



**SUNGARD**

iWorks Core Solutions  
Understanding and Succeeding in Worksite Marketing

Business-driven IT Solutions  
for Insurance



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# What is Worksite Marketing?

*Worksite marketing is a process.*

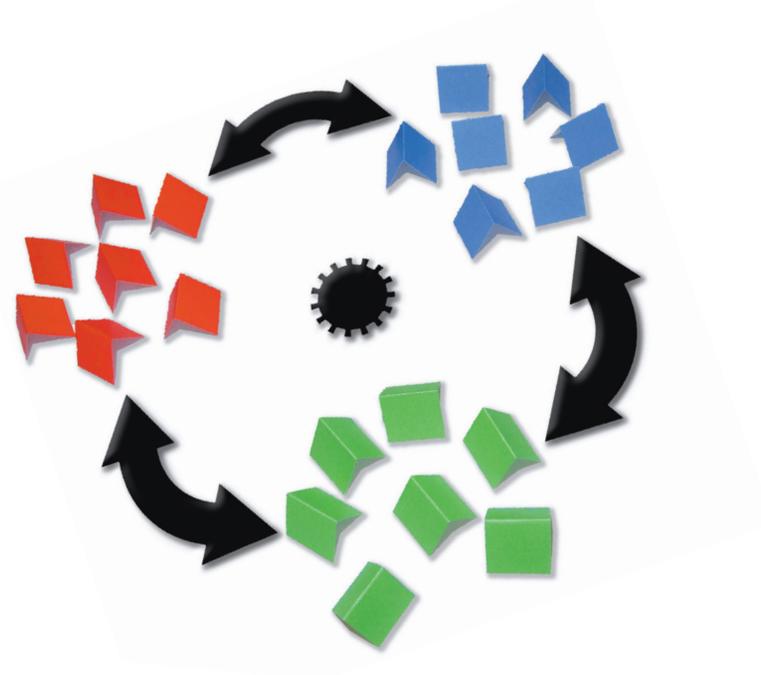
**As a first step, it is important to define what worksite marketing is and what it is not.**

Worksite marketing is not simply the sale of group voluntary benefits or ancillary benefits to a specific captive group. Worksite marketing reflects the fact that the products are being sold to individuals at their place of employment, rather than in the home. While we choose to use the term “Worksite Marketing,” the process is also commonly referred to as “Workplace Marketing.”

**Worksite marketing is a complex process.**

It begins with educating the market about the various product and benefits, and then listening to the market, brokers, employers and employees, to understand the unique needs of the organization.

Carriers and brokers must work closely to develop and package benefits into a worksite marketing plan based on the requirements of the specific organization. Carriers and brokers also work closely to market the plan benefits, a process that begins with educating the individual employees on the products and services being offered, and then selling and administering those benefits.



# Worksite Plan and Benefits

*Worksite benefits are written for the individual policyholder rather than the group sponsor.*

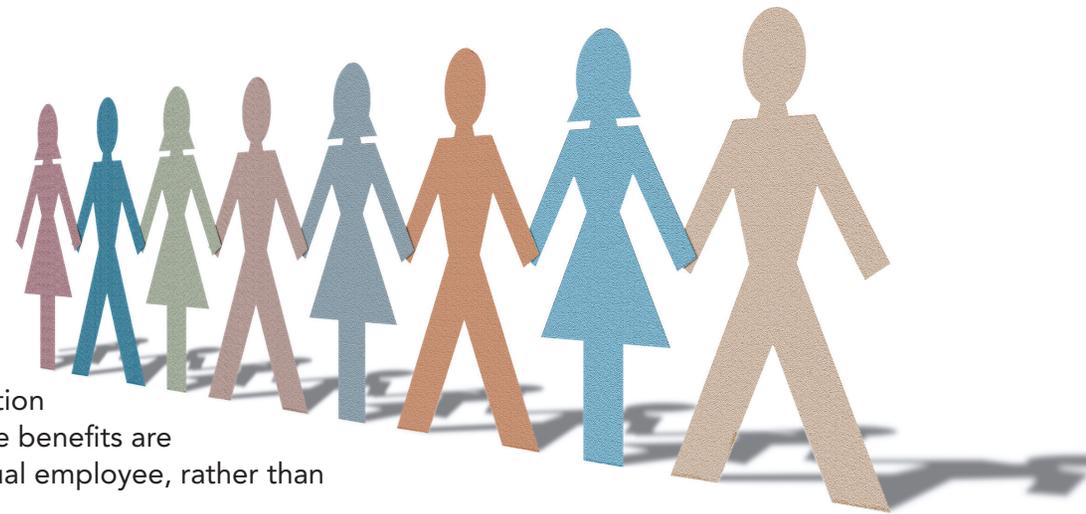
## Worksite Benefits and Worksite Plans

Worksite plans, which are the packages of benefits that the broker and group sponsor have developed to be offered to the employees, may vary greatly from one company to the next. The plans may include both traditional group benefits as well as individual lines. Today, some of the more common individual benefits offered in worksite plans include:

- Individual Life (term, whole, variable, universal)
- Disability Income (LTD, STD)
- 125 "POP" Plans / HSA / HRA / FSA
- Dental (pre-paid / non-indemnity)
- Vision
- Group Voluntary Life (not an individual policy)
- Accident
- Long Term Care
- Critical Illness
- Supplemental Medical

Regardless of the benefits that are chosen by the organization for a worksite plan, the distinguishing attributes of worksite benefits are that they are written for, sold to and owned by the individual employee, rather than the group sponsor.

One other important aspect of worksite marketing benefits, which distinguish them from group voluntary benefits, is the fact that, while they may be paid via payroll deductions, they are portable and "travel" with the individual policyholder if they have a change in employment.



