Voluntary Benefits Trends

A Special Presentation for SCHUA

April 2021

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Introduction

Throughout this presentation, we use the terms “worksite” and “voluntary” interchangeably.

They both refer to life and health products that are sold at the worksite with premiums paid by employees through payroll deduction. As a result, we exclude “core” or employer-paid coverages.

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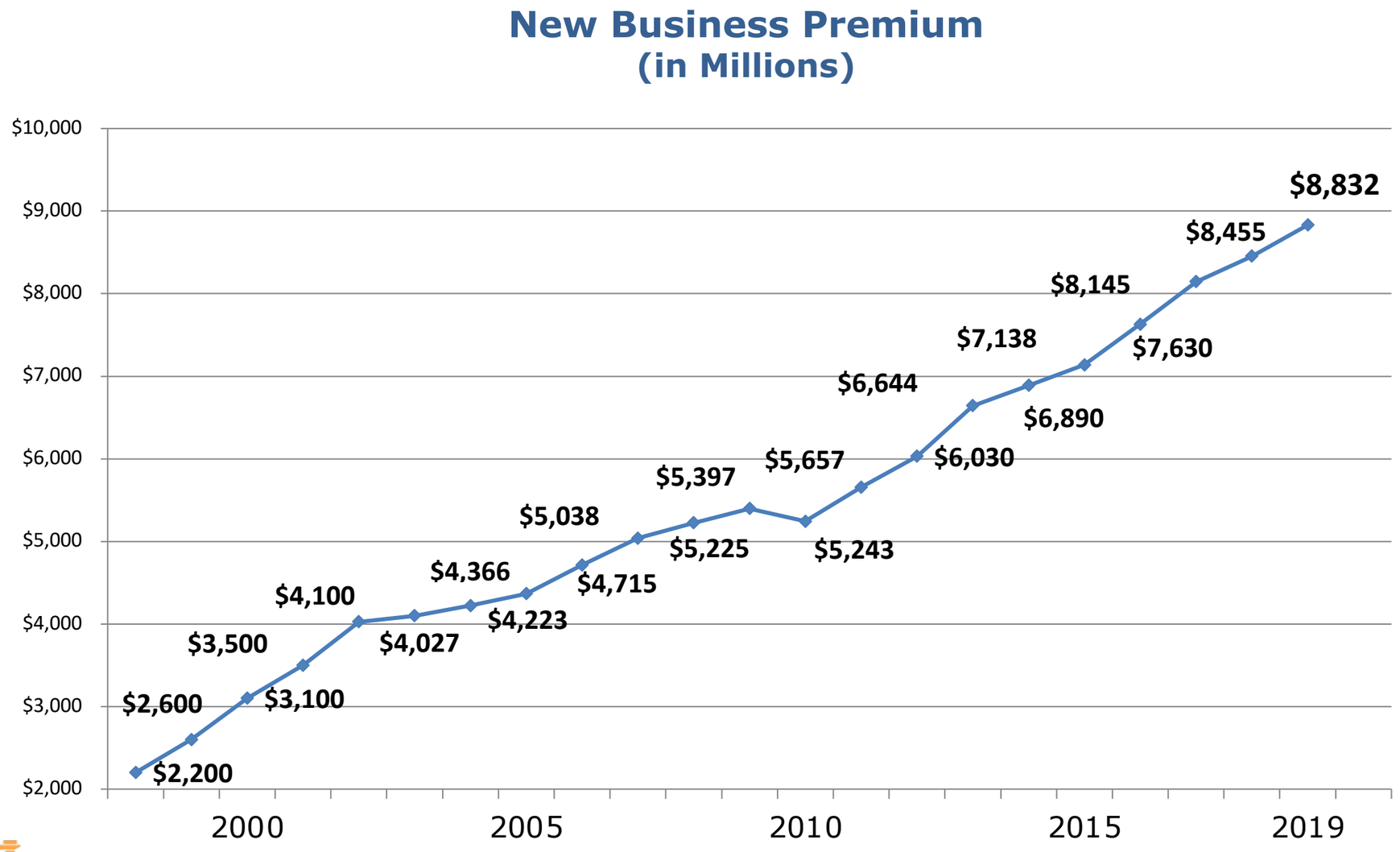
Voluntary has been a growing market



