Voluntary Benefits Trends Study

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Voluntary Benefits Key Considerations

KEY VOLUNTARY BENEFITS TRENDS

- Sales and implementations of voluntary plans, supplemental and dental in particular, have seen significant YoY growth in the past few years (9% and 12% annualized sales growth, respectively)
- Dental and vision plans offered by employers also offering health benefits are growing – Vision plans are growing (+6% YoY) twice as fast as dental (+2% YoY)
- Dental benefits are increasing being integrated with health plans (+6% since 2018) – In doing so, employers overwhelmingly (77% of the time) pair vision plans with a single carrier

KEY BENEFITS EXTENDED TO EMPLOYERS/EMPLOYEES

- Supplemental health benefits offer employers ways to better serve their workforces and cut cost. Main benefits include:
  - Benefits offering improvement: 87 million American workers are given access to at least one supplemental insurance product as employers look for way to improve their benefits offerings
  - Recruitment: 78% of employees say that they would likely remain with their employer because of their benefits
  - Support for employee financial health: 25-30% of brokers expect to see an increase in student loan benefits
  - Cost: 30% of employers may consider supplemental plans as an effective cost management approach
  - Employee satisfaction: A comprehensive benefits package is a Top-5 driver of employee satisfaction

NOTABLE CARRIER MOVEMENTS

- MetLife has the most comprehensive approach to growing their voluntary benefits business – Table stakes for all carriers is organic growth and partnering
- MetLife is primarily buying its way to a robust voluntary offering (e.g. the $1.7b purchase of Versant Health to become the #3 US vision insurer)
- Anthem is looking to deepen its presence in its voluntary markets to bring $4-6 in operating gain per member per month and will narrow the risk-based/fee-based earnings contribution from 5:1 to 3:1
- Cigna's partnership with Oscar opens the door to small group insurance to Oscar and, in turn, offers Cigna access to a digital-first, direct-to-consumer selling platform
- Aetna is investing in technologies (e.g. bswift and iCAP) to more effectively put their products in the hands of their customers

NON-TRADITIONAL THREATS

- Technologies like AI/ML and IoT (e.g. remote monitoring, telemedicine, wearables) will likely be at the forefront of the changing Insure-Tech landscape
- Examples of digital disruptors that have ramifications for insurance carriers include Bind, Brella, Corestream, and Oscar

Trends overview

Sales and implementations of voluntary plans, supplemental and dental, have seen significant YoY growth in the past few years

