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LIFE INSURANCE—STRONG POTENTIAL IN THE WORKPLACE

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LIFE INSURANCE—STRONG POTENTIAL IN THE WORKPLACE

Benefit plans supplement employer-paid coverage with voluntary term and whole life

By Thomas A. McCoy, CLU

Life insurance is a bedrock financial security product for working families. For generations, employers have recognized its importance by including term life as a standard employer-paid benefit. It's no surprise that as voluntary products menus have expanded, life insurance occupies a dominant position in the voluntary lineup.

Life insurance was the leading voluntary insurance product in industry sales in 2017, accounting for 29% of all voluntary sales, according to Eastbridge Consulting Group's U.S Voluntary/Worksite Sales Report. Total voluntary life sales were up 13% year-over-year, with term life sales increasing by 14% compared to 2016, while universal life and whole life rose by 7%.

Often plan sponsors will offer voluntary life in plans that already include employer-paid life, insurance company executives say. Paul Piechnik, MetLife's senior vice president, product and pricing, group benefits, estimates that about three-quarters of MetLife's plan sponsors provide both.

Chris Nakaishi, regional practice leader, Reliance Standard Life Insurance Company, says, "The majority of customers who offer voluntary life provide some level of employer-sponsored basic life as well. The most common base coverage options are one-times annual salary or a flat \$50,000 plan."

At Amalgamated Life Insurance Company, its voluntary life product is whole life; it is in the process of filing for a term life product also. "The majority of plan sponsors do provide some kind of employer-paid term life," says John A. Thornton, executive vice president, sales and marketing. "Most of the employer-paid term is only for active employees, and traditionally the conversion option is expensive at retirement."

"Over a 10-year period, we've consistently grown our (voluntary whole life) net insureds by 15% per year."

-John A. Thornton
Executive Vice President Sales
and Marketing
Amalgamated Life Insurance
Company

Amalgamated Life has been selling its voluntary whole life product in conjunction with its risk partner, Boston Mutual Life Insurance Company, for more than 10 years. "In that time, we have consistently grown our net insureds by 15% annually," says Thornton. He estimates that about 75% of its voluntary product customers include whole life in their offerings to plan participants and about 30% of participants purchase it, which is similar to participation rates of the company's other voluntary products.

Reliance Standard's voluntary life business has produced sales growth of approximately 46% over the past 10 years. Nakaishi explains that about one-third of the company's group benefits customers have voluntary life policies in force. "Average employee participation among those groups was approximately 28% in 2017, and it is gradually trending upward on a year-over-year comparison."

At Sun Life Financial, Bryan Burke, director of product management and development, reports that approximately 40% of its employee benefits plan sponsors offer voluntary life. "Of those offering the coverage," he says, "the average participation rate among employees is 33.6%, lower than dental and vision, but higher than disability and other voluntary products."

Within the last decade, industry studies have indicated weaknesses in sales of many types of life insurance to the individual (non-employer) market. The Life Insurance Marketing Research Association (LIMRA) reported that total U.S. individual life sales increased one percent in 2017 from the prior year. Universal life sales have been a weight on results, driven by low interest rates.

Sales of life insurance in the workplace are a different story. Piechnik points to LIMRA's 2017 Employment-Based Life Insurance Ownership Trends study, which indicates that over the past 50 years, the number of Americans covered by employment-based life insurance has increased significantly (nine million in the past six years alone).

"The number of households covered by employment-based life insurance has increased by 68% (to 57 million) while the number of people (adults and children) covered has almost doubled (from 55 million to 108 million)," says Piechnik. He says MetLife's total life insurance written as part of employee benefits plans (both voluntary and employer-paid) rose 5.3% in 2017 over the prior year, based on LIMRA's data on annualized premiums.

"The number of households covered by employment-based life insurance has increased by 68% while the number of people covered has almost doubled."

-Paul Piechnik
Senior Vice President
MetLife

Piechnik cites 2018 figures from the Bureau of Labor Statistics showing the percentage of benefits plans offering life insurance by agency size. They range from 59% for groups with 50-99 employees to 85% for those with 500 or more workers. "MetLife customers would follow a similar or somewhat higher pattern," he says.

In dissecting the growth of life insurance sales in the workplace compared to the somewhat anemic growth of life insurance outside the workplace, two features of workplace products stand out: guaranteed issue and portability. Nakaishi explains how those two features are integrated into products at Reliance Standard.

"All our life products come with some level of guaranteed issue, which allows for enrollment without going through medical underwriting during initial or approved enrollment. Most voluntary plans have a guaranteed issue amount between \$50,000 and \$150,000, but this will depend on the number of employees in the group, along with other characteristics.

"Portability is a standard offering on our Voluntary Life Plan. It is optional on our Basic and Supplemental Life plans, but is often included," says Nakaishi. "Many employees like the option to take their life insurance with them since there is no medical underwriting needed to port the coverage to an individual plan." He also notes that Reliance Standard term products can be converted to a whole life plan.