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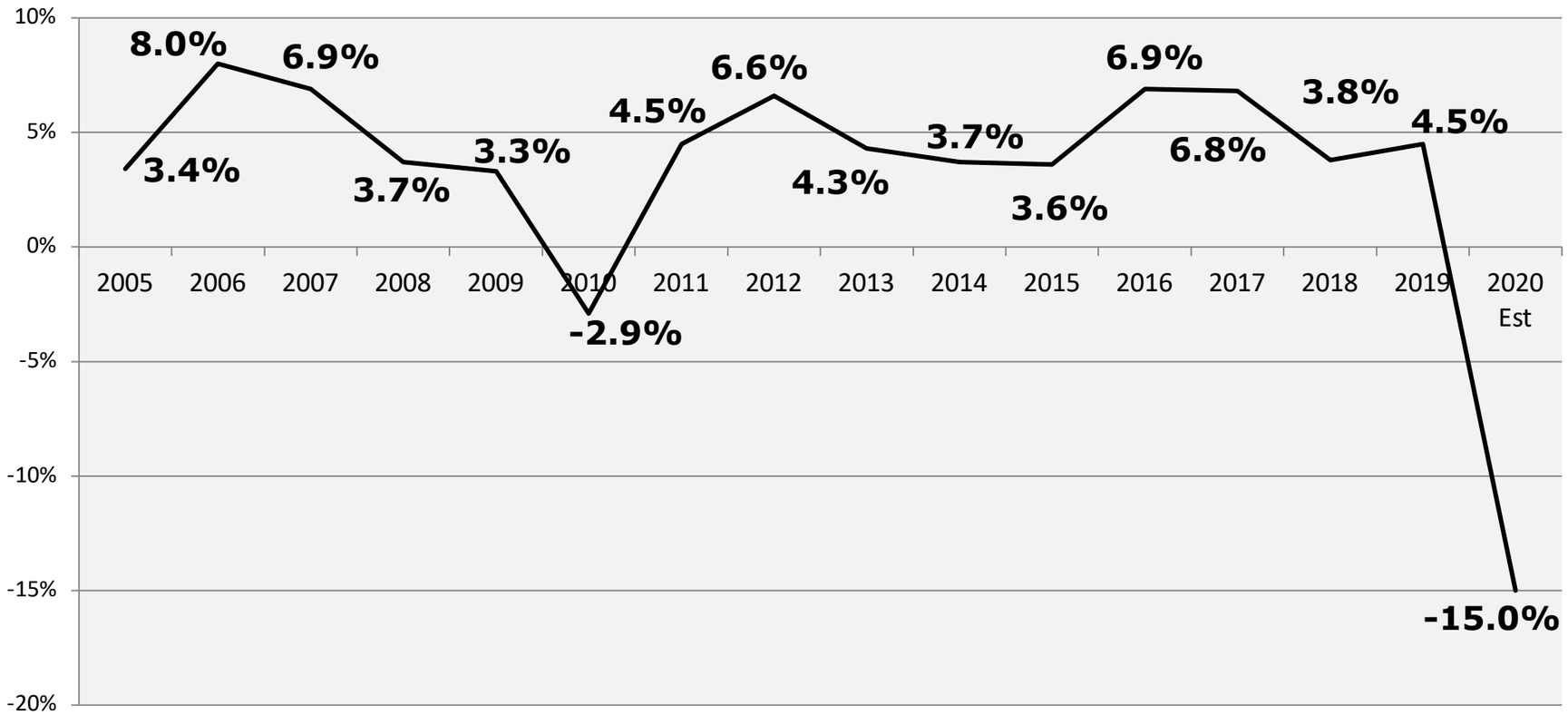
Growth rates have been strong but 2020 will be down

Industry Growth Rates since 2005



Current estimates are the industry will be down 15%-20% for 2020.

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Voluntary products are now an integral part of employers' benefits

Sixty (60) percent of employers offer at least one voluntary product.

Likelihood of offering voluntary products varies by size of the employer.

Employers Offering at Least One Voluntary Product

	2018	2020
10-49 employees	53%	57%
50-99 employees	73%	74%
100-499 employees	78%	78%
500-999 employees	84%	81%
1,000-2,499 employees	87%	85%
2,500-9,999 employees	88%	89%
10,000 or more employees	87%	83%
Overall Weighted Average	**60%**	**60%**

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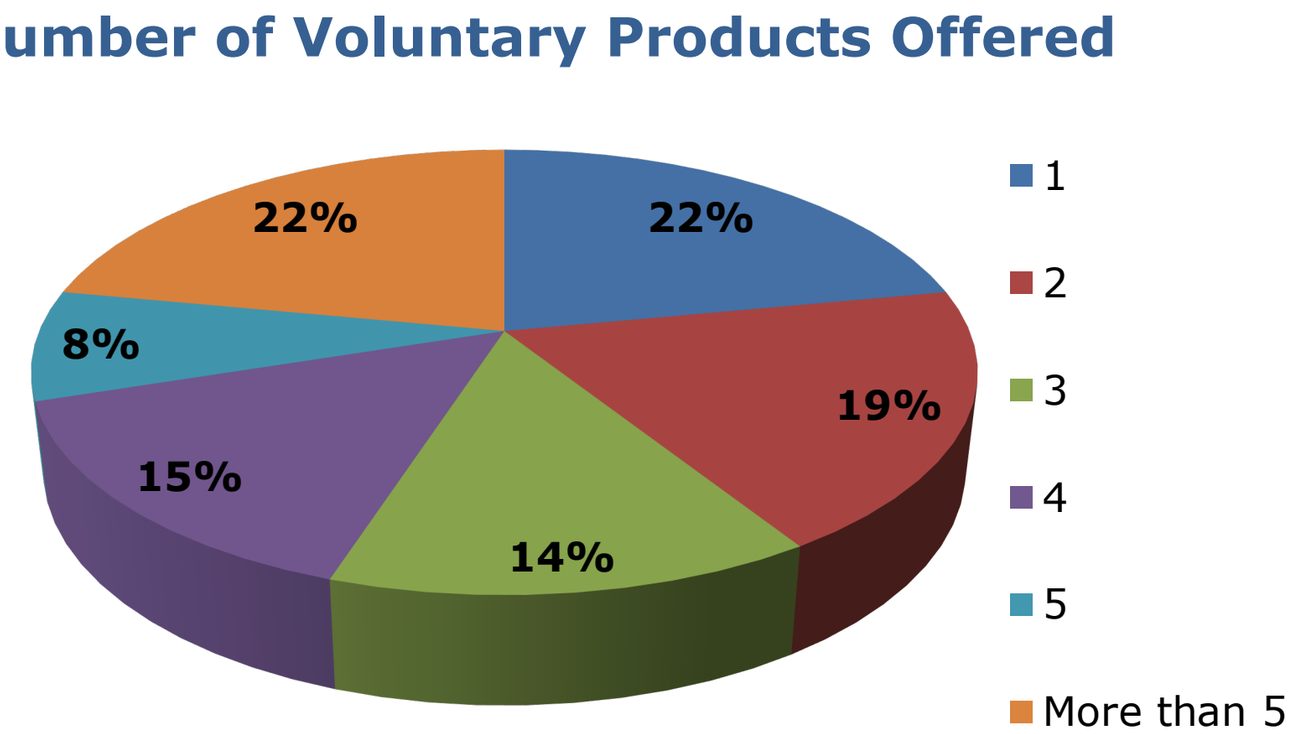
Employers usually offer more than just one voluntary products