Voluntary/100% Employee-paid product YoY annualized growth rates

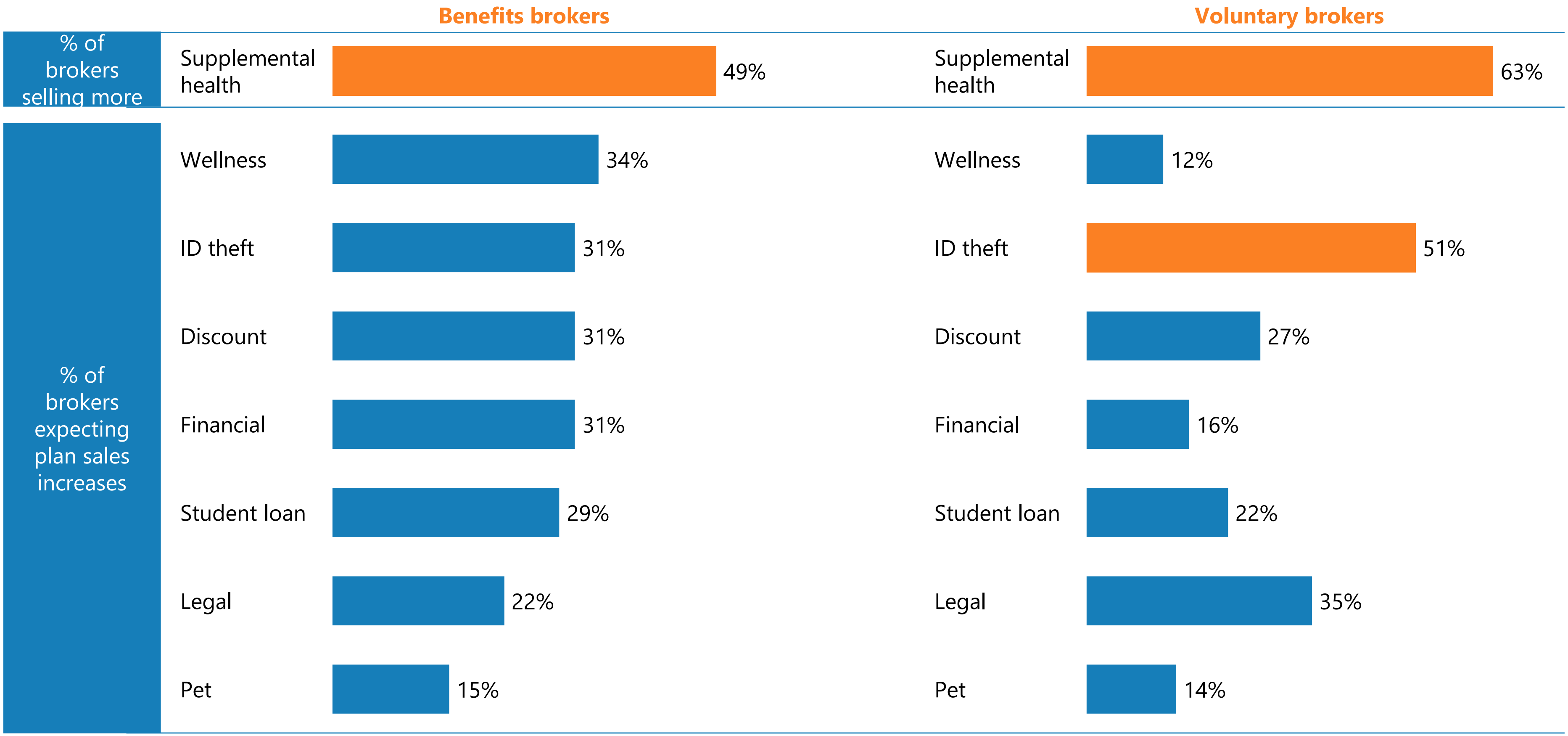
	2017	2018	2019	2017	2018	2019
		Sales			In-force	
			Annualized premiums			
Life (Total)	**12%**	**-1%**	**10%**	**4%**	**4%**	**3%**
Term life	14%	-3%	13%	4%	4%	4%
Perm. Life	-34%	7%	-1%	6%	3%	-
Standalone AD&D	25%	55%	-19%	-3%	12%	3%
Disability (Total)	**4%**	**3%**	**3%**	**5%**	**5%**	**3%**
Short-term	4%	5%	-1%	6%	6%	2%
Long-term	5%	-2%	11%	5%	3%	3%
Supplemental health (Total)	**7%**	**5%**	**9%**	**8%**	**8%**	**7%**
Accident	9%	5%	3%	7%	9%	6%
Critical illness	18%	8%	14%	17%	21%	15%
Cancer	1%	15%	-4%	1%	2%	1%
Hospital indemnity	1%	1%	18%	15%	6%	12%
			Subscribers			
Dental	**-**	**-1%**	**12%**	**-**	**2%**	**4%**

Source: LIMRA Quarterly US Workplace Benefit Life Sales Surveys

Trends overview

Most brokers have seen supplemental health plans become one of their 'go to' products – expectations are positive for other supplemental plans

Broker expectations around



Source: Benefritspro

Supplemental health benefits offer employers ways to better serve their workforces and cut cost – Technology and regulation are underlying drivers

Top reasons by employers offer supplementary benefits

Benefits offerings improvement	Recruitment	Support for employee financial well-being	Cost	Employee satisfaction
79%	75%	74%	74%	65%

