



## Benefits Briefing VOLUME 7

Perspectives on Current Offerings and New Choices  
from a Survey of Brokers (Q4, 2008)

National Employee Benefits Advisory Forum (NEBAF)

## Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted an online information exchange in mid-November 2008, to understand its members' interest and experience regarding important employee benefits and some new approaches to the kinds of choices employers and employees may have in the near future.

The information in this report is based on an online survey taken by 157 brokers. Where appropriate, we also compare the views of brokers with employers.

The following pages include findings from brokers regarding their perspectives on

- Clients managing Group Life Beneficiaries questions,
- A beneficiary management service concept,
- Group life annuity payouts,
- Receiving information,
- The impact of the current economy, and
- Dental insurance.

## Executive Summary

This Briefing reports the views of brokers (*and employers in many cases*).

In the area of Clients Managing Group Life Beneficiaries questions,

- Most brokers think that their clients typically spend less than 5 hours handling all beneficiary change requests for all benefits. Of this time, brokers say their clients spend the majority managing beneficiaries separately for each benefit. Yet, most brokers feel that clients are generally satisfied with their method of managing changes.
- When presented with a new beneficiary management service concept that would enable employers to manage all beneficiary records on a single platform, brokers do not react strongly positive or negative; most are fairly neutral on the idea. Brokers cite convenience as the top advantage, and high cost as the top disadvantage. Many do not foresee their clients being willing to pay for this service.

With regard to a Group Life Annuity Payout Concept,

- Brokers and Employers show substantial interest in this concept. Both say they are more likely to recommend it if the beneficiary (not the enrolled participant) has the ability to decide whether to receive an annuity payout.

Trends in methods of receiving information are presented:

- Among brokers, email is the most commonly preferred method for receiving compensation statements. Email is also the top method brokers use for obtaining industry education /information, followed by carrier marketing materials and continuing education programs.

Views on the economy are included:

- Both Brokers and Employers are concerned about the financial stability of group insurance carriers. Brokers report a somewhat higher level of concern (two in five brokers are very concerned vs. about one-quarter of employers). AIG, followed by Hartford, is seen as the most financially unstable carrier by both groups.

Lastly, in the area of dental insurance,

- Brokers and Employers were presented with a new concept about a dental package combining PPO plans and DHMO plans. The response is positive; most brokers say they are at least somewhat likely to recommend it, and most employers indicate at least some level of interest in it.

# Clients Managing Group Life Beneficiaries Questions

## Time Spent on Beneficiary Changes

We asked brokers how much time a typical client might spend handling all beneficiary change requests, for all benefits. Most **brokers feel this task is not particularly time-consuming** for their clients; nearly two in three estimate that this accounts for **less than 5 hours** (with 34% saying less than 1 hour).

Many (27%) say they don't know how long their clients spend doing this activity, indicating this is an area where brokers could learn more about their clients and potentially offer solutions that help them.

## Methods for Beneficiary Changes

Brokers indicate that **clients spend a majority of their time managing beneficiaries separately for each benefit**. The table below provides average percent of time spent by clients using different methods for managing beneficiary changes.

Percentage of Time Clients Spend on Methods

Methods for Beneficiary Changes	Mean %
Manage beneficiaries separately for each benefit	66.8%
Work with a <u>group insurance carrier</u> that provides a service that consolidates beneficiary changes	16.1%
Work with a <u>third-party administrator or an HR outsourcing firm</u> that provides a service that consolidates beneficiary changes	9.1%
Use their own software to consolidate beneficiary changes across benefits internally	6.1%

Clients seem to be handling beneficiary changes themselves for the most part. Despite the fact that clients don't spend too much time on this activity, this could suggest there is an unfulfilled need by employers.

## Client Satisfaction with Managing Beneficiary Changes

Generally, brokers think that clients are fairly satisfied with their management methods. **Most brokers (74%) say their clients are somewhat satisfied** with their current management of beneficiary changes. A slight few (14%) feel their clients are very satisfied.