2020 data

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Life and Disability are the top voluntary products offered but others are growing

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With more employers offering voluntary, more employees own voluntary products

Employee Ownership of At Least One Voluntary Product

Employer Size	2015	2019
10-49 employees	48%	44%
50-99 employees	54%	54%
100-499 employees	43%	41%
500-999 employees	45%	49%
1,000-2,499 employees	39%	39%
2,500-9,999 employees	43%	43%
10,000+ employees	32%	43%
Weighted average	**41%**	**44%**

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Most employees who own voluntary products own more than one

Number of Voluntary Products Owned

Response	2015	2019
One	35%	34%
Two	26%	21%
Three	15%	17%
Four	12%	9%
Five	5%	7%
More than five	7%	13%

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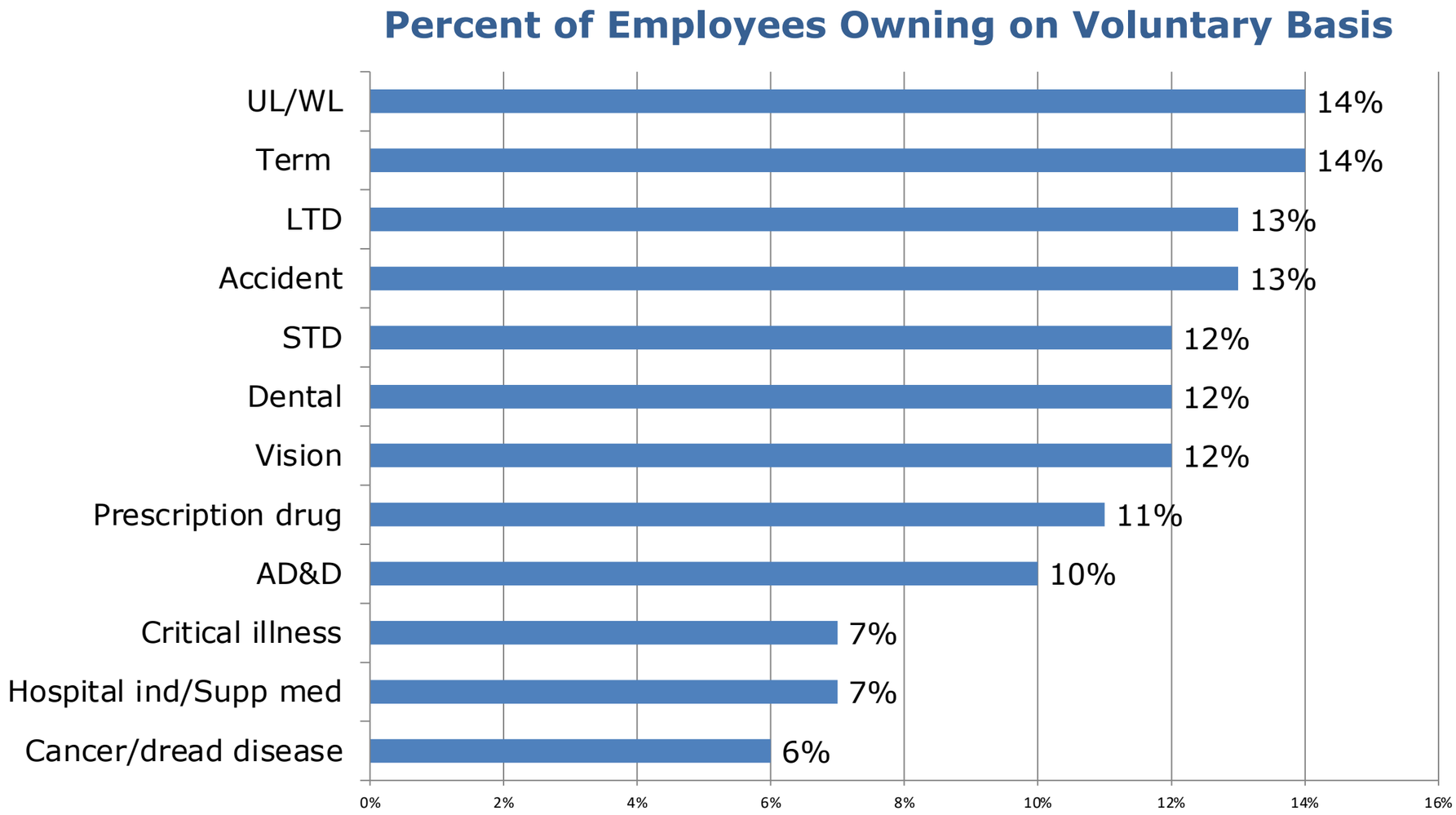
Ownership by product shows a wide variety of products are owned



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Employees are also interested in buying more voluntary products

Top 10 Products Employees are Interested in Buying

Product	Do not currently own	Percent interested in purchasing
Pet	83%	38%
Legal plan	79%	36%
Identity theft	77%	42%
Cancer/dread disease	77%	45%
Hospital indemnity	77%	43%
Critical illness	76%	45%
Long-term care	73%	45%
Accident	55%	41%
Whole/universal life	53%	43%
AD&D	51%	40%

2019 data

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The top players have changed over the last ten years

There are about 90 or so companies that claim to be in the voluntary market.

Many of these players have very small market shares.

The top 10 companies account for just over 65% of all sales.

A notable trend over the last five to eight years is how many group carriers there are in the market and on the top-15 list.

