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Top Trends in Voluntary Benefits

2011 Health Care Benefits New York Show & Conference

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ARAG

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Current Marketplace

Panel / Group Discussion

- What are your top concerns
 - During a recession?
 - Plans and concerns surrounding economic recovery?
 - Health Care reform?
- 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.



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Executive Summary

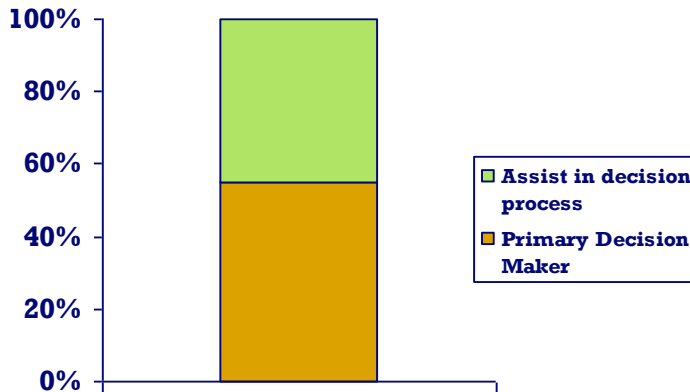
- **Building up a robust Voluntary Benefit program aligns with employers top objectives of cutting cost and increasing employee retention.**
 - There is evidence of increased employee loyalty and satisfaction
- **However, most employers currently have limited voluntary benefit offerings and are not planning 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.**



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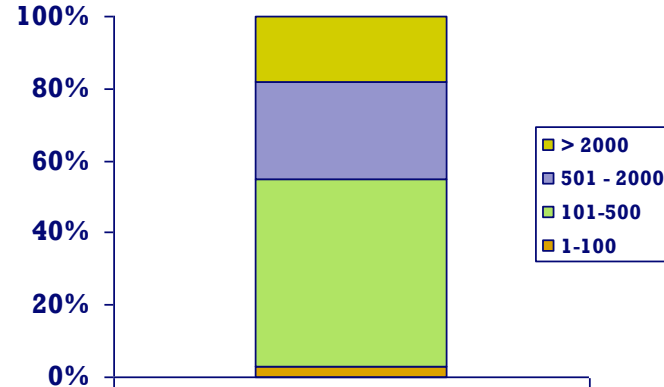
Employer Survey Parameters

Role in employee benefits selection



Company size

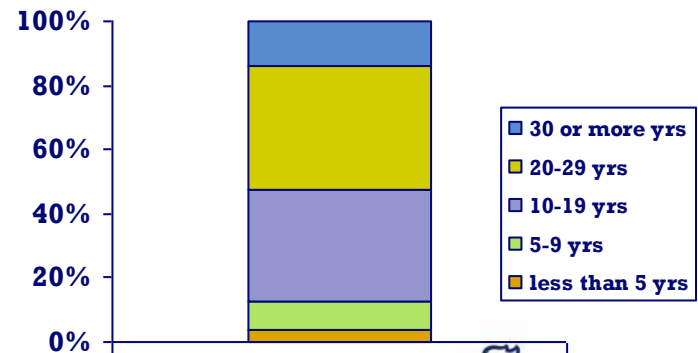
(# of US employees who receive benefits)



Who did we target?

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

Experience in dealing with employee benefits



(n = 513)

