

# Broker outlook: Sunny with a strong chance of increased revenue

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## 2015 Aflac WorkForces Report: Broker Results

Sometimes it takes a while for new things to grow on people – whether it's a piece of art, a hairstyle, an in-law or even health care regulations. The latter is particularly true in the case of our nation's health insurance brokers. After several years of doom and gloom about the way health care reform would affect their businesses, the clouds have parted: More than half of brokers who took part in the 2015 Aflac WorkForces Report (AWR) survey agree they are confident about the future of their firms and their industry.<sup>1, 2</sup>

The uptick in confidence is noteworthy; it reflects a 12 percent increase over the 2014 AWR results and a 14 percent increase over the 2013 AWR survey. Of course, a more positive attitude is to be expected when client bases and sales revenue are on the upswing:

- » Nearly 4 in 10 brokers surveyed (39 percent) reported increases in their client bases over the past 12 months.
- » Likewise, 36 percent said their companies' sales/revenue grew in the past year.
- » And more than half (54 percent) said their companies maintained their sales/revenue over the past 12 months.

### New times, new outlooks

Now that health care reform is a reality and not just a series of changes looming on the horizon, participants in the Aflac survey – brokers, employers and workers – are showing a sense of relief. After all, times have changed since the introduction of the Affordable Care Act. Today, nearly all Americans have access to major medical insurance, either through workplace plans or the health care marketplace.

Interestingly, many are discovering that major medical insurance is merely a foundation – a foundation that's more effective when it's supplemented by employer-sponsored policies such as life and disability insurance and, going a step further, by voluntary insurance options that help pay bills major medical insurance was never intended to cover. The

evidence? Thirty-nine percent of companies offered voluntary options in 2014, which is up from 26 percent in 2012. What's more, 64 percent of employees see a growing need for voluntary insurance today when compared to years past. Their reasons:

Rising medical costs	68%
Rising medical insurance costs	64%
Increasing deductibles and copayments	56%
Employers reduced benefits and/or coverage	29%
Changes resulting from health care reform	47%

## Bright days ahead

Increased awareness of and interest in voluntary products have brokers feeling sunny. To take advantage of consumer attention, many are dedicating their efforts to exploring voluntary insurance opportunities. For example, nearly 6 in 10 brokers, or 58 percent, reported they plan to increase the amount of revenue from voluntary benefits at their firms over the next 12 months. That's a sizeable 9 percent increase over 2014 and a 14 percent uptick compared to 2013.

The outlook was just as bright when brokers were asked to project the success of voluntary benefit sales. Nearly half, 45 percent, believe the proportion will increase over the next year. Again, the numbers are rising: That's an increase of 18 percent compared to 2014. Why the concentration on voluntary products? Brokers cited satisfying the needs of their clients' employees as the No. 1 reason they include voluntary benefits in their portfolio, followed by the need to remain competitive with other firms and the desire to offer broader benefits options.

## Health care reform: Still the elephant in the room

The 2015 Aflac WorkForces Report revealed there is less concern about the effects of reform than in years past – evidence, perhaps, that sometimes the reality isn't as bad as the anticipation. Still, changes to the way health care is purchased and delivered in the U.S. remain on brokers' minds.

Four in 10 brokers, or 41 percent, agree that health care reform represents an opportunity for their businesses, which is up 14 percent over 2014.<sup>1</sup> And while more than half of brokers who participated in Aflac's 2015 survey reported understanding reform extremely or very well, 39 percent don't believe their clients are prepared for reform. In fact, nearly 4 in 10 said client uncertainty about health care reform is one of the top two issues facing their firms – a hefty increase over 2014, when less than a third shared that concern.

Interestingly, when compared to 2014, fewer brokers participating in the survey said the most frequent change their clients made in response to health care reform legislation was

moving to high-deductible plans combined with health savings accounts. The chart below outlines the most common changes their clients made last year.

### Employer response to health care reform

Type of health care plan	2015 survey percentage	Change from 2014 survey
Employee-paid benefits	27%	Down from 30%
High-deductible health plan/Health savings account	15%	Down from 23%
Public exchange	13%	Up from 9%
Defined contribution plan	11%	Up from 6%
Private exchange	10%	Up from 3%
Self-funded model	10%	Up from 9%
Getting out of benefits altogether	7%	Down from 8%

Perhaps the most telling aftereffect of reform is the fact that many brokers are adjusting their sales strategies. Fully 46 percent told Aflac their target clients have changed as a result of legislation:

