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ADVISER

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In This Issue

Purchase of voluntary benefits grows with tenure

Additional research confirms that voluntary benefits actually maintain strong appeal to employees and employer-clients that want to keep them happy.

Researchers at Prudential Financial found, after surveying some 20,000 households, that 84% of respondents believe that offering voluntary benefits does increase loyalty and retention. The finding provides more documentation for worksite marketing companies and other brokers, including Prudential's own Prudential WorkingSolutions, launched last year.

The survey also shows that sign-up for voluntary benefits increases sharply among employees who have worked at the company for three to five years. Participation is greatest when they have been in the same job for five years or more.

Moreover, purchase rates are high because, says WorkingSolutions COO Tom Martorana, payroll deduction, group pricing and discounts and convenience make voluntary benefits attractive. Prudential found that about two-thirds of employees bought dental coverage, half purchased vision and supplemental life insurance and approximately 20% went for auto, homeowners and legal care insurance.

For more information and a copy of the study results, contact WorkingSolutions at 888/213-7921.

Calendar

Life insurance leads climb in worksite sales

Worksite carriers reported a fourth year of growth, with a 2000-2001 sales increases of 13%, according to Eastbridge Consulting Group. New worksite sales in 2001 totaled an estimated $3.5 billion, up from $2 billion in 1997. Inforce premium was between $8.5 billion and $10.3 billion, an increase of at least 15% from 2000.

The third annual Eastbridge U.S. Worksite Study tracked the performance of 56 worksite marketers comprising almost 70% of last year's sales volume. However, the top 15 companies accounted for 63% of the market, with AFLAC selling 26% of the market share. The next most successful company, Colonial Life and Accident, accounted for 6.9%.

While individual products still compose the majority of sales -- about $2.2 billion -- group products are coming on strong, increasing by 26%. Individual sales, on the other hand, went up only 6%. Life insurance had the greatest proportion of new worksite sales with 22%, while disability insurance was close behind with 20% of sales. Although long-term care insurance sales grew 77% over 2000 figures, the product still made up only 2.2% of sales.

The full report is only available to survey participants.

Researchers: Increased rates will lead to more consumer-driven health

HMOs, once the cost savers of health plans, now find themselves on a par with the more expensive PPOs and POS plans, according to a multitude of recently released studies.

The latest, Milliman USA's 11th annual HMO Intercompany Rate Survey of about 100 HMOs, predicts that rates will rise an average of 17% next year, a figure comparable to others released by such companies as Aon Consulting, which last week anticipated a jump of 16.2%. If implemented, Milliman executives say, the increase will be the largest in the history of the consultant's survey.

Almost all of the HMOs surveyed expect increases of at least 10%, and 70% of them believe those jumps actually will be more than 15%. They claim the higher prices reflect rising provider expenses and consumer demand. The survey's author believes the increased expenses will lead to a higher interest in consumer-driven health programs, which received a boost last week from the IRS, who ruled that some will not be taxed.

"Increases of this level cannot be sustained without significant reaction in the marketplace," says Steve Cigich. "In addition to shifting more of the premium responsibility to employees and a continuation of increases in co-payments, a continued emergence of personal spending accounts is likely to occur to help employees bear this increased burden."

Dealmakers: M&A activity heats up

QUICKPOLL

What are your best-selling voluntary benefits?

- Dental
- Life insurance
- Disability
- Auto, homeowners or legal
- Long-term care

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Results From last weeks Quick Poll

June 26, 2002

Will the new IRS guidance prompt help you market consumer-driven health plans?

39%: Yes
20%: No
41%: No plans to market the products

Hilb, Rogal and Hamilton Co. (HRH), one of the largest insurance intermediaries in the world, announced this week it has completed acquisition of Atlanta-based Hobbs Group, one of the country's premier insurance brokers serving top-tier middle-market and risk management clients. HRH paid $142 million for Hobbs, plus an additional $102 million contingent on the achievement of performance goals and the assumption of earnouts...

Sedgwick Claims Management Services, a leader in claims and productivity management solutions, has bought the customer contracts and other operational assets of Preferred Works, a non-occupational disability claims provider, from First Health Group Corp. The transaction closed last Friday...

The Phoenix Cos. plans to buy the variable life and annuity business of CNA Financial Corp.'s subsidiary Valley Forge Life Insurance Co. through a coinsurance arrangement. The business has more than 12,600 contracts totaling about $624 million...

Monessen, Pa.-based First Federal Savings Bank purchased majority ownership of Exchange Underwriters, an insurance agency in a Pittsburgh suburb that offers auto, homeowners and general liability insurance, workers' comp and bonds...

Great American Financial Resources has completed its purchase of Manhattan National Life Insurance Co. from a Conseco subsidiary. Great American paid $48.5 million in cash for MNL's 90,000 in force policies, totaling $12 billion.

New Product: Credit card can be paid with payroll deduction

MasterCard and payroll deduction company E-Duction have joined forces to offer a new voluntary benefit: the payroll deduction credit card.

The card, called Clear, extends employees a credit line of 2.5% of their salary, which workers can use for anything they need to buy, from clothes to dinner to other benefits. The employees then pay the bill through four automatic payroll deductions over two months. It can be used at more than 24 million MasterCard acceptance locations.

The card, which will be marketed through brokers and directly to employers, only charges employees a $29 annual fee and levies no interest, late fees or penalties. Employers would not have to pay anything to offer the benefit.

Featured Articles from the Current Issue of *EBN*

401(k) sponsors focus on diversification -- Plan sponsors are re-evaluating education and communication strategies in light of the lingering controversy over the operation of Enron's 401(k) plan and continuing stock market volatility.

User unfriendliness remains the knock on HR portals -- It appears that not enough information distributors are taking to heart the need to keep Web sites and portals up to date and relevant to users.

Benefit programs reach out to employee caregivers -- With eldercare worries among employees on the rise as life expectancies creep upward, employers are gradually waking up to this problem and looking for ways to help.

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