

Voluntary Benefits

What you need to know

Continuing education course

Agenda

- Market and Industry Overview
- Portfolio Positioning
- Case Studies
- Sales Cycle Review
- Implementation and Enrollment
- Applying Tools

Market and Industry Overview

Voluntary benefits market history

1950s



Early market elements

- Employer-sponsored benefits
- Insurance and investment products
- Payroll deduction or salary savings plans
- Employee-pay-all design
- Offered by individual brokers and agents

1990s



Marketplace changes

- Broader range of products
- Worksite marketing
- Payroll deduction administration
- Offered by several group market carriers

Today



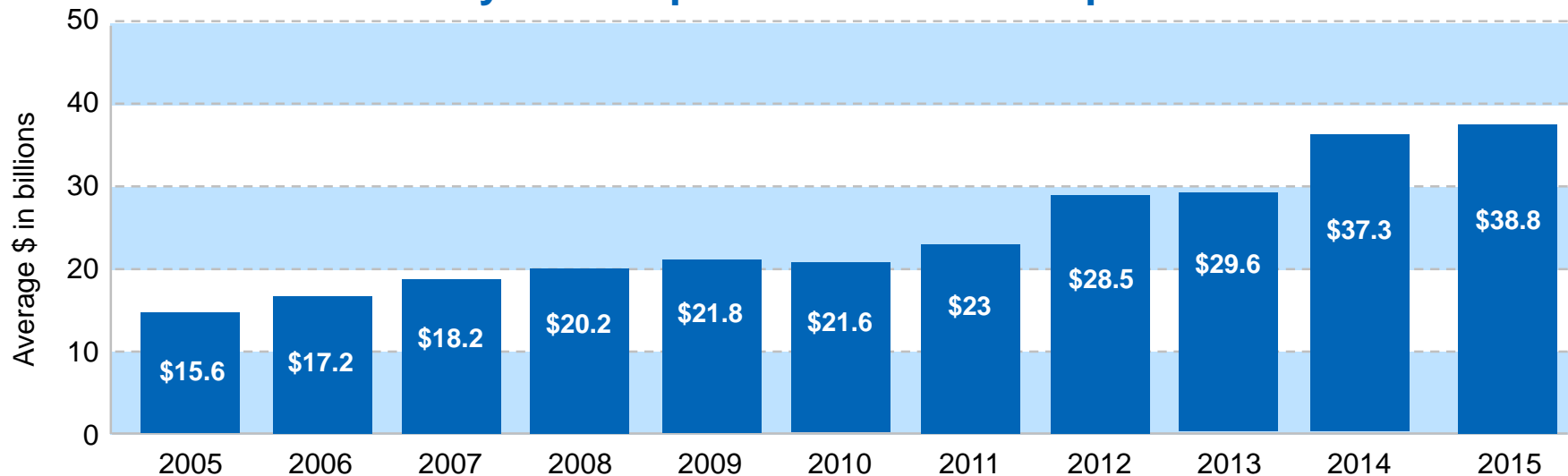
New benefits trends

- Financial crisis and economic environment
- Escalating healthcare costs
- Increasingly diverse workforce
- Decision making and costs shifting to employee

The move to voluntary benefits

To meet diverse needs and control costs, employers are turning to voluntary benefits.

Industry inforce premium – worksite products¹



¹ "Voluntary sales sustained continued growth in 2015", Eastbridge Consulting Group, Inc., April 2016

Voluntary can help solve HR challenges

HR challenges

**Reducing
administrative
costs**



**Controlling
healthcare costs**



**Retaining
critical skills**



**Offering a full
range of benefits**



Voluntary solutions

Helps employer **deliver core benefit education** while communicating all benefits and services at one event.