Top 10 Carriers in 2019

Company	Market Share	Inc/Dec over 2018
Aflac	17.9%	-1.3%
MetLife	13.4%	8.6%
Colonial Life	6.4%	0.8%
Unum	6.4%	4.4%
Guardian	4.3%	21.3%
Allstate Benefits	4.2%	-4.2%
Cigna	4.0%	38.6%
Lincoln Financial	3.6%	29.0%
The Hartford	2.9%	-7.3%
Prudential	2.5%	-26.5%

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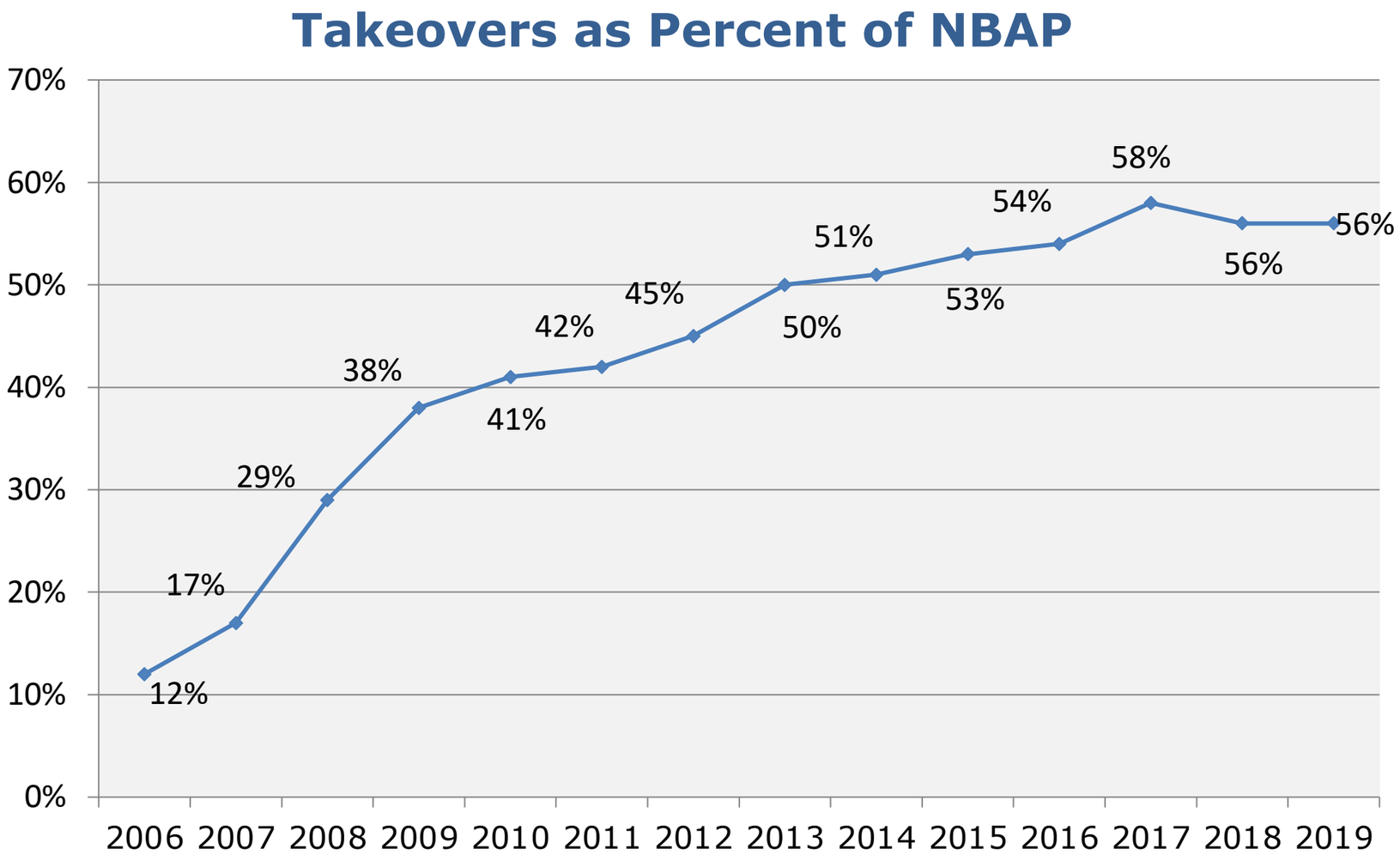
Takeovers are another trend for the voluntary market