	Voluntary Benefits	Ancillary / Specialty Benefits (Non-Medical)	Worksite Benefits
Policy Type / Owner:	Group	Usually Group (in some cases Individual, based on product)	Individual
Marketed and Sold to:	Employer / Group Sponsor	Employer – elected by Individual Employees	Individual Employees
Premiums Paid by:	Employer / Group Sponsor	Employer and Employees in varying percentages	Individual Employees
How is Premium Collected?:	Payroll Deduction	Payroll Deduction	Payroll Deduction or Direct Billing
Underwriting and Pricing based on:	Group	Usually Group (in some cases Individual, based on product)	Individual
Cash Value Accumulation:	No	Based on product, but not common (Whole Life – yes, but not Term Life, Disability, Critical Care, etc)	Whole Life Universal Life Variable Universal Life
Persistent (policy remains in force after Employee retires or leaves the company):	No	Limited to individual benefits	Yes

*Carriers, brokers and administrators must work closely to serve the needs of groups and individuals.*

## Carriers and Third Party Administrators (TPAs)

The benefits that are being packaged and sold in worksite plans are traditionally the domain of life insurance carriers, but competition is also coming from healthcare providers in the form of voluntary and “ancillary” group benefits.

## Brokers

In a soft insurance market, worksite marketing is a great opportunity for brokers, but there is a large investment to be made in order to understand the unique needs of the client and craft the worksite plan that is right for them. Of course, the brokers must be fully licensed to sell all of the individual benefits that are being offered through the worksite marketing program.

## Employers

Although large employers have traditionally been the target for worksite marketing due to the large number of employees, mid-size and smaller organizations are also interested in worksite benefits as a way to attract and retain employees. Large, multi-state employers bring an additional dimension of complexity to the worksite marketing equation due to the state laws and regulations on the benefits and how they are sold and serviced.

## Employees

Arguably the most critical player in the worksite game, employees must be educated on the benefits before they can be turned into policyholders. Employees also expect the same high level of customer service in terms of claims and policy administration.

## Technology and Service Providers

Grouped into this category are some new and growing players, the professional enrollment advisors and service bureaus. Although many large full-service brokers provide automated enrollment, consultation and other services, many other brokers do not provide additional services. It is critical for those brokers who do not provide enrollment assistance or financial advice to partner with an organization that can augment their capabilities and provide employees with a complete range of services.



*The group benefits market in the U.S. is reaching a point of saturation.*

## Market Saturation

With the group benefits market in the U.S. essentially saturated and carriers exchanging market share year-over-year rather than expanding market share, worksite marketing is seen as a potential new revenue stream and a potential solution to an otherwise soft insurance market.

## Increased Competition

In addition to stagnant growth for group benefits, traditional life insurance carriers are seeing new and increasing competition from healthcare organizations who offer “ancillary” benefits to their captive audience of members. As the market moves to a customer driven healthcare model, where individuals are given greater freedom and selection over their healthcare coverage, health organizations are positioning to capitalize on this market. Those health organizations that can develop worksite marketing capabilities and products, or more likely acquire or partner with a carrier to provide worksite benefits, will best positioned to win in a consumer driven market.



*The worksite sales process is much more consultative than traditional group sales.*

## Meeting the Challenges of Consumer-Driven Marketing

### *Sales and Marketing*

As the market changes to become more consumer-driven, so do the means by which products are sold. Sales and marketing must change to reflect the new consumer-driven market and consultative sales process. With the changes to the sales process, necessary for effective worksite marketing, comes the need for new, flexible incentive and compensation management. The worksite marketing sales process is a much more consultative one and brokers will expect to be compensated for the additional time and effort that they put into the sales process.

### *Managing Incentives*

Managing incentives and paying commissions for worksite marketing requires that carriers perform the following functions:

- Manage the hierarchy of brokers and commission arrangements
- Configure commission arrangements quickly and effectively for new sales
- Analyze and report on effective agents and products as well as ROI

### *Offering and Servicing New Products*

For carriers, administering and servicing worksite benefits can result in significant organization impact and may require certain organizational changes. Staff skills must be updated so support and service the new products that may be new to personnel. In order to sell and service the new products, there is often a technology change that needs to be implemented, which requires further staff training. With new products and technology comes the need for process changes, by either reengineering the “old way” of doing business to or developing new operations.



*Carriers must comply with new rules and regulations in the worksite market.*

## *Responding Rapidly to Evolving Markets*

Another element of significant importance is the carriers ability to configure, price and service new or different products for the worksite market. Carriers must be able to modify existing products or design and offer new products rapidly, in order to meet the unique needs of employers and employees. Carriers must also provide services to new products that may not have been previously provided, especially for group term life insurance carriers. In this situation, carriers are now faced with the need to provide shareholder services for whole life products, as well as annuity claim quotes and processing, just to name a few.

## *Compliance*

Of course, the opening of these new markets and opportunities does not come without rules and regulations and it is imperative that carriers comply with the regulations for funding life insurance products that carry a cash value. Whole life, universal life and variable life policies must be put through modified endowment contract (MEC) testing, such as the 7-pay premium test, which are complex and may result in specific remediation steps, which also must be supported by the carrier.

## *Emerging Markets*

A final challenge to mention, which insurance carriers are faced with, is how to aggressively approach the U.S. worksite market as growth in emerging markets has dominated the strategic direction of the organization and the competition. How does the worksite marketing initiative fit into the overall strategy, with such a heavy focus on emerging markets?

Considering that employers in many European countries are looking for ways to attract and retain skilled employees, worksite marketing may not be too far off for these "newer" markets.

Can carriers find ways to introduce new worksite benefits for North America and re-use these products in emerging markets? Emerging markets are far from mature, but there could be a "leapfrog" in the market approach, from a group-focus to a customer-focus, if there is a strong market demand.



*How will worksite marketing be accomplished on a wider scale, to smaller organizations?*

# Capitalizing on Opportunities for Carriers

## Investing for the Future

Worksite marketing provides a number of opportunities to increase gross premium, but there are also a number of areas that may require investment to support the worksite benefits once they are in force, including automated electronic enrollment, enhanced billing options, portability of life products, compliance testing and corrective procedures.

Smaller carriers, who do not have the bandwidth to enact all of the changes necessary but still want to capitalize on worksite marketing, may choose to acquire or partner with specialists in the field. These specialists can provide expertise in product development, sales and marketing, or enrollment and support, on a much shorter timeline than if the insurer were to build all of the worksite marketing products and supporting capabilities on their own.