Source: Online Survey of Voluntary Benefits, September 2010



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Employee Survey Parameters

Methodology

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

Sample

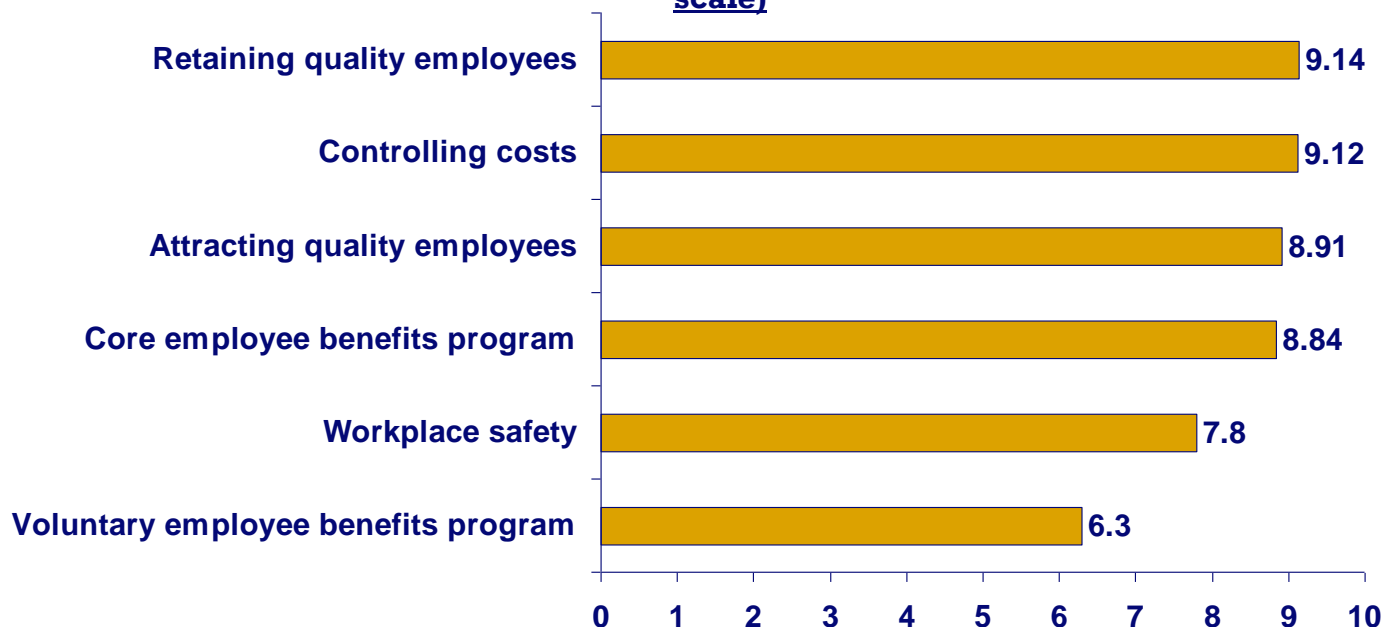
Sample Size:	611 interviews
Qualifications:	US resident adults age 25 or older who are employed full time in an organization with 10 or more employees in the US. Employer must offer some type of voluntary benefits, but respondents were not required to be enrolled in any of them. All industries.
Field 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 = 513)

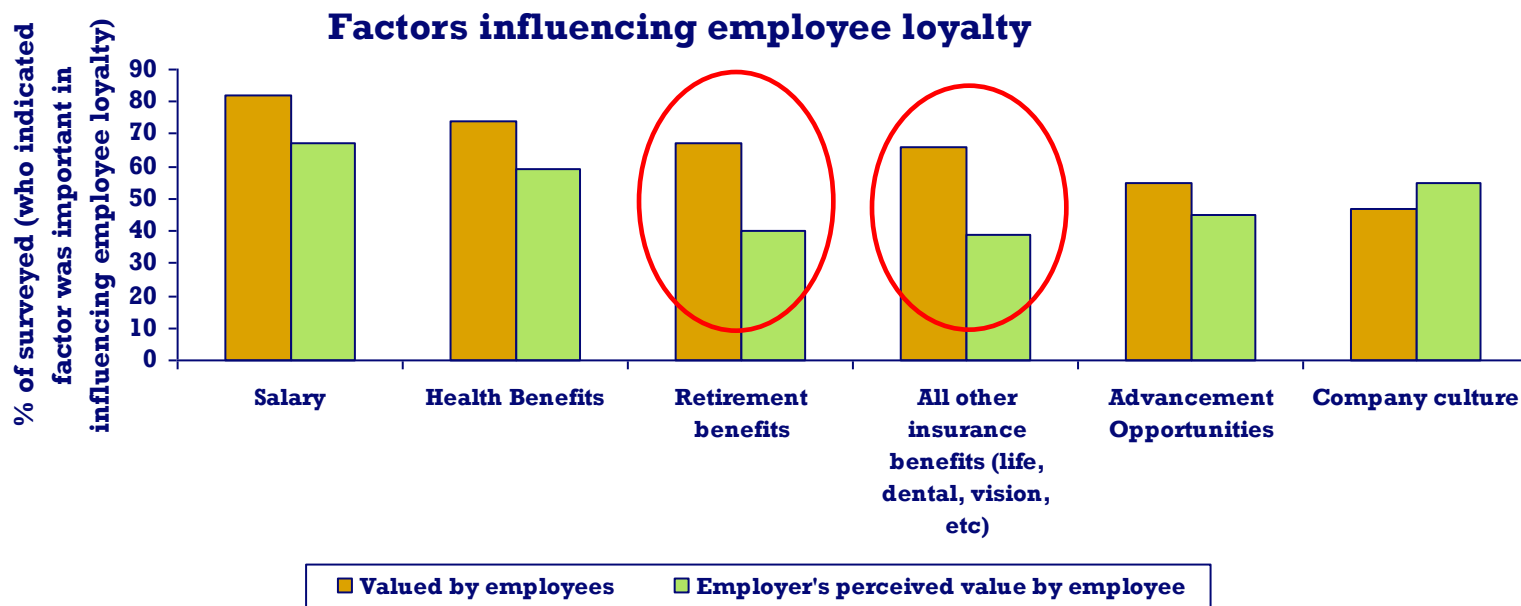
Source: Online Survey of Voluntary Benefits, September 2010