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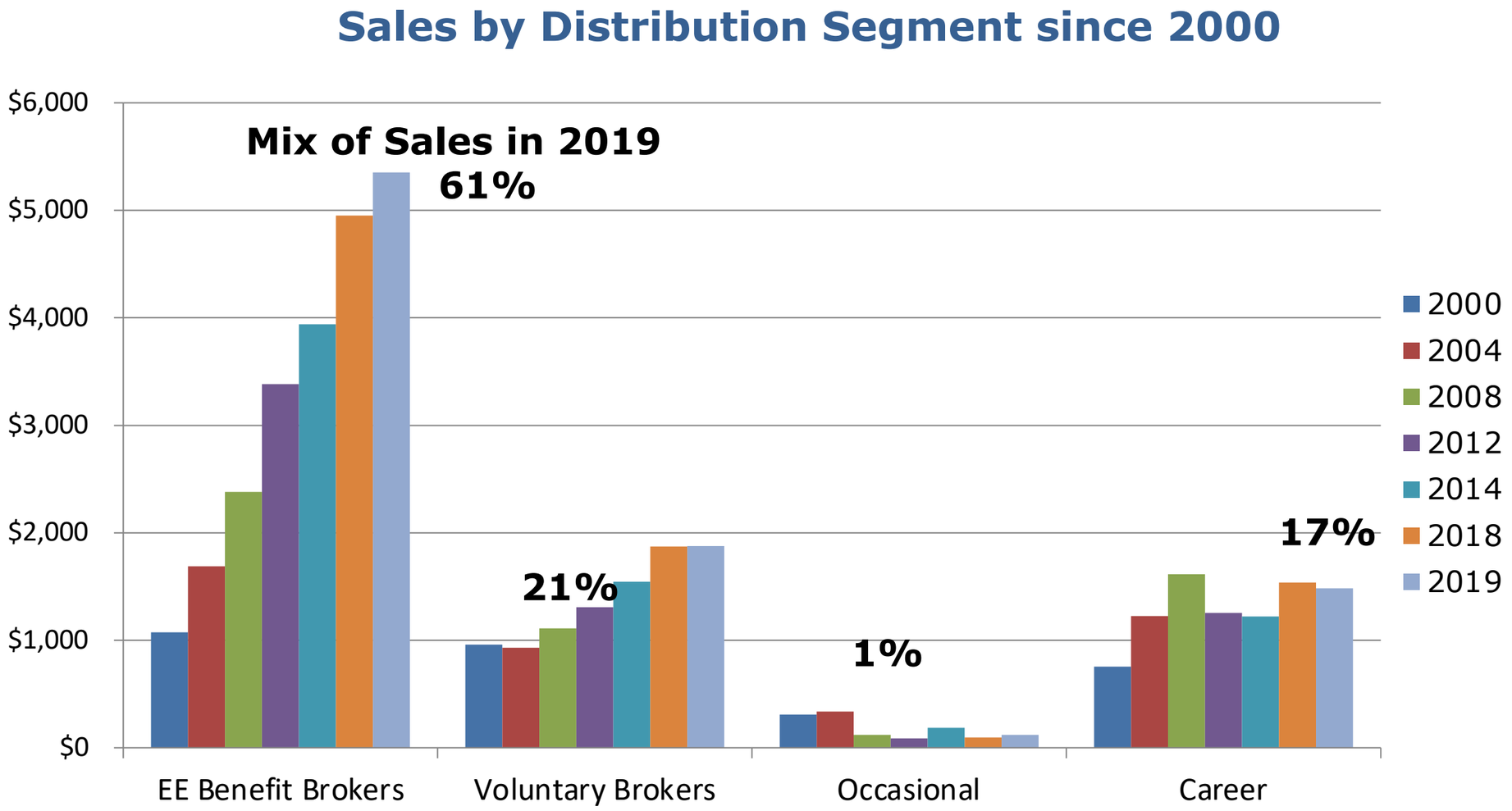
Who sells voluntary has changed



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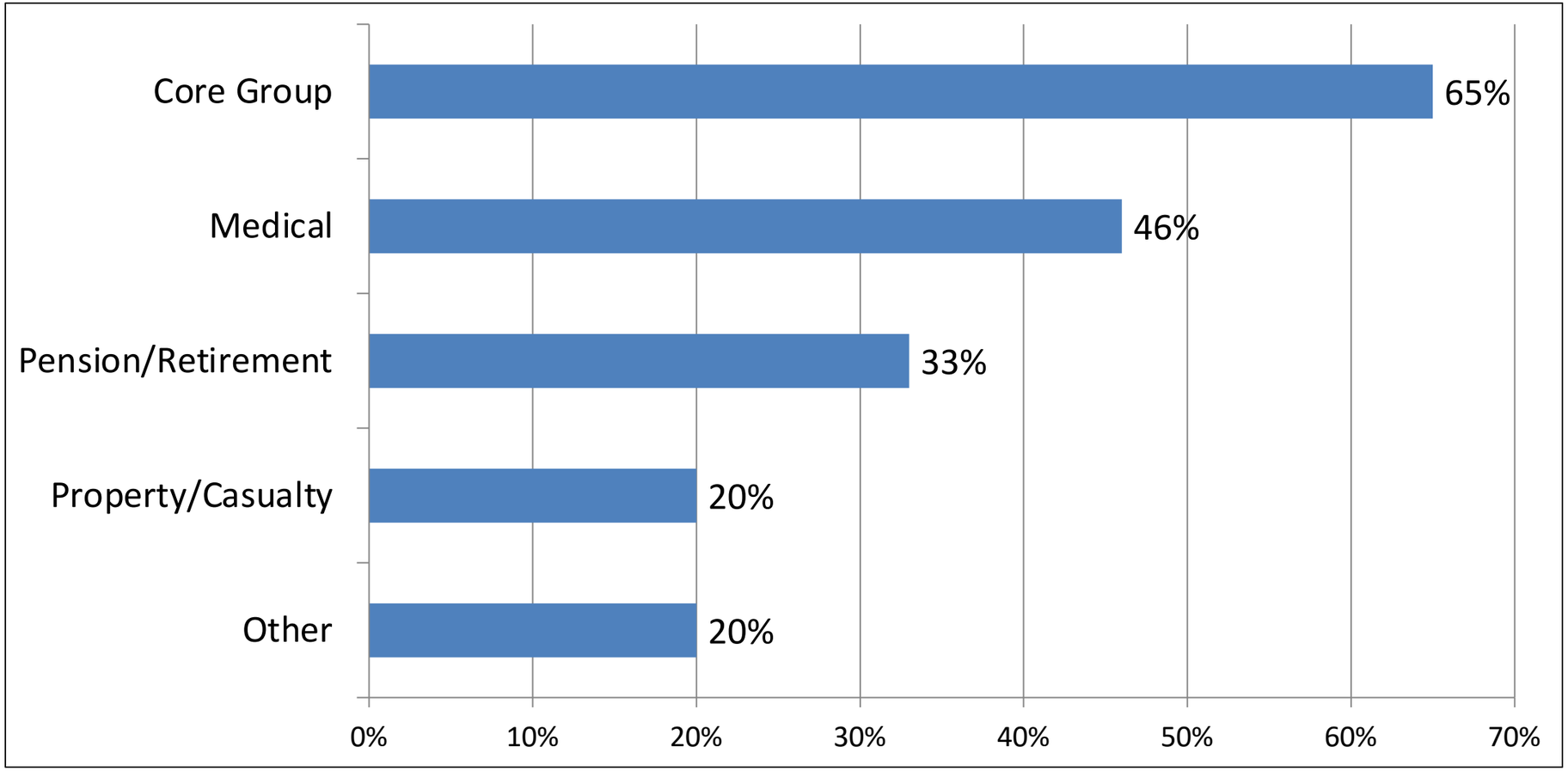
Employers often get voluntary from brokers handling other lines