Technology changes

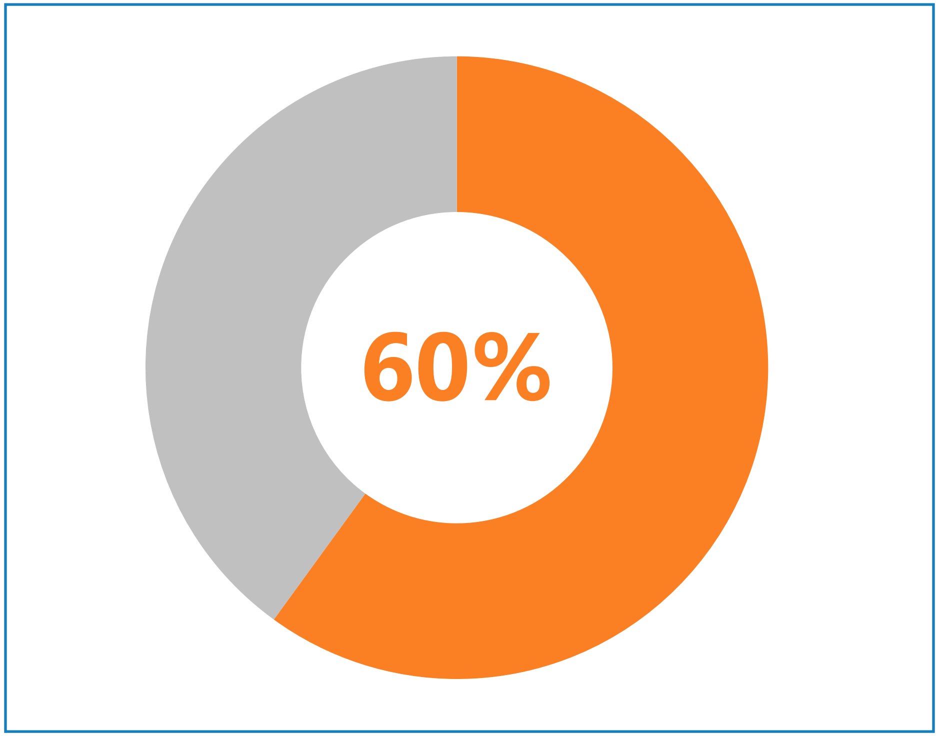
Regulatory changes

% — % of employers who mention justification for offering voluntary health benefits

Source: Willis Towers Watson 2018 survey

87 million American workers are given access to at least one supplemental insurance product as employers look for way to improve their benefits offerings

% of employers who offer at least one supplementary product



- **Such products offer a way to provide employees a complete benefits experience with no direct employer cost**
- **Employees benefit from group rates**

Source: Metlife

In an environment where talent places a priority on the attractiveness of benefits, supplemental options are a way for employers to differentiate

% of employers who offer at least one supplementary product

57%

Employees that, pre-COVID, said that benefits are one of the top factors they scrutinize before accepting a job offer

72%

Employees that, Post-COVID, said that benefits are one of the top factors they scrutinize before accepting a job offer

78%

Employees that would likely remain with their employer because of the benefits they receive

Source: SWBC, Onrec

Trends overview

The student loan liabilities that the average American employee carries are a clear area where employers will look to offer more supplemental benefits

Student debt obligations as a measure of interest in financial support insurance products

Interest in additional financial support through insurance (e.g. student debt)