## Marketing at the Individual Level

The opportunities that worksite marketing initiatives present to insurance carriers far outweigh the issues and challenges. Worksite marketing presents carriers with the opportunity to contact and communicate with policyholders directly, rather than as a part of an employer sponsored group, so that target marketing can be done at the individual level.

In a crowded market, worksite benefits and the ability to market to the individual policyholders provide carriers with an opportunity to differentiate their organizations from the competition. In order to capitalize on this opportunity, however, carriers must be agile and flexible; Agile in their ability to develop and roll out new products quickly, almost in "real-time," and flexible with regard to underwriting and pricing guidelines.

*Simply configuring and selling the plans and benefits is only the beginning.*

# Capitalizing on Opportunities for Carriers

## Educating the Market

Educating the market will be a big challenge, but it will also, perhaps, present the greatest opportunity because it will allow carriers to create and even define the market, as Aflac has done with supplemental disability.

## An Expanding Portfolio of Flexible Benefit Options

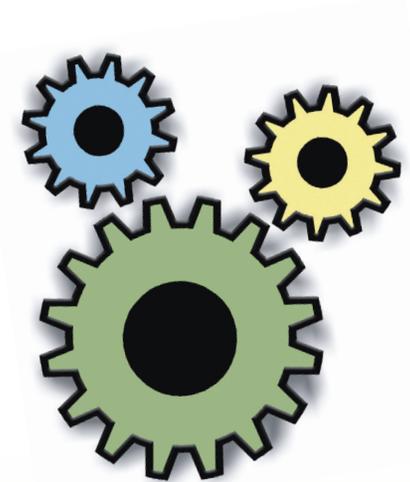
Worksite benefits are quickly expanding beyond the “traditional” life, health and wealth coverage and into both traditional and new insurance lines, such as property and casualty, mortgage insurance and specialty lines, as well as, purchase assistance programs, health savings, flexible spending, health reimbursement accounts and Section 125 Premium Only Plans.

Differentiation can also come in the form of flexible benefit options, as well as flexible underwriting and pricing of worksite benefits. Flexible options may include additional purchase guarantees, family coverage and guaranteed coverage for certain lines.

Flexible underwriting and pricing may also involve a more personalized, individualized underwriting process in which the employee’s personal history is taken into account when determining the rates across the various benefits that make up the worksite plan. Flexible underwriting may go as far as guaranteeing coverage for all applicants and/or family members, for certain lines of business.

## Increasing Efficiency

The flexibility to provide products and services requires operational efficiency, so carriers that can apply these efficiencies elsewhere in the organization, will be able to reap the benefits of worksite marketing within the operations of their other product lines. After the sales have been made, the policies written and the employees enrolled, carriers must have the operations in place to provide quality customer service or else they will run the risk of losing the new business before sales and marketing costs can be recouped. So simply configuring and selling the plans and benefits is only the beginning.



# Benefits for Carriers

*Worksite marketing offers a number of opportunities to insurers, beyond the obvious financial benefits.*

Above and beyond the obvious increase in premiums written, there are a number of benefits that may not be as easily or immediately measured, but are nonetheless compelling.

## **More Contact / Touch Points with Clients**

By maintaining a dialog with the customer, carriers will have constant communication and increase their customer intelligence, thereby allow marketing campaigns to be more effective and efficient.

## **Increased Wallet Share**

Remember the old adage, "If they're not buying from you, they're buying from someone else."

## **Lifecycle Product Marketing**

Having sold the coverage directly to the individual, carriers now own the client relationship directly, without having to go through the employer or group sponsor to market additional products and services. This can be most effective in "lifecycle" or "life stage marketing."

## **Persistent Life Products**

Revenue stability from year-over-year premium renewal rather than one year term policies.

## **Effective Management of the Worksite Benefit Lifecycle**

By taking a strong leadership position in managing the worksite marketing lifecycle, carriers will be able to better own and maintain the customer contact and retention. This is important as a means of preventing lapse of individual policies as well as non-renewal of group policies.

## **Quicker Product Launch /Time-to-Market**

Immediate feedback on products helps to better define future offerings.



# Issues and Benefits for Administrators

*Third party administrators (TPAs) must also stay ahead of technology changes and provide enhanced service features.*

## Third Party Administrators (TPAs) and Carriers Face Similar Issues

Similar to the issues that insurance carriers are facing, third party administrators (TPAs) must also stay ahead of technology changes and provide all of the enhanced service features that are expected by the policyholder as a part of the worksite benefit plan, including:

- Billing options – both payroll deduction and member direct billing
- Self service portal – access to individual policy information via secure browser, integrated voice response and call center options
- Compliance testing and remediation

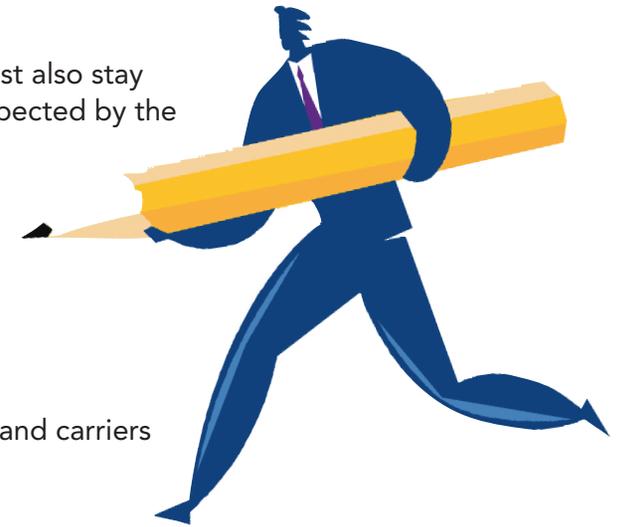
## Supporting Rapidly Evolving Products

TPAs must be able to support the rapidly changing and flexible products that the brokers and carriers package for groups and individual policyholders.