Thornton agrees that the portability feature has strong appeal. "Portability with no change in the cost or benefit is a critical feature of the product, along with price, choice of coverage amounts and guaranteed issue."

For Amalgamated Life's whole life plan, employees can contribute up to \$30 per week, with a coverage limit of \$200,000; for a spouse the limit is \$15 per week and up to \$200,000 in coverage. Children and grandchildren can contribute up to \$5 per week. "Offering dependent coverage is also a strong product feature," says Thornton, "as more and more employers have gotten away from offering dependent life to their employees as part of their core benefits package."

At Reliance Standard, "Most of our plans have the option to include coverage for spouses and dependents," says Nakaishi. "In most states, a spouse can elect voluntary life coverage even if the employee does not apply."

As might be expected in today's multigenerational workplace, one size does not fit all when it comes to life insurance promotion and enrollment. Piechnik says MetLife offers "multiple avenues for plan sponsors to communicate to their participants, including digital communication, augmented reality, digital and social media

outreach, and calculators so employees can learn more about the value of life insurance and determine what is the right amount for them.

“Brokers are key partners in the process,” Piechnik says, “providing carriers with insights into market trends, collaboration on solutions for plan sponsors and education to their employers and employees.”

“[Brokers] are the primary contact with the employer and show the employer how the product fits with their overall employee benefits strategy.”

-Bryan Burke
Director of Product
Management and Development
Sun Life Financial

Burke agrees that brokers play a key role. “They are the primary contact with the employer and show the employer how the product fits with their overall employee benefits strategy. They can provide a broad range of options and advocate for employers by getting the most favorable rates and risk rules possible from insurers. This may include more guaranteed issue, minimizing participation requirements and working with carriers with which they’ve had a successful track record.

“Often the broker can provide or recommend an appropriate enrollment or benefits administration platform,” Burke adds.

Sun Life customizes enrollments for individual employers. “When using our own online enrollment platform, we track activity on a daily basis to ascertain if adjustments to the enrollment strategy are needed for the particular client’s event,” says Burke. “We do not pay commissions to our enrollers because we want people to buy products that are right for them, products that fit their own personal situation.”

Sun Life’s enrollment support includes group meetings, one-on-one consultations, telephonic consultations, and benefits fairs with experienced benefits counselors. These forms of personal communication are supplemented by posters at the workplace, email reminders, payroll staffers and the use of technology for calculators and decision support.

At Reliance Standard, the tools used for education and promotion of life products range from paper kits to videos, emails and other methods, says Nakaishi. “Many of our groups utilize our online enrollment platforms

and educational 'Why Buy' videos, which simplify complex insurance concepts and make the buying process easier to understand.

"We also offer personalized enrollment forms, plan highlight sheets, and educational sell sheets. Finally, we have a team of nationally deployed voluntary benefits solutions specialists who work directly with brokers and plan sponsors during enrollment," says Nakaishi.

Reliance Standard is part of Tokio Marine Group, the eighth largest global carrier in terms of market capitalization. Nakaishi explains that as Tokio Marine's only group benefits carrier in the U.S., "we benefit from our association with sister companies Philadelphia Insurance and First Insurance of Hawaii by being considered to provide benefits to the employees of mutual clients."

Amalgamated Life works with outside firms to enroll employees at the worksite. "We have used various means to communicate during an enrollment period depending on the employer we are working with," says Thornton. "They include payroll stuffers, posters in the break room and email blasts."

"Many employees like to take their life insurance with them (when they leave employment) since there is no medical underwriting needed to port the coverage to an individual plan."

-Chris Nakaishi
Regional Practice Leader
Reliance Standard Life Insurance Company

Providing life insurance through employee benefit plans represents a ripe opportunity for plan sponsors, insurers and brokers. What appears to be key to capitalizing on that opportunity, according to MetLife's 2018 U.S. Employee Benefits Trends Study, is to present voluntary benefits choices to buyers in a customized way so that they understand how these products can meet their current and future needs.

MetLife's study found that "customizing insurance benefits to meet individual needs is a greater recruiting advantage than the ability to work from home (73% to 65%). Also, 60% of respondents (up from 52% the prior year) say they're willing to pay more to have insurance benefits choices that meet their needs. For Millennials that number rises to 69%."

Brokers have important work to do in helping plan sponsors create customized plans. The goal should be to help employees make good product choices. To do so, employees must be able to coordinate their employer-provided protection with their voluntary plan options; they must understand the difference between term and permanent coverage; and they need to think both short-term and long-term (beyond the tenure at their current firm) in assessing their life insurance needs.

For more information:

Amalgamated Life Insurance Company

www.amalgamatedlife.com

Metlife

www.metlife.com

Reliance Standard Life Insurance Company

www.reliancestandard.com

Sun Life Financial

www.sunlife.com

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