



**2019 HEALTH**  
MEETING

JUNE 24-26 | PHOENIX, AZ



## **Session 34, Supplemental Benefits for Gig Employees and Other Non-Traditional Workers**

[SOA Antitrust Disclaimer](#)

[SOA Presentation Disclaimer](#)

# 2019 Health Meeting

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**Session 034: Supplemental Benefits for Gig Employees and**  
**other Non-Traditional Workers**

June 24, 2019



# SOCIETY OF ACTUARIES

## Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

# Presentation Disclaimer

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# Agenda





- Market Overview
- How 1099 employees change the Product Development Process
- Challenges and Opportunities
- Case Studies

# What is the Gig Economy?



1. General Accounting Office, 2007. Employee Misclassification: Improved Outreach Could Help Ensure Proper Worker Classification. GAO-07-859T. Washington, DC.
2. Deloitte; Rewards for Contingent Talent September 14, 2017
3. BCS Financial Analysis

# Distinct Segments of Gig Workers

	Primary Income	Supplemental Income
Preferred Choice	 <b>30%</b> 49 million <b>Free Agents</b> Workers who derive their primary income from independent work and do so by choice	 <b>40%</b> 64 million <b>Casual Earners</b> Workers who supplement their income from independent work and do so by choice
Out of Necessity	 <b>14%</b> 23 million <b>Reluctants</b> Workers who derive their primary income from independent work but do so out of necessity	 <b>16%</b> 26 million <b>Financially Strapped</b> Workers who supplement their income with independent work but do so out of necessity

McKinsey Global Institute 2017

# Gig Market Forecast – Spring 2018

McKinsey

**68M** Independent Workers  
in the U.S. Workforce

Forbes

**50%** or more of workforce  
could be freelance by 2020



In 2010,  
about **10%**  
of workers  
globally were  
contingent  
workers



In 2013,  
about **27%**  
of workers were  
contingent  
workers



In 2018, an  
estimated  
**40-50%**  
of workers will  
be contingent  
workers

McKinsey Global Institute 2017

Deloitte: Rewards for Contingent Talent, 2017

Forbes, The Rise Of The Freelancer Economy, 2016



# Maybe the Gig Economy Isn't Reshaping Work After All



Danelle Freitas, right, started a photography business in Las Vegas last year, finding customers in part through an online hiring service. Roughly 10 percent of American workers in 2017 were employed in what the government calls "alternative work arrangements," outside a traditional employment relationship. Roger Kisby for The New York Times

By Ben Casselman

June 7, 2018



You can see the gig economy everywhere but in the statistics.

