

Developments in the Workplace

Presented by
Joshua J Weber, FSA, MAAA, FLMI

November 20, 2008



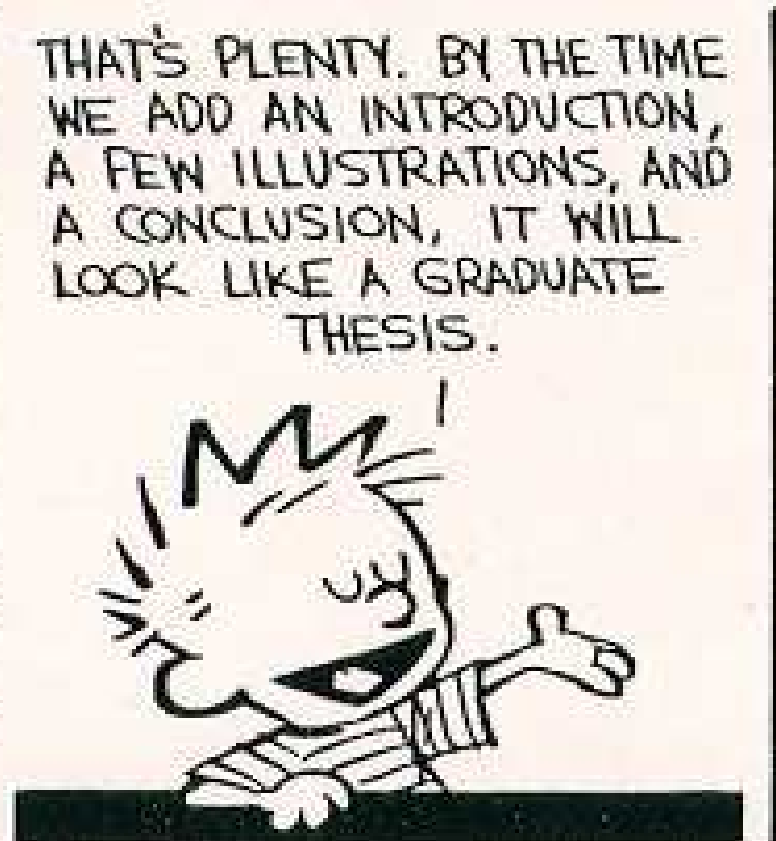
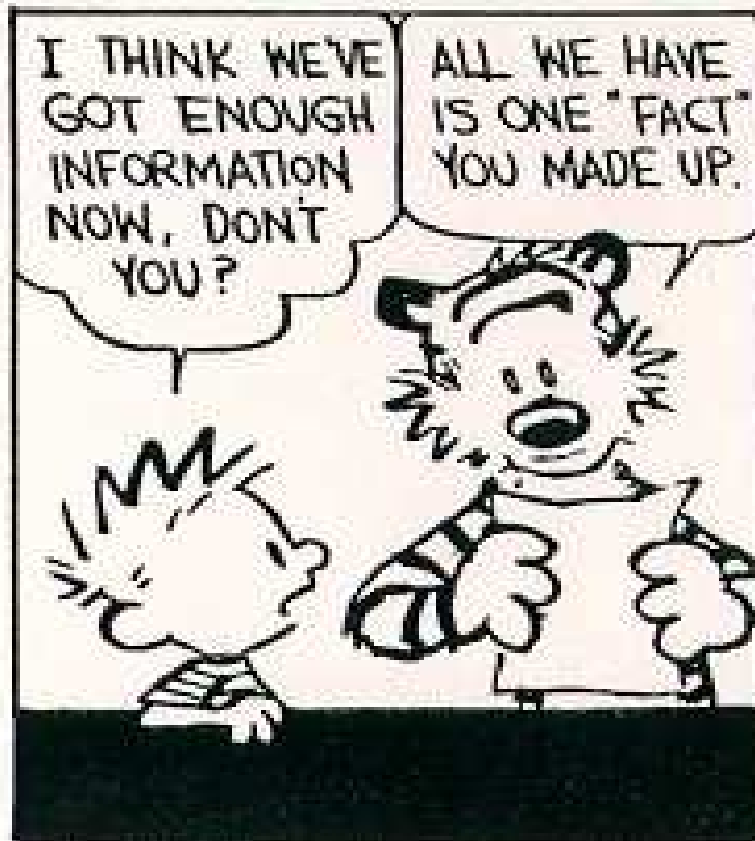
Agenda