Again, this seems to suggest an opportunity for brokers to help their clients become more satisfied with managing beneficiary changes.

## Beneficiary changes could include...

- Adding/deleting/editing a beneficiary name, address, or SSN;
- Making a beneficiary primary or contingent, or
- Allocating the percent of benefit the beneficiary will inherit.

Benefits could include 401(k), life insurance, pensions, stock options, AD&D, and/or unpaid wages.

## What Employers Think About 'Being Green'

When we asked employers their views on being 'Green', some employers strongly believe that being perceived as 'Green' has a positive impact on their company...

- 24% say it strengthens their company's image,
- 20% say it strengthens their company's appeal to prospective employees, and
- 13% say it strengthens employee loyalty to their company.

This suggests there are positive effects of being 'Green' beyond helping the environment, giving companies more and more reasons to consider this eco-friendly way of doing business.

# Beneficiary Management Service Concept

## Concept Test: Views on a Management Service Concept

Participants were given a description of a beneficiary management service concept (see description in left panel of this page) and asked their opinions of it.

Overall, response is fairly **neutral**. Most brokers are 'middle of the road' when asked their agreement with the following statements.

- I would likely recommend the benefits with this carrier to my clients (66% do not strongly agree or disagree)
- Adding this service to my clients' plans would positively impact my feelings toward this carrier (62% do not strongly agree or disagree)

One reason for their lack of enthusiasm with this concept (as listed below) seems to be related to cost. There is a lack of information on the cost, which, in this current economic climate, is a key decision-making factor.

## Benefits & Obstacles of Concept

We asked participants open-ended questions on the key benefits and obstacles of this beneficiary management service concept.

Brokers most commonly name the following as **benefits** of the concept:

- *Centralization of information, 'one stop shopping'*
- *Consolidation of information*
- *Ease and simplification of administration*
- *Improved accuracy of information*
- *Increased efficiency, decreased workload*
- *Time savings*

On the flip side, brokers cite the following as key **obstacles**:

- *Acceptance by other carriers*
- *Added administrative burden for employers*
- *Concerns around security of information*
- *Cost / lack of ROI*
- *Increased potential for errors, incorrect information*
- *Software limitations*

## Specific Advantages and Disadvantages of Concept

We then provided participants with a list of several specific advantages, and asked how significant an advantage each one would be. **Convenience of updating/viewing beneficiary information in one location** rates the highest (68% see it as a significant advantage).

### Concept Test:

#### A Beneficiary Management Service Concept

A solution for Employers that allows them to manage all their beneficiary records, regardless of the benefits provider, using a single platform to capture, store, and update any record.

Products in consideration can be Group Life, AD&D, Travel Accident, Qualified and Non-qualified Pensions, Annuities, Qualified and Non-qualified 401(k), Deferred Compensation, Stock Options, and Unpaid Wages.

## Specific Advantages and Disadvantages of Concept (cont.)

Ability to avoid overlooking beneficiary changes for certain benefits, and time savings for benefits administrators are also rated as significant advantages to the concept (65% and 54% rate as very significant, respectively).

We also provided participants with a list of several specific disadvantages, and asked how significant a disadvantage each one would be. Not surprisingly in the current business climate, ‘**costs and fees** associated with implementing such a program could be too high’ is seen as the **top obstacle (58% rate as very significant a disadvantage)**. Limitations in not incorporating other recordkeeping services (e.g., address change, name changes, etc.) is the second most common concern (47%).

Brokers see both advantages and disadvantages to this concept. There could be a potential opportunity here, dependent on the cost.

## Carriers Most Likely to Offer & Be Recommended

We asked brokers to rate 1) how likely several group life insurance carriers would be to offer a service like this concept, and 2) how likely brokers would be to consider recommending this concept for each of the insurance carriers asked about.

The table below shows their responses. In both areas, MetLife scores the highest. Hartford comes in second for both questions, while Minnesota Life falls at the bottom of the list.

