

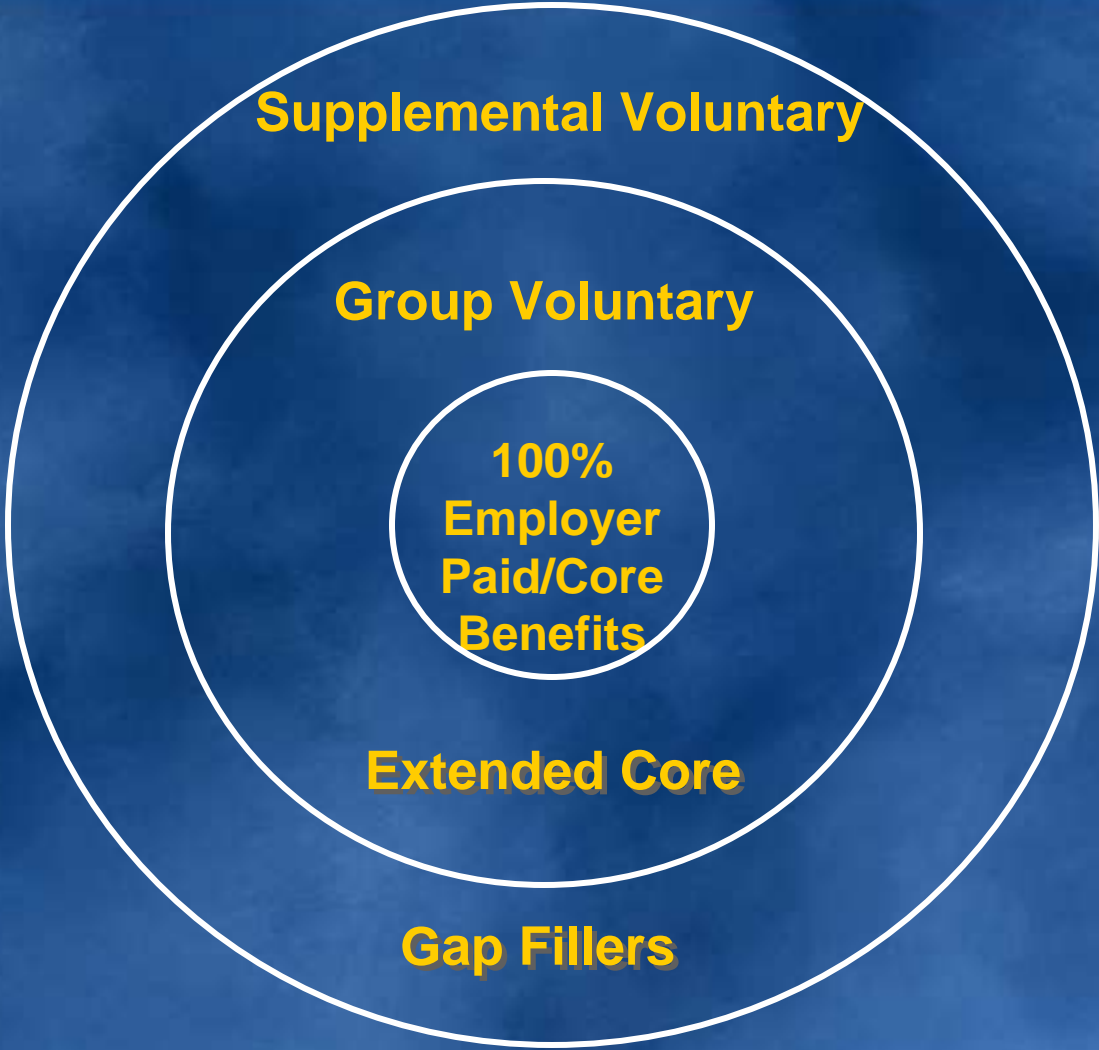
# Supplemental Insurance Products

Mike Fish



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# Worksite Marketing Defined



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# Trends Causing Increased Worksite Activity

- **Rising Cost of Healthcare**
- **Consumer Demand**
  - **Choice**
  - **Increased Need for Benefits  
Communication & Education**



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# Employer Reaction to Cost Pressure

- Freeze Coverage
- Reduce Coverage
- Pass on Cost to Employees

# Why Employers Like Worksite Marketing

- **No Direct Cost to Employer**
- **Ability to Offer Comprehensive and Competitive Benefits Package**
- **Employees Understand Value of Benefits**



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# Why Employees Like Worksite Products

- Convenience of Purchase
- Choice of Benefits to Meet Individual Needs
- Portability
- Appreciation of Current Benefits



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# Strong Employer Support Vital