Workplace Primer

Trends in Distribution

Trends in Products

Conclusion



Workplace Primer

- What is it
- Why the growth
- Advantages
- Pitfalls
- Opportunities

Workplace Primer

- What is it
 - Worksite and Voluntary products sometimes used interchangeably
 - Here we will define worksite as
 - Life and health products that are sold at the worksite with premiums paid for by employees through payroll deduction

Workplace Primer

- Why the growth
 - Medical costs
 - Group employee benefit coverages
 - Not fully insured
 - Market drivers
 - Health insurance rate volatility
 - Equity market volatility
 - Viability of social security

Workplace Primer

- Advantages

- To employers

- Offer additional benefits at no additional hard dollar cost
 - Gives employees access to group products
 - Special underwriting offers
 - Reduction of payroll taxes (section 125)
 - Improved recruiting and retention
 - Improved morale
 - Better communication to employees
 - Competitive advantage in the market
 - Customization of benefit program
 - Improved bottom line

Workplace Primer

- Advantages

- To employees

- Access to benefits available thru payroll deduction
 - Preferred underwriting
 - Ease of payments through payroll
 - Ability to customize benefits based on the needs of the family
 - Increased knowledge of benefit package
 - Annual updates of benefits
 - Portability of products
 - Buying power of Section 125
 - Lock in rates and benefits

Workplace Primer

- Pitfalls
 - Billing problems
 - Time to enroll employees
 - Access to the employees
 - Partner with a professional enrollment company
 - Individual complications
 - Systems to handle grace period correctly

Workplace Primer

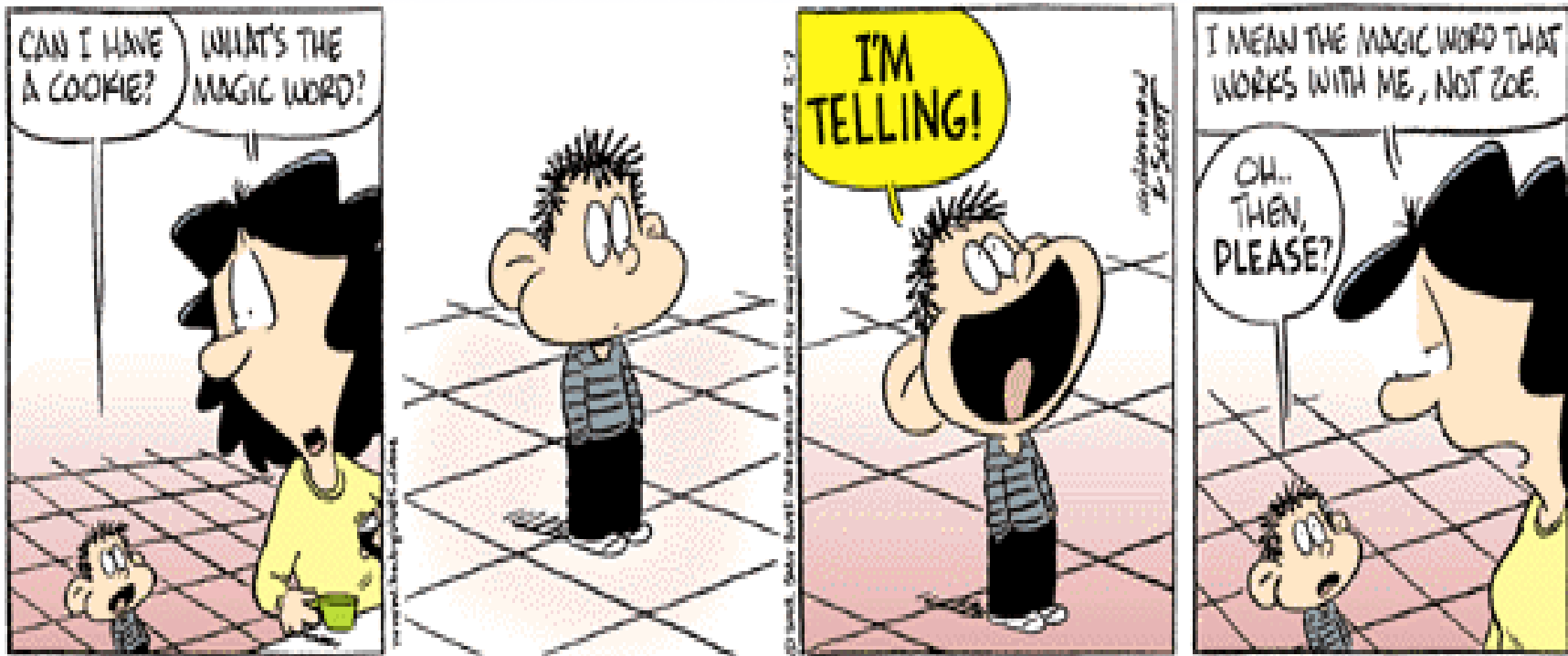
- Opportunities
 - According to LIMRA
 - 44% of US households say they need more life insurance
 - 60% of middle-income consumers prefer to buy life insurance through someone they meet in person
 - 58% of individuals have no life insurance
 - Only 28% of individuals have DI/accident coverage