# Gig Market Reality — Summer 2018

How many workers are in the gig economy?\*

**Engaged in any capacity**  
Primary and supplementary work



**As main job**  
Independent work is primary



**Online platforms**  
Uber, Lyft, TaskRabbit, and others



Bureau of Labor Statistics 2018

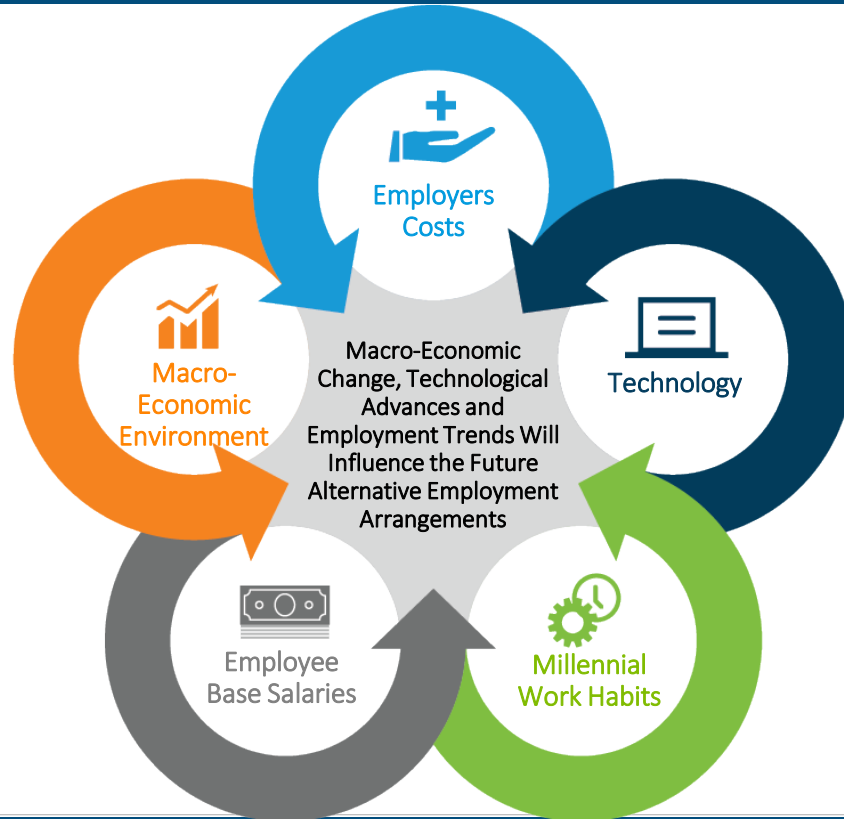
According to the most recent Contingent Worker Supplement (CWS) administered by the Bureau of Labor Statistics (BLS)



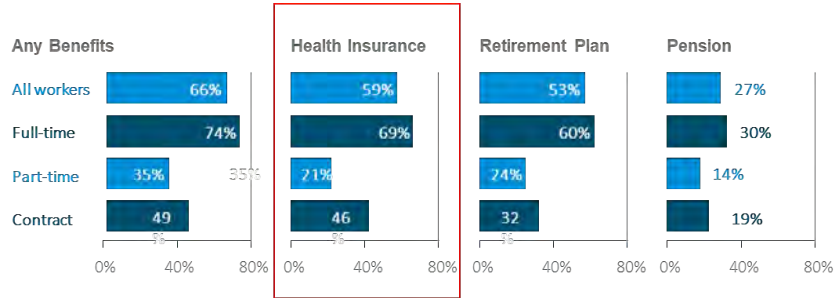
rely on alternative arrangements for their main job, including temp agency work, on-call work, contracted work, and freelancing.

1) Bureau of Labor Statistics, 2018.

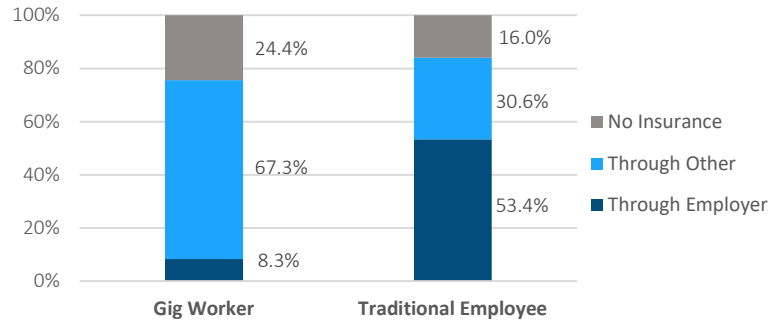
# Key Forces Driving the Growth of a “Gig Economy”



# A Significant Portion of Gig Workers Lack Health Insurance



Source: NPR/Marist poll of 1,267 adults conducted Dec. 4–7, 2017.  
Credit: Hilary Fung and Katie Park/NPR



Source: Bureau of Labor Statistics Survey, Contingent Worker Supplement, 2017

# Even Those Insured May Not be Adequately Protected

- Only 28% of Americans are financially healthy
- More than 40% of report that unexpected financial shocks has prevented them from paying their bills and controlling their debt
- Two-thirds of people who file for bankruptcy cite medical issues as a key reason / 62.1% of all bankruptcies in 2007 were medical<sup>1</sup>
- 75% of people with medical-related bankruptcies had major medical insurance
- Affordable Care Act has not improved these statistics<sup>2</sup>