Carriers	Very likely to offer	Very likely that brokers would recommend
MetLife	59%	44%
Hartford	50%	42%
Aetna	39%	36%
Prudential	38%	36%
CIGNA	38%	34%
Minnesota Life	22%	25%

## How much would clients pay?

We asked brokers what percent of their clients' current group life premium they might pay for a beneficiary management service like the one described.

Many think their clients would not likely pay for this service (40%). More than one-third say their clients would probably pay 1% - 2%.

Twelve percent answered 10% or more.

It seems most brokers view this concept as a ‘value-add’, although a small amount do indicate a willingness to pay for a service like this.

# Group Life Annuity Payouts

## Views on Group Life Annuity Payout Concept

Both brokers *and employers* were given a description of a concept around group life annuity payouts (see left panel of this page) and asked about it.

Overall, response is **favorable**. **Both brokers and employers demonstrate interest in this concept.**

Here's how brokers reacted:

- 19% feel their clients would be *very interested* in offering this product; 60% say somewhat interested.
- 25% are *very likely* to recommend this option to their clients; 55% are somewhat likely.

Here's how employers reacted:

- 15% are *very interested* in learning about this concept; 46% say somewhat interested.
- 16% are *very likely* to offer this option to their employees; 46% are somewhat likely.

This appears to be a concept that both brokers and employers would be receptive to.

## Receiving Information

### Compensation Statements

When we asked brokers about their preferred method of receipt for compensation statements, **email was the most common response (35%)**. Hard copy paper is second (26%) and logging onto a website came in third (18%).

### Industry Education or Information

The top five methods brokers use to obtain industry education or information are:

- *Email (79%)*
- *Carrier marketing materials (78%)*
- *Continuing education programs (78%)*
- *Internet (69%)*
- *Web video, i.e. webinars, etc. (58%)*

When we asked brokers specifically about receiving information via podcast and web video, **they show more interest in web video** as a method of receiving information (*49% are very interested vs. 26% for podcasts*).

## Suppose...

### Group Life Annuity Payout Concept

A trusted group life insurance carrier had an option whereby beneficiaries could receive all or a portion of beneficiary payments in the form of an annuity, whereby benefits would be paid through guaranteed monthly payments over an extended period of time.

### Who Should Decide – Participant or Beneficiary?

Most brokers and employers agree that *the beneficiary* should have the option to decide to receive the benefits in the form of an annuity when filing a claim (versus the participant at the time of enrollment). Both groups are *more likely to recommend* this option if the beneficiary is the decision-maker.

## Did you know...

Nearly all brokers indicated that their preferred payment frequency for standard commissions is *monthly (94%)*.

In the case of supplemental commissions, brokers are somewhat more mixed. While monthly is still the most popular frequency (48%), one-third say they prefer to receive supplemental payments quarterly.

## What Employers are Saying About Financial Rating Agencies

We asked employers how much they trust various financial rating agencies in helping them select an insurance carrier.

Many employers responded that they were unsure; more than one-third said 'don't know' for each of the agencies. This may offer brokers an opportunity to educate their clients, thus differentiating themselves from other brokers.

Employers that answered the question indicated some level of trust with the agencies. A.M. Best is the most trusted agency (44% of those rating the agency say they strongly trust it). About 3 in 10 say they strongly trust Moody's and/or S&P.

## Dental Package Concept

A dental package that combines Preferred Provider Organization (PPO) plans with Dental Health Maintenance Organization (DHMO) plans. There would be a choice of 3 plans (e.g., either 2 PPO's and 1 DHMO or 1 PPO and 2 DHMO's).

### Definitions:

**PPO:** A network of dentists who agreed to accept discounted fees for patients covered by a specific dental program. If the patient chooses to see a dentist who is not designated as a "preferred provider," that patient may be required to pay a greater share of the fee-for-service.

