

## Cover Story

# An Affinity For Group Sales

### **Business groups provide a ready market for agents targeting small businesses**

BY TREVOR THOMAS

9.26.2005 – Reprinted from National Underwriter – Life & Health Edition

Marketing voluntary benefits through trade associations and other business affinity groups represents an excellent way to increase sales, executives in worksite marketing say.

When an affinity group agrees to allow a voluntary benefit to be sold to its members, it has in effect endorsed your product, they point out. That makes both employers and employees more receptive to a complex sales message, such as insurance.

“When they know someone at the association level has looked into it, that gives a comfort level to individuals,” notes Gary Corliss, president and chief executive officer of Avon LTC Leaders, a unit of Manulife in Avon, Conn.

And Clelland Green, executive vice president, USI Affinity Group, Philadelphia, notes there are 35,000 associations of all shapes and sizes, including many professional groups and trade associations. Their members are often small businesses hankering to offer a richer package of employee benefits.

“On the business side, you look for associations where business members already provide employee benefits, then use telemarketing and direct mail as well as a field force to sell your products,” Green says.

Products sold by USI Affinity Group include, on the individual side, 10- and 20- year level term products; and on the business side, professional liability, life and disability products, and other employee benefits.

“The hottest products we see right now are health care spending accounts,” Green says. “We’ve had early success and surprising response rates with this product.”

His company is partnering with Assurant Employee Benefits in offering HSAs.

In affinity group marketing, such joint ventures are common.

For instance, Manulife recently developed a long term care insurance policy specifically for the affinity market, a product it is selling with the aid of American Insurance Marketing Services, Montgomery, Ala.

AIM, an affinity group marketing firm that sells LTC insurance, helps Manulife customize its product to each association’s needs. Manulife offers 35 different riders that appeal to a range of interests and enables it to shape the product to appeal to a given association’s members, says Corliss.

Alliances between producers and wholesalers are also routine in affinity group marketing.

“Agents may know someone in an association but have no idea of how to market to their membership base,” says Samuel H. Fleet, president and chief executive officer of National Employee Benefits Companies, Warwick, R.I., known as NEBCO. “So, they will call us. They

develop the lead, and we assist them in making the sale.”

Once a broker develops an agreement with an affinity group to sell to its members, NEBCO mails promotional material to its member lists. It processes the resulting leads, and then sends in its salespeople to follow up on-site.

“There is opportunity in affinity markets, but agents who wish to reach it need expertise and backroom ability to support them,” Fleet says.

“More association plans fail than succeed because of the inability of agents to take advantage of opportunities,” he says. “They need to ally with wholesale brokerage firms and third-party administrators.”

NEBCO develops private-label benefits under each association’s name, which it offers through a link on the association’s Web site. Employees of member firms can enroll online or call a customer care center staffed by NEBCO employees, where they can get more information and sign up for the benefits they want.

“What we found when building Web technology was that people will use the site to download an application, but they still need to talk to a live person,” Fleet says.

NEBCO develops and administers benefits for 64 associations, many of which are sold to employees of the associations’ member firms.

“When we first started in 1991, small group health insurance was our leading product,” Fleet says. “Today, with community ratings, health insurance is not as advantageous to look at.”

State-imposed community rating requirements require health care carriers to base rates on the experience of an entire community, rather than a single customer or employer group. That requirement has suppressed affinity market sales of basic health care products, Fleet says.

That could change if Congress passes legislation proposed by President Bush. This legislation would let association health care insurance plans get around individual states’ health insurance mandates.

But while the legislation has been passed several times by the House, the Senate so far has failed to endorse it.

In the meantime, NEBCO is concentrating on sales of life, dental, disability and LTC insurance in the affinity markets, where Fleet estimates his firm has seen sales growth of between 25% and 30% a year.

The number one need for the affinity group market right now is innovative products, Fleet maintains.

“A lot of products now in the market are tired and old,” he says.

“For example, I would like to see life insurance with a disability or long term care component, where the cash value of the policy could be used to pay for care, instead of just paying death benefits,” he says. “That would be very welcome in this market.”

William Dyess, executive vice president of Gelbwaks Insurance Services, Plantation, Fla., has seen his brokerage agency’s affinity business pick up dramatically in the past year.

His company, which primarily sells LTC insurance, has seen increasing interest in the product from small business associations, such as chambers of commerce or local physician groups.

Small businesses are starting to look at LTC insurance either as an executive carve-out or as an employee benefit, often with employer contributions, Dyess says.

“Boomers who now are running these companies are personally experiencing long term care issues and realizing how much it must be impacting their employees,” he says. “And in a lot of cases, their business has been doing well, so they have more disposable income; plus there’s more awareness about long term care now due to coverage in the media.”

This year, Gelbwaks’ agents have seen a 500% increase in both inquiries and sales through affinity groups and small sponsored groups, typically in business with up to 50 employees, he says.

One feature that is important in the affinity market is portability, he says. Employees want to be able to take an insurance product with them when they leave a company.

Corliss says the strength of an affinity group’s endorsement and the involvement of individuals at the head of the group are key to getting strong participation in a benefits program.

“If they say, ‘We’ll let an agent drop by,’ that’s not a quality endorsement,” he says. “You look for a letter to members, meetings on-site, and the ability to follow up on company time. All these pieces are an incitement to employees to put in some money for benefits.”