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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, April 2010

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



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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
- **And only 12%*+** have increased their voluntary benefit offering in the past 12 months

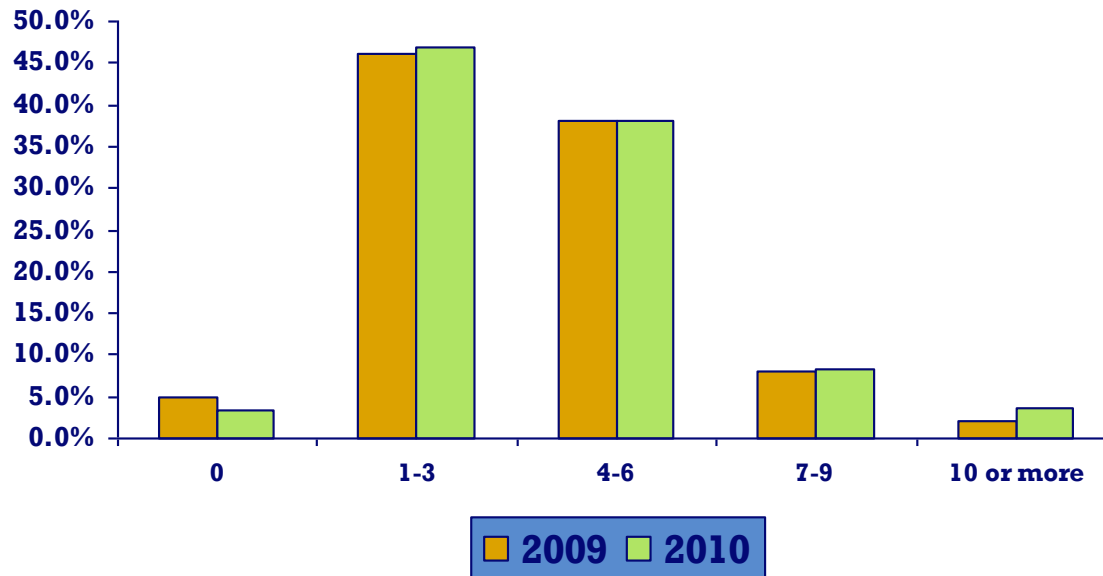
Opportunity to better align benefits strategies with employees' benefits priorities



Current voluntary benefits offerings

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

Number of voluntary benefits currently offered



(n = 513)

Source: Online Survey of Voluntary Benefits, September 2010



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Current and planned Voluntary Benefit Offerings

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.

	% employers who currently offer*
Life Products	74%
Disability (short and long term)	67%
Vision	51%
Dental	49%
Long-term care	34%
Critical Illness	35%
Supplemental Medical	21%
Legal Plans	17%
Hospital Indemnity	18%
Auto & Home Insurance	15%
Pet Insurance	6%

	% employers who consider adding**
Long-term care	29%
Legal Plans	17%
Auto and Home Insurance	15%
Critical Illness	12%
Pet Insurance	11%
Supplemental Medical	11%
Vision	11%
Life Insurance	7%
Disability (short and long term)	9%
Hospital Indemnity	5%
Dental	2%