1) *Center for Financial Services Innovation, June 2018*

2) *CNBC, 2019*

3) *American Journal of Public Health, 2018*

4) *American Journal of Medicine, 2007*

5) *NerdWallet Health and CNBC, 2013*

# Regulatory Change (May) Expand Options

- ACA Reforms
- Association Health Plans
- Short Term Medical
- Limited Benefit (aka Mini Med)
- Supplemental Health / HSA Expansion

Contingent employees are increasingly looking to employers and the insurance marketplace to identify affordable ways to manage their health care risks



# Summary

- The gig economy goes beyond new technology platforms to include a complex conglomeration of people engaged in a variety alternative work arrangements.
- One useful framework for looking at this population is to differentiate between (1) those who engage in gig work by choice versus those who do out of necessity and (2) those who use gig work to supplement their primary income vs. those for whom gig work is their primary income.
- Contrary to popular belief, the gig economy is not going to overtake the traditional employer relationship anytime soon – a stable 10% of the U.S. workforce since 2005. Yet trends point to future growth in alternate work arrangements.
- Millions of gig workers lack benefits essential for financial security and can benefit from either affordable, portable alternatives to, or supplements for, ACA coverage to protect them from major health-related financial risks.
- At least for the moment – Policy makers have provided the insurance industry with more degrees of freedom in meeting customer needs.

# Considerations Through the Insurance Value Chain



- Segment Research
- Value & Affordability
- Expense
- Regulatory boundaries
- Innovation mindset

- Distribution alternatives
- Acquisition
- Education
- Tailored marketing
- Buyer commitment

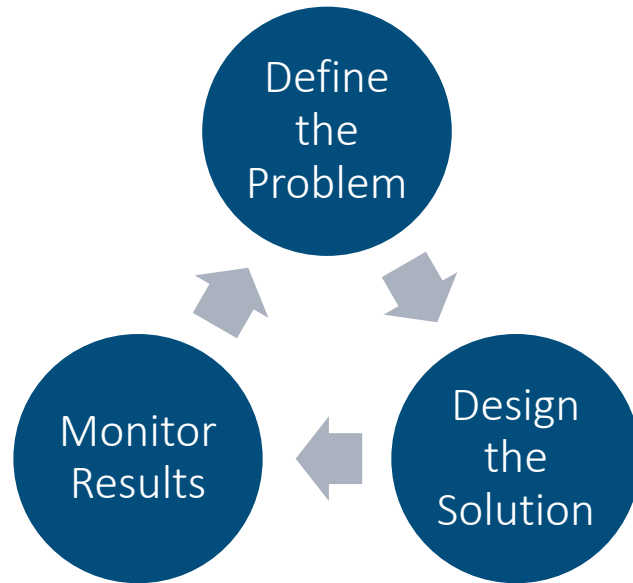
- Ease of enrollment
- Risk assessment
- Actively at work
- Industry classes

- Turnover impact
- Eligibility
- Fraud monitoring

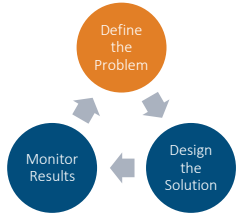


# PRODUCT DEVELOPMENT PROCESS

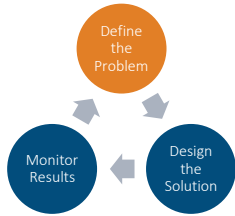
Actuarial Control Cycle:



# PRODUCT DEVELOPMENT PROCESS



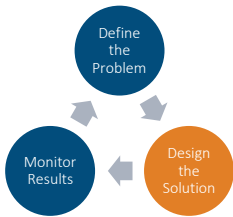
# PRODUCT DEVELOPMENT PROCESS



*Human-centered design is a philosophy that empowers an individual or team to designing products, services, systems, and experiences that address the core needs of those who experience a problem.*