Trends in Distribution

- Previously, insurance sold at kitchen table
- Now, that trend is disappearing
 - ‘Do-not-call’ list
 - Voice mail/Answering Machines
 - Go-Go lifestyles
 - Home is my refuge

Trends in Distribution

- Who Sells
- What is effective



Trends in Distribution

- Who Sells
 - Career Agents
 - Occasional Brokers
 - Classic Worksite Broker
 - Worksite Specialist
 - Employee Benefit Brokers (including Consultants)

Trends in Distribution

- What is effective
 - Most effective
 - 1-on-1 meetings between broker/agent and employee
 - 20-30 minutes
 - During the workday
 - Face-to-face

Trends in Distribution

- What is effective
 - Less effective
 - Group meetings
 - Sometimes combined with 1-on-1 meetings
 - Least effective
 - Internet
 - 800 number

Trends in Distribution

- What is effective
 - Laptops are 2nd most popular enrollment method
 - Larger companies eliminating paper altogether
- No matter what, Education is Vital

Trends in Products

- What is Offered
- Where is it Headed
- Product in-depth

Trends in Products

- What is Offered

- Can be any additional benefit added to benefit menu
- Can include

Life (UL/WL/Term)	Disability (STD/LTD)
Accident	Cancer
Heart/Stroke	Dental
Supplemental Health	CI
LTC	Vision
Mini-Med	Legal plans
Pet insurance	

Trends in Products

- What is Offered (Mini-med aside)
 - What is it
 - Essentially hospital indemnity policy with wide variety of benefits depending on employer's needs
 - What it does
 - Provides health insurance to those who might not otherwise have any
 - Attract and retain employees
 - Reduce workers' compensation claims
 - Absolute must
 - Employees fully understand what it covers

Trends in Products

- Where is it Headed
 - Life events coverage
 - Group voluntary insurance
 - Mini-med/Hospital indemnity plans
 - Critical Illness

