



Top Trends in Voluntary Benefits

2010 Health Care Benefits New York Show & Conference

Presented by:

Mark Parabicoli
Liberty Mutual Insurance Company

March 1, 2010

Current Marketplace

Panel / Group Discussion

- What are your top concerns
 - During a recession?
 - Plans and concerns surrounding economic recovery?
- Where does the importance of voluntary benefits fit into your overall strategy?

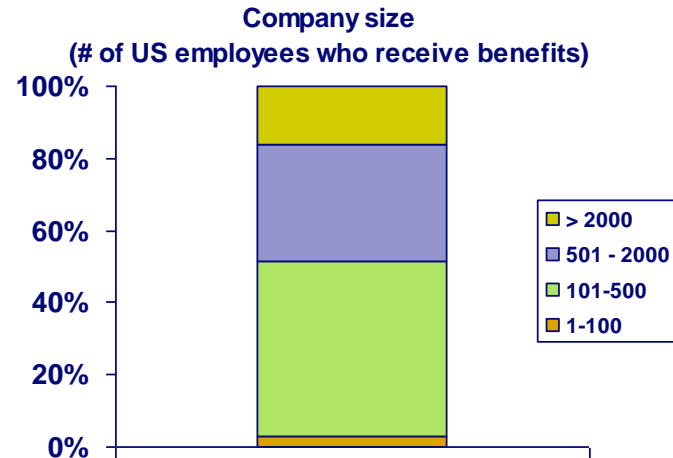
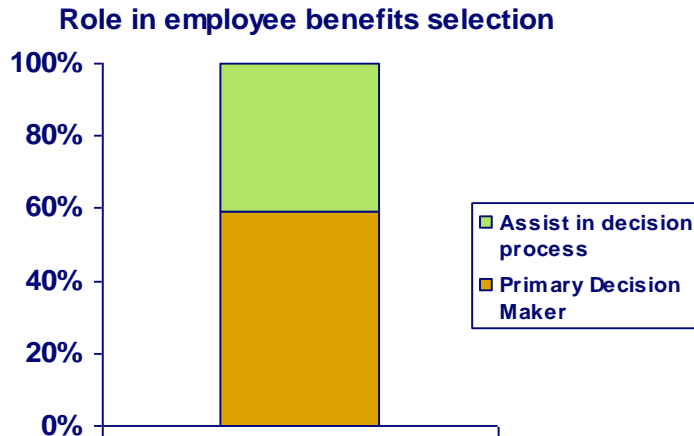
Now... Let's see how this compared to our recent, online employee survey.



Executive Summary

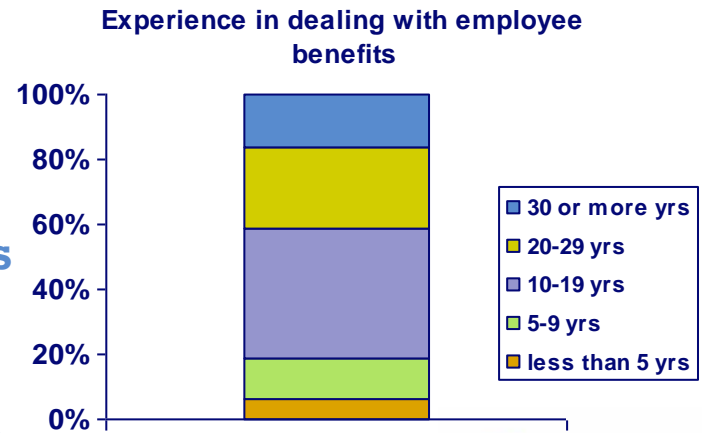
- **Building up a robust Voluntary Benefit program aligns with employers top objectives of cutting cost and increasing employee retention.**
 - There is evidence of increased employee loyalty and satisfaction
- **However, most employers currently have limited voluntary benefit offerings and are not planning on significantly expanding their offerings**
 - While most employers agree that voluntary benefits are valuable, few currently provide more than 6 offerings to their employees
 - There is a clear perception gap between employers and employees on the importance of variety in the Voluntary Benefits offering
- **Employers offer a variety of different voluntary benefits, with life insurance and short/long-term disability being the most common**
 - Most employers aren't planning on expanding their offering, but those that are look to add Long Term Care insurance, legal plans and auto/home insurance
- **The next steps in expanding your Voluntary Benefits program are identifying gaps, selecting providers, and establishing payroll deduction.**

Employer Survey Parameters



Who did we target?