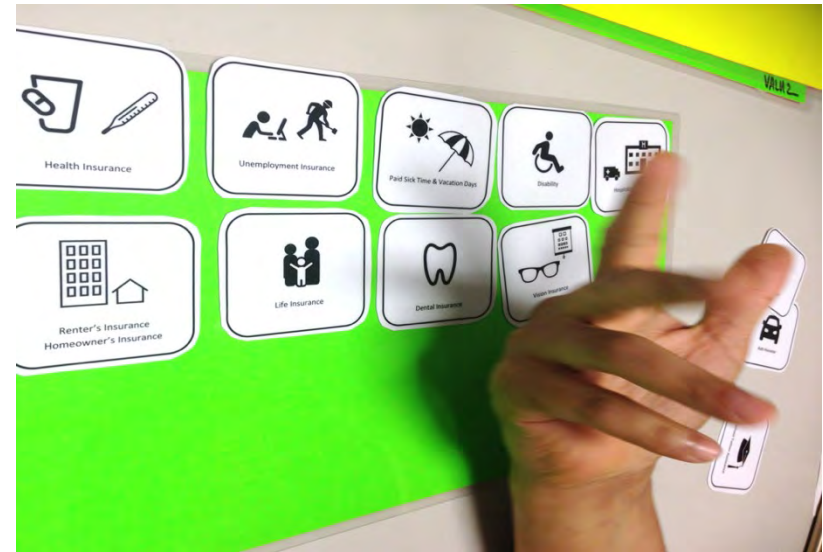


# PRODUCT DEVELOPMENT PROCESS

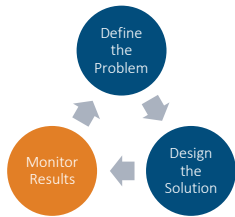


## What's in our toolbox?

- Desk research
  - Ethnographic research
  - System mapping
- Informant Interviews
- Focus Groups
- In-Depth Interviews
  - Build-to-buy games
  - Prototyping



# PRODUCT DEVELOPMENT PROCESS



- Morbidity/mortality studies are not enough!
- Customer surveys
- Go with the sales team (observe!)
- Listen to call center calls/interview customer service reps
- Claims analysis (not just how much was paid, but for what, and what was denied)

