Small Talk Newsletter

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How to Succeed in the Worksite Market

by Alan F. Barthelman

The voluntary benefits market is growing at a rapid pace. While personal agent sales of life insurance decline, over 50% of employees would prefer to buy their benefits at the workplace, and a wide variety of benefits — homeowners, auto, life, health — are being offered on a payroll deduction basis. If the challenges of marketing at the worksite have kept your company from entering this market, you might want to consider some of the alternative approaches that are available.

Worksite Marketing, or enrollment, is a business process that depends on four key factors to assure success on a consistent basis. Whether Group or Individual voluntary products are being sold, strong performance in these four areas will assure that a high percent of employees buy your product and will continue to pay premiums because they are convinced of the value of what they bought.

The critical success factors (CSFs) of enrollment are shown in the diagram to the right. They are listed in order of increasing importance — top to bottom. And although the first three will determine the success of any given enrollment, the last will determine whether your company can manage the business effectively and keep voluntary business on the books once it has been enrolled. This article describes the CSFs. At the end, it lists some of the ways in which a smaller company with limited resources can meet these mandates for success, both for implementation and ongoing operations.

1. Onsite selling. Selling insurance requires people and relationships. In the case of worksite marketing, this is typically accomplished by enrollers conducting group meetings or one-on-ones. Without professional enrollers to sell your products to employees, you should expect results more typical of direct marketing approaches — 1–2% of people buying. The objectives of onsite selling are to

- Gain employees' trust in your company
- Give them the information they need to make an informed buying decision
- Close sales

There is a natural tendency to focus on group meetings or one-on-ones to increase participation (the percent of employees buying your product). Companies are investing a great deal in enrollers and the materials and tools that they use, because they do play a very visible, critical role. But what if your enrollers are prepared to conduct excellent meetings and nobody shows up at those meetings?

2. Enrollment process. In order to bring employees to meetings and support their buying decisions, an enrollment must be treated as a marketing *process* rather than a one-time event. This consists of pre-communications as well as support after enrollment meetings. The objectives of an enrollment process include

- Gaining employees' interest in the benefit which is being offered

- Educating employees about the need for the product
- Announcing meetings which they must attend
- Making it easy to sign up, once they've decided to buy your product

Companies that are most successful at enrollment provide a wide variety of communication tools — CEO announcement letters, newsletter articles, payroll stuffers, posters and technology such as laptop and Internet systems. However some of the best enrollment processes never get off the ground because the company's enrollment materials end up in someone's file, rather than being distributed to employees or posted on bulletin boards.

3. Employer/Sponsor Commitment. It is critical that the enrollment process which your company designs actually happens. This means that the employer — although not paying any premium — must actively support the marketing effort. The objectives here are to ensure that

- The employer follows through on the tasks required for a successful marketing process.
- The employer strongly endorses the offering to their eligible employees.

There are several ways to assess that an employer is committed to a voluntary product and its enrollment. The most common is to require mandatory employee attendance at meetings. Good project management will keep the enrollment process on track once its underway. But what if your company successfully enrolls an account but is not prepared to service it efficiently?

4. Insurance carrier commitment. Ultimately, an insurance company's level of commitment to its voluntary lines will determine its success. Excellent enrollment results will be for naught if poor service results in a coverage moving to another insurance carrier after a year or two. Service accounts well — making administration easy — and employers will stay with you much longer than for traditional products, because there is no cost to the employer. Two areas where an insurance carrier must be especially strong are:

- Administration — providing hassle-free service to the employer and employees
- Tracking and reporting — collecting and maintaining accurate data at both the group and individual level.

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Although this list of challenges may seem daunting, the increasing popularity of the worksite marketplace has spawned a wide variety of cost-effective solutions. Thinking through these alternatives and developing a cohesive enrollment strategy for your company can yield attractive results. Here are some approaches to consider:

- To avoid having to build a staff of enrollers, contract out for enrollment services or simply promote your products to producers who specialize in the voluntary market.
- When creating promotional materials or other communication tools, be sure they can be re-used in a variety of media, so your message doesn't have to be continually "re-invented."
- Be selective in what cases you will write — define your niche clearly — so that you don't incur acquisition costs for accounts that won't be profitable.
- Implement procedures that assure you have employers' commitment. They are the most important partner that you can have in marketing voluntary products to employees.
- Be sure you can service the business efficiently. If your organization is not prepared to do this, then consider contracting for services or forming strategic partnerships.

With appropriate focus, voluntary products can be very profitable business. Getting into this market should start by developing a clear strategy for your company — and then taking advantage of the many services that are available to make this strategy efficient.

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So What's New with the AOMR?

by James R. Thompson

No one's life or property are safe while the legislature is in session.

History

Currently, asset adequacy analysis is required annually only for companies with admitted assets over $500 million. Below that figure, there are exemptions based on asset size and various ratios.

In a memo of July 23, Larry Gorski of the Illinois Department of Insurance made a proposal on revising this approach. It is a complete change in that the Actuarial Opinion and Memorandum Regulation (AOMR) would not specify the detailed requirements, such as the seven scenarios. It will require the appointed actuary to opine on the adequacy of reserves based on actuarial judgment. The American Academy of Actuaries will set the actuarial standards to provide guidance. The proposal concentrates on risk profits of assets and liabilities and applies to all size companies.

The Academy believes this proposal is a "positive change in paradigm." The National Alliance of Life Companies and the National Fraternal Congress of America (NFCA) have expressed concern as to the possible cost of this proposal. We should all be watching this.

Due to new assets, Collateralized Mortgage Obligations (CMOs) and new liabilities, Equity Indexed Annuities (EIAs) for example, there has been constant talk among regulators of broadening the AOMR in various ways. Some concern was that any presence of certain products or assets should require testing. In the May 1998 issue of *small talk*, there was an article by Joel Lantzmann on modeling investments in the banking industry and how that is being simplified. It may be possible that the risk profile approach will make tools other than cash-flow testing available. Of course, it might involve more complex testing and higher cost, as the National Association of Life Companies (NALC) and the NFCA have expressed concern about. The Life and Health Actuarial Task Force (LHATF) is following this.

At a recent meeting, the members got into a lengthy discussion on the AOMR. A big issue is the state of domicile versus the state of filing. If there is a difference, which standards apply? The State Variations Task Force of the Academy evaluated four alternatives. Its memo to Leslie Jones of LHATF of August 18 outlines these. The discussion centers around the difference in valuation standards between states. It is natural that a life company should file its memorandum according to the standards of its home state. Should different standards be used for its AOMR filed in different states?

The minutes state that "no definitive conclusions were reached" but that two seemed to be the preferred choices of the members — the state of domicile plus a benchmark and the state of domicile plus disclosure. Jones said there will be further discussion as to actuarial liability for company actuaries and regulators.

Either way, the state of domicile seems to be preferred. The Academy's memo lists as least preferred the proposal of state of filing plus disclosure.

The benchmark calculation is based on codification standards. If a state of domicile is not on codification standards, the company will be required to report reserves as if it were. This would affect business sold after codification becomes effective. The Academy recommends a window period of effective dates rather than a single effective date to provide regulators with meaningful comparisons. If there is a single effective date for the benchmark, there will be differences due to different effective dates.

Disclosure applies to those foreign states that want their own laws and regulations complied with. This presumes that the appointed actuary knows that these states have different laws from the state of domicile. This requires the foreign states to make an effort to inform those companies licensed to do business that compliance is required. This takes the burden off the appointed actuary of guessing or exhaustively researching which states have which regulations.

Late Development

As this newsletter was going to print, the members of LHATF following this issue held another conference call. In it, they

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