

Auto and Home Insurance — Fitting the Pieces of the Puzzle Together

Written by

HR.com

Sponsored by



**Liberty
Mutual®**

Auto and Home Insurance – Fitting the Pieces of the Puzzle Together

Growth in the voluntary benefit market has been remarkable over the last number of years. Many organizations found that there were just not enough dollars to go around and still provide a comprehensive and competitive benefits program; voluntary benefits are seen as a way of making the most of available resources. It is expected that almost all major US companies and most small businesses will migrate from a 'one-size-fits-all' benefits plan to flexible benefit programs with voluntary offerings within a matter of a few years. By adding voluntary benefits, both employers and employees are in a win-win situation. Key components of such voluntary benefits programs are group auto and home insurance benefits. In this paper, we will look at some basic how-to's when it comes to providing a new voluntary group and auto home insurance product or adding this benefit to an existing voluntary program. Some have likened the introduction of voluntary benefits as something of a puzzle – so let's see how some of these key pieces fit together.

The Increasing Popularity of Group Auto and Home Insurance Voluntary Benefits

The steady growth of the Group Auto and Home Insurance voluntary benefit market is not just an anomaly. If you recognize that nearly every worker drives a car which requires insurance, and anyone with a mortgage on their home or condo is required by the lender to have insurance, it's easy to understand that auto and home insurance is the only voluntary benefit that is relevant to nearly 100 percent of your employee population.

Indeed, a recent US survey conducted by Aon Consulting shows the increased popularity of this benefit. More than 20 percent of the respondents indicate that their companies provided Voluntary Auto and Home Insurance to their employees, another 10.5 percent say their employees are requesting the benefit, and 6.1 percent indicated their companies were considering offering it in the near future.

The most important contributor to employee interest in a group auto and home program is the cost savings they can achieve on a significant household expense that they need to buy anyway. While the trend of rising auto insurance premiums has tempered recently (auto insurance is expected to rise by just one-half percent in 2006, the smallest increase in six years, compared to 2.5 percent in 2005 as reported by the Insurance Information Institute [I.I.I.]), home insurance costs are generally rising. The I.I.I. reports an expected increase in 2006 of about 4 percent in most areas, with far more substantial increases in coastal areas.

"While automobile rates are flat or declining in many parts of the country, home insurance rates may be sharply rising, depending on where you actually live," says Dr. Robert Hartwig, Senior Vice President & Chief Economist of I.I.I. Dr. Hartwig also offered that: "Some insurers are smartly passing on savings opportunities to customers based on aggregating economies of scale and overall expenses of a group." He added that the ease of obtaining the benefit (both group auto and home insurance) and overall simplicity to employees made it viable in addition to cost savings.

Auto and Home Insurance – Fitting the Pieces of the Puzzle Together

In terms of providing a new voluntary group and auto home insurance product or adding this benefit to an existing voluntary program, there are three key success factors:

1. Choose your carrier carefully
2. Introduce the program effectively
3. Measure the performance of the plan on an on-going basis

Let's look at each of these in turn.

Choose Your Carrier Carefully

When it comes to providing a new voluntary group and auto home insurance product or adding this benefit to an existing voluntary program the most important thing is to choose your carrier carefully! There are many providers out in the marketplace, but fewer really focus on this business. Start out by defining what you want from your provider. Do you want help in designing the program? You can do this alone or in collaboration with a consultant, broker or provider. Most providers have turnkey solutions, where the provider does most of the work. If your solution is more complex, you may want help from your provider in designing the solution. If this is the case, the capabilities of the provider in this respect should be part of your selection criteria. As well, you will want to find a provider who will accept enrollment data, billings and all processes that work with the employer system and not the other way around. With that in mind, consider the following points when choosing a carrier for your voluntary group and auto home insurance product:

Participation. Find a provider that has a demonstrated track record for attracting employees to the program and retaining employees once enrolled. First and foremost, human resource practitioners need to make sure that the benefit will resonate with its employees and therefore have a positive influence on recruitment and retention of employees. In order to accomplish this, you need to get more employees to participate. Your proposed carrier should be effective at attracting employees to enroll in the program, and adept at retaining their business. Ask carriers to demonstrate their track record for both.