- primary decision makers
- from medium to large companies
- with more than 10 years experience administering employee benefits



(n = 360)

Source: HRE Survey of Voluntary Benefits, July 2009



Employee Survey Parameters

Methodology

Project Name: Employer B-C Study
Design/Method: Online survey

Sample

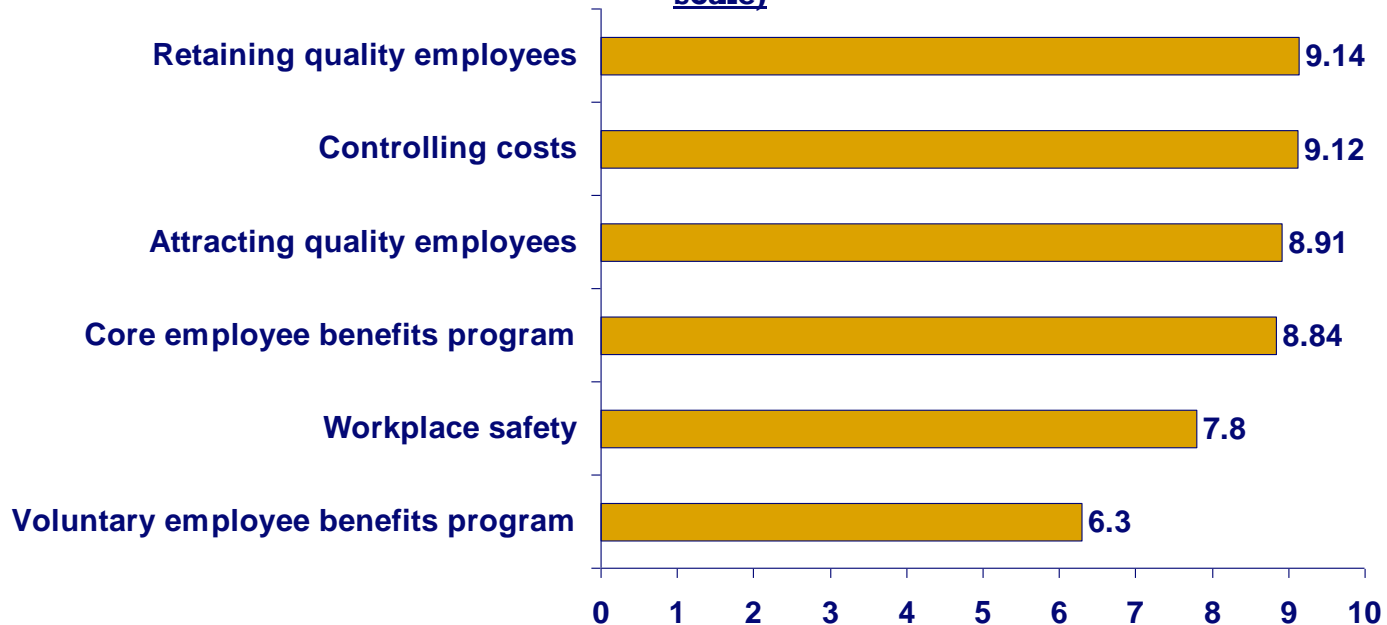
Sample Size: 611 interviews
Sample Source: MarketTools' ZoomPanel Internet survey panel
Qualifications: US resident adults age 25 or older who are employed full time in an organization with 10 or more employees in the US. Employer must offer some type of voluntary benefits, but respondents were not required to be enrolled in any of them. All industries.
Field Dates: December 9-10, 2009



HR Executives Priority Rankings

Voluntary benefits program was considered significantly less important than the top priorities of retaining quality employees and controlling costs

Rated importance of priorities by HR managers (out of 10-point scale)