ITERATE TO IMPROVE

# PRODUCT DEVELOPMENT PROCESS

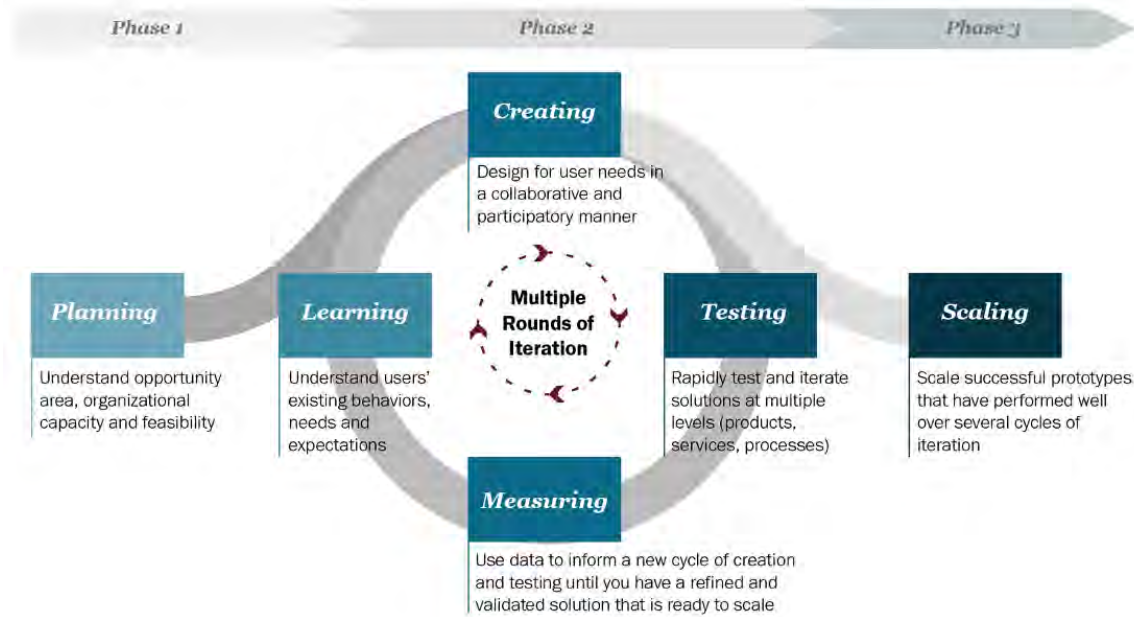


Diagram by The Dalberg Group

# Sample Case: Taxi Driver Reward Program

UTM Driver Incentive Program

**Drive the Shifts &  
Get the Rewards**

Real Rewards for  
Real People doing  
Real Work



- Benefits based on number of trips
- Life insurance, AD&D, discounts on dental, vision, pharmacy
- Cab company sees benefit and drivers see benefit
- Expansion of program into other markets and products
- Program challenges

# SAMPLE CASES - ALIA BENEFITS

- Partnership with the NDWA to provide benefits for domestic workers
- Benefits tied to worker, not employer
- Establishes a wallet from which the housekeeper can purchase PTO or life insurance and working on disability and accident insurance options as well.
- Challenges with this model





# SAMPLE CASES – FREELANCERS UNION

**WHEN S\*#@# GOES  
DOWN, WE CAN HELP  
YOU UP  
BUY DISABILITY  
INSURANCE**

Sign up now

- Association group chassis
- Health, dental, life, long term disability, retirement, liability
- Supports a variety of independent workers
- Advocacy and other services in addition to insurance

## Dental Insurance



# SAMPLE CASES – FREELANCERS UNION

## Disability Benefits and Rates\*

	30 Day Elimination	90 Day Elimination								
Monthly Benefit	\$500	\$750	\$1,000	\$1,250	\$1,500	\$2,000	\$2,500	\$3,000	\$4,000	\$5,000
Minimum Annual Salary Required	\$12,000	\$18,000	\$24,000	\$30,000	\$36,000	\$48,000	\$60,000	\$72,000	\$96,000	\$120,000
AGE	MONTHLY COST <sup>1</sup>									
15-24	\$7.54	\$8.45	\$9.33	\$10.74	\$12.39	\$15.48	\$20.13	\$23.15	\$30.88	\$38.61
25-29	\$8.10	\$9.28	\$10.43	\$12.28	\$14.42	\$18.47	\$24.54	\$28.50	\$37.82	\$47.29
30-34	\$9.15	\$10.84	\$12.57	\$15.21	\$18.37	\$25.94	\$33.10	\$39.01	\$52.28	\$65.34
35-39	\$8.38	\$9.69	\$11.03	\$13.06	\$15.30	\$21.54	\$26.76	\$31.22	\$41.83	\$52.29
40-44	\$8.84	\$10.40	\$11.95	\$14.35	\$16.76	\$23.62	\$29.82	\$34.47	\$45.79	\$57.25
45-49	\$10.48	\$12.82	\$15.18	\$18.85	\$22.83	\$33.40	\$43.10	\$50.83	\$67.66	\$84.59

\*Per Freelancers Union website 6/1/19

# SAMPLE CASES – ETSY and UBER

What does all of this mean?



This is Meg.  
Meg is a freelance designer, but she falls in the bathtub and dislocates her hip and wrist.

With her Aflac Accident Insurance,

Meg will get  
**\$3610**  
in cash

How?

\$395 ER Services  
+ \$1250 Hospitalization  
+ \$1690 Dislocated hip + wrist  
+ \$275 Rehab

**= \$3610**

- Benefits facilitator
- Partnerships with Stride Health – Dental, Vision, Life, Health, Accident
- Also offers tax advice
- Uber offering other benefits (college assistance, financial planning, vehicle discounts)

\*Per Freelancers Union website



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