Other Coverages with Broker Handling Voluntary



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The lines are blurring between broker types

Top Three "Go to" Products

	Benefit Brokers	Voluntary Brokers
Selling more products like accident, critical illness and hospital indemnity	49%	63%
Still sell primarily life and disability products	47%	16%
Other	4%	22%

Source: 2020 *BenefitsPRO*/Eastbridge Survey

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Brokers' top products reinforce the blurring of lines

Most Frequently Sold Voluntary Products 2019
(in order named)

Benefit Brokers	Voluntary Brokers
Short-term disability	Accident (tied)
Term life	Critical illness (tied)
Critical illness	Short-term disability
Dental	Hospital indemnity
Accident	Universal life / Whole life

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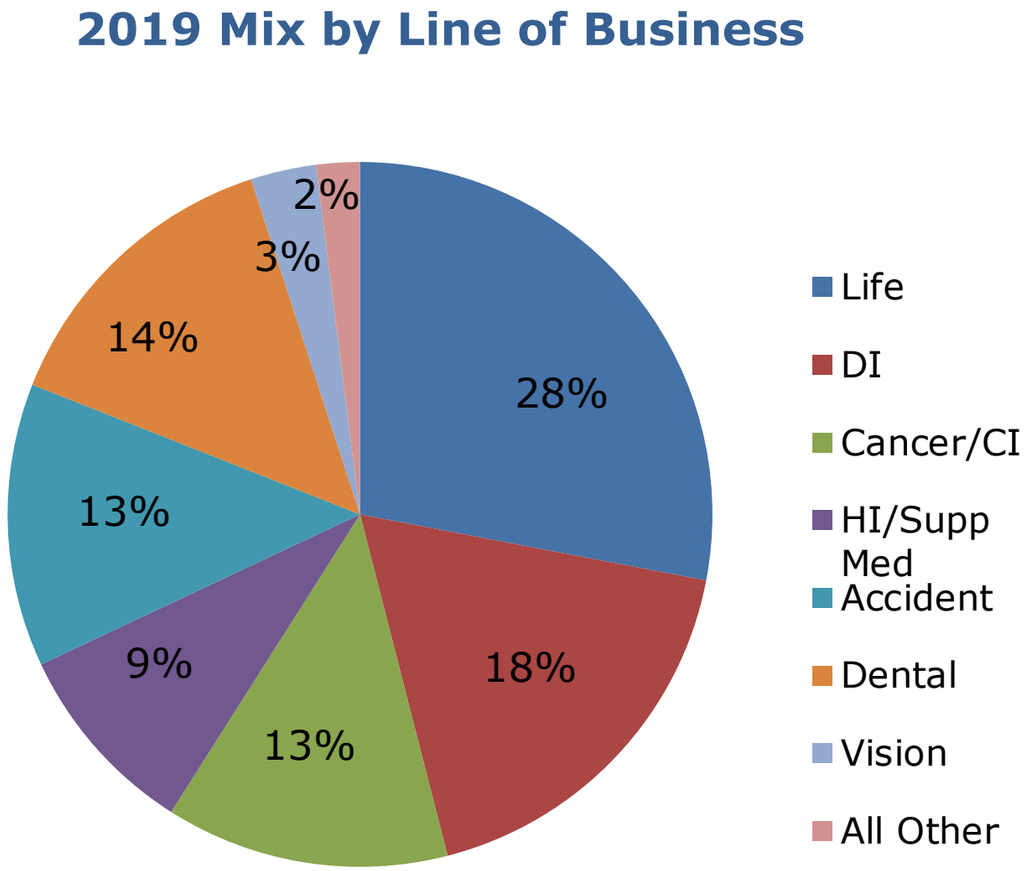
We see increasing sales of supplemental health products

Life insurance again claimed the largest share of sales at 28%, up slightly from 27% last year.

Disability (STD and LTD combined) was second with 18% again, down slightly from 19% last year.

Dental had the third largest share at 14%, with Accident and Cancer/CI close behind at 13% each.



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The industry's top growth products have changed

Top Five Growth Products

	2019 Sales (Millions)	10-Yr CAGR	Inc/Dec over '18
Critical Illness	$846	14.2%	12%
Dental	$1237	9.4%	-1%
Term	$1842	7.0%	8%
LTD	$488	5.4%	3%
Accident	$1179	5.0%	3%