## Managing Billing and Client Relationships

Billing is also a key concern for TPAs as it represents the primary, if not the only, direct contact that the administrator has with the policyholder. The risk of “corrupting” the relationship with the policyholder, by mistake in the billing process, is heightened because the employer or group sponsor is not in the picture to act as the intermediary. To add to the already heightened risk, employers are extending a great deal of trust to the carriers by allowing worksite benefits to be sold directly to their employees. If this trust is abused or compromised by an administrator that cannot service the products that the carrier sold, the employer will be unlikely to use the carrier for group benefits in the future, thereby weakening ties with the individual policyholders.

These risks, of course, are not new to TPAs and many organizations have been able to overcome clients’ initial apprehensions and now provide very stable, consistent and quality services.



# Issues and Benefits for Administrators

*The chosen administrator must also be able to support portability of coverage when the employee leaves the company.*

## Providing Additional Service Options

Worksite benefit policyholders will expect a high level of customer service options because they will quickly realize that, although the benefits were sold to them at the workplace, they are responsible for the entire premium. Enhanced customer services, such as web service portals which the TPA may not currently provide or support, will become mandatory. This, in turn, becomes a key criteria for carriers as they begin the process of selecting an administrator for their worksite line of benefits, or a big issue for those carriers who already have a TPA arrangement in place.

Administrators must also be able to support portability of coverage when the employee leaves the company, which may range from simple payroll deduction changes to more complex COBRA extensions and 1035 exchanges for employees that may want to convert their old policies to their new employer's worksite plan.

## Reaping the Benefits

The benefits of worksite marketing plans are similar for administrators as they are for carriers, namely the stable, consistent revenue that is recognized by having persistent policies in place, rather than limited term policies.



*The challenges for brokers, presented by worksite marketing revolve around education, understanding and enrollment.*

# Issues and Challenges for Brokers

## The Challenges of Selling Worksite Benefits

For brokers, the challenges presented by worksite marketing revolve around their ability to educate, understand and enroll new policyholders.

### Education

Educate employers and employees on the products and services available, as well as the benefits of worksite enrollment:

- Both carriers and brokers will undoubtedly be in the position of educating the market in general, but carriers may also find that they must educate brokers and agents on worksite benefits and how to sell them correctly.
- Brokers need clearly defined products and features, as well as support materials and collateral, from carriers to assist in the process of educating employers and employees about the benefits that are available to them.

Brokers will also become involved in configuring benefit plans and packages with new clients, further taking them out of their comfort zone in an already complex and longer sales process.

The worksite sales process involves requirements gathering from both the sponsor and the individual employees, positioning products, and working with carriers to configure new plans and even develop and test new products. Much of this is not foreign to brokers and agents that are selling traditional group plans today, but the key difference with worksite benefits is in the details of the products, configuration of the plans, and the time needed to sell these new products to the individual employees.



*Training for brokers and agents is required for effective worksite marketing.*

# Issues and Challenges for Brokers

## *The Art of Consultative Sales*

While it's true that benefits meetings will remain an effective tool for introducing benefits to large groups, to truly maximize the potential of worksite marketing brokers will need to have the same kinds of "kitchen table" conversations that individual life agents have been having with their clients for years; one at a time.

Although insurance brokers have been providing these types of consultative services for quite some time, the key difference with worksite benefits is that the products and services are essentially new to the market in many cases or are being offered in such a flexible format that they must be tailored for the individual company's plan.

There will also be a need to educate brokers on the art of the consultative sale, during which there may be more fact finding and information gathering than the brokers may be accustomed to doing for the suite of group products that they have sold in the past. With group benefits, the sales process is complete when the employer or group sponsor agrees to the plan, but with worksite benefits the sales process is far from over.

## *Understand the Unique Needs of Your Clients—Employers and Employees:*

The most difficult and most important aspect of worksite marketing is the broker's ability to understand the customers' needs and to package the correct collection of benefits for the company's worksite plan, and listening is the first step in gaining this understanding. But the key for the broker is the art of listening to understand, without an agenda and without trying to push certain products. Listening for the pain points and problems that the employer or group sponsor is trying to resolve and the also listening to the individual employees to see if the same issues resonate.

With understanding comes trust; when the employers believe that the broker truly understands their problems they will begin to trust the broker and open their organization to worksite marketing solutions. Employers will not expose their employees to anyone that they do not fully trust to have their employees best interests in mind.



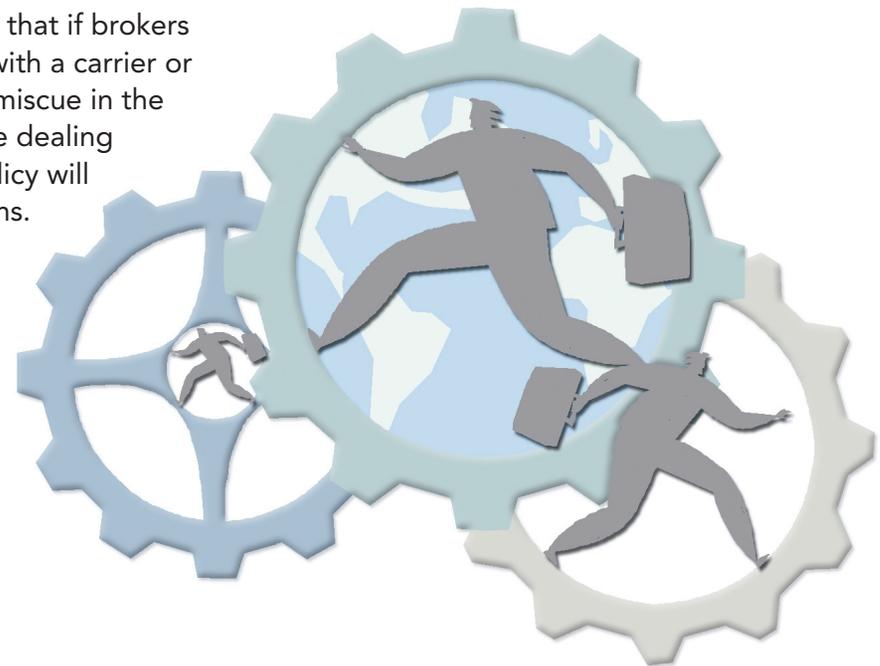
*Nothing can sour a deal faster than a miscue in the enrollment process.*

# Issues and Challenges for Brokers

## *Enrolling New Group Members and Individual Policyholders*

Enrollment is such a critical piece of the overall worksite initiative that if brokers can't enroll new employees well (perfectly), they should partner with a carrier or service provider who can. Nothing can sour a deal faster than a miscue in the enrollment process; if employees get the impression that they are dealing with a sub-par insurer, they will re-think their decision and the policy will have a greater chance of lapsing due to non-payment of premiums.

