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# A broker's guide to understanding employees and voluntary benefits

## Introduction

The demand for voluntary benefits is higher than ever among employers and their employees.

Employers want to offer voluntary benefits in order to enrich their existing core benefits, appeal to a multigenerational workforce, support financial well-being, offer a cost savings for the company, attract new employees and support employee retention.

Meanwhile, employees want and need voluntary benefits in order to help fill coverage gaps from high-deductible medical plans. At a time when only four-in-10 adults in the U.S. could only cover the cost of a \$1,000 hospital stay with savings,<sup>1</sup> supplemental insurance can be a financial lifeline for employees who face illness or injury. Benefits can help employees receive timely care and keep up with regular bills and household expenses during treatment and recovery.

*Brokers who capitalize on the demand for supplemental insurance will enjoy the financial rewards of expanding their business into the voluntary insurance market.*

However, we know this is easier said than done for a broker who is new to this market.

Lack of knowledge, bandwidth and time are common pain points among brokers when it comes to working with worksite clients—yet brokers shouldn't let these speedbumps stop them from entering the voluntary insurance market. *With a bit of knowledge and awareness of the resources available to brokers, they will find that their business can earn more and grow faster, without the pain points.*

Understanding the *wants, needs and expectations of employees* is a great place to start when entering the voluntary insurance market. Because at the end of the day, if the employees are happy, then the client will be happy. And when the client is happy, then brokers will enjoy the rewards of a successful business relationship.

***Through five points, this report explores the wants, needs and expectations of employees to help give brokers a solid foundation on which to build their voluntary benefits business.***



**PRO TIP: Work with an insurance carrier that offers a robust portfolio**

These numbers show us that employees are using voluntary benefits to protect their financial security and fill in the gaps left by their major medical insurance. An insurance carrier with a robust portfolio of in-demand supplemental insurance can help employees purchase the products that they want and need, while giving brokers results.

**PRO TIP: Explore the untapped potential of small- to midsize worksite groups**

Employees in small- to midsize worksite groups have the highest percentage of voluntary product ownership—and also express higher interest in purchasing all products on a voluntary basis. These small- to midsize worksite groups are often overlooked in the voluntary insurance market, yet they are purchasing more and wanting more. Brokers shouldn't ignore this untapped and underserved market.

## 1. Employees are increasingly owning voluntary products

According to the Eastbridge Consulting Group report, *Exploring Employee Demographics: Key Attitudes and Behaviors towards Voluntary/Worksite Benefits*, 44% of U.S. employees own at least one voluntary benefit, up from 41% in 2015. And employees in groups with 50–99 employees have the highest percentage of ownership at 54%.<sup>2</sup>

When it comes to types of employee-pay-all voluntary products owned among employees in groups of all sizes, the top products are term life, whole or universal life, accident, short-term disability, dental and vision. Employees in groups with 50–99 employees have the highest rates of ownership of whole life or universal life, AD&D, long-term disability, cancer and long-term care.<sup>3</sup>

As you can see, employees of small businesses are purchasing more voluntary products. This isn't surprising when you consider that many small businesses cannot afford to provide their employees with the best core benefits available. This is why many small business owners turn to voluntary benefits. With several funding options available—including 100% employer paid, 100% employee paid or a combination of both—small business owners can enhance their benefits package while watching their bottom line.

It's also worth exploring voluntary product ownership by industry. According to the same report, government, healthcare, education and blue-collar industries have the highest percentage of employees owning at least one voluntary product. Employees working in blue-collar industries are significantly more likely to own supplemental health products compared to employees in other industries. When it comes to security products, employees in finance/insurance and real estate, blue-collar industry, manufacturing and health care are most likely to own these products.<sup>4</sup>

## 2. Employees who don't own voluntary products are interested in buying

Many employees who don't already own voluntary products express interest in buying. Employees in small groups with 10–49 employees express higher interest in purchasing all products on a voluntary basis.<sup>3</sup>

What supplemental insurance products have the highest demand among employees who don't already own coverage? Across all group sizes, 34% of employees are interested in buying cancer insurance, 34% are interested in buying critical illness insurance, 34% are interested in long-term care, 31% are interested in hospital indemnity, 24% are interested in long-term disability, 23% are interested in accident, 23% are interested in whole life/universal life, 20% are interested in term life and 20% are interested in short-term disability.<sup>5</sup>



**PRO TIP: Research supplemental insurance company reputation**

There are many supplemental insurance carriers, but not all carriers are created equal. When selecting a supplemental insurance company with which to partner, be sure to research their ratings. A company's A.M. Best rating and Better Business Bureau (BBB) rating are great places to start.

**PRO TIP: Work with an insurance carrier that offers a professional enrollment service**

Many brokers simply don't have the bandwidth to run employee benefits education meetings. Fortunately, some insurance carriers offer enrollment services to fill this need. Find an enrollment service that conducts face-to-face education meetings with employees. This helps employees decide what they need, while maximizing results for you.