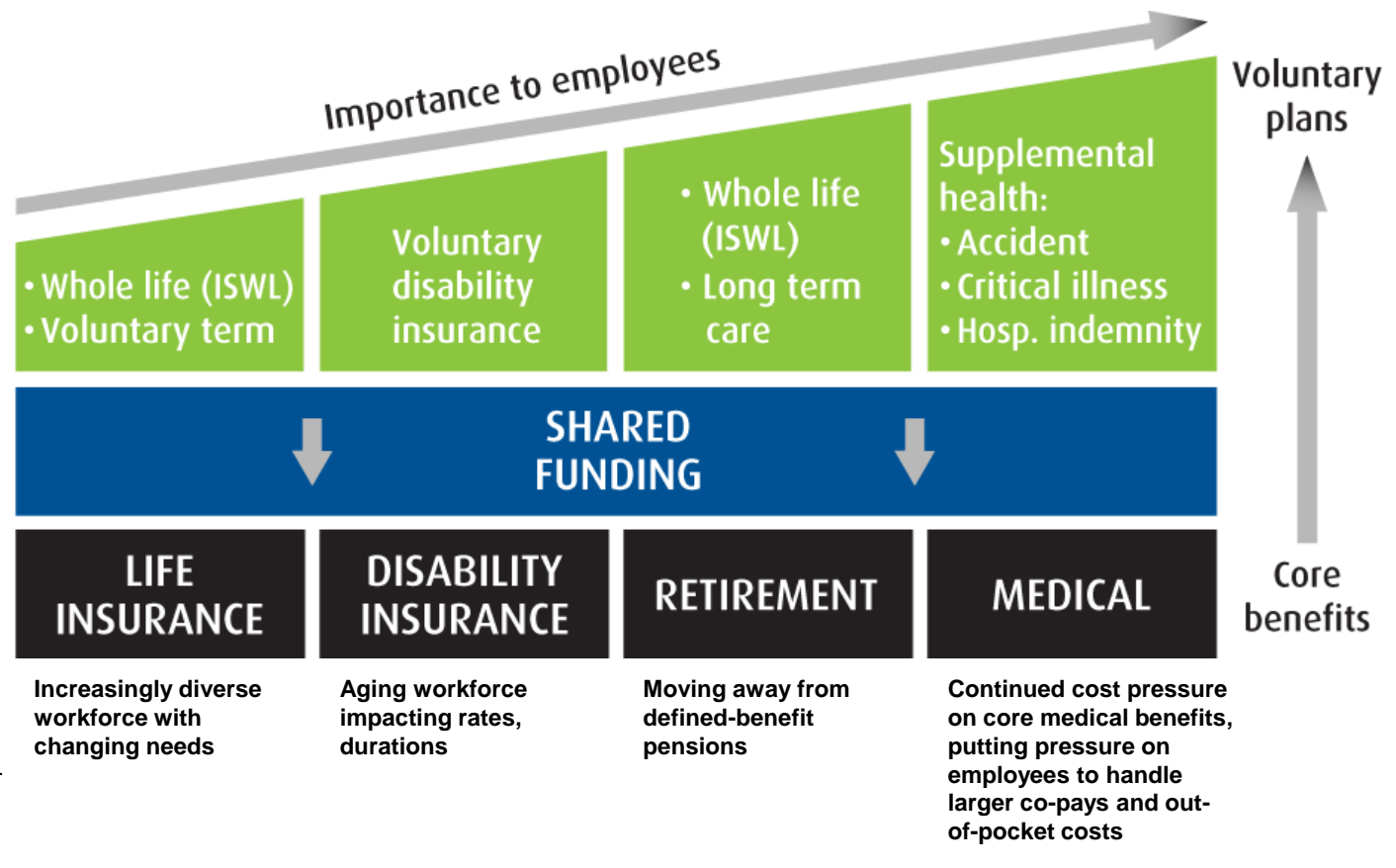
Helps offset the impact of medical insurance cost-sharing, which can increase employees' deductibles, co-pays, premiums and co-insurance.

Helps to **enrich benefit offering**, improving workplace satisfaction, employee engagement and loyalty.

Helps broaden the benefit options to deliver **a long-term solution**, at little or no direct cost to the employer.

Importance of voluntary

Long-term demographic and cost trends are driving demand for employee-funded benefit programs



Benefits education is linked to workplace satisfaction

Effective benefits communications can improve:¹

- Employee benefits decision-making
- Workers' perception of their benefits plan
- Workplace satisfaction
- Employee engagement and productivity
- Participation levels

Of those employees who rated their benefits education as:

} Fair or poor

18%

rated their employer as an “**excellent or very good**” place to work

Of those employees who rated their benefits education as:

} Excellent or very good

76%

rated their employer as an “**excellent or very good**” place to work



A **significant** increase!

Portfolio Positioning

The need for benefits expertise

The advisor's role:

- **Research:** Understand workforce and marketplace trends
- **Qualify:** Assess carriers' offerings, services, pricing for best value
- **Probe:** Identify client's goals and workforce needs
- **Gauge:** Measure client's satisfaction with current benefits offering
- **Decode:** Identify sound solutions to address employer objectives
- **Recommend:** Propose options to strengthen employer offering
- **Execute:** Deliver strategic plan for implementation
- **Monitor:** Manage ongoing service needs
- **Cultivate:** Anticipate future needs to maintain client's competitive position



A consultative approach

CFO

- What will my costs be over the next 3 to 5 years?
- What steps can be taken to control them?





HR

- What benefit package can I design to recruit and retain key workers?
- How can I manage to budget while offering an attractive benefits package to a diverse workforce?
- How can I easily update my employee data base?

EEs

- Am I getting value out of my benefits package?
- Am I making the right decisions?
- Do I know my financial risk?

Voluntary benefits that fit your offering

	Typically covers	May NOT cover	FILL THE GAP with voluntary benefits
 Medical Insurance	Major medical expenses after deductible, co-insurance, co-payment, and out-of-pocket expenses are met	Impact of deductibles, co-insurance, co-payments, ancillary expenses, alternative therapies	<ul style="list-style-type: none"> ● Critical Illness, ● Accident, and/or ● Group Hospital Indemnity
 Short Term Disability Insurance	50%–70% of pre-disability income	30%–50% of pre-disability income	<ul style="list-style-type: none"> ● Accident
 Long Term Disability Insurance	50%–70% of pre-disability income	30%–50% of pre-disability income or income loss during elimination period	<ul style="list-style-type: none"> ● Critical Illness
 Life Insurance	1 to 2 times salary during working years	Protection for increased family financial responsibilities or post-retirement needs	<ul style="list-style-type: none"> ● Whole life, and/or ● Individual Term, ● Universal Life



Individual short term disability insurance

What is it?