Included in the enrollment process, although perhaps not as critical as a flawless enrollment, is employer and carrier reporting. If brokers can't tell you which aspects of the worksite marketing initiative are working and which are not, how can we expect to adjust the plan to be more effective? One other aspect that is as important as the enrollment process is compliance with state laws and guidelines, which by the way, may vary from location to location for large employers that operate in multiple states.



# Decisions for Brokers

*There are important issues and decisions to be resolved before entering the worksite market.*

In addition to the challenges described previously, brokers face other issues and decisions before entering the worksite marketing arena.

## Education, Certification, Compliance, and Sales Issues

As alluded to previously, the benefits that are sold in a worksite setting can be much more complex than the group benefits that many brokers may be accustomed to selling, so the sales force must be educated on the products and how to sell them. An important aspect of this education that must be addressed is that, in many instances, worksite marketing will drive the need for examinations and certifications. In addition to the need to learn new products and how to sell them, there are a host of regulations that must be adhered to when selling individual insurance policies, as well as state licensing and appointments that must be attained for the individual brokers. This is further complicated, of course, by large multi-state plans which may require brokers to either attain additional licensing or partner with someone who does.

## Complex commission structures

Although the products may be the same or similar to what has been sold in the past, the exact mix of benefits and the increased effort involved to sell the worksite plans will be unique for each group. Brokers will want to work with carriers to establish appropriate commission arrangements and rates for various products and services provided in a worksite marketing campaign. On the other side of this equation, carriers must be ready to work with brokers to establish commission arrangements and rates that will provide the incentive to sell the worksite products.



# Defining a Broker's Role

*Policyholders are likely to call their brokers for service related to worksite benefits.*

## Who is the primary customer?

Brokers must make an important decision as they venture into worksite marketing, one which may influence the strategic direction of the organization; the decision that needs to be made is whether to cater to and serve the insurance carriers or the end customers, the employees. The decision is of particular importance when one thinks about who will provide customer service beyond the initial sales. While carriers can provide billing and contact information, as well as online support and web-based self service, the higher level of consultation during the sales process will lead policyholders to call their brokers for service. Brokers must choose to retain this relationship with the policyholders and assume a certain level of customer support, or turn the relationship over to the insurance carrier and risk losing direct contact with a client that they worked so hard to sign.

Should the broker choose to provide customer service to the policyholders and retain the relationship, there are a number of carriers and service providers, such as third-party administrators, advisors and enrollment specialists, that need to be managed as a part of the worksite marketing initiative. Brokers may need to call on various organizations to perform any number of different activities based on the carrier selected for a given worksite plan.

Should the broker choose to relinquish the client contact to the carrier, they run the risk of disintermediation and lost commissions when the insurer decides to provide additional products and services directly to the policyholders.

## Enrollment complications and the effort involved

Enrollment is often viewed as the most critical phase of customer service, because it is the initial interaction between the policyholder and their new insurance carrier. Many industry analysts recommend that independent brokers partner with a professional enrollment firm to ensure that enrollment goes off without a hitch. The role of enrollment advisor can, of course, be played by the insurer, thereby eliminating the cost of another intermediary in the worksite marketing process.



# Opportunities for Brokers

*Worksite marketing offers brokers one of the most exciting and plentiful opportunities that the industry has seen.*

## **An Audience with a Level of Trust and Acceptance**

After the challenges have been met and the issues overcome, worksite marketing offers brokers one of the most exciting and plentiful opportunity that the industry has seen in recent memory. What worksite marketing offers is:

- A captive audience with a level of trust and acceptance inherited from the relationship with the employer,
- who need benefits and insurance coverage to replace those that their employer no longer offers; and
- who are looking for advice regarding the complex new products that they are being offered.

Worksite marketing initiatives offer unprecedented access to employees and the “right employees”—employees that are interested in worksite benefits, the growing “mass affluent” class who will also be looking for wealth management advice and solutions.

## **Potential for More Contact**

Not only are there more qualified opportunities in a worksite setting, there is also the potential for more contact or touch points with these new clients, through a host of service offerings such as health and wealth advisory, estate planning, as well as pension and retirement fund review and planning.

At the employer or plan sponsor level, additional services may include plan analysis and configuration, compliance review, tax analysis, and on-going market / plan analysis.

Brokers will often also offer to play an intermediary role for on-going communication with the insurance carrier, which is something that can be done effectively in a group policy setting but becomes increasingly difficult to manage for individual policies.

## **Effective Management of the Worksite Benefit Lifecycle**

Brokers are carving out room for themselves in this growing market and establishing themselves as benefit intermediaries that can provide the best of breed products and services from a wide range of carriers.

# Issues for Employers and Sponsors

*There is a great deal of confusion regarding worksite benefits, features, options and prices.*

## Macro-economic Issues

Macro-economic issues are effecting all organizations, of specific importance to worksite benefit marketing is the rising cost of health insurance and an aging population that will have a profound effect on Medicare, Medicaid and Social Security benefits as they retire in unprecedented numbers.

## The Push to Consumer-driven Benefits

Employers are always looking for ways to lower payroll expenses and worksite benefits provide a great opportunity to do so through Section 125 consumer-driven healthcare plans.

Employees are realizing that they will be taking on a larger piece of the insurance and healthcare cost if they want to remain with their current employer. The push to consumer driven benefits is as much about cost as it is about choice; if the employees are going to have to pay for the benefits, they want to be able to choose the benefits that meet their acceptable cost.

## Attracting and Retaining Employees

Employers are finding it increasingly difficult to attract and retain employees in a period where salary increases and bonuses have diminished for all but a few select employees.