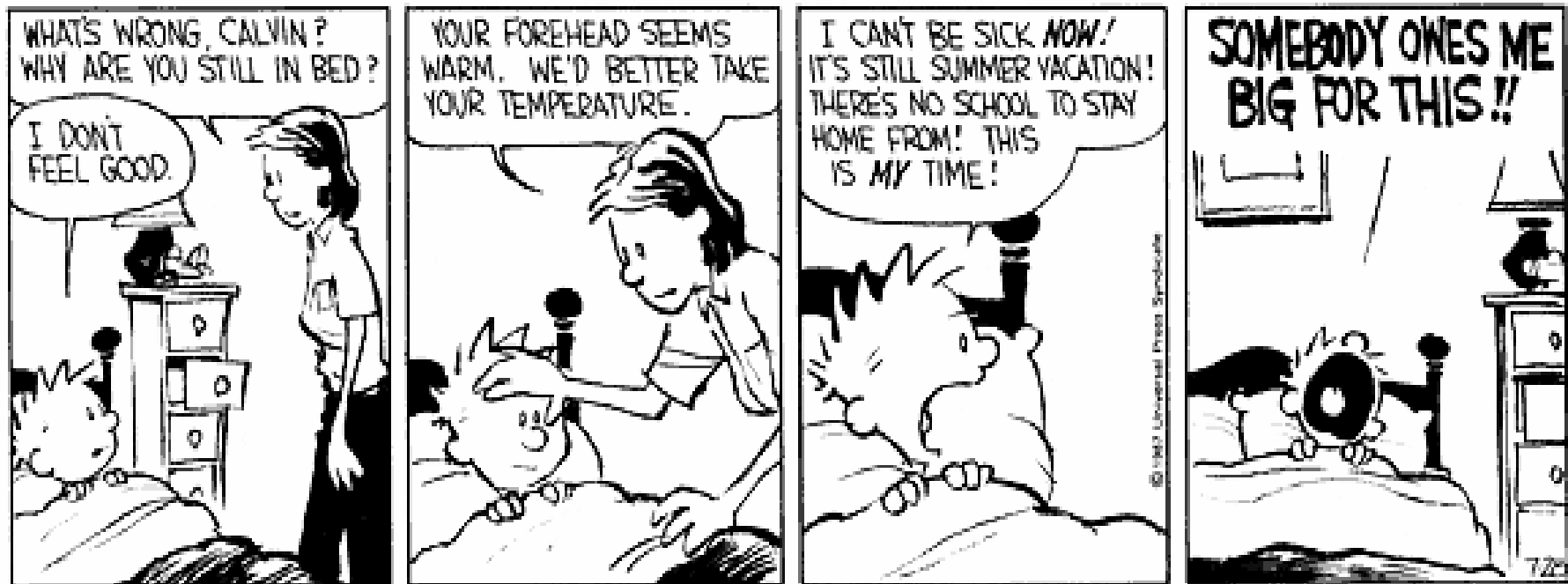
Trends in Products

- Where is it Headed
 - Carriers picked Critical Illness as one of the biggest worksite movers
 - According to 2008 Voluntary Product Trends
 - 1/3 of carriers are likely to introduce a new CI product in the next 2 years

Trends in Products

- Product in-depth
 - Critical Illness
 - Insurance that typically pays a lump sum payment on first diagnosis of one of a number of specified critical illnesses
 - Buy why is it needed? Because...

Sometimes life happens at the most inopportune times.



Trends in Products

- Product in-depth
 - Critical Illness
 - Did you know?
 - 2/3 of the costs of a typical cancer are non-medical and uninsurable
 - Many people do not have medical coverage that will cover 100% of medical costs
 - 80% of Americans will live with Heart disease or Cancer before they die

Trends in Products

- Product in-depth
 - Critical Illness
 - What is the policyholder trying to protect?
 - Non-medical costs
 - Medical costs

Trends in Products

- Product in-depth
 - Critical Illness
 - What am I trying to protect?
 - Non-medical costs
 - > Loss of income – DI only pays part of former income
 - > Bills, mortgage, debt do not go away just because you are ill
 - > Transportation for treatment
 - > Specialized diets or equipment
 - > Child or adult daycare
 - > Spouse's time off work

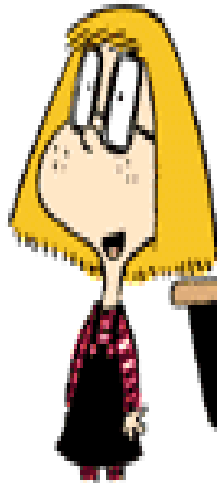
Trends in Products

- Product in-depth
 - Critical Illness
 - What am I trying to protect?
 - Medical costs
 - > Co-pays and deductibles
 - > Medical costs not covered by insurance (e.g. drugs)
 - > Alternative treatments

Trends in Products

- Product in-depth
 - Critical Illness
 - So, why hasn't it taken off?
 - Lack of knowledge
 - Reasons from an actuarial perspective
 - > Plan designs too restrictive
 - > Plan designs too complicated
 - > Underwriting too tight
 - > Pricing too high
 - > Sales comp too low

WE DROVE TO THE FOREST,
AND CUT DOWN OUR
OWN CHRISTMAS TREE.



WE FLEW ON AN
AIRPLANE TO
CANADA.



I ATE SO MUCH CHOCOLATE
THAT I HAD DIARRHEA
FOR TWO DAYS.



LET'S TALK ABOUT
JUDGEMENT...