**DHMO:** A dental insurance plan whereby a dentist joins in a contract with the DHMO to provide dental treatment for the patients who are a part of the DHMO. The DHMO pays the dentist a certain amount per patient who is enrolled in the group. If the contract specifies, the patient pays a co-payment for certain treatments, while paying nothing for standard treatments, such as exams and cleanings. In a DHMO, the patients must visit only dentists that are part of the DHMO network.

## Views on Impact of Current Economy

We asked brokers about the state of the economy, their concerns around it, and impact on Request for Proposal (RFP) activity. Based on recent events in the economy, **many brokers expect their RFP activity to increase** among group customers (54%). Some anticipate no affect on RFP activity (31%).

### Level of Concern

In general, brokers show concern with recent events and feel that their customers are concerned as well.

Two-fifths of brokers say they are **very concerned with the financial stability of group insurance carriers**; half are somewhat concerned. Nearly all think that their **group customers are at least somewhat concerned** around the recent events involving AIG.

We also asked employers how concerned they were with the financial stability of group insurance carriers. Employers indicate being **concerned, but to a lesser extent than brokers are**. About one-quarter is very concerned, while half are somewhat concerned.

This suggests a need for communication on the part of group insurance carriers as to the state of their financial stability, and reassuring customers of that stability.

### Carriers Perceived as Unstable

When we asked brokers *and employers* which group insurance carriers they thought were currently financially unstable, results were similar.

Among both groups, the top response, not surprisingly, was **AIG**, named by 66% of brokers and 60% of employers. **Hartford** was second among both groups, with 32% of brokers and 10% of employers.

Many employers (23%) say they just don't know. Again, reinforcing the need for more communication and openness by carriers.

## Dental Insurance

### Concept Test: Views on a Dental Package Concept

Both brokers *and employers* were given a description of a dental package concept (see description in left panel of this page) and asked their opinions of it.

Overall, **both groups respond favorably**, brokers slightly more so than employers. **Nearly half of brokers would be very likely** to recommend a dental package like the one described, that allows employees to select from 3 dental plans, to their clients. About two in five would be somewhat likely.

## Dental Insurance (cont.)

**Most employers** show at least some interest in offering this package as well. About one-quarter say they would be very interested, while about two-fifths say they would be somewhat interested.

This positive reaction suggests a potential opportunity for insurance carriers.

### Concept Test: Preferred Combinations

We then provided participants with additional definitions of high value and low value plans (see sidebar) and asked them, given the choice of various three-way combinations, to rank their preferences.

The table below shows the cumulative percentage of brokers and employers ranking each option as either a #1 or a #2 choice.

Both **brokers and employers seem to prefer packages with two PPOs, versus those with two DHMOs.** Brokers strongly prefer the high value PPO/low value PPO/high value DHMO option, while employer preference is slightly more varied.

#### Percentage of Participants Ranking as a #1 or #2 Choice

Plan Package Variations	Brokers	Employers
High Value PPO + Low Value PPO + High Value DHMO	87%	69%
High Value PPO + Low Value PPO + Low Value DHMO	57%	55%
High Value PPO + High Value DHMO + Low Value DHMO	48%	50%
Low Value PPO + High Value DHMO + Low Value DHMO	8%	25%

### Dental Package Concept (cont.)

#### Additional Definitions:

**High Value:** refers to a plan design with higher premiums for Employees but with more comprehensive coverage levels. It may have higher annual maximums and lower deductibles. Employees would have higher reimbursement levels for minor procedures such as root canals and extractions (e.g., 80%) and major procedures such as crowns (50%).

**Low Value:** refers to a plan design with lower premiums for Employees but with less comprehensive coverage levels. It may have lower annual maximums and higher deductibles. Employees would have lower reimbursement levels for minor procedures such as root canals and extractions (e.g., 50%) and major procedures such as crowns (20%).



National Employee Benefits Advisory Forum  
Sponsored by Center for Strategy Research, Inc.  
101 Federal Street, Suite 1900  
Boston, MA 02110  
(617) 451-9500  
[nebaf@csr-bos.com](mailto:nebaf@csr-bos.com)

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