Small and mid-size employers, who cannot compete with larger organizations on salary, are looking to additional benefits as a means to increase employee moral and job satisfaction.

But, there is a great deal of confusion amid the flood of information regarding worksite benefits, features, options and prices. Employers know that they want to offer additional benefits, but they are uncertain as to what the best mix of benefits will be for their employees and what the costs might be.

## Employers' Expectations

Employers are looking for someone that they can trust to guide them through this process and know that they are taking on an certain amount of risk that they don't want to expose their people to that risk.

They want best of breed products, preferred pricing, all at little or no cost to them; remember this is a way for them to improve their organization at no cost.

## Employers want:

- Choice of "Best of Breed" Benefits
- Assistance in plan configuration and determining best fit for their employees
- A trusted partner to provide advice and guidance directly to employees
- Ease of use in enrollment, billing, claims and customer service
- No headaches or complaints from employees

*Worksite benefits send a message that the company cares about its employees.*

# Benefits for Employers and Sponsors

The benefits of worksite marketing for employers are fairly obvious, but are worth pointing out:

## Attract Highly Skilled Employees

A broader selection of benefits can be a differentiator in attracting candidates

- In today's competitive job market for highly skilled resources, employers are using their benefits portfolio as a differentiator to attract candidates
- Employers are finding that the benefits package offered, where subsidized or not, sends a message to the workforce that the company cares about its employees

## Employee Retention

- Increased job satisfaction and employee retention

## Enhance Benefits and Employee Awareness

- Access to benefits that employees were not previously offered or aware of

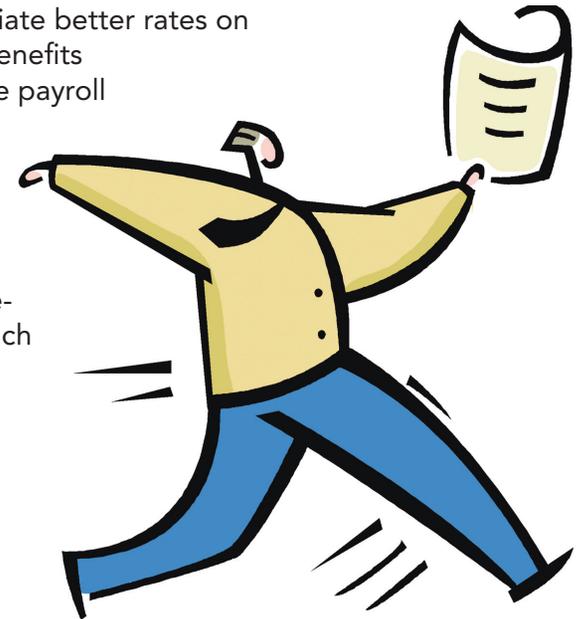
## Greater Sense of Security

- A better insured workforce is better for the company as employees have a greater sense of security

## Financial Benefits

Of course, worksite marketing initiatives also offer financial benefits to the employer:

- Little or no cost to increase the portfolio of benefits available to employees
- Potential to negotiate better rates on group insurance benefits
- Potential to reduce payroll expenses
  - Taxable payroll is reduced by employees enrolled in pre-tax benefits such as 125 / HSA plans



*The most important issues for policyholders, across product lines, apply to worksite benefits as well.*

# Issues for Employees: The 4-Cs

## What are the 4-Cs?

The most important issues for policyholders, across product lines, have remained constant for many years and apply to worksite benefits as well, we call them “The 4 C’s”: Cost, Claims, Customer Service and Complexity.

### *Cost*

This element is fairly self explanatory; for employees it’s either the cost to replace benefits that were once paid for by the employer or the cost of insurance coverage being paid from the employees’ discretionary spending dollars. Any time that the cost of worksite benefits can be paid by pre-tax dollars, such as under Section 125 plans, the more likely the employees will be to enroll.

### *Claim Processing*

Claims continue to be one of the few touch-points that policyholders have with their carriers.

### *Customer Service*

With the passage of recent legislation, employers may now offer investment and benefit advice to employees, which can be a very valuable and effective tool for worksite marketers, but can also expose a great deal of risk for everyone involved; employers, brokers and employees.

### *Complexity of Benefit Options*

There is a tremendous amount of information available to consumers regarding insurance benefits, but the products are complex and employees can become overwhelmed. Organizations and employees are looking for trust-based relationships with financial advisors, which lead to a better fit between the individual employee’s needs and the worksite benefits that are selected.

*Although there is appreciation for the benefits being offered through their employer, the real benefits are not simply the financial ones.*

# The Upside for Employees

## Access to Products Not Available to Individual Policyholders

Although the initial appeal of worksite marketing to the employee may appear to be additional company-sponsored benefits, employees quickly realize that the employers are not picking up much, if any, of the cost of the new benefits. So, although there is appreciation for the benefits being offered through their employer, the real benefits are not simply the financial ones.

In many cases, worksite benefits, and more specifically the packaging of the benefits into a unique plan, provide employees with access to products that may not otherwise be available to individual policyholders or investors. Individual employees may not have any other private financial advisor, so the brokers offering worksite benefits are their only channel to these products.

## Better Coverage and Options

Worksite marketing initiatives may also offer better coverage and options, such as:

- More extensive billing and payment options
- ACH/EFT
- Partial payments
- Credit card payment
- Electronic bill presentment and payment (EBPP)
- Extend coverage to family
- Guaranteed coverage on specialty lines
- Convenience
- Better customer service and communication
  - because the individual policyholders now have a relationship with the broker, customer service and communication can be more personalized.



*The education that is provided is an important part of the ultimate success of the sale.*

# The Upside for Employees

## Significant Financial Benefits

There may also be significant financial benefits of worksite marketing for the employee, such as group discount rates, lower commissions and fees.