- Short Term Disability Insurance replaces a portion of employees' income if they can't work because of a covered injury or illness.

Why do employees need it?

- An employee's most important asset is his or her ability to continue to earn income.

How does it work?

- Monthly indemnity payments are made directly to the employee while they are disabled.



(63%) of Americans would find it somewhat or very difficult to meet current financial obligations if their paycheck were delayed by one week.”¹

¹ American Payroll Association, “2016 ‘Getting Paid in America’ Survey (2016).”

Critical illness

How it can protect

- Typical Critical Illness plans pay a lump sum benefit upon diagnosis of covered illness
- Typical covered illnesses may include heart attack, stroke, major organ transplants, permanent paralysis, bypass surgery, and kidney failure, and optional cancer
- Benefit can generally be used however employees choose including expenses that health insurance doesn't cover
- Frequently dependent coverage may be available

Who's at risk?²

The estimated probability of developing cancer during a lifetime

1/2 of men

1/3 of women

² American Cancer Society, "Cancer Facts & Figures 2015" (2015).

Critical illness benefit example

The situation

- 51-year-old male
- Light manufacturing company
- Heart attack
- PPO medical plan
- Expenses not covered by major medical plan:
 - \$100 emergency care co-pay
 - \$1,000 deductible
 - \$2,000 co-insurance
 - \$240 specialist visit co-pays
 - \$1,540 lost wages
- **Total out-of-pocket—\$4,880**
- Total medical costs = \$41,000



The solution

\$20,000 critical illness policy

- Lump sum payment provided to the employee upon diagnosis
- Benefit can be used to help cover expenses that may not be covered by major medical insurance and replace lost or reduced income.
- Other possible uses:
 - Mortgage or car payment
 - Monthly bills
 - Transportation
 - Dependent care
 - Household expenses



Hospital Indemnity Insurance

How it protects

- Helps reduce the financial impact of out-of-pocket expenses such as co-insurance, co-pays and deductibles
- Pays a lump sum benefit when employee is hospitalized or has outpatient surgery for a covered injury or illness
- Covered events typically include hospital confinement, outpatient surgery, emergency room visit and ambulance transport
- **Typical product options**
 - Range of benefit amounts
 - Rider for extra emergency care benefits
 - Riders for spouse and children

Employer-elected plan options*

- Hospital admission
- Outpatient surgical procedure
- Inpatient surgical procedure
- Diagnostic procedure
- Transportation & lodging



Additional benefit options, including:

- Emergency room treatment
- Rehabilitation unit, intensive care unit, and daily hospital confinement





Accident insurance

How it can protect

- Helps lessen the financial impact of out-of-pocket medical costs related to an accident
- Complements a traditional and high-deductible health plan
- Typically pays benefits for numerous covered injuries/treatments, which can include:
- May include coverage for accidental death & catastrophic accident
- Benefit can generally be used however employees choose for expenses health insurance doesn't cover.

ER visits

Broken bones

Dislocations

Emergency dental

Chiropractor

Follow-up doctor visits

Ambulance

Burns

Knee ligament injuries

Rehab therapy



Accident benefit example

The situation

- 40-year-old employee
 - Fell down stairs at home
 - Fractured toe and tore ACL
 - Out-of-pocket expenses:
 - \$100 emergency co-pay
 - \$250 deductible
 - \$750 co-pay for surgery (\$3,750 x 20%)
 - \$90 co-pay for six physical therapy visits
- = \$1,190**



The solution

Accident policy from Unum

- \$150 emergency room treatment
 - \$100 appliance (knee brace)
 - \$100 fractured toe
 - \$400 ligament tear w/surgical repair
 - \$150 for six physical therapy visits
- = \$900 total benefit paid under policy**

For illustrative purposes only. The available income replacement may vary by state.

Life insurance for diverse needs

Employees need a full range of life insurance options to address various life stages.



Life insurance protection for a lifetime



- Single
- Limited financial responsibilities
- Begin with term life
- Take advantage of economical term rates



- Married
- Starting a family
- Increased financial responsibilities
- Add whole/universal life for maximum protection



- Increasing family obligations
- Financing a home
- College tuition
- Term and whole/universal life provide comprehensive coverage
- Dependent coverage for spouse and children available



- Retirement
- Fixed income
- Reduced financial obligations
- Term coverage typically ends
- Whole/universal life can move into retirement with you

Employer-sponsored term life coverage

Employee-paid term life coverage

Employee-paid whole/universal life coverage

Advantages across voluntary products

- **Choice:**
Voluntary benefits offer a wide range of benefit amount and rider options that allow employees to customize plans to their unique needs.
- **Enhancement:**
Employers can enrich their benefits plans at little or no additional cost.
- **Ownership:**
Employees own the policies and can take them with them when they change employers or retire – at the same premium amount.
- **Affordability:**
Workplace purchase can mean more affordable rates than employees can find on their own.
- **Convenience:**
No-hassle payment through automatic payroll deduction.
- **Immediacy:**
Coverage typically becomes effective the first day of the month when payroll deductions begin.

