

Multi-Life LTCi Boot Camp

Kansas City – 2005

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What Makes the Worksite Market Tick?




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Market Segmentation: The Overall Objective was to Develop an Integrated Marketing Strategy Based on a Robust Customer Factbase

- Segment the market to identify the most attractive customer targets for Colonial. Understand both employer segments and broker segments and the interrelationship between the two
 - Case size (10-99, 101-500, 501-2,000, 2,001-9,999, 10,000+)
 - Public sector opportunities (e.g., city/county hospitals, school, state (already highly penetrated at 32/50), federal)
 - Colonial's core strength in small to mid-sized market (10-500) and public sector (33% of business)
 - Assess the growth potential available to Colonial in each segment (i.e., do we need the large case market to achieve our sales growth goals?)
- Work with Colonial team to select target segments using a criteria based approach
 - How well does Colonial address the needs of this segment?
 - Is there enough upside growth potential to meet our goals?
 - Who are the major competitors and what is their value proposition?
 - Role of front end (e.g., enrollment, benefits communication) vs. back end (e.g., claims payment)
 - What is the role of the Colonial brand for the target segment? How can we infuse the strategy with our brand?

Research Model – Interview based

Step 1: Interviews with our company management

Step 2A Number and Type of Interviews

	<u>Colonial Customers</u>	<u>Prospects</u>
<u>Employers</u>		
10 to 99	2	3
101 to 500	2	3
501 to 2,000	3	2
2,001 to 9,999	1	2
10,000+	0	2
<u>Brokers</u>	7	5
<u>Public Sector</u>		
City, County		
• 10-250	1	2
• 251-10,000	3	3
Hospitals	3	
Schools (K-12)	2	

Total: 46

Step 2B Competitive Value Proposition

Five Competitors, Four Conducted By Orrington and One by Colonial AFLAC (4)

- Allstate/American Heritage (3)
- UNUMProvident (1)
- AIG (1)
- American Fidelity (1)

Step 2A Colonial Salesforce

Colonial salesforce - 5 interviews total

Mix of broker and direct oriented salespeople

Total: 15













Step 4 Strategy Optimization with Target Customers

	<u>Colonial Customers</u>	<u>Prospects</u>
<u>Employers/ Public Sector</u>		
Target Group	6	6
<u>Brokers</u>		
Target Group	5	5

Total: 22



Leading Concerns from Employers and Brokers

	Private Organizations	Public Organizations	Brokers
1. Cost of healthcare insurance			
2. Have the most complete/ best possible package of benefits for recruiting/ retention			
3. Manage amount of HR time spent on benefits			
4. Tax savings to employer			

Implication: Since concerns beyond healthcare costs are a distant second, the more we can address this concern, the more relevant we are

-  = Frequent Mentioned
-  = Sometimes Mentioned
-  = Not Mentioned

Employers and Brokers Are Much More Involved With the Health Insurance Decision, Than With Voluntary Benefits Decisions

Level of Employer Benefit Priority and Involvement

Highest Priority & Most Involved

Lowest Priority & Least Involved



- Medical cost #1 employer concern with benefits
 - Costs rise each year
 - Require “reevaluating” provider & plan yearly/regularly but avoid switching providers
- Top employee focus – key source of employee satisfaction/dissatisfaction
- Higher frequency of use of these benefits
 - High claims
- Geographic coverage a large consideration
- Top focus of employees (80% of benefits time)

- Overall low cost to employer
- Employer costs and plan is stable over the years
- Lower focus by employees
- Few claims; less opportunity for dissatisfaction and need for employer administration
- Employees can often work directly with providers on these benefits
- Small part of employers’ job (20% even for dedicated benefits managers)

Can we make voluntary benefits more important by using them to help solve employer’s health insurance problems?

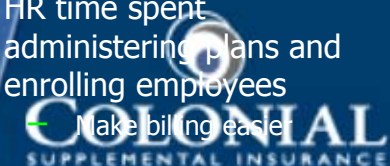
Voluntary Benefits Enrollment Is Generally Handled by the Broker for Small Companies, the Broker/Provider for Medium-Sized Companies and Self Enrolled for Large Firms

Voluntary Benefits - Enrollment Perspective (Private)

	10-49	50-499	500-2,499	2,500+
How Handling Enrollment Today	<ul style="list-style-type: none"> Broker, who may ask for assistance from the carrier on 30+ life cases Most likely group to mandate one-on-one meeting 	<ul style="list-style-type: none"> Likely to get provider to enroll supplemental insurance, but also likely to allow, but not mandate, one-on-one meetings 	<ul style="list-style-type: none"> Either self-enrolled as part of core enrollment or may get assistance from the carrier 	<ul style="list-style-type: none"> Self-enroll
Enrollment Expectations/Needs	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> "Smooth" process with few errors and quick resolution of errors 	<ul style="list-style-type: none"> Few errors, little need for HR intervention 	<ul style="list-style-type: none"> None
Technology Used for Enrollment	<ul style="list-style-type: none"> Broker (or carrier) technology 	<ul style="list-style-type: none"> Supplemental insurance providers' system 	<ul style="list-style-type: none"> Online or paper process, likely moving to online process 	<ul style="list-style-type: none"> Online or paper process, moving to online process
Unmet Needs/Problems	<ul style="list-style-type: none"> Would love more help ("It would be a dream") with mechanics and especially with communications 	<ul style="list-style-type: none"> Better interface between enroller's systems and internal systems 	<ul style="list-style-type: none"> Would like to reduce HR time spent administering plans and enrolling employees <ul style="list-style-type: none"> Make billing easier 	<ul style="list-style-type: none"> Would like to reduce HR time spent administering plans and enrolling employees <ul style="list-style-type: none"> Make billing easier

- Self Enroll
- Provider Enroll
- Broker Enroll

Source: Employer IDIs Q9-12



Customer Commitments

*Hassle-Free
Voluntary
Benefits From
Start to Finish*

*Professional
Enrollment and
Benefits
Communications
Approaches*

*Helping
Benefit Dollars
Go Further*

*Long-Term
Leadership in
Voluntary
Benefits*

*Bringing New
Insights
/
Tailored
Choices*



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Marketing Implications?

Hybrid Group Products

- Individual features and pricing filed on a group policy chassis
- Benefits that fit with the current healthcare environment
- Guarantee Issue underwriting
- Group meeting enrollments
- Opener licensing in situs state

Enrollment Spectrum: Where and How

One-on-One

- Electronic Offline
- Online
- Paper Election Forms
- Simple Paper Apps

Group Meetings

- Simple Paper Apps
- Paper Election Forms

Call Centers

- Paper Election Forms
- Simple Paper Apps
- Electronic Offline
- Online

Self-Enroll

- Paper Election Forms
- Simple Paper Apps
- Online

Questions?



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