefits with what other large employers are offering.

Number of voluntary benefits offered

Including supplemental life and long-term disability buy-up

Size of firm (number of employees)

Benefits offered	All firms	10 - 19	20 - 99	100 - 499	500 - 999	1,000 - 4,999	5,000+
0	36%	40%	34%	27%	14%	9%	4%
1	22	26	18	22	25	23	14
2	12	11	11	17	23	16	20
3 - 5	19	16	22	23	30	43	51
6 or more	11	7	15	11	8	9	11

Triple play: client pragmatism + carrier commitment + your valued advice

Employers striving to build a loyal and highly productive workforce while also dealing with spiraling costs want an advisor who will consult on their overall benefits program, not just select benefits. They are looking for intermediaries and carriers who can be true collaborative partners — demonstrating an attitude of willingness to roll up their sleeves and work side by side with them. They would like to see more transparency and disclosure in pricing and more help with customizing programs to their unique needs.

Although always cost conscious, larger employers want “best in class” providers for each benefit, and they need your expertise in finding options for outsourcing benefits processes. You bring this level of value to the table when you position group life insurance products as valued elements of a benefits package that increase goodwill among employees and can offset medical benefit rate increases. Strong benefits packages often make the difference when applicants choose among several employment opportunities, and having a full range of group life insurance benefits — from basic term to variable group universal life — are important “satisfiers” to employees.

What’s key for employers is to make a voluntary benefit, such as group universal life, easy and hassle-free to implement. They will appreciate your recommendation of a carrier that offers seamless plan transition, state-of-the-art employee communications and technology that can reduce an employer’s administrative staff costs. In terms of plan design, progressive companies favor guaranteed-issue coverage, portability and value-added services, such as beneficiary financial counseling and wills preparation.

Reaping the rewards

Working with progressive companies opens new doors for business. Twenty-five percent of employers surveyed are interested in adding voluntary benefits in the near future. Further opportunity exists among employers who do not currently offer voluntary benefits, with over one third of them considering a new voluntary benefits program.

With your help, these companies will come to view group life insurance as a way to distinguish their benefits programs from those of their competitors.

What employers want

As employers decide among benefits programs and funding options, they're asking:

- What are our goals in providing various benefits?
- How are macroeconomic trends (interest rates, unemployment, benefits inflation) affecting the company's ability and need to provide benefits?
- What products are available on the market? How effectively can they meet the needs of our employees?
- How much of the current benefit costs, including deductibles and copayments, do employees pay now? How much should they pay?
- To what degree do employees value comprehensive benefits? What is the tradeoff between benefits and salary?
- What is the cost impact of providing a benefit on an employer-paid, contributory or voluntary basis? (This includes not only direct premium costs, but indirect costs such as administration, enrollment, communication and service.)
- What is the best way to provide the maximum benefit with a limited benefits budget?
- What are other similarly situated employers providing? What is the market dictating?

Up next:

In part four of the Get More series, "Cash Value Products," we present a compelling case for cash value group life insurance as a product made for the times. Interest in life insurance has never been higher as workers attempt to replace lost income, struggle to meet their savings goals, and employers pare back on retirement and health benefits. In this environment, cash value products are filling a growing void.

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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