- Access to employees
- Strong endorsement
- Effective marketing and follow up
- Ability to payroll deduct



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# Enrollment Methods

- Individual products are enrolled face-to-face via laptop
- Group products enrolled through group enrollments or self-enrolled
- Benefit communication is a major component of enrollments



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# Individual vs. Group Voluntary Benefits

## Individual

- One on One enrollments
- Maximum employee choice
- Simplified U/W
- Published rates
- No integration (offset at sale)

## Group

- Group or self enrolled
- Employer chooses benefit plans
- GI w/ participation
- Flexible rates at account level
- Integration of claims



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# Worksite Product Portfolio

## Income Protection

- Individual STD & LTD
- Group STD & LTD
- LTC

## Life Insurance

- Universal Life
- Level Term Life
- Whole Life
- Group Term

## Supplemental Health

- Medical Supplement
- Cancer
- Critical Illness
- Accident
- Dental
- Vision



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# Risk Management - Overview

- Characteristics of Worksite market present challenges:
  - Voluntary coverage
  - Numerous plan options available to ee
  - Enrollment methodology
  - Distribution structure
  - Administrative requirements
  - Target markets
- Use caution when applying traditional pricing assumptions to voluntary market

# Pricing - Key Assumptions

- Morbidity/Mortality
  - High anti-selection, particularly in first policy duration
- Persistency
  - Poor first year persistency driven by high employee turnover
- Expenses & Commissions
  - High lapse rates pressure profitability



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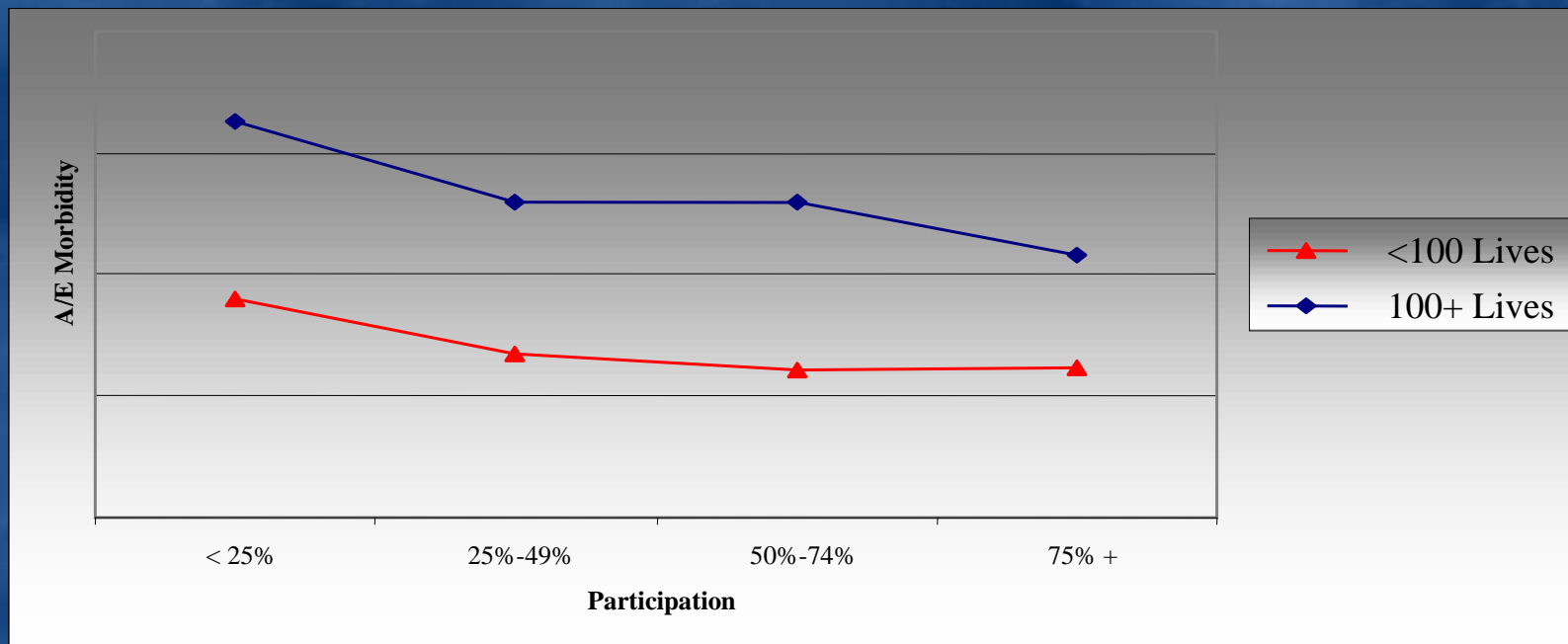
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# Pricing - DI Considerations

- Monitor overall income replacement ratios:
  - Interaction with sick leave, other DI plans, WC, state plans, etc.
- Occupation rating issues.
- Participation critical due to GI/SI underwriting.
- Regional risk issues.
- Plan simplicity creates rate subsidies.