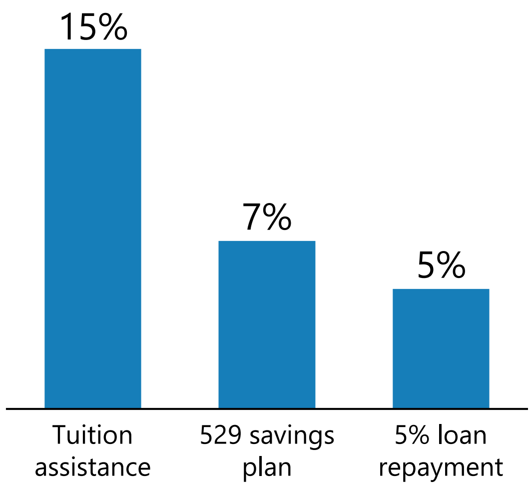
69%

of Americans are unprepared for a financial emergency of up to $1,000

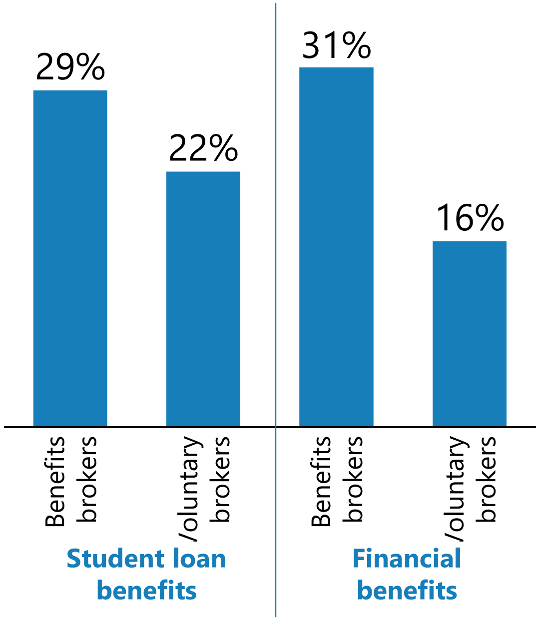
86%

of employees would commit to an employer for at least five years if they received student loan debt assistance