HE SAID
TO TELL
ABOUT
OUR MOST
MEMORABLE
HOLIDAY
EVENT!



Trends in Cancer

- The Good
- The Bad
- The Ugly
- and More Good

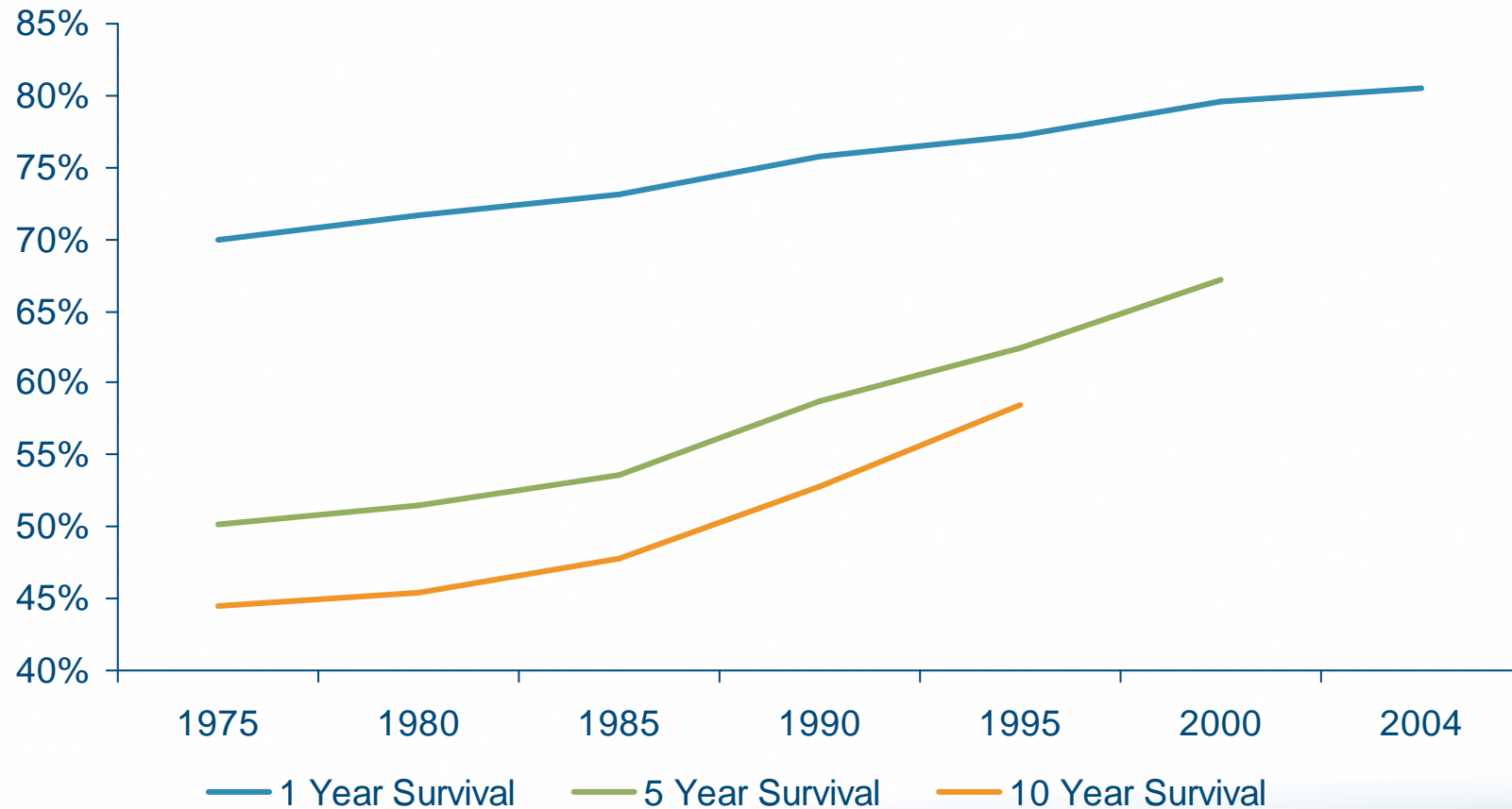
Trends in Cancer

- The Good
 - Survival Rates



Trends in Cancer

The Good - Survival Rates by Year of Diagnosis



Source: Lorem ipsum

Trends in Cancer

- The Good
 - Survival Rates
 - Since 1975, the 5 year survival rate for cancer has increased 33%
 - This appears to be a large concern for those companies whose application questions only go back five years