# Pricing - DI Experience

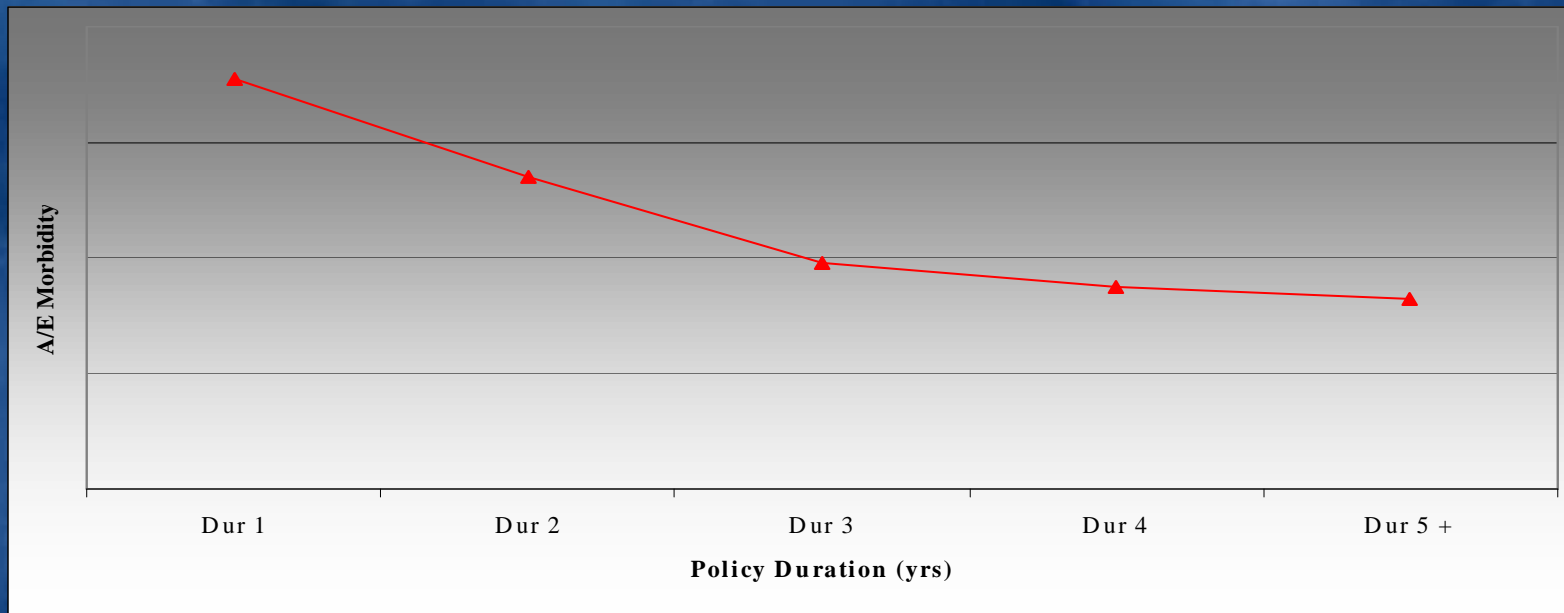
## A/E Morbidity by Participation



- Participation is key driver of claim experience.
- Supports need for quality, well-trained enrollment staff.
- Difficult to achieve high penetration in large accounts.

# Pricing - DI Experience

## A/E Morbidity by Policy Duration



- Significant anti-selection occurs in first two years of policy.
- Maternity claims drive much of early duration experience.

# Risk Management - Underwriting

- Individual products use simplified issue underwriting
  - Different levels of SI available
  - Rarely offer “true” GI
- Group products often guaranteed issue
  - Must meet participation requirements
  - Exceptions can lead to poor experience
- Continual monitoring of large accounts necessary
- Routine audits needed for field underwriting



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# Risk Management - Claims

- Service standards important:
  - Timeliness of payments
  - Many claimants live paycheck to paycheck
- Complex claim unit for specific products and/or diagnosis
- Automated claim processing for certain benefits (eg. Wellness)



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# Conclusions

- Clear need exists in the marketplace
- True value to employees & employers
- Products available and evolving
  - Keep plan design & enrollment simple
  - Moderate benefit levels
  - Aggressive pricing unnecessary



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