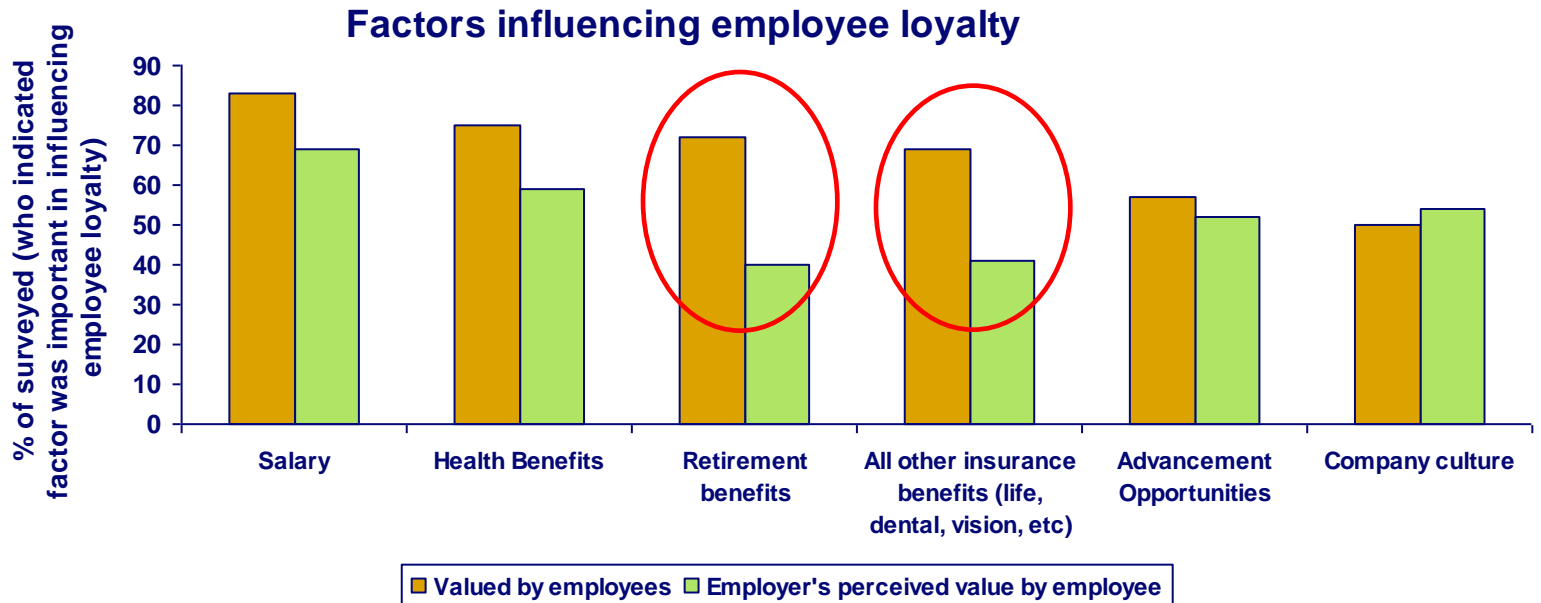
(n = 360)

Source: HRE Survey of Voluntary Benefits, July 2009



Employees Priority Rankings

There are significant gaps between employer perception and employee priorities, most notably in the importance of retirement benefits and voluntary insurance benefits



Employees and employers were asked to indicate the importance of various factors of employee loyalty towards their company

•Source: MetLife Study of Employee Benefits trends, November 2008

(n = 569 for employers, n = 627 for employees)



A Gap Exists with the employers perception...

- **40%*** of employees indicated that they want a wider array of voluntary benefits
- **Only 19%+** of employers reported that their employees are requesting more variety in their voluntary benefits

Opportunity to better align benefits strategies with employees' benefits priorities

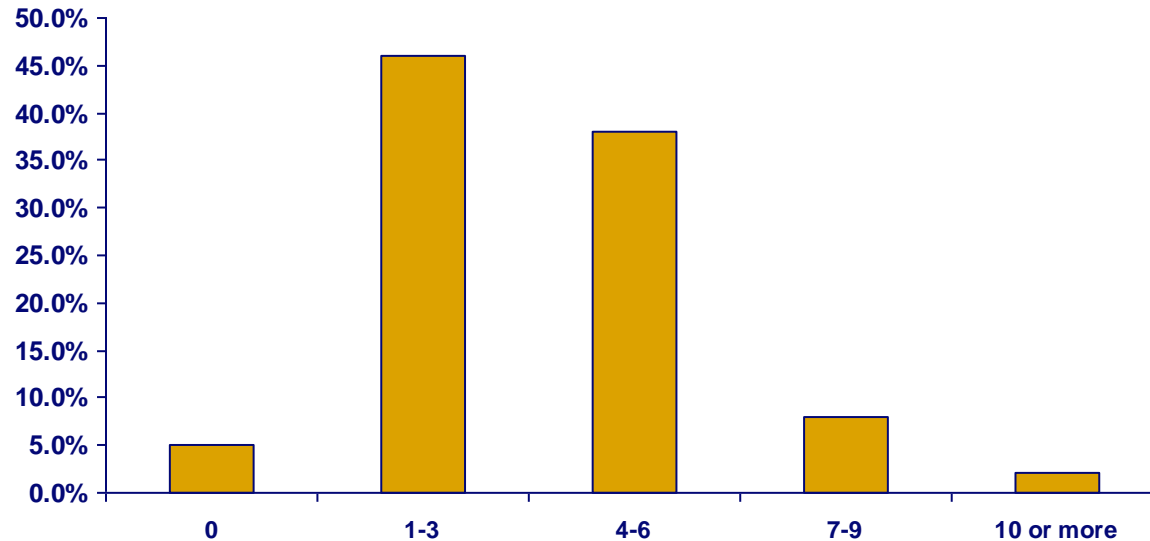
* (n = 1349) Source: Metlife Study of Employee Benefits trend, August 2008