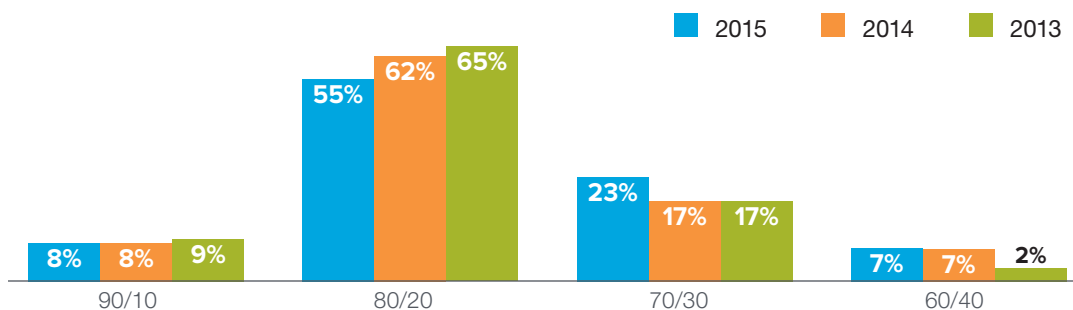
- » 32 percent are focusing more on small-sized companies.
- » 30 percent are focusing more on medium-sized companies.
- » 21 percent are focusing more on large-sized companies.

### Broker recommendations and trends

In addition to gauging broker opinions about the state of health care and their industry – and examining employer and employee attitudes about benefits issues – survey results from the 2015 AWR identified several intriguing trends:

- While the majority of brokers continue to recommend 80/20 health care coverage, an increasing number are encouraging a 70/30 split.

### Brokers trend toward recommending lower actuarial value major medical coverage



- Life insurance remains the most frequently recommended employer-paid benefit, with 75 percent of brokers encouraging their clients to make it available to their workers. Other options, in descending order, include:
  - » Major medical insurance: 71 percent
  - » Disability insurance: 67 percent
  - » 401(k) or other pension programs: 62 percent
  - » Dental insurance: 62 percent
  - » Vision insurance: 57 percent
  - » Domestic partner coverage: 24 percent
- Approximately 6 in 10 brokers who participated in the 2015 Aflac WorkForces Report survey are navigators and/or producers for insurance products handled through an exchange. Seven in 10 of these brokers, 69 percent, function as producers for a public exchange.
- Brokers serving as producers for products handled on an exchange report that 35 percent of their total production on average comes from their exchange activities.
- 30 percent of brokers say their firms are considering setting up private exchanges for their clients. That's an 11 percent increase over 2014 and a 43 percent increase over 2013.

## Open enrollment update

With workers' increasing responsibility for their health care costs comes another type of consumerism: They have higher expectations of the benefits enrollment experience. Perhaps due to increased comfort with technology and the Internet, the majority of workers want enrollment to take place online: 63 percent prefer electronic enrollment, followed by 20 percent who prefer to enroll face to face and 11 percent who prefer paper enrollment.

This is one area in which employees and their companies are in step, as 62 percent of employers used online enrollment in 2014. Brokers, not surprisingly, think the personal touch remains the best way to go. According to the Aflac survey, brokers make these recommendations when it comes to benefits enrollment:

Face to face	52%
Online	31%
Call center	8%
Paper	7%
Kiosk	2%

## The wellness factor

Companies continue to introduce and oversee employee wellness programs as a way to promote worker health and reduce their medical expenses. Brokers have a track record of encouraging these programs: Of those responding to both the 2014 and 2015 AWR surveys, 53 percent of them say they recommend wellness initiatives to their clients. Here are some additional findings from the 2015 report:

- » 40 percent of brokers agree they've seen an increase in the number of companies implementing wellness programs in the past year.
- » 35 percent of brokers agree their clients' wellness programs have been successful.
- » 39 percent of brokers agree they have helped their clients lower health insurance premiums as a result of their wellness programs.<sup>2</sup>

## Long-term forecast for brokers

The 2015 Aflac WorkForces Report broker results reveal that the clouds have lifted when it comes to health care reform – and brokers expect to thrive in their new environment. Not only have many already experienced increases in their client bases and sales, but they're aiming even higher by adopting new strategies and adjusting their target markets. At the same time, they continue to serve as trusted advisers for their clients on a wide variety of topics, from major medical insurance solutions and the need for voluntary coverage options to the value of wellness programs and successful open enrollments.

The bottom line? Health care reform in reality isn't as overwhelming for brokers as it was in theory – and smart brokers are moving ahead with confidence in themselves and their industry.

## About the study

The 2015 Aflac WorkForces Report is the fifth annual Aflac employee benefits study examining benefit trends and attitudes. The study was conducted by Research Now on behalf of Aflac. To learn more about the Aflac WorkForces Report, visit [AflacWorkForcesReport.com](http://AflacWorkForcesReport.com).

The Broker Survey was conducted online within the United States between Jan. 20, 2015, and Feb. 10, 2015, among 306 insurance brokers or producers employed at a company with three or more employees. No theoretical sampling error can be calculated; a full methodology is available.

## About Research Now

Research Now is a leading global online sampling and online data collection company. With more than 6 million panelists in 38 countries worldwide, Research Now offers a full suite of data collection services. For more information, please visit [researchnow.com](http://researchnow.com).

<sup>1</sup> The 2015 Aflac WorkForces Report broker results were derived from a study by Research Now that captured responses of 306 brokers in the U.S. between Jan. 23 – Feb. 11, 2015.

<sup>2</sup> Agree = Completely or strongly agree

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