Case Studies

The scenarios presented in this section were created for illustrative purposes only.

Benefit communication case study

The Situation

- A growing residential and commercial plumbing contractor located in two major metropolitan cities
- Primarily blue collar staff with a small support administrative staff and a separate, small – but growing – campus of executives

Their Challenge

- A unique meeting plan was needed to reach mobile employees who are not office based
- To design a more employee-oriented and educational approach to benefits
- To successfully add two new products to the group's benefit offering, with voluntary STD a completely new product for this group
- Bilingual enrollers needed for Spanish speaking population

Case at a glance

- Plumbing contractor with expanding business
- 150 total employees in four locations
- Enrollers interviewed 75% of employees during the enrollment period
- Offering included ISWL and individual short term disability (ISTD)

Benefit communication case study

The Solution

Pre-Enrollment Communications

- HR staff promoted the importance of face-to-face meetings and scheduled mandatory appointments for each employee to meet with an enroller.
- Carrier's representatives sent packets to all employees providing details about enrollment meetings and features of the two voluntary products offered.

Personalized Employee Consultations

- Individual employee consultations with a licensed enroller
- Proprietary laptop system supported onsite enrollment
- Enroller provided employee statement itemizing current benefits, the value of each benefit, and the financial contributions made by the company on their behalf
- Enrollers educated employees on the new employee-paid insurance products

The results exceed expectations

- Enrollers interviewed 113 employees (75%) at the employer's sites
- Participation rates: 28% for ISWL and 21% for ISTD
- Generated annual premium of \$11,934 for ISWL and \$17,113 for ISTD
- Expenses were within the target budget of 15%