## Expertise and Guidance

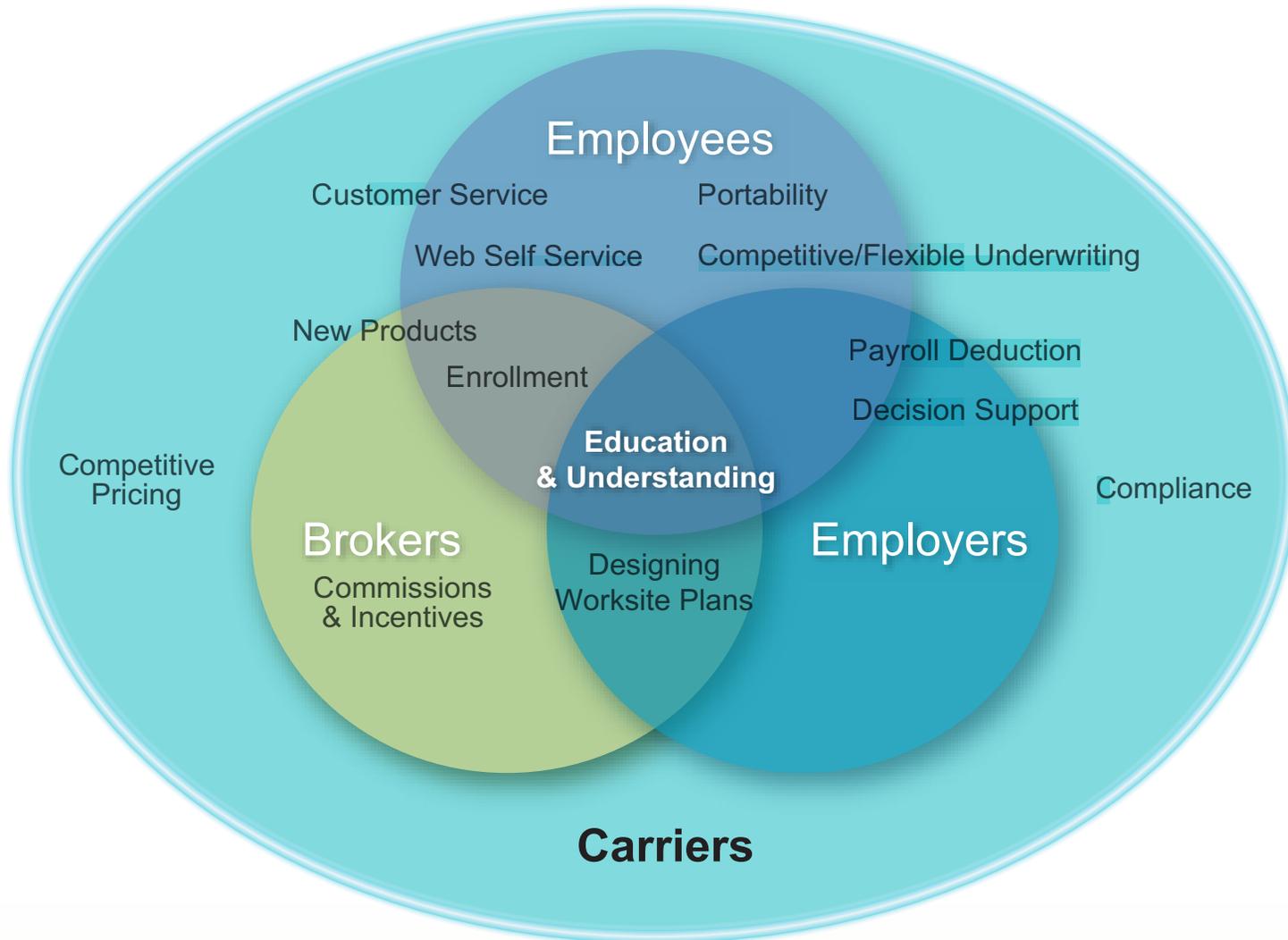
In all cases, brokers and carriers must provide information to the market and in the case of worksite marketing, the education that is provided is an important part of the ultimate success of the sale. In the worksite model, brokers are invited into the organization by the employer and, thus, there is a great deal of trust put onto the broker. By selecting a specific broker, the employer is taking on a certain level of risk because the employees will view the broker as the chosen, trusted advisor.

With this trust in place, the information and education that the brokers and carriers provide should be done so in a non-threatening, non-sales manner. Initiating the process with hard-sell tactics or bad advice can sour the relationship with the customer and spoil the opportunity for all parties involved; the broker, the employer and the carrier.



There are many issues and challenges for all of the players in the worksite marketing space, but there are also an extraordinary number of opportunities.

# The Worksite Market Mix



# What's Next for Worksite Marketing?

Worksite sales have increased 150% in the last 10 years.

So, based on the litany of challenges and opportunities presented, where is worksite marketing headed?

## Heading in a Direction of Growth and Expansion

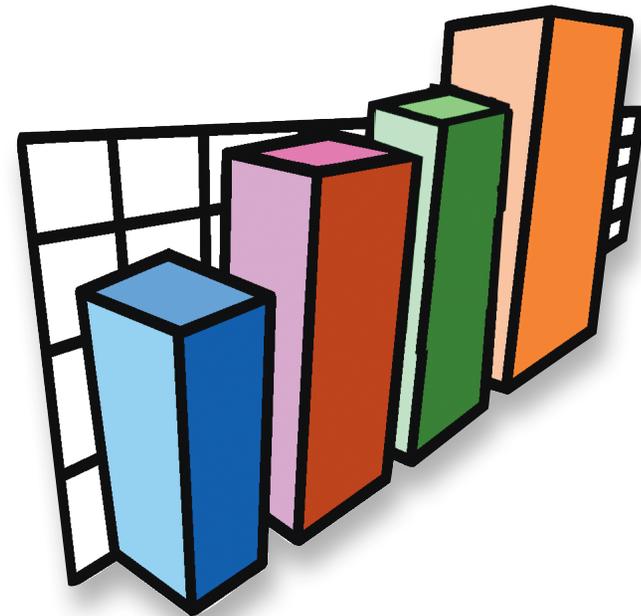
According to Eastbridge Consulting Group, recognized as the leading consultancy in worksite marketplace, worksite sales have increased 150% in the last 10 years and continued to show healthy growth with an increase of almost 7% in 2007.

