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AUGUST 28, 2023

State of Insurance

A Roundtable Discussion

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With the unique and uncharted scenarios that we faced over the last few years, business owners, C-suite professionals and investors have realized – perhaps more than ever before – the importance of having the right insurance policies, and the right trusted advisors to help manage them, as they navigate the various forms of insurance they need. Be it healthcare coverage for employees, workers comp policies, or the various business insurance coverages, each business has different needs and they are not simple. In this special section, we turn to the expertise of two of the top business insurance thought leaders in the region to gain insight and perspective on the state of insurance today and what businesses need to know.

Here are a series of questions the Business Journal posed to these experts and the unique responses they provided – offering a glimpse into the state of insurance in 2023 – from the perspectives of those in the trenches of our region today.

What are the most frequent mistakes made by employers when it comes to creating employee insurance benefits packages?

LEVY: Fragmented offerings and poorly communicated programs. Every firm today has to compete for talent and even small firms (under 100 lives) should be able to package their offerings in such a way that they can compete against monoliths and benefit-rich offerings. The key is to package their offerings with all sorts of ancillary programs, and also to make sure they're using digital tools to allow people to use not only their benefits, but things like check PTO and enroll / engage in their company benefits online.

What drives the cost of business insurance coverage?

POMS: After consecutive above-average natural catastrophe years in 2020, 2021, and 2022, reduced reinsurance capacity is leaving some carriers with a narrower field of available options beyond premium increases to offset rising costs. However, reinsurance/capacity is just one factor feeding into the prevailing view that we are in a prolonged "hard market." The reasons for how we've arrived at this moment are complex, but here are just a few: multi-decade high inflation, rising loss costs, economic downturn-reduced returns on carrier investment portfolios, capital impairments, higher cost of risk transfer rapidly shifting cyber risk landscape, and catastrophic losses of more than $600 billion since 2017.

What are some of the unique or progressive employee health benefits you see on the horizon?

LEVY: When it comes to what's unique in employee benefits for 2023, several considerations come to mind. Firstly, ask yourself if your benefit programs stand out as being potentially very advantageous to your employees and prospective employees? Do they sizzle? Do they include wellness and mental health considerations? Better help? Pet insurance? These are the items employees are seeking. Anthem's new offering, "Vitality" may allow employer populations with HMO employees to reduce their expense buys by as much as 20%. That's a lot! Another is a niche program which may allow employers to offer as much as $2 million of personal life insurance to their employees – without any underwriting. Think how many different ways we can use this: professional firms providing protection to fund succession plans, buy/sell agreements, or just as a unique perk.

STATE OF INSURANCE ROUNDTABLE

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How should companies navigate enrollment for out of state employees on health plans?

LEVY: Companies need to recognize that healthcare plans may be state-specific and must design their plans that provide national access to healthcare. This is harder than many companies think. They also need to work closely with their HR and payroll teams to assure they are complying with wage and hour laws, minimum wage (many times by county) and disability or sick leave laws, which vary from state to state.

What are the challenges facing business owners regarding employee benefits during this current Open Enrollment period?

LEVY: Employers have had to 'ratchet up' their employee benefits to compete for talent over the past several years. Increases for healthcare plans have been moderately nominal as well. With the post-COVID return to work (the new normal), there has been an increase in consumption and utilization of healthcare, so we are seeing significant premium increases affecting employers this year for the first time in many years. Companies need to perform a top-down review of their offerings and make sure they are benchmarking their benefits against their competitors, and utilizing every possible way to reduce their expense yet maintain healthy benefits portfolios to compete for talent. There continues to be 'diamonds in the rough' for companies to exploit as they design their offerings. Clients who have sharp insurance brokers will continue to exploit efficiencies in the market.

What's the biggest cause of concern for employers that is seldom recognized?

LEVY: Most companies have some type of disability program, perhaps blanket GROUP LTD, that covers all their employees, but seldom do they recognize the income concerns of their VIPs (higher wage earners). Employers need to be cognizant of the fact that their disability products are skewed towards the masses – what we call 'reverse discrimination.' Employers who have VIPs and highly compensated individuals can buy discriminatory, guaranteed supplemental disability coverage, that will then adequately protect the employees in the event they have a desire to extend wages to a disabled owner or shareholder.

What can employers do to remain current on the ever-evolving insurance landscape and trends?

POMS: A critical element of successfully navigating this unprecedented hard market for business owners, CEOs, or financial officers is to have realistic expectations. Namely, expect the price you pay for insurance to go up, expect more exhaustive underwriting and fewer options when purchasing new insurance or renewing existing policies, and lastly, expect support from your broker. To deal with these increases, higher resolve in other risk management elements such as risk control, risk mitigation, and risk transfer may be required. This could include transferring risk to vendors, retaining more risk through higher deductibles and co-insurance, and strong risk reduction practices such as training, and site inspections. Another avenue may be to consider alternative risk financing options such as captive insurance, or other partial self-funding vehicles like group captives or risk retention groups.

What factors are on the rise that might change the landscape for healthcare and insurance?

LEVY: Not a lot! The House has a passed a set of proposed changes to the Affordable Care Act (ACA), which could allow for associations to bypass some of the regulations that have been mandated by the ACA. Primary care is being disrupted by Amazon and some pharmacies. Prescription drugs are in-flux as multiple distribution channels try and disrupt PBMs. In addition, we are seeing many healthcare insurers design efficient sub-networks which include providers like UCLA and Cedars, helping to potentially save employers and employees thousands of dollars.

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