VOLUNTARY OFFERINGS EVEN THE PLAYING FIELD, HELP SMALL EMPLOYERS JOIN BENEFITS BIG LEAGUES

Small-business employers can have their cake and eat it too, thanks to voluntary benefits.

Despite the Great Recession's crunch on profits, benefits don't need to suffer, as voluntary products can help fill the gap between core offerings and push back against cost-shifting.

For companies with fewer than 500 employees, many have little or no HR/benefits support.

In fact, for employers with 10 to 99 employees, 31% have no staff dedicated to HR, 37% have one person, and 21% have two, according to Colonial Life & Accident Insurance Company. For companies with 100 to 499 workers, 62% have two or fewer people specifically designated to the HR staff.

With personnel challenges coupled with economic woes, small employers are increasingly interested in voluntary insurance (43%) compared to a year ago, according to Colonial Life.

As employers face these economic pressures to reduce costs, one way to fill the gap of the benefit package is through voluntary group benefits and worksite marketing.

LIMRA International finds that many employers agree, as 77% believe that voluntary offerings improve worker morale and satisfaction; 71% say they help attract and retain talent; 69% believe group voluntary benefits are less expensive than benefits they could find on their own; and 66% think they offer employees a wider array of benefits.

Trending 'away from first-dollar coverage'

With 21% of small businesses moving to high-deductible medical plans, voluntary benefits may help get small employers on a more level playing field with the more comprehensive offerings of their larger counterparts.

The trend over the past 10 years has been away from first-dollar coverage to higher out-of-pocket exposure for employees with their major medical health insurance coverage they bear more responsibility, more cost-sharing.

Despite the financial and retention benefits, 34% of small businesses do not offer voluntary benefits. Yet, interest is growing, as 43% of small businesses are more interested in voluntary benefits than a year ago, finds a June 2009 EBN study.

Voluntary sales edged up despite tough times

Sales of voluntary benefit or worksite market products rose 3.3% between 2008 and 2009 – with life insurance earning the largest market share and voluntary critical illness sales doubling after several years of slow, or flat, growth, according to Eastbridge Consulting Group, Inc.

Eastbridge's 11th annual U.S. Worksite Sales Report pegged total product sales last year at $5.3 billion, which was up slightly from $5.2 billion in 2008. Ten of the top 15 carriers studied reported sales increases, half of which ranged from 14% to 34%.

“We are again pleased to see the industry grow despite the recession,” Gil Lowerre, president of Eastbridge, said in a statement.

Still, there are other factors to consider. Bonnie Brazzell, vice president of Eastbridge, cited broker attitudes and employee interest as having “much more impact on our results as an industry.”

Life insurance accounted for nearly one-quarter of all voluntary sales last year, with new sales up about 14% from 2008 and totaling $1.3 billion.

In addition, term life, which rose nearly 21%, generated the most sales premium in 2009 at more than $940 million, while universal life and whole life sales were flat at $371 million.

Disability products accounted for one-fifth of total voluntary sales, though they were down 6% at slightly less than $1.1 billion. Accident sales, as well as the hospital indemnity/supplemental medical line, were 13% of total voluntary sales, while cancer and critical illness had a combined market share of 12%.

The report also found that inforce premiums increased less than 8% last year, which was down from 10% in 2008, while the 2009 inforce worksite premium was between $18.8 billion and $24.7 billion based on tracked premium and estimates.

Eastbridge researchers gathered detailed data on the performance of 60 worksite carriers serving both group and individual markets, which they say represents the largest number of players included in any industry sales report.

Voluntary critical illness sales doubled during the past two years after several years of slow growth or no growth, according to Eastbridge’s latest Spotlight report on the activity of 17 leading industry carriers.

But while new voluntary critical illness sales for 2009 were about $225 million, they account for just about 4% of the industry’s overall sales and continue to be outpaced by cancer sales.

The report, whose purpose is to help insurance carriers better understand how competitive their critical illness product is compared to others, includes details on buyer demographics, product structure and benefits, underwriting guidelines, commissions and rates.