## Industry Trends

### *Customer Centricity and Consumer-driven Healthcare*

The market trend toward customer centricity and consumer driven healthcare will advance, as will the convergence of financial services as a whole. Costs will also continue to rise and more employers will seek new ways of minimizing these costs while still offering employees with a full suite of benefits; all of which points to an increase in worksite marketing to provide individuals with the benefits that they need and in a secure, one-stop-shopping model.

Financial institutions will move away from pushing products and becoming more customer focused and address the market based on customer needs. For example, the brokers' questions will revolve around the individual consumer's insurance and healthcare needs, as well as their wealth management needs, rather than the group sponsor's needs.



*How will brokers and carriers provide a scalable solution to a problem that requires such a high degree of personal attention?*

# What's Next for Worksite Marketing?

## *Regulatory Environment*

Regulations will also continue to evolve, with the primary agenda of protecting the consumer, such as

- Universal healthcare at the state level,
- Federal provisions under which employers with qualified plans are allowed to offer benefit and investment advice to employees and the
- IRS guidelines allowing HSAs to be funded from one-time IRA withdrawals

## *Growth Potential*

Worksite products that are showing the most likely potential for growth include:

- Voluntary Life
- Disability Income (Long and Short Term Disability)
- Critical Illness
- Health and medical savings accounts, including Section 125 plans

## *"Life Event" Planning*

Another trend is having coverage for "life events" and planning purposes, such as:

- Individual Disability and Income Replacement
- Waiver of premium options
- Long Term Care
- Specific supplemental coverages (ambulance, in-home care)
- Specific coverage for Cancer / Heart / Stroke
- Pharmaceutical / Discount Drug Programs

## *Specialty Lines*

Lines of coverage that were previously discredited and disqualified from the group benefit plan due to lack of interest will be made available to individuals in a worksite setting such as pet insurance, fraud protection and other specialty lines.

## *Limited Healthcare Benefit Plans*

One benefit that seems to be catching the wave is the Mini-Med / Hospital Indemnity plan, which provides limited healthcare benefits and is becoming an alternative for uninsured workers. This type of coverage was previously marketed to part-time, seasonal, temporary, hourly, and 1099 employees, but is now beginning to have a broader appeal.

## *Focus on Larger Organizations*

Due to the effort involved in selling worksite benefits, large organizations will continue to be the initial target of worksite marketing initiatives. While these larger groups will be sought after for the number of potential new policyholders, small employers will be largely underserved.

*Will worksite marketing initiatives for smaller companies take on a “cookie cutter” approach, thereby diluting the true potential of worksite benefits?*

# What’s Next for Worksite Marketing?

## The Future

Will carriers market, or provide access to worksite plan configuration tools, directly to employers over the web, thereby cutting out the broker?

### *Worksite Benefits Without the Work?*

Will affinity groups take a larger role for the self insured and otherwise underserved? In August of 2008, the Kraft family, owners of the New England Patriots, along with the Federal Reserve Bank of Boston held a mortgage foreclosure seminar at Gillette Stadium during Patriot’s training camp. Will individuals have more trust in an affinity or social group (or a professional sports franchise) than in their employer?

Only time will tell whether the term “worksite” will prove to be too limited in scope, as other groups may be able to provide better product pricing for their members. Insurance or affinity groups, such as the AARP, church groups or large fraternal organization, may be better able to negotiate rates and have more buying power than small employers. We could also see the rise of collective insurance groups that offer to take small employers under their wing, for a fee.

Although there are many issues and challenges for all of the players in the worksite marketing space, there are also an extraordinary number of opportunities and benefits for organizations that seize those opportunities.



# Keys to Successful Worksite Marketing

The keys to successful worksite marketing are education and understanding, agility in product configuration, flexible underwriting and pricing, and an enhanced customer experience.

**Education and understanding** comes in the form of training for brokers as well as general market education on the types of products and services available via worksite marketing plans. Innovative products and plan design involves carriers working with brokers to understand the employer and employee requirements and then develop the plan that best fits the needs of the organization and the individuals.

**Flexible underwriting and pricing** guidelines are necessary for worksite marketing plans to be sold to the employer and employee to maximize wallet share. Brokers and carriers have quickly learned that the convenience of worksite marketing does not completely outweigh the need for a value proposition to attract customers to the products being offered. Employees are not purchasing individual policies and benefits simply because they are being offered at work; the coverage has to be as good (or better) than what they could find on their own in the open market.

Customer interaction is comprised of several different touch points for any product, whether sold in a worksite setting or not. Expectations for service are heightened for worksite benefits, from automated electronic enrollment, to payroll deduction billing, to web self-service portals.

**Enhancing the customer experience** takes customer service to the next level by providing advisory services around life, wealth and even health benefits. Advisory services are also provided for the enrollment process, which can be complicated for individual policyholders but is extremely important for the insurer that the enrollment is effective and efficient. If participants are not enrolled correctly and efficiently, more time and effort will be required to re-enroll and possibly re-write policies for these individuals, which will obviously eat into profits for carriers and brokers. There is some difference of opinion in the market regarding who is responsible for enrollment accuracy and efficiency; the carriers or the brokers. Meanwhile, professional enrollment agencies have burst on to the scene and are out there to assist whoever ultimately owns this piece of the process.

## SUNGARD iWorks

Business-driven IT Solutions for the Insurance Industry

### About SunGard iWorks

SunGard iWorks is a business-driven IT product family for the insurance industry in each of the following major business lines: Life/health/annuities/pensions, property and casualty, and reinsurance. iWorks offers a range of products and services including front-office tools, policy administration, reinsurance, actuarial calculations, financial and investment accounting and reporting. SunGard partners with customers to help deliver products and services that align with changing business and regulatory needs.

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With annual revenue of \$5 billion, SunGard is a global leader in software and processing solutions for financial services, higher education and the public sector. SunGard also helps information-dependent enterprises of all types to ensure the continuity of their business. SunGard serves more than 25,000 customers in more than 50 countries, including the world's 50 largest financial services companies. Visit SunGard at [www.sungard.com](http://www.sungard.com).

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