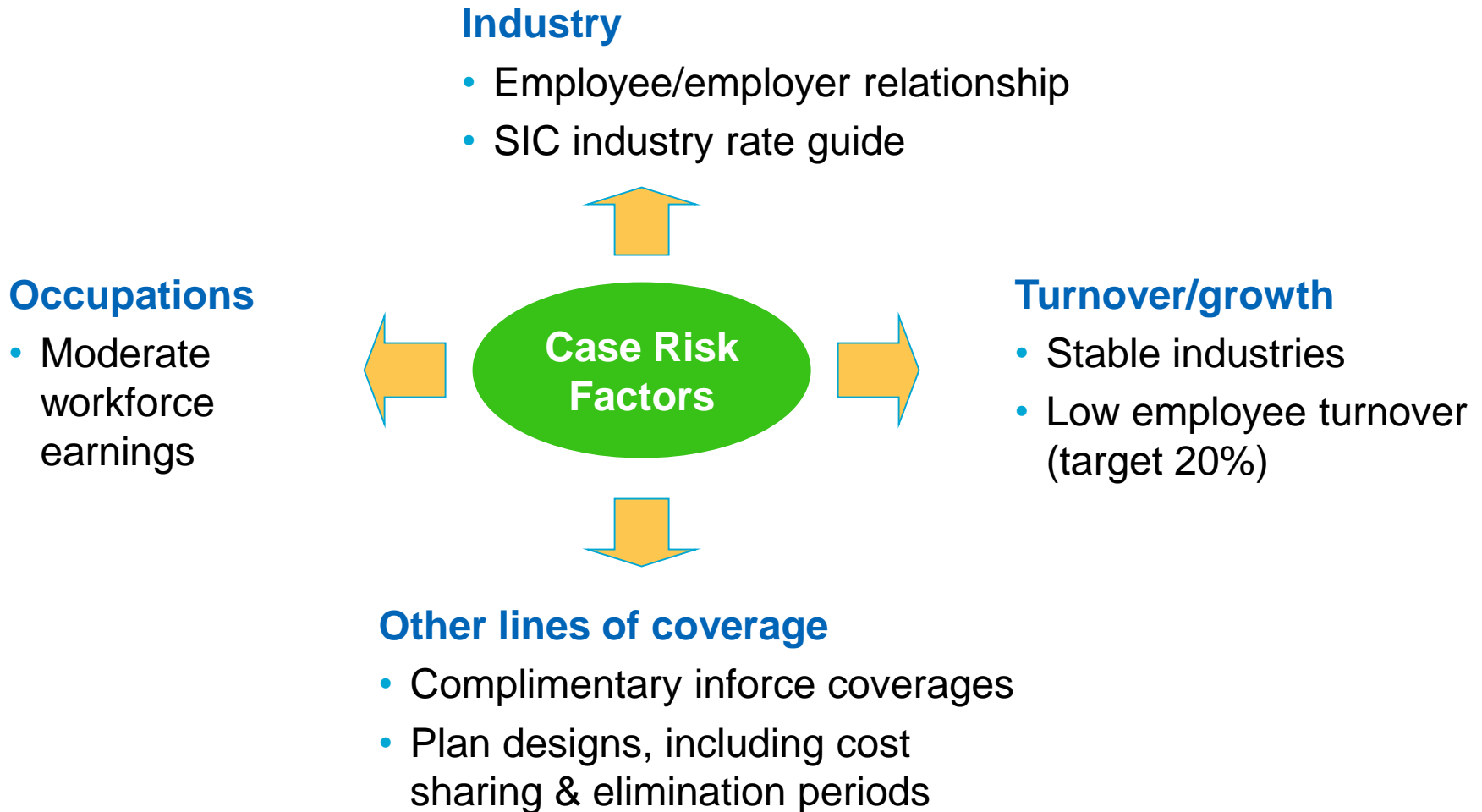
Underwriting Risk and Case Assessment

Voluntary Case Prospecting Tip Sheet

Evaluate the case based on these key elements:

- Existing benefits – what's a good fit?
 - medical plan: deductibles, co-pays and co-insurance
 - sick leave/PTO/employer-paid disability
- Product mix – Voluntary products only or integrated with group products
- Working conditions
 - access to employees via face-to-face, group setting, call center, web, etc.
- Enrollment strategy
- Projected expenses of enrollment

Underwriting risk and assessment



Sales Cycle Review

VB Sales Cycle Review

Summary

- Three primary decision makers: broker, corporate customer and end consumer/employee
- Timeline of cycle is driven by case size, and can range from 5–36 months
- Enrolling entity is heavily involved in both the broker & corporate sale, driving the fulfillment discussion & strongly influencing carrier selection