Current % of employers offering college expense-related benefits



% of brokers expecting increases in financial and student debt-related benefits

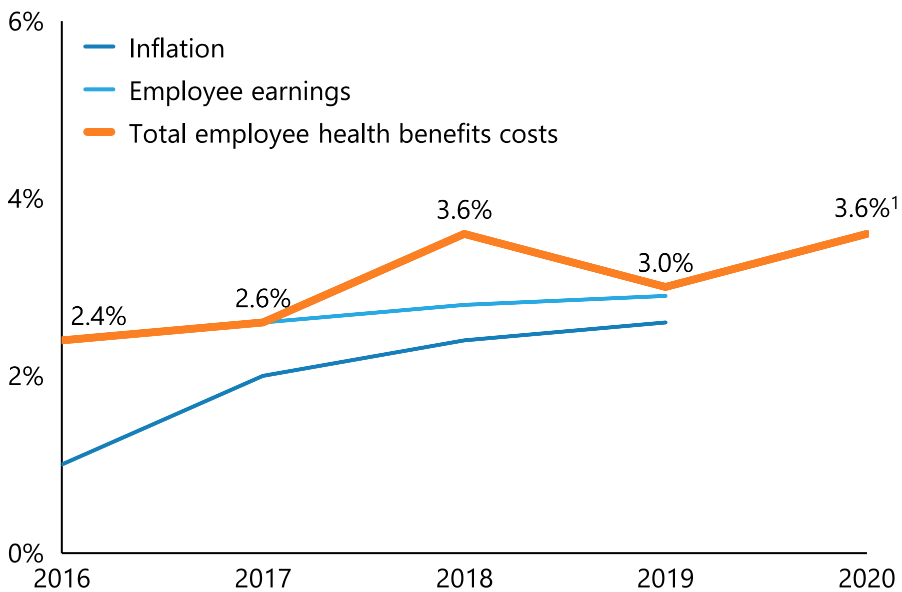


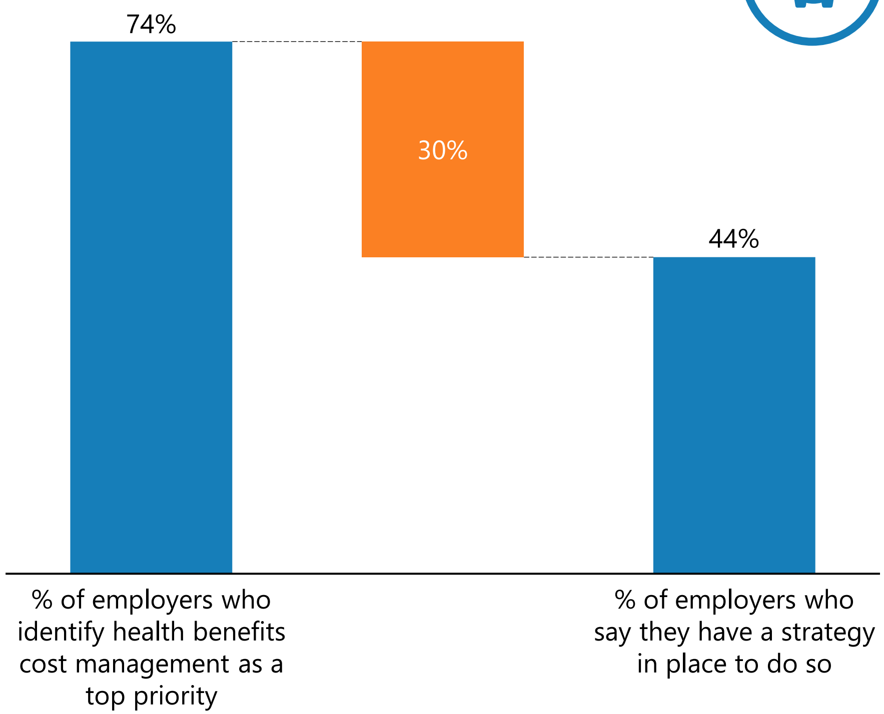
Source: NFP

Trends overview

While employee health benefits costs continue to rise, a significant number of employees may look to supplemental plan options to rein in costs

YoY change in total health benefits costs per employee (left),
% of employers who may consider supplemental plan options to control costs (right)





Total employee health benefits cost has, for the past five years, outpaced employee earnings, as well as inflation

30% of employers may consider supplemental plans as an effective cost management approach

Note: 1) Forecast, 2) Includes supplemental health plans
Source: Mercer Nation Survey of Employers, Entensis Group

Offering a comprehensive benefits package (including supplemental offerings) plays a critical role in employee satisfaction

Supplemental health benefits as drivers of employee satisfaction

#3 Driver of productivity and loyalty	**#3** Driver of holistic well-being
#6 Driver of engagement	**#6** Mitigator of stress, burnout, and depression

Source: Metlife 2020 Wave 1 Pre-COVID-19 survey

Technology and legislative change also have the potential to further accelerate the growth of supplemental plans

Tech and regulatory change overview

Technology and regulatory changes

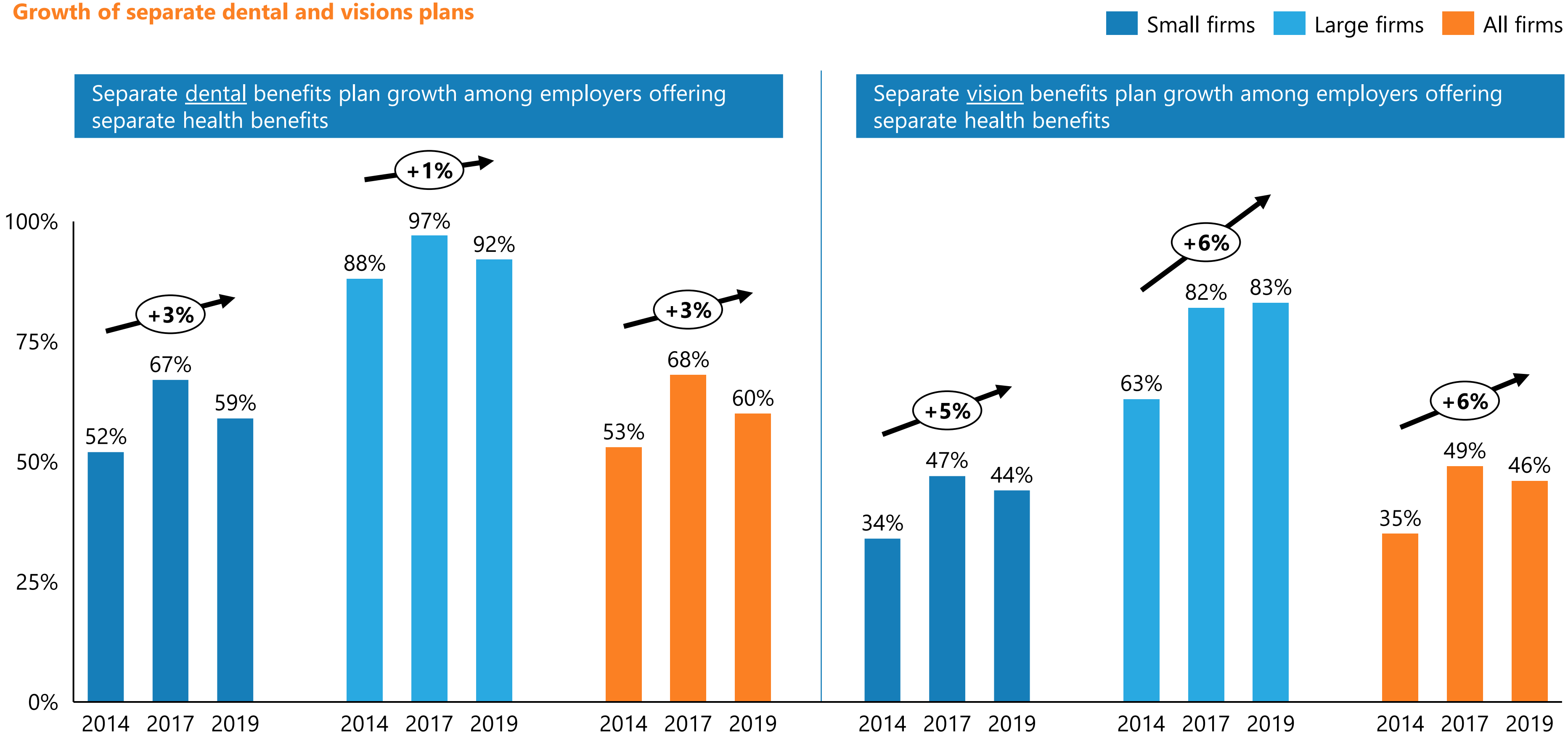
	Overview	Ramifications
Technology shifts	• Technology streamlines many processes between carriers, brokers, employers, and employees • Inroads technologically have been made in the areas of online enrollment, automated admin task processing, and employee self-service	• Employees benefit from ease of enrollment and tech flexibility and access • Employers benefit from lower admin and IT costs and it provides all sellers with data to develop better offerings and target customers
Integrated health platform shifts	• HHS has, over the past three years , promoted price and quality transparency, including requiring hospitals to provide access to negotiated charges; requiring real-time pharmacy-benefit tools in all Medicare Part D plans, and requiring that many payers provide consumers access to their electronic health record	• Increased transparency and ownership of electronic health records • Price and quality transparency in the marketplace
Regulatory shifts	• Tremendous uncertainty persists regarding the future of the Affordable Care Act, however, one proposed Health Reimbursement Arrangement (HRA) change would allow an employer to reimburse premiums for excepted benefits (i.e. vision, dental, and voluntary plans) so long as the employer ensures that they are offering other traditional medical coverage to employees, makes the HRA uniformly available, and limits the benefit to $,1800 per plan year	• This change would make voluntary benefits far more accessible to employees in a number of circumstances