Trends in Cancer

- The Good
 - Incidence Rates
 - Total decrease of 8% over last 10 years
 - Males – Top 3 Cancers have decreased
 - Prostate 1.1% annually
 - Lung and Bronchus 2.2% annually
 - Colon and Rectum 2.4% annually
 - Females – Top 3 Cancers have decreased
 - Breast 1.4% annually
 - Lung and Bronchus 0.5% annually
 - Colon and Rectum 1.7% annually



Trends in Cancer

- The Bad
 - Melanoma of the Skin
 - Incidence increase of 17% over last 10 years
 - Thyroid
 - Incidence increase of 76% over last 10 years
 - Liver
 - Death rate increase of 21% over last 10 years



Trends in Cancer

- The Ugly
 - Lifetime Risk
 - 4 out of every 10 people
 - Probability of dying
 - 2 out of every 10 people
 - Death Percentages
 - In 1975, 19% of total deaths
 - In 2005, 23% of total deaths



Trends in Cancer

- and More Good
 - Cancer Immunity
 - A team at Wake Forest have bred mice that fight off cancer
 - They have transferred immunity from the resistant mice to non-resistant mice
 - Effectiveness varies, but this innate ability exists in the human immune system



Trends in Heart Attack & Stroke

- Overweight/Obesity
- Hypertension (High Blood Pressure)
- Tobacco Use
- High Cholesterol
- Diabetes
- Grab-Bag