Surprisingly, that same Aon survey reveals average employee participation rates of only 3.1 percent for voluntary auto and home insurance, but industry experts believe effective programs should achieve 25 percent participation after five years. It suggests substantial potential that most employers' programs are not realizing.

Robert Daley, Benefits Manager of EMC, in Hopkinton, Mass., boasts a 14 percent participation rate in overall voluntary programs including group auto and home insurance in 2005. Bob also added that, "EMC has a partnership at a corporate level and at an employee level with his provider Liberty Mutual," and "it is seamless, very convenient, very helpful, employees are happy with it and the corporation is happy with it."

Auto and Home Insurance – Fitting the Pieces of the Puzzle Together

Service. You need to find a provider dedicated to delivering outstanding personal service not only to you, the employer, but also to your employees. Sales and service should be available from experienced agents at the worksite, by telephone to a call-center, and through website access. Questions need to have answers: Will my good driving record be recognized? What happens if I do file a claim? If I increase my deductible how much will my premium reduce and will this make sense? Claims service must be provided in a timely, fair and responsive fashion, and available 24/7. Bob Daley indicated their provider had group representatives on site on a weekly basis in Massachusetts and on a regular basis in other locations. Employees love the service; they walk into the cafeteria and have a representative assist them when they buy a car, transfer a car, buy a home, move, etc. “They don’t have to leave the building. It is their most popular vendor with employees.”

Ease of Use. All involved, whether they are employees, employers, and brokers have concerns about administrative nightmares. Nobody wants a complex, non-user friendly enrollment, claims handling and customer service system. So how are enrollments handled? What technology does the provider have? Although systems need to be geared to automatic enrollments and the like, the system needs to allow for manual processes for the needed select few. Enrollments could be through individual sessions, group meetings, call centers, and online. Quick claims processing and accurate billings are a necessity. Automated payroll deduction should be standard. Bob Daley added that payroll deductions are one of the driving cards for group automobile and home insurance.

Discounts. You need to be sure that besides other features your employees will gain from this plan, they will receive group purchasing discounts. Most carriers will offer up to 10 percent off their best rates, which should already reflect additional savings offered for superior drivers, multi-car, anti-theft device, anti-lock brakes, payroll deduction, security system, fire and carbon monoxide alarms, good student, multi-policy, commuting distance, etc. Bob Daley said that his employees are very savvy and quickly determined that the discounts offered by their provider were the key driving card behind the program’s success.

Know the Business. Experience and expertise in the business are important factors in choosing a provider. In some cases your employee will rely on your provider to tell/advice him or her on how much liability to insure for and how much coverage is required. If your new car was damaged beyond repair, would your provider give you a replacement car or just the insured amount less any depreciation?

Termination/Portability. Most providers will continue to allow your employees to remain in the Group Auto and Home Insurance policies after they terminate employment, although the employee will lose their group discount upon policy renewal.

Financial Strength. Employees will rely on you to provide a high-quality and financially secure provider. Insurance company ratings are readily available and indicate their claims-paying ability and financial solvency.

Auto and Home Insurance – Fitting the Pieces of the Puzzle Together

Introduce the Program Effectively

Not only do you and the provider need to effectively introduce employees to the voluntary benefit at the outset of the program, but also an ongoing communications program is key to improving participation rates. Remember, unlike core benefits like health and dental insurance that have a once-a-year enrollment period, your employees are potentially shopping for car and home insurance every day of the year. Utilize every possible avenue and vehicle to communicate about the program. Not everyone reads the company newsletter, so if that's the only vehicle you use to communicate about the program you are likely to miss potential participants. Consider email desk drops, onsite educational seminars by the carrier, and direct mail programs at home. A good insurance partner should be able to map out an effective communication plan that satisfies your needs.

Sarah Sardella, Benefits Manager at Monster noted the importance of developing marketing plans with the provider to introduce and regularly communicate about the program: "However without clear and continual education on these programs, the value of the benefits gets lost on employees. This is especially important for benefits that may not get rolled into open enrollment. You need to be more deliberate with the marketing of programs such as group auto and homeowners because employees won't be asked to make a decision on this during open enrollment."