+ (n = 360) Source: HRE Survey of Voluntary Benefits, July 2009

Current voluntary benefits offerings

There is an opportunity for most employers to enrich their voluntary benefits program.

Number of voluntary benefits currently offered



(n = 360)

Source: HRE Survey of Voluntary Benefits, July 2009

Current and planned Voluntary Benefit Offerings

	% employers who currently offer*
Life Products	74%
Disability (short and long term)	64%
Vision	51%
Dental	45%
Long-term care	34%
Critical Illness	34%
Supplemental Medical	22%
Legal Plans	22%
Auto and Home Insurance	19%
Hospital Indemnity	17%
Pet Insurance	7%

	% employers who consider adding**
Long-term care	31%
Legal Plans	19%
Auto and Home Insurance	14%
Critical Illness	13%
Pet Insurance	13%
Supplemental Medical	11%
Vision	9%
Life Insurance	6%
Hospital Indemnity	5%
Disability (short and long term)	4%
Dental	1%

There is a wide variety in the voluntary benefits that employers are currently offering; however, consideration levels to add new these are not very high.

* Out of those who currently have a VB plan

** That they do not currently offer

Source: HRE Survey of Voluntary Benefits, July 2009



Who Can Help

	% employers who consider adding*
Long-term care	31%
Legal Plans	19%
Auto and Home Insurance	14%
Critical Illness	13%
Pet Insurance	13%
Supplemental Medical	11%
Vision	9%
Life Insurance	6%
Hospital Indemnity	5%
Disability (short and long term)	4%
Dental	1%

Largest providers for top 3 categories†

Long-Term Care insurance:
John Hancock Life Insurance Co
Metropolitan Life Insurance Co
Bankers Life and Casualty Co

Legal Plans:
ARAG
Hyatt Legal Plans

Auto and Home Insurance:
Liberty Mutual Group
Metropolitan Life Insurance Co
Travelers Group