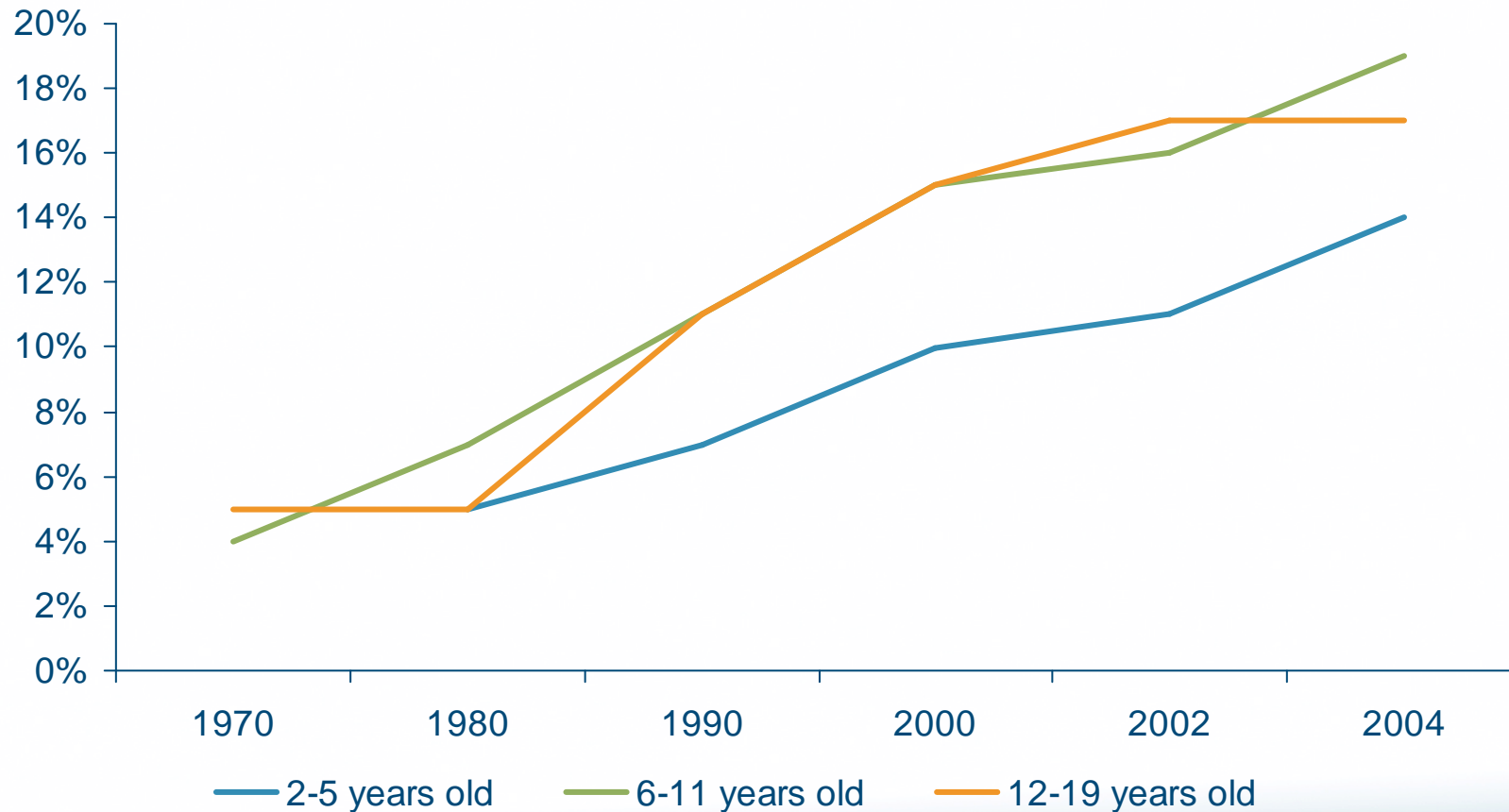
Trends in Heart Attack & Stroke

Overweight/Obesity

- Overweight individuals are at an increased risk for:
 - Hypertension (high blood pressure)
 - Osteoarthritis
 - Dyslipidemia (high total cholesterol or high levels of triglycerides)
 - Type 2 diabetes
 - Coronary heart disease
 - Stroke
 - Gallbladder disease
 - Sleep apnea and respiratory problems
 - Some cancers (endometrial, breast, and colon)