* Out of those who currently have a VB plan

** That they do not currently offer

Source: (n=513) Online Survey of Voluntary Benefits, September 2010



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Who Can Help

	% employers who consider adding*
Long-term care	29%
Legal Plans	17%
Auto and Home Insurance	15%
Critical Illness	12%
Pet Insurance	11%
Supplemental Medical	11%
Vision	11%
Life Insurance	7%
Disability (short and long term)	9%
Hospital Indemnity	5%
Dental	2%

Largest Providers for the top-3 Categories

Long-Term Care insurance:

Prudential
Genworth Financial
Unum

Legal Plans:

ARAG
Hyatt Legal Plans

Auto and Home Insurance:

Liberty Mutual Group
Metropolitan Life Insurance Co
Travelers Group

*Source: Online Survey of Voluntary Benefits, September 2010

+Source: Business Insurance Survey, shrm.org vendor directory

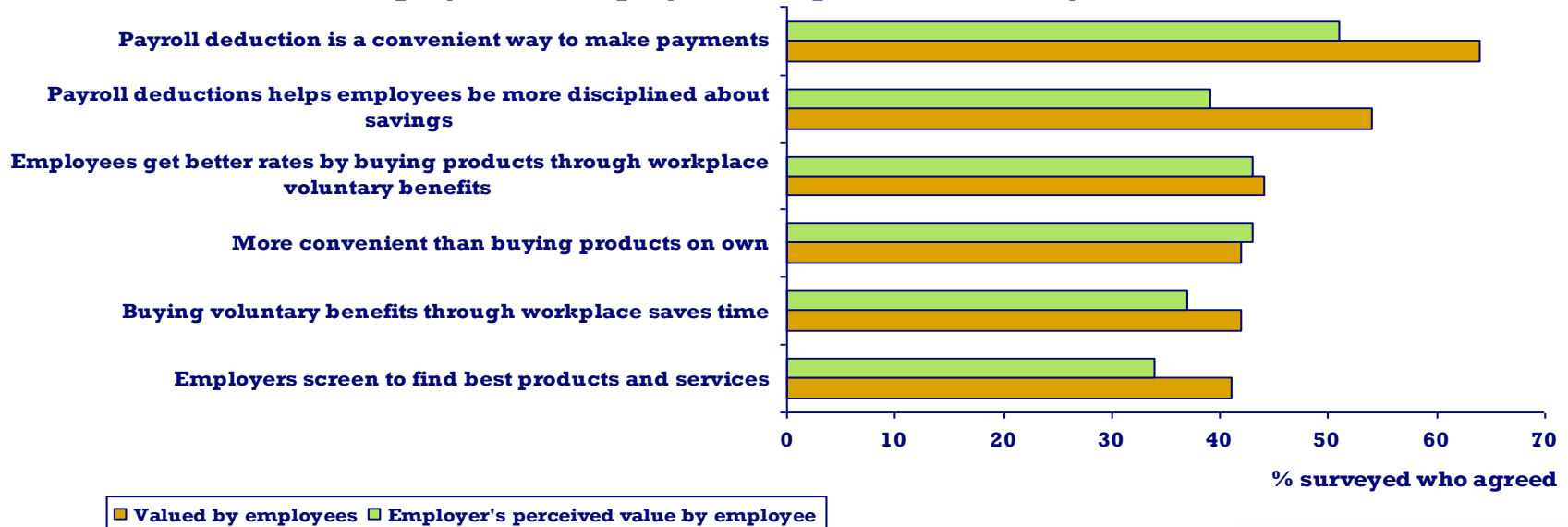


Adding Value Through Payroll

Closing the gap in Voluntary Benefits:

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

Employer and Employee Perception of Voluntary Benefits

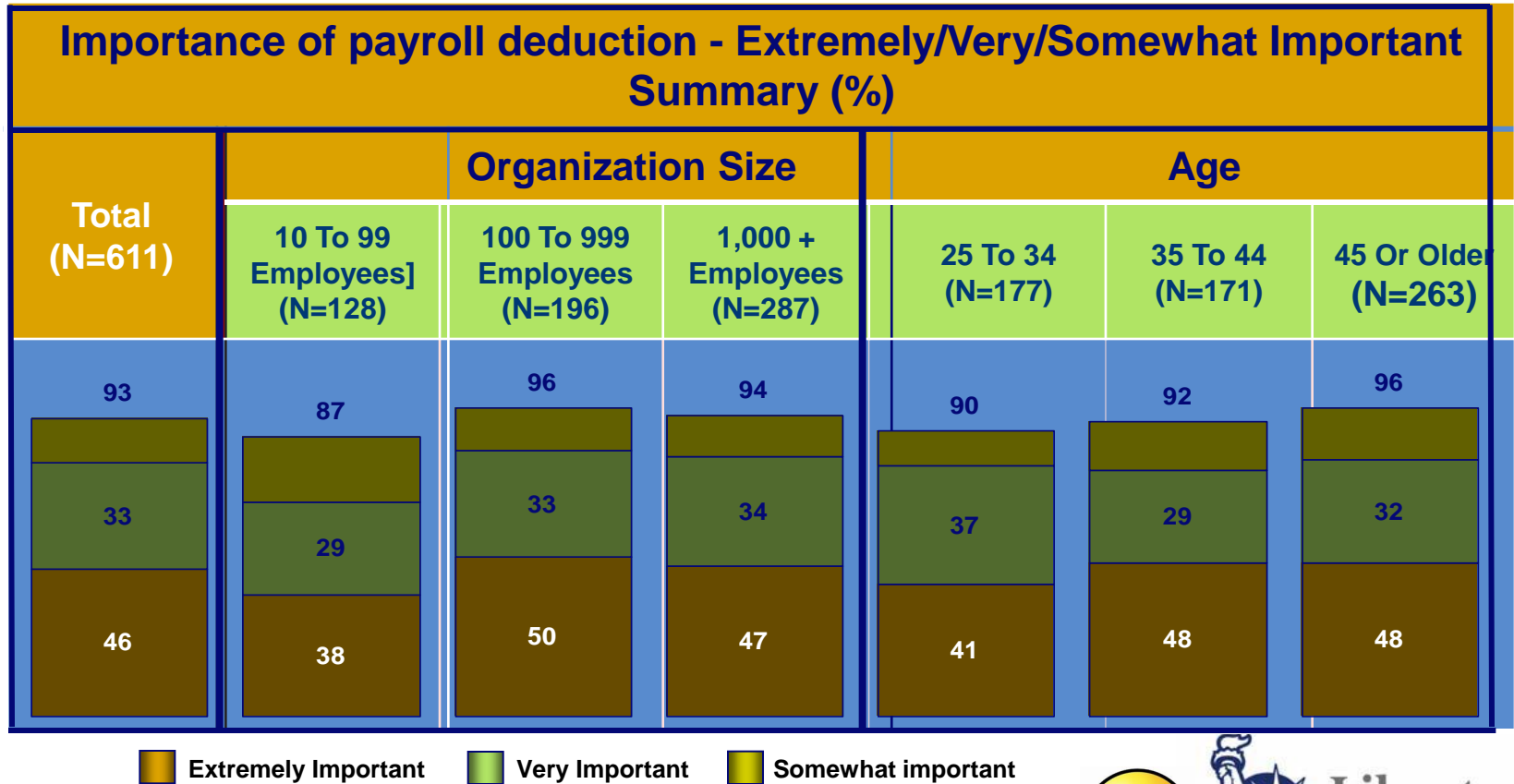


Employees and employers were asked to indicate agreement with the statements above



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.