Sarah went on to describe the approach taken at Monster. "Here at Monster, we first put a lot of attention into educating new hires. We send an e-mail containing information on the Liberty Mutual Group Savings Plus program during their first week. We discuss the program during new hire orientation. We also teach them where to find program information on our intranet so they can do research and obtain quotes when it's most convenient for them. As ongoing education, we take a few approaches. In our largest office location, our Liberty Mutual representative comes on-site twice a month. He sits in our "Monster Den," a common area where many employees eat lunch, have meetings, and take time out for a game of pool or ping-pong. Having this face-time with our rep keeps the program front of mind for employees. Additionally we do mailings or "desk drops" to remind employees of this valuable benefit. We also send monthly work/life e-mails to discuss employee programs and events; when appropriate we mention the program so employees are continually reminded of this valuable benefit. Annually we hold a comprehensive Benefits Fair in our largest locations and invite Liberty Mutual to take part."

The majority of the work should rest with the provider. The majority of the cost is paid for by the employee and the provider generally covers expenses. Your role as HR practitioner is to continually measure, communicate, evaluate your provider and deal with any issues.

Auto and Home Insurance – Fitting the Pieces of the Puzzle Together

Measure the Performance of the Plan on an Ongoing Basis

Many employers put in various voluntary plans including Group Auto and Home Insurance. But they fail to do one very important step, that is, to find out whether the program is successful, needs to be changed or even axed. Since the HR practitioner is still mainly concerned about recruitment, retention and development of employees, you could say that if this program doesn't help in this regard, one should consider either changing it or abandoning it.

Says Gary Sullivan, Senior VP at Aon Consulting: "Employers should measure the success of their voluntary benefits program every 12 to 24 months to ensure employees are getting the most out of the plans. These programs can be very beneficial to employees and help serve as a point of differentiation for employers. However, if an organization does not review and revisit their voluntary benefits as needed, it may result in a decrease in program use and negatively impact employee morale."

Says Bob Daley: "Measuring success of their program is done continually. We receive quarterly reports highlighting amount of insurance in force and number of insured from our provider, that lets us see at a glance how things are going. Also all our complaints are filtered through me and because of little or no complaints with my provider, I know that the program is a big success."

Employee surveys and focus groups should be used to discern if the program is on course or has missed the mark. For example, a survey might reveal that although employees understand the program, they are unhappy because the insurance partner doesn't allow them to conduct business in their preferred manner and feel forced into a single-distribution-channel model.

The Pieces of the Puzzle

Having followed these steps above, much like putting the pieces of the puzzle together and continuing to measure, communicate, and encourage employees to participate, you should find that implementing a Group Auto and Home Insurance plan will reap benefits to both your company and your employees. Among the array of voluntary benefits, you will find that Group Auto and Home Insurance is one that is of value to virtually each of your employees. It should support your employee attraction and retention goals, at no cost to you in the process. That is truly win-win.

Auto and Home Insurance – Fitting the Pieces of the Puzzle Together

About the sponsor:

Liberty Mutual

“Helping people live safer, more secure lives” since 1912, Boston-based Liberty Mutual Group is a leading global multi-line group of insurance companies whose largest line of business is private passenger auto, based on 2005 net written premium. Liberty Mutual ranks 102nd on the Fortune 500 list of largest U.S. corporations based on 2005 revenue, and employs more than 39,000 people in over 900 offices worldwide.

The eighth-largest personal lines writer in the U.S., Liberty Mutual sells full lines of coverage for private passenger auto, homeowners, valuable possessions and personal liability through its own sales force in more than 400 offices throughout the U.S., two direct response centers, and the Internet at www.libertymutualinsurance.com. Liberty Mutual has the most-sponsored voluntary auto and home insurance program in the industry, offering affinity discounts to employees and members of more than 9,000 companies, credit unions, alumni and professional associations, and other partnerships representing more than 2 million policies and more than \$2 billion in premium. For more information about Group Savings Plus[®], call (800) 260-2169 or send an email to GSP@libertymutual.com.

About HR.com:

HR.com

HR.com is in business to help build great companies by connecting them to the knowledge and resources they need to effectively manage the people side of business. As the global authority, we deliver HR Best Practices to help organizations build great companies through community, collaboration, research, shared best practices, and measurements.

Copyright 2006 HR.com - This document cannot be republished, replicated or reproduced in print or electronic format without the expressed written permission of HR.com. No part of this document is to be posted onto another website, company intranet or shared electronically. Contact HR.com at: writers@hr.com or toll free at 1-877-472-6648.