Trends in Heart Attack & Stroke

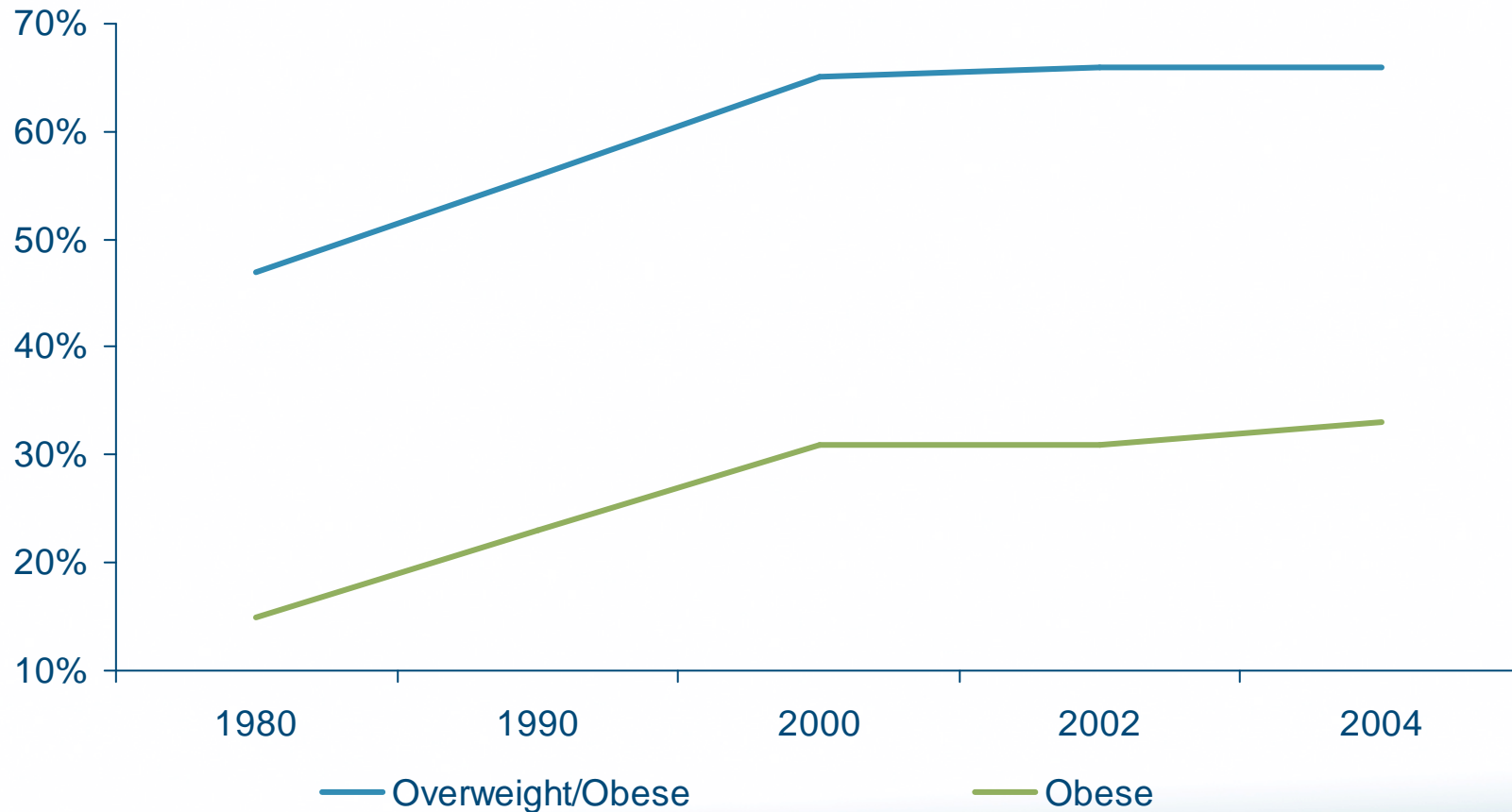
Overweight/Obesity in Children



Source: Lorem ipsum

Trends in Heart Attack & Stroke

Overweight/Obesity in Adults ages 20-74



Source: Lorem ipsum

Trends in Heart Attack & Stroke

Overweight/Obesity

- In 2003-2004
 - 17% of children (ages 2-19) were overweight
 - 70% of being overweight as adults
 - 80% if both parents are overweight
 - 66% of adults were overweight/obese
 - Up from 47% in 1980
 - 32% of adults were obese
 - Up from 15% in 1980
 - McDonald's has sold 20 billion hamburgers

Trends in Heart Attack & Stroke

Hypertension (High Blood Pressure)

- Nearly 1 in 3 adults in the U.S. has High Blood Pressure
- From 1994 to 2004, death rate increased 25%
- Precedes development of Heart Failure in 91% of cases
- 2-3 times higher risk for developing heart failure

Trends in Heart Attack & Stroke

Tobacco Use

- Since 1965, smoking use has decreased 49% in adults
- 1 in 5 adults are current smokers
- Each day, 1,500 kids ages 12-17 become daily smokers
- Smokers are 2 to 4 times more likely to develop coronary heart disease (CHD) than non-smokers
- Smoking doubles the risk for stroke

Trends in Heart Attack & Stroke

High Cholesterol

- Over 100,000,000 or 36% of adults have high cholesterol
- 10% of children aged 12-19 have high cholesterol
- A 10% decrease in cholesterol could reduce CHD incidence by 30%

Trends in Heart Attack & Stroke

Diabetes

- An estimated 21 million, or 7%, of Americans have diabetes
- From 1994-2002 diabetes prevalence increased 54%
- In the next 30 years, worldwide diabetes is expected to increase 57%
- Heart disease death rates among adults with diabetes are two to four times higher than the rates for adults without diabetes
- Most reported cause of End-Stage Renal Disease

Conclusion

- Thinking big picture again...
- Employers fund benefits
 - Part of compensation
 - Easy to compare
- Have three step role:
 - Intermediary selection
 - Advisor services arrangement
 - Monitor and manage

Conclusion

- Employees concerned with
 - Financial well being with increased life expectancy
- Looking for independent advisor with best products
- LIMRA found employees prefer to buy benefits at the worksite by a 2-to-1 margin and 77% prefer face-to-face enrollment

Conclusion

- So, Keep it Simple
 - Simplified underwriting
 - Issue Age Bans
 - Benefits
 - Apps
 - Guaranteed issue with minimum participation requirements

Conclusion

- Terence O'Brien of First Benefits sums it up well...

“The employer has a finite set of money. He still wants to offer as many benefits as possible. He’s just not going to be able to pay for them all. That’s why this voluntary market is such a good market.”