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

Base: All Respondents

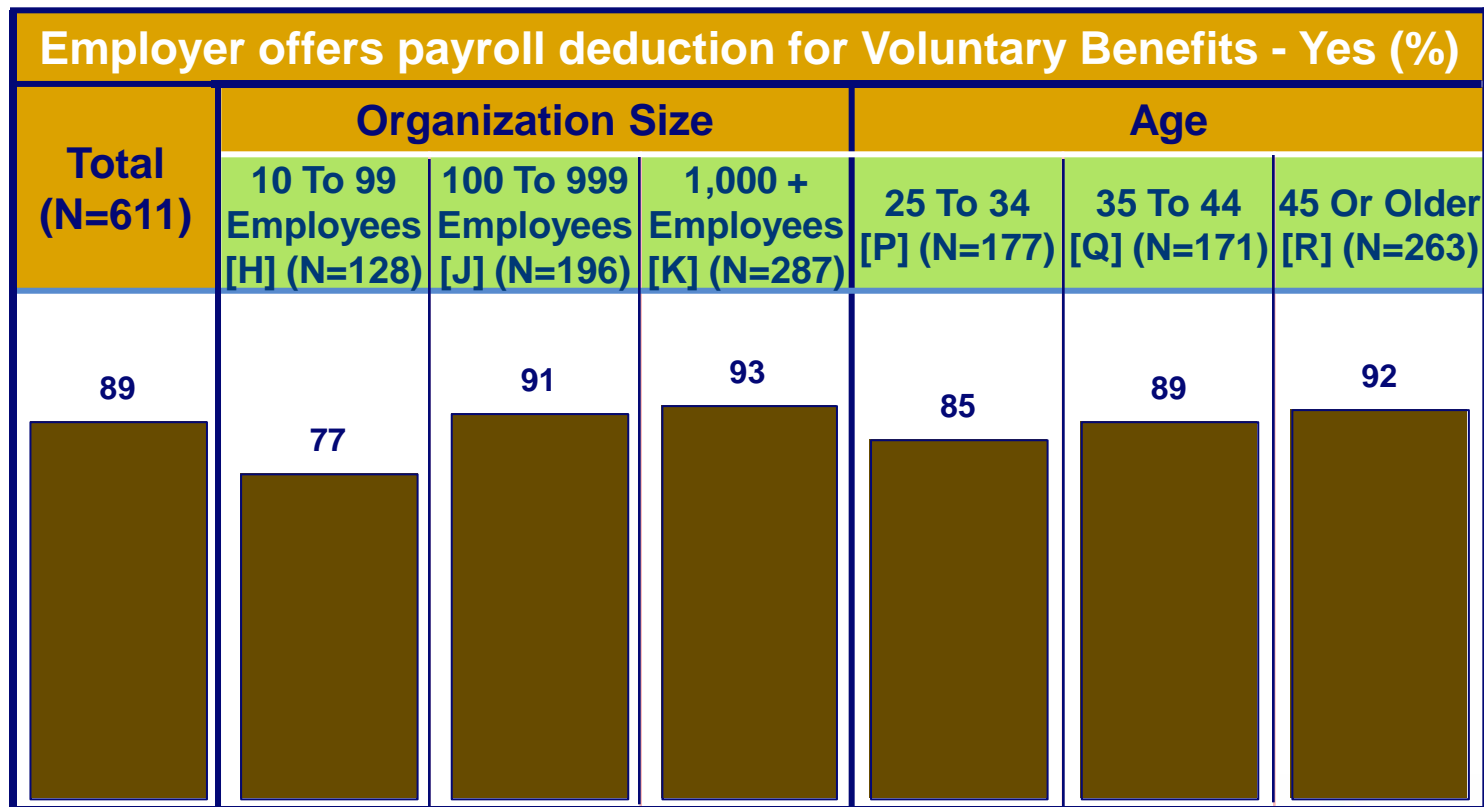
December 2009



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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



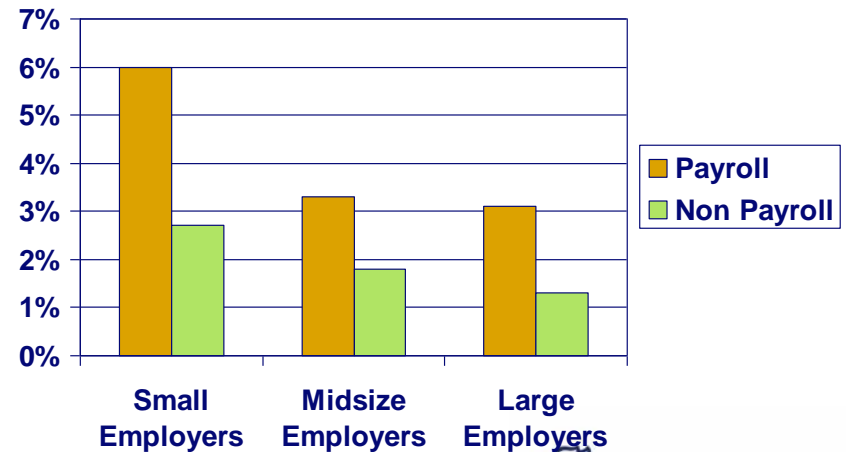