Source: Your Place Central, ARAG Legal, BenefitsPro, HHS

Dental and vision specifics

Dental and vision plans offered by employers also offering health benefits are growing – Vision plans are growing twice as fast as dental

Growth of separate dental and visions plans

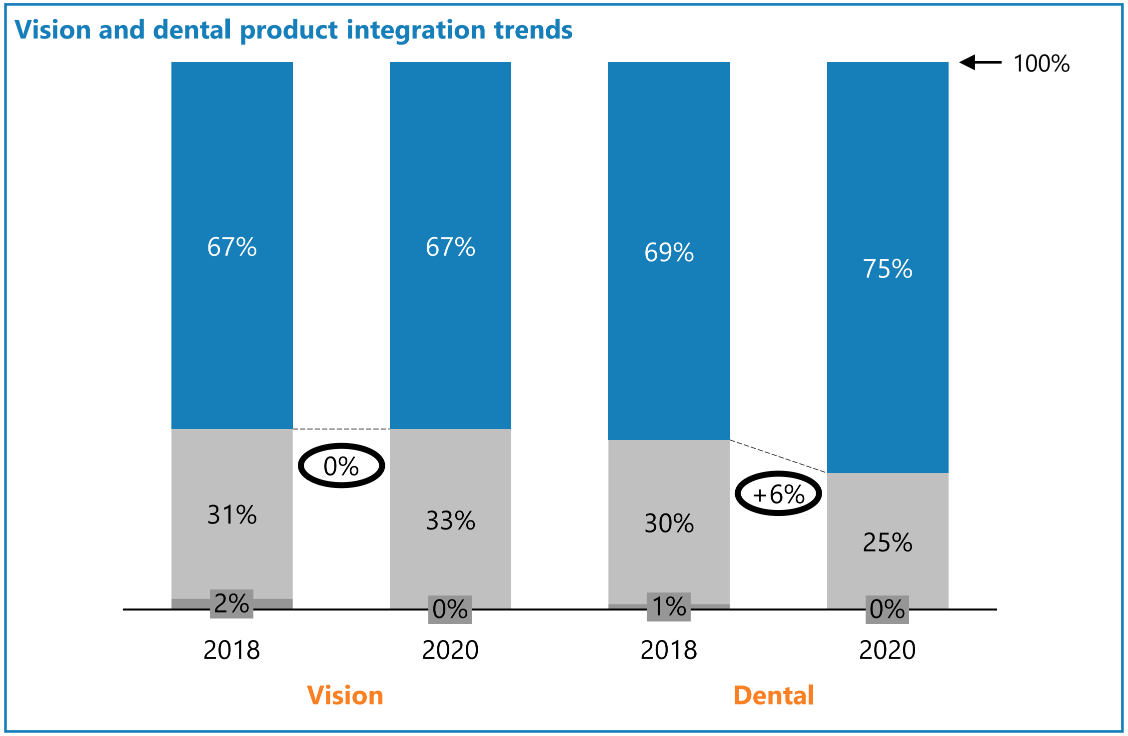


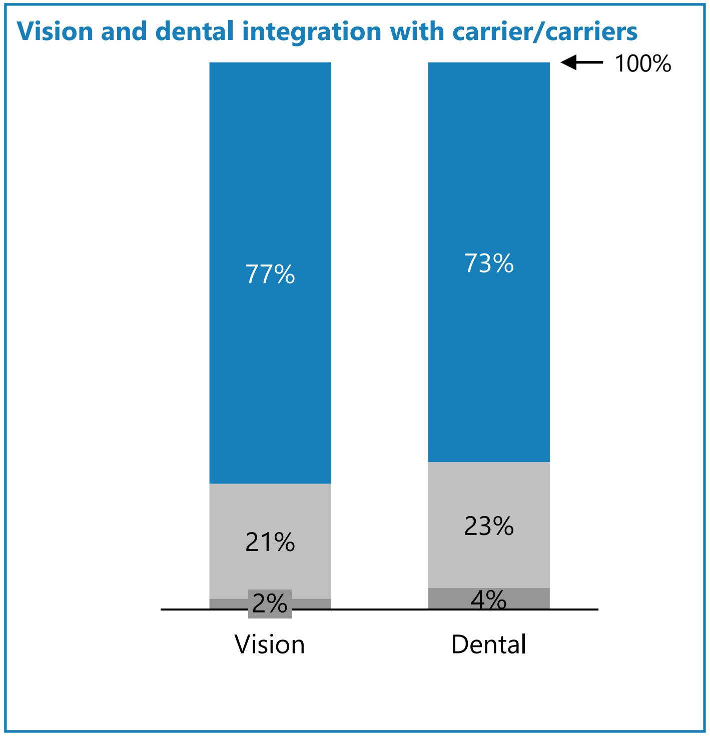
Source: KFF Employer Health Benefits Survey

Dental and vision specifics

Dental benefits are increasing being integrated with health plans – In doing so, employers overwhelmingly pair vision plans with a single carrier

Dental and vision integration trends





- Integrated
- Considering integrating
- No plans to intergrate

- Considering integrating with single carrier
- Considering integrating with multiple carriers
- Not sure

Source: Anthem

Dental and vision specifics

Increasing total health expenditures, as well as the anticipated COVID recovery will continue to fuel dental and vision demand

Drivers of vision and dental plan growth

Total health expenditures	Total health expenditure includes public and private spending on activities that promote health and prevent disease, including expenditures related to vision care. Rising health expenditure is highly correlated with increased premiums and demand for dental and vision insurers. However, rising costs have tempered margins for both the broader health insurance market and for vision and dental insurers specifically. Total health expenditure is expected to continue to increase, representing a potential opportunity for the industry.
Number of adults over 50	The use of eye and dental care services tends to increase with age. According to the latest available data from The Vision Council for example, more than 69% of individuals above the age of 45 wear prescription glasses, significantly above the domestic average of 64%. Consequently, the continued aging of the domestic population tends to benefit demand for vision insurers.
Total workforce size and employment	Industry operators generate revenue through group plans such as health maintenance organizations and preferred provider organizations. Through these group plans, vision insurance is frequently a value-added benefit. Rising domestic employment tends to increase demand for eye and dental care through these group plans, benefiting industry operators. The number of employees is expected to increase in 2019.
Disposable income	Similar to increases in the number of employees, rising disposable income levels tend to benefit demand for vision and dental insurance policies. Wealthier individuals are better able to afford supplemental insurance policies. This is particularly important because the cost of policies and lack of insurance are the most cited reasons for not seeking eye care in particular.