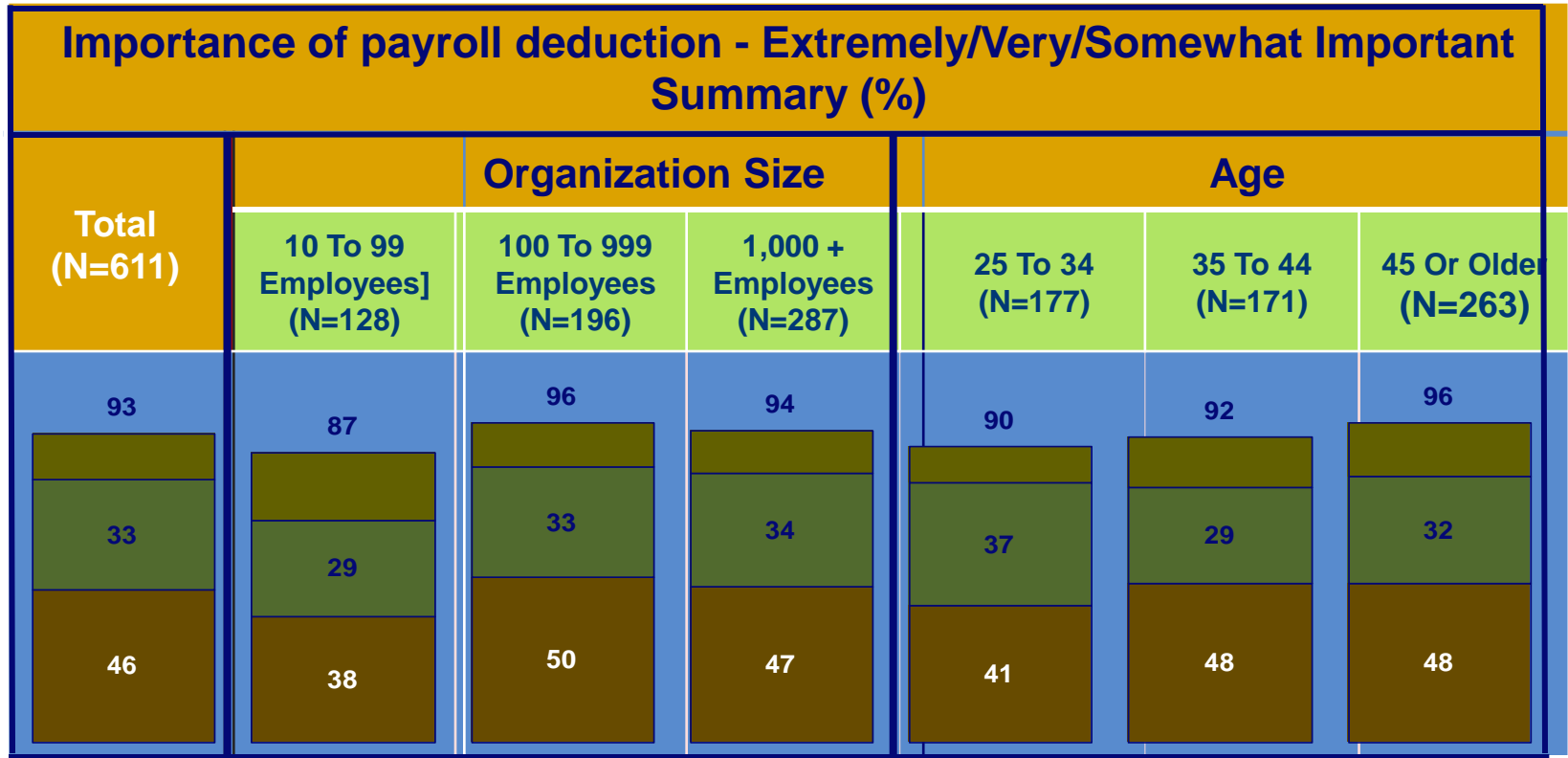
*Source: HRE Survey of Voluntary Benefits, July 2009

†Source: Business Insurance Survey, 2008, shrm.org vendor directory



Nearly all employees say that being able to pay for voluntary benefits with payroll deduction is extremely, very or somewhat important.

Payroll deduction is more important to those employees in 100+ employee organizations.