- Decision points: Large/communication services & product; Core/relationship & product
- Can't lose sight of the fact that voluntary products are *sold* not *bought*

Areas of focus

- Rep experience/education can position carrier partner to *drive* the fulfillment discussion
- Effectively defining and securing *employer commitment* is a critical success factor
- Realities of the segmented sales cycle are significant points of reference when attempting to accelerate short-term sales results

VB Sales Cycle Review Process

The voluntary sales cycle can be defined as a 3-step process . . .

Timeline: 6 to 24 months



- Rep
- Enrolling Entity



- Rep
- Broker
- Enrolling Entity

Timeline: 3 to 9 months



- Enrolling Entity
- Service Team

Implementation and Enrollment

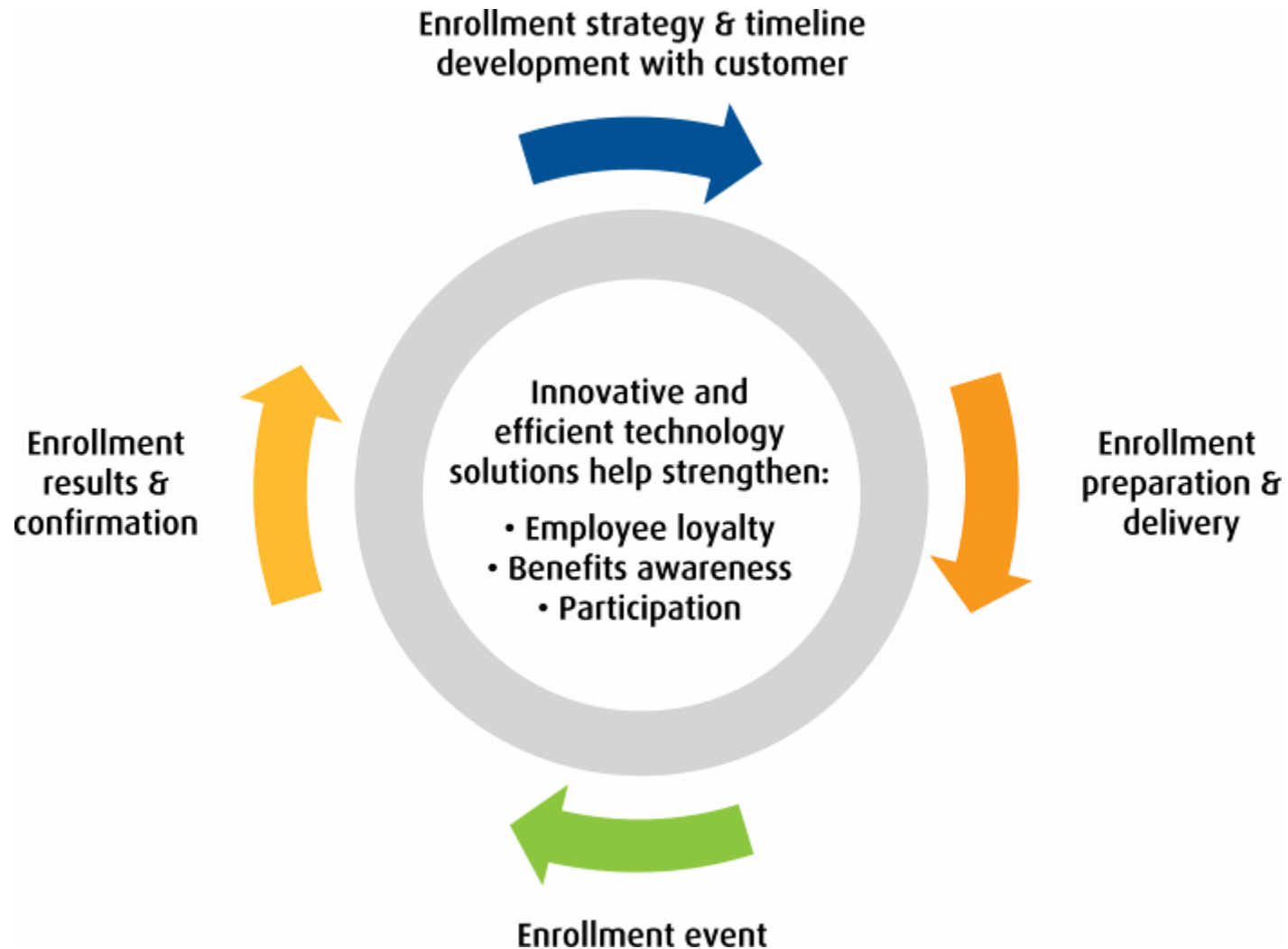
An implementation approach based on partnership