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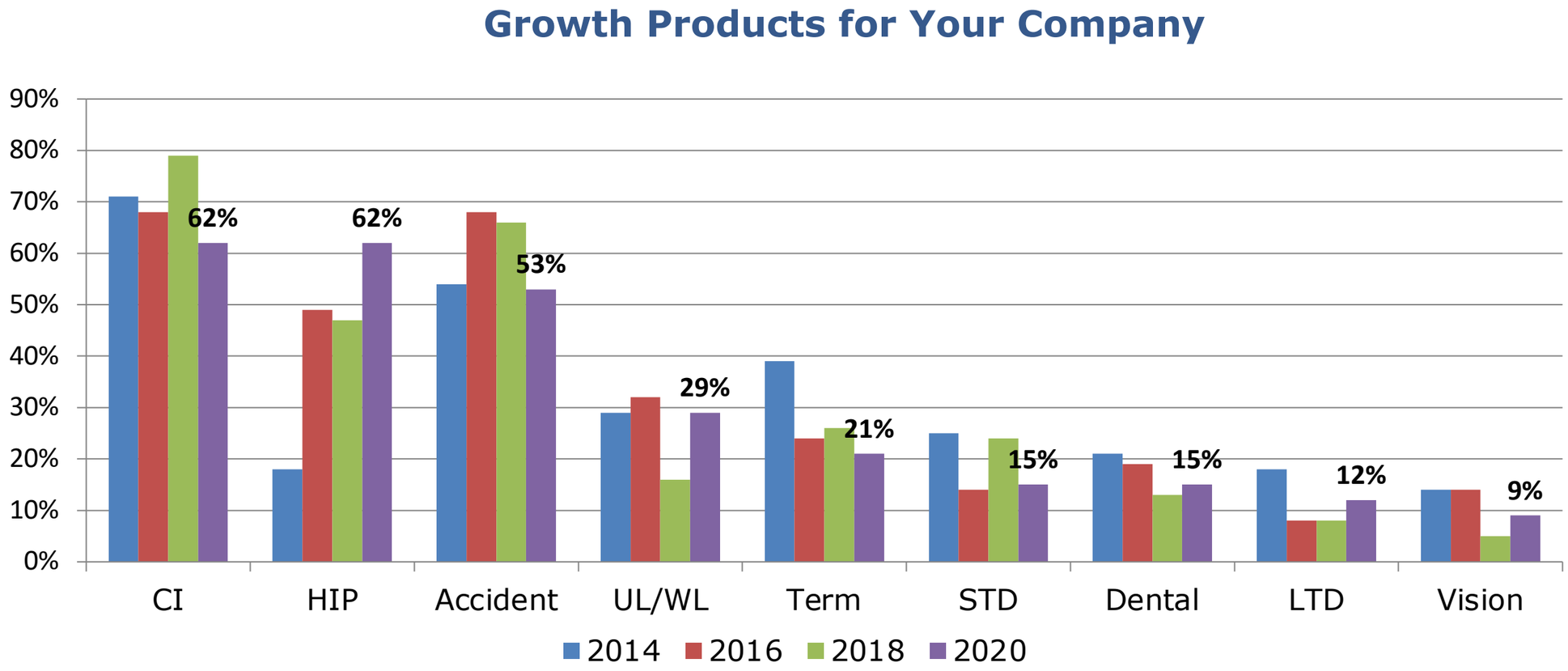
Carriers predict continued growth of supplemental health products



Source: 2020 *Product Trends Frontline Report*

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Enrollment has seen many changes

Application Process Used

Method	2015	2019
By Internet or intranet	44%	42%
On my own on paper	26%	30%
On paper with sales rep	9%	12%
By computer with sales rep	12%	11%
Over the phone with a live person	3%	3%
Other	5%	3%

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COVID accelerated these changes

Broker's Anticipated Changes to Voluntary Enrollment

	2020
Plan to move to call center or telephonic enrollments	74%
Plan to move to virtual meetings (group and/or individual) using "Zoom" or other video-based enrollment technology	68%
Plan to move to online, self-service enrollment	67%
Plan to reduce in-person meetings (group and/or individual)	65%
Plan to eliminate in-person meetings (group and/or individual)	40%
No changes made or planned	7%

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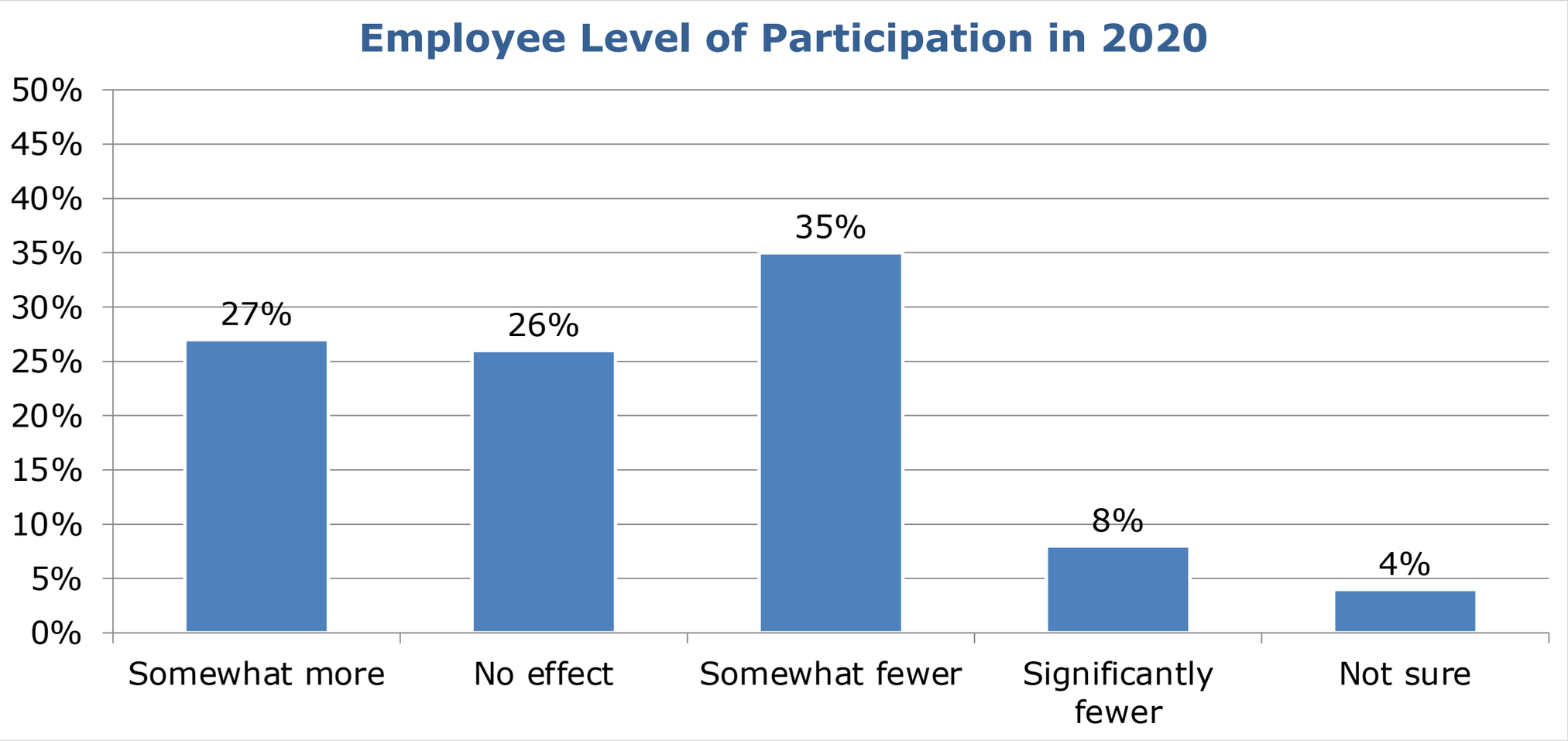
The impact of COVID-19 enrollment methods somewhat decreased results