Extremely Important
 Very Important
 Somewhat important

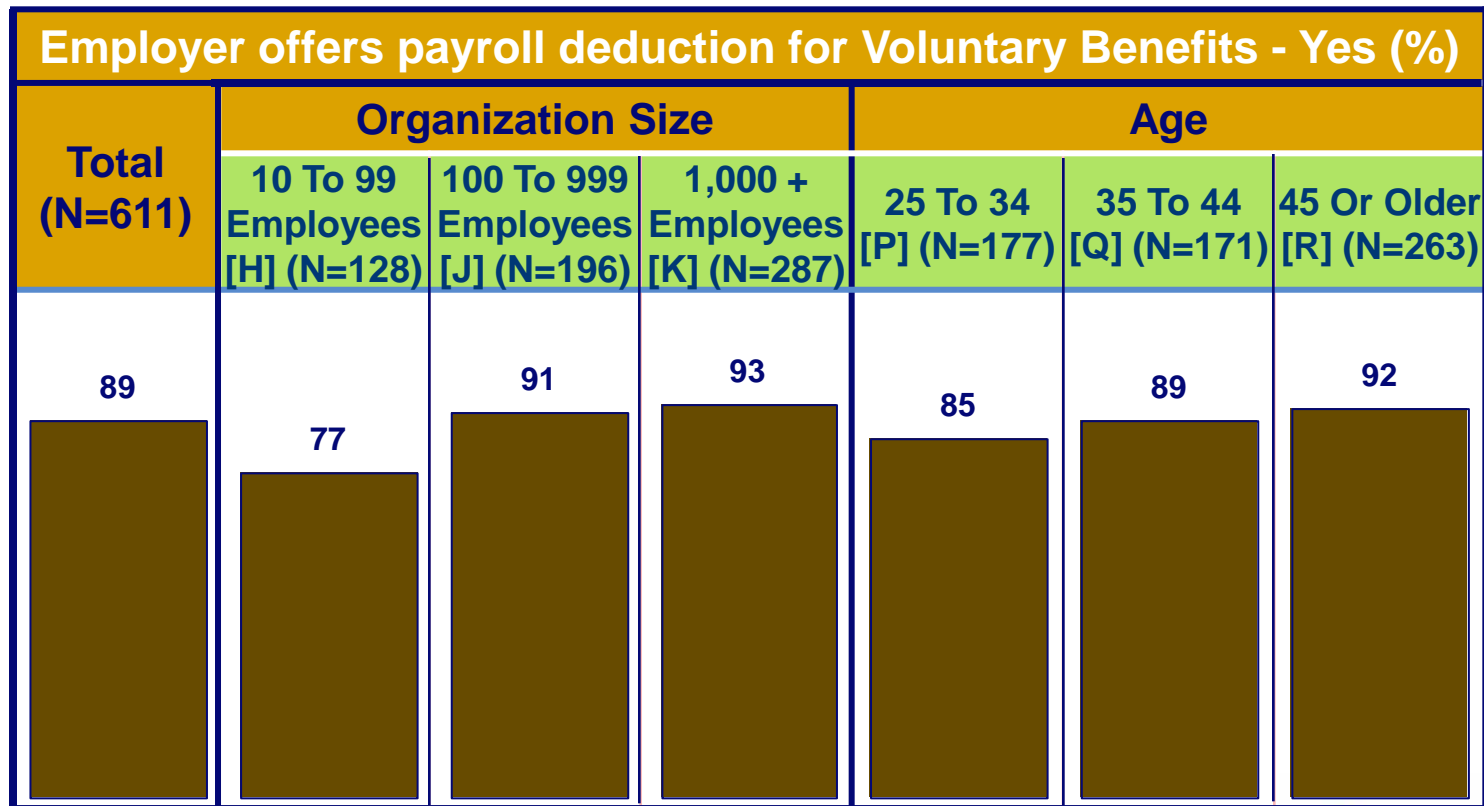


Q10. How important is it to you that you can pay for these voluntary benefits with payroll deduction?

Base: All Respondents

Overall, nine-in-ten employers allow their employees to pay for their voluntary benefits through payroll deductions.

Payroll deduction is more common in 100+ employee organizations.



Q08A. Does your employer offer the opportunity to purchase voluntary benefits through payroll deduction?
Base: All Respondents