An implementation team **should be** focused on working to:

- Assess customer requirements and objectives
- Develop and execute the right implementation strategy
- Monitor and manage progress using common systems
- Analyze and report results
- Survey to identify improvements



A comprehensive enrollment process is key to success



Consultative approach to communicating value

Comprehensive services	Service-oriented approach
<ul style="list-style-type: none">■ Customized enrollment strategies■ Pre-event promotion campaigns■ Coordinated enrollment with other benefit plans■ Enrollment event marketing support■ Full benefit communication services■ Provide a needs-based, education-oriented approach for communicating and enrolling■ Proactive strategies for re-enrollment	<ul style="list-style-type: none">■ Nationwide network of licensed representatives■ Face-to-face, call center and web enrollment strategies■ Web-based customer satisfaction surveys■ Support post-enrollment account management

Enrollment Strategy: Pre-Sale Expectation

Pre-Enrollment Planning

- Set expectations

Communication

- Pre-enrollment notification
- Various communication tools



Enrollment Logistics

- Ensure employee access

Post-Enrollment Activity

- Newly eligible and new employee process

Industry standard implementation timeline

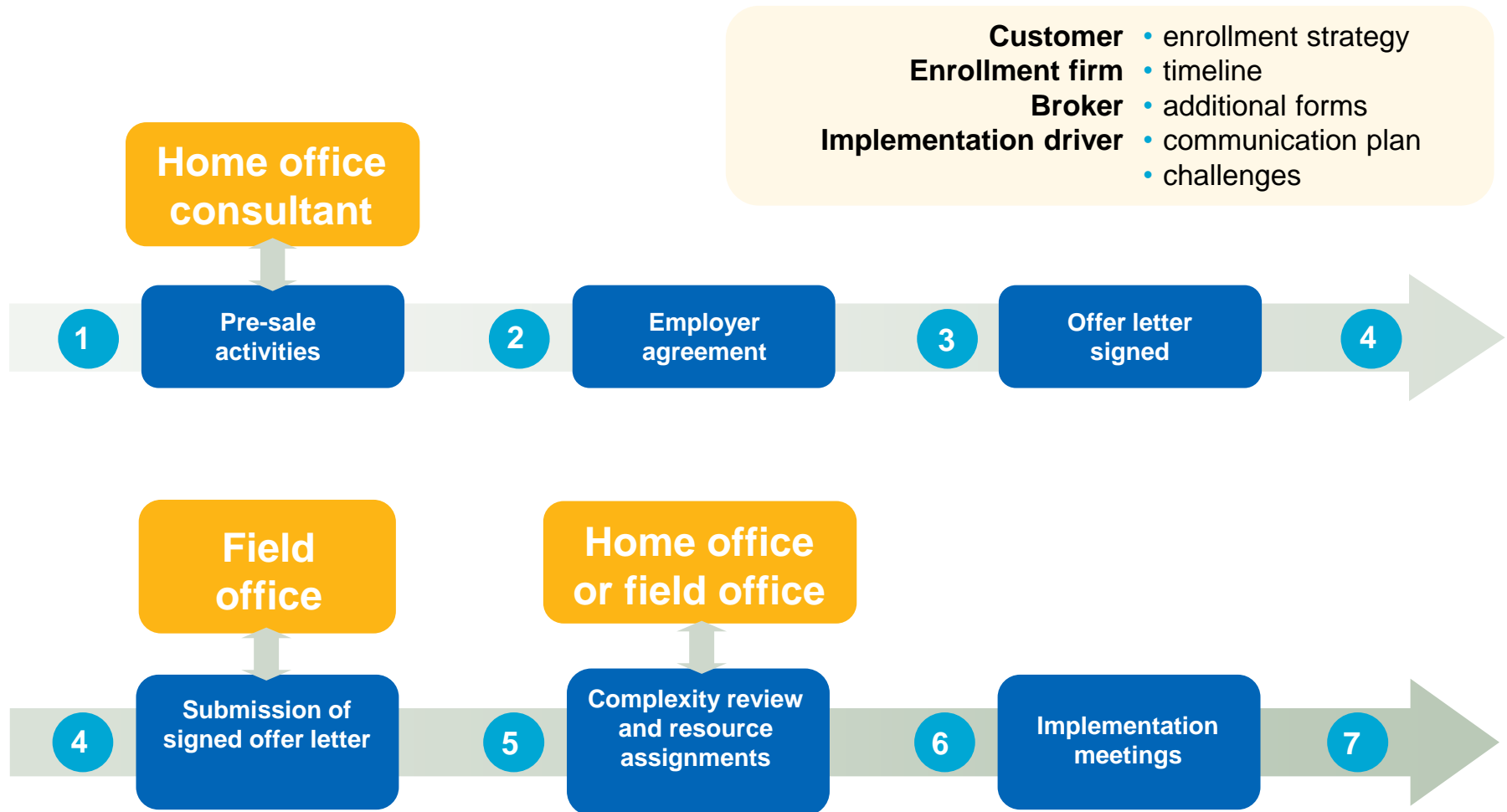
Timeline

Final census data confirmed	Day 1 Signed Master Agreement
	Next 2 Business Days
Announcement communication to managers and employees	Next 5 Business Days
Employee group meetings held	Next 10 Business Days
Pre-enrollment activities	Next 2 Business Days
Enrollment period	Next 10 Business Days
Payroll deduction file received by employer	Next 10 Business Days
Payroll deductions begin	Next 10 Business Days
Policy Issue date	Next 10 Business Days
Total	60 Business Days

Timeline may be reduced based on enrollment method, case complexity and technology used.

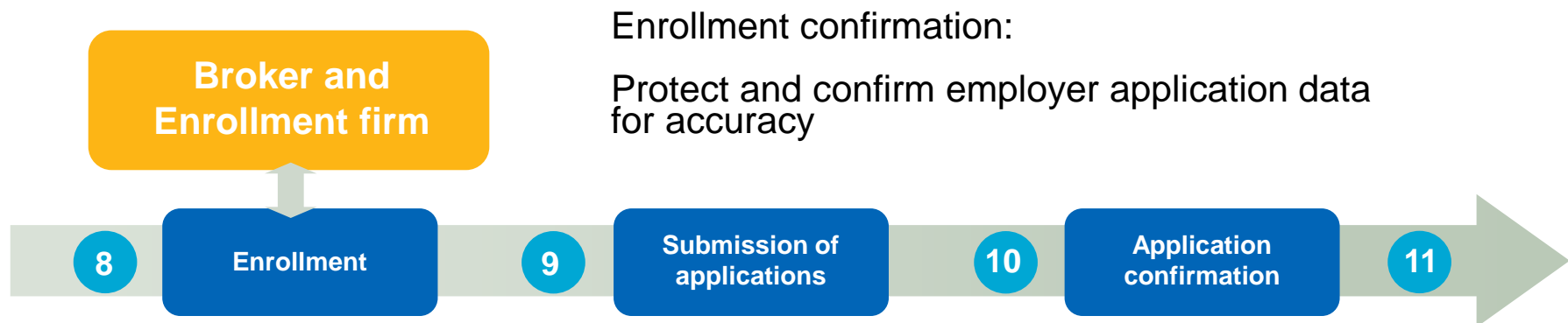
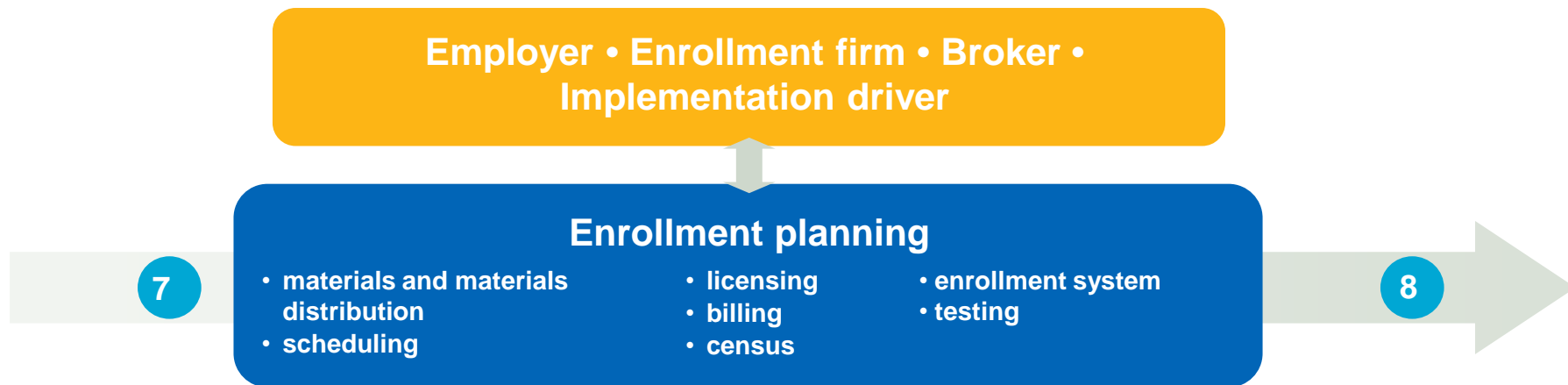
Pre-sale support scenario – best practices