### 3. Employees purchase voluntary products that are affordable and fill their needs

What motivates employees to spend their hard-earned dollars on voluntary supplemental insurance products? According to the Eastbridge Consulting Group report, "The two most common reasons employees overall purchase a voluntary product are reasonable cost and the product filling needs."<sup>6</sup>

Let's break down the numbers, though, and analyze the importance of reasons why employees purchase voluntary health products:

- 95% say reasonable cost is important
- 94% say products purchased filled my needs is important
- 90% say products help fill gaps in primary medical coverage is important
- 89% say reputation of company for service and claims payment is important
- 89% say convenience of having premiums payroll-deducted is important
- 88% say convenience of purchasing at work is important
- 84% say name of the company is well-known is important
- 75% say endorsement by employer is important
- 71% say influence of friends/family is important.<sup>6</sup>

One of the biggest takeaways from these numbers is the importance of the supplemental insurance carrier. Employees want a company that provides good value, strong benefits, a solid reputation and features such as payroll deduction.

### 4. Employees want in-person education meetings to learn about voluntary benefits

Communicating with employees about voluntary benefits is key. Communicating well can help you increase employee participation and help employees understand how to use their benefits. After all, it isn't a benefit if an employee doesn't truly understand it.

When it comes to introducing voluntary benefits to employees, only 16% of employers of all group sizes use meetings with sales representatives/benefits counselors.<sup>7</sup> Yet *speaking with someone in person is the top preference for learning about voluntary benefits for groups with 10-499 employees.*<sup>8</sup>

The very important lesson from this is that most employees aren't getting in-person support from a professional, *but most would prefer that*. Insurance products and benefits can be confusing for employees, and most employees don't have time to dedicate to researching information. In-person education meetings can help employees gain expert insight, and better understand their benefits.



**PRO TIP: Work with an enrollment service that runs face-to-face enrollments**

When you delegate face-to-face enrollments to an enrollment service, you can rest assured that your client's employees are selecting the best supplemental insurance products for their needs. Find an enrollment service with sales professionals who interact face-to-face with employees, and can enroll in-person electronically or on paper. Well-trained career agents will take time to review products and benefit options, answer questions and find the best solutions for the employees' needs. This maximizes employer and employee satisfaction—plus the broker's success and results.

## 5. In-person enrollments benefit employers, employees and brokers

There are many ways to run voluntary benefits enrollments—some more effective than others.

When left to their own devices, many employees can become confused and frustrated over the process. But don't take our word for it. According to Forbes, **only 4%** of Americans can correctly define all four of these basic health insurance terms: deductible, co-insurance, co-pay and out-of-pocket maximum.<sup>9</sup>

If employees don't understand these basic insurance terminologies, how can we expect them to conduct their own insurance enrollments?

Yet the majority of enrollments are done by employees on their own. Consider these most recent enrollment methods used by employer groups of all sizes:<sup>10</sup>

- Internet/intranet (via computer, tablet or smartphone)—42%
- Paper on my own—30%
- Paper with sales rep—12%
- Computer with sales rep—11%
- Phone with live person—3%
- Other—2%
- Interactive voice response—1%

These numbers tell us that nearly three-quarters of employees conduct their own enrollments on their own, while only 23% of employees have the benefit of enrolling in-person with a professional.

When asked their preference for future voluntary enrollments, *nearly one-quarter of employees say they would prefer enrolling with a sales representative on a computer or on paper.*<sup>10</sup>

This number may seem low, but it isn't surprising in today's digital age. Face-to-face interaction is becoming less common across all industries, but that doesn't mean it isn't important in certain applications. ***When it's something as important as an employee's financial well-being, nothing compares to face-to-face communication.***

## Conclusion

Here are some important takeaways for brokers:

1. *Voluntary benefit ownership is on the rise among employees.*
2. *Employees who don't already own voluntary benefits are interested in purchasing them.*
3. *Employees want supplement insurance products that are affordable and fill their needs.*
4. *Speaking in person with a professional is the top preference for learning about voluntary benefits among employees.*
5. *In-person enrollments help employees select the best products for their needs.*

By partnering with an enrollment service, brokers can focus on what they do best—building new clients and deepening their relationship with existing ones—while letting the benefits solutions experts help them deliver on their service and commitment to both.

## References

<sup>1</sup>USA Today, *8 reasons to make an emergency fund a priority*, <https://www.usatoday.com/story/money/personalfinance/2020/03/23/how-save-8-reasons-build-emergency-savings/2888961001/>, March 30, 2020.

<sup>2</sup>Eastbridge Consulting Group, *Exploring Employee Demographics: Key Attitudes and Behaviors towards Voluntary/Worksite Benefits*, February 2020, p. 7.

<sup>3</sup>Ibid.

<sup>4</sup>Ibid., p. 61.

<sup>5</sup>Ibid., p. 12.

<sup>6</sup>Ibid., p. 10.

<sup>7</sup>Ibid., p. 13.

<sup>8</sup>Ibid., p. 14.

<sup>9</sup>Forbes, *4 Terms That Americans Don't Understand, But The Healthcare Industry Uses Anyway*, <https://www.forbes.com/sites/dangingiss/2018/11/06/4-terms-that-americans-dont-understand-but-the-healthcare-industry-uses-anyway/#548598697e56>, November 6, 2018.

<sup>10</sup>Eastbridge Consulting Group, *Exploring Employee Demographics: Key Attitudes and Behaviors towards Voluntary/Worksite Benefits*, February 2020, p. 15.