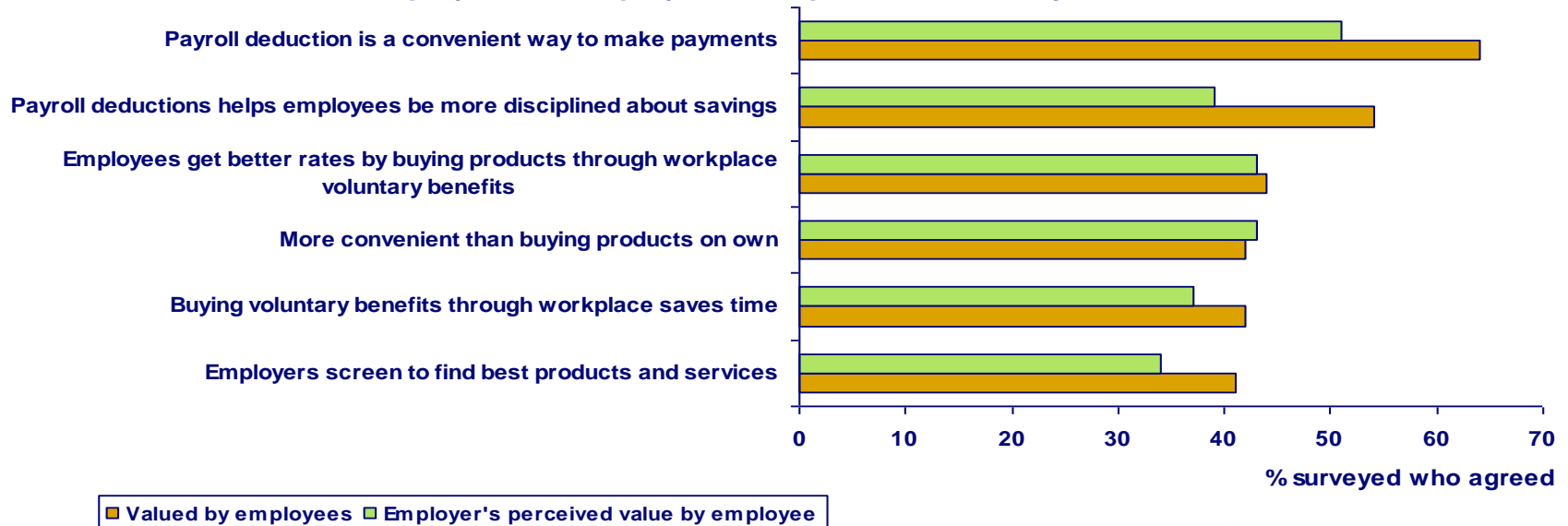


Adding Value Through Payroll

Closing the gap in Voluntary Benefits:

- Increasing the variety of VB available
- Making payroll deduction available

Employer and Employee Perception of Voluntary Benefits



Employees and employers were asked to indicate agreement with the statements above

•Source: MetLife Study of Employee Benefits trends, November 2008

(n = 569 for employers, n = 627 for employees)



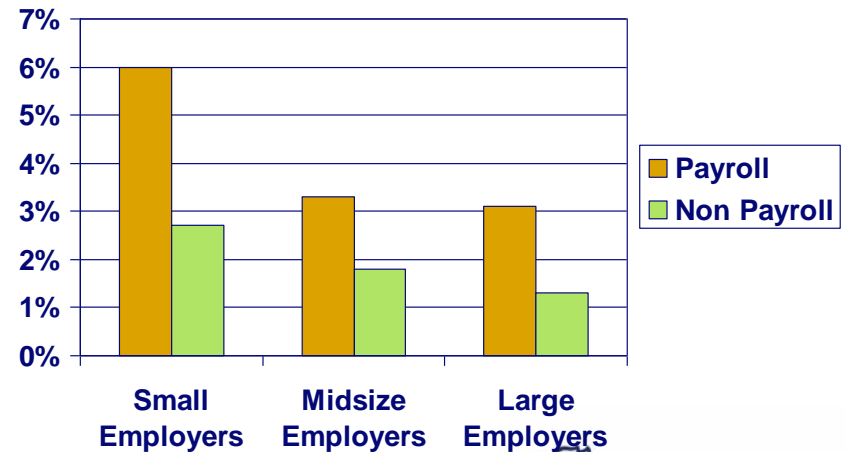
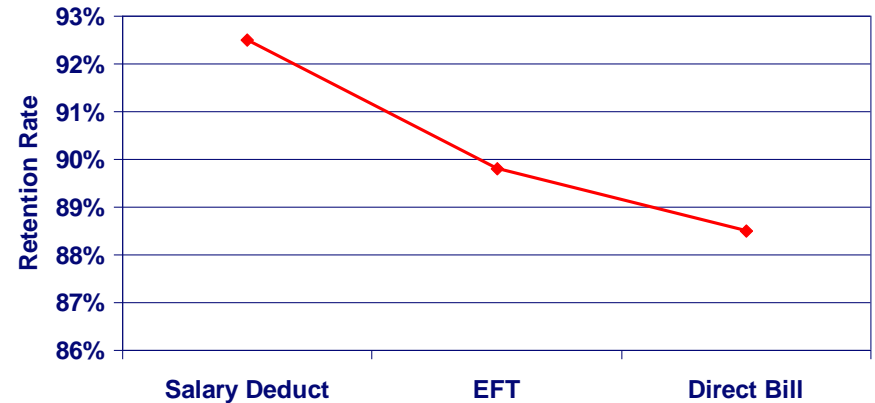
Impact of Payroll Option

Key Consumer Benefits:

- No down payment
- No installment fees
- Easy budgeting

Technology Overview:

- Complete flexibility to Employer's payroll calendar
- Encrypted file transmissions
- Seamless ability to switch employee to direct bill at home in the event of disability, LOA, termination, etc
- 60-day testing and implementation



Next steps

Some simple steps to improve your Voluntary Benefits program

- ▶ **Identify existing gaps in offering by conducting a workplace survey to understand employee priorities and interest**
- ▶ **Select providers, get rate quotes & Implement**
- ▶ **Work with vendors to establish payroll deduction**

Result...

Watch the morale and employee retention figures rise