Implementation planning: Involve key players to evaluate challenges and resources



Enrollment planning

One point of contact drives enrollment preparation



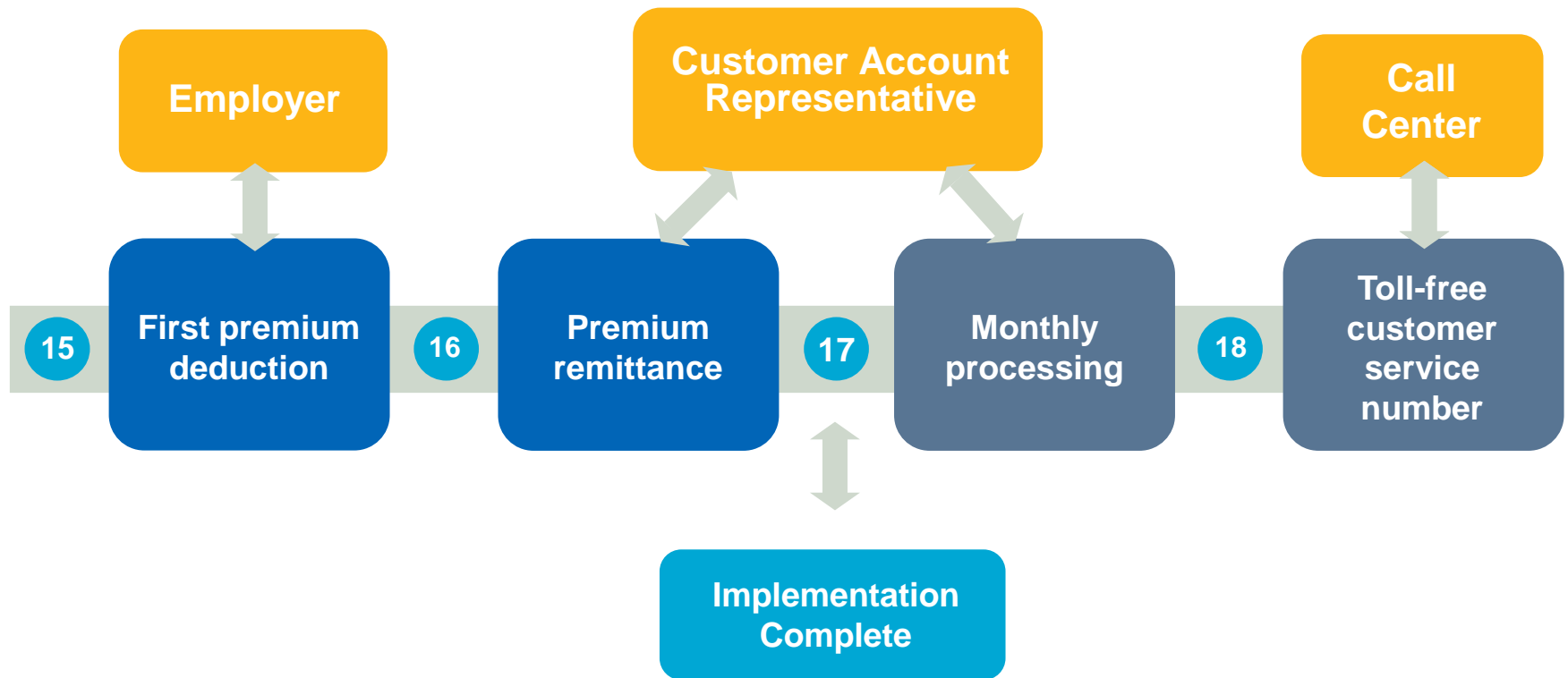
Application verification and policy issue

Commit to a timely process



Moving from implementation to service

Ongoing support relieves administrative burdens



Takeaway

- As employers continue to shift the cost of ancillary benefits to employees, voluntary benefits are becoming more important and prevalent
- Always carefully consider the employer characteristics to help guide clients towards the product and enrollment solution that works best for them
- Don't hesitate to ask questions of your partners to ensure you understand the process and how to support it!





unum.com

© 2015 Unum Group. All rights reserved. Unum is a registered trademark and marketing brand of Unum Group and its insuring subsidiaries. Insurance products are underwritten by the subsidiaries of Unum Group.

**For education purposes only.
9.2017 Updated S. Riley**