Source: IBIS World

Potential digital disruptors

Technologies like AI/ML and IoT will likely be at the forefront of the changing Insure-Tech landscape

Deloitte Health Tech Investment Trends

Underpinning technologies poised to disrupt healthcare

Differentiated technology, based on the technology that distinguishes an innovator from its competitors:

Likely most relevant to insurance

- **AI, machine learning, and deep learning**
- **Digital medical devices**
- **Genomics and sequencing**
- **Internet of Things (includes remote monitoring, telemedicine, wearables)**
- **Nonmedical device hardware**

“Future of Healthcare”

Anticipated business priorities for healthcare

Data and platforms: Foundational infrastructure that forms the backbone of tomorrow’s health ecosystem that will generate the insights for decision-making. Everything else will build off the data and platforms that underpin consumer-driven health.

Well-being and care delivery: These will made up of care facilities and health communities—both virtual and physical, and will provide consumer-centric delivery of products, care, wellness, and well-being.

Care enablement: These will be connectors, financers, and regulators that help make the industry’s “engine” run.

Healthcare business investment priorities

Enhance care quality: Key topics included connecting social determinants to health care, increasing patient engagement and driving behavior change, improving patient experience, enhancing adoption of remote patient monitoring, and promoting medication adherence.

Reduce costs: Improving clinical and operational workflows inside health care, creating point solutions to areas of friction in the system, taking waste out of the system, integrating real-world evidence into solutions using technology, and enhancing clinical trial recruitment/monitoring.

Improve access to care: Virtual care delivery and telemedicine were two solutions that interviewees often mentioned

Source: Deloitte

Potential disruptors

Examples of digital disruptors that have direct or indirect ramifications for insurance carriers include Corestream, Brella, Oscar and Bind

	Examples of digital disruptors	Description	Business priority addressed
Models directly addressing supplemental insurance	corestream	Corestream is a leading voluntary benefits technology provider that believes the success of any organization relies on the holistic wellness of its workforce, from physical and mental health to financial wellbeing. Corestream's revolutionary SaaS platform scales the distribution and adoption of voluntary benefits to become an integral part of protecting and enhancing the employees' livelihood. By removing barriers, streamlining administration and optimizing the user experience Corestream has become a powerful tool in the arsenal of HR teams, brokers, vendors and employees.	**Reduce costs** **Improve access to care**
	brella	Brella offers a simple supplemental plan covers 13,000+ conditions and pays cash on diagnosis that can be used for almost anything	**Reduce costs** **Improve access to care**
	oscar	An online health insurance company that offers free doctor visits, customers can speak to doctors for free over the phone at any time and the intends to explore expanded free preventative care and generic drugs. Oscar focuses on individuals and small group. To date, Oscar has raised $1.3 billion in venture capital funding, including from investors such as Alphabet, Fidelity, and Thrive Capital	**Enhance care quality** **Reduce costs** **Improve access to care**
Additional indirect potential disruptors	bind	Bind personalized health plans offer consumers choice, flexibility and cost transparency. Deductibles or coinsurance are no longer obstacles to needed care. Members have access to a broad network of doctors, clinics and hospitals, and treatment options in the palm of their hand. Bind members have personal control over how their benefit works for them—with the ability to shape and change their health plan as their health needs change. Enrollment in Bind grew eight-fold from 2019 to 2020, Bind has raised $300 million from investors including UnitedHealth Group, Lemhi Ventures and Ascension Ventures.	**Reduce health inequalities** **Improve access to care** **Reduce costs**
		MIDATA is a Swiss-based, nonprofit cooperative that serves as a trustee for data collection, helps to ensure citizens' control over their personal data. Members with an account can grant and control access to their personal data to actively contribute to medical research and clinical studies	**Enhance care quality**

Source: Techcrunch, Accunture, Knowledge360

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