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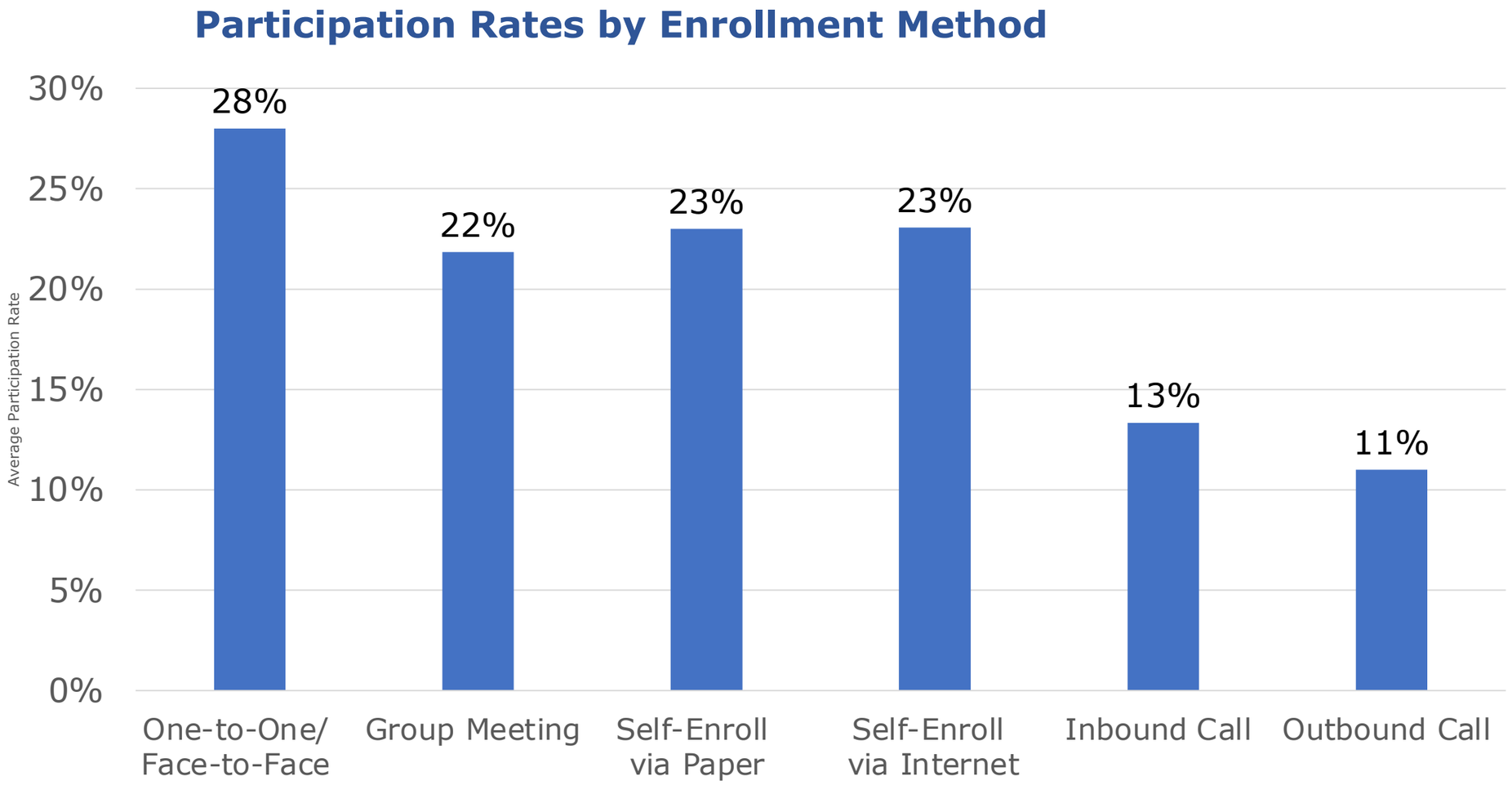
But participation varies by method



(Carrier reported, 2019)

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Employers want help with enrollment

Enrollment Process and Platform Preferences

(Scale: 1 to 5, with 5 being "Strongly Agree")

Approach	Percent Rating 4 or 5
We would prefer to offer our employees various types of enrollment and allow them to choose which one is best suited for them.	66%
We would prefer our online enrollment be a part of our benefits administration system rather than a separate enrollment system.	65%
We would prefer to enroll all products on one platform even if the products come from different carriers.	63%
We would like our employees to have personalized enrollment communications based on their age, gender or life stage.	60%

2020 Data

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Summary

- Our world has changed but the industry is quite resilient and growth rates are expected to recover.
- Voluntary benefits are now “mainstream” and an integral part of most employers’ benefits programs.
- Employees have also embraced voluntary and many own multiple products
- COVID-19 has accelerated some changes in the industry but has also put added focus on voluntary products.
    - We were already shifting towards accident, critical illness and hospital indemnity as the growth products.
- Benefit brokers will continue to be the biggest producers of voluntary sales.
- COVID-19 also accelerated the move to virtual enrollment.
    - We are not likely to change back so the move accentuates the need for a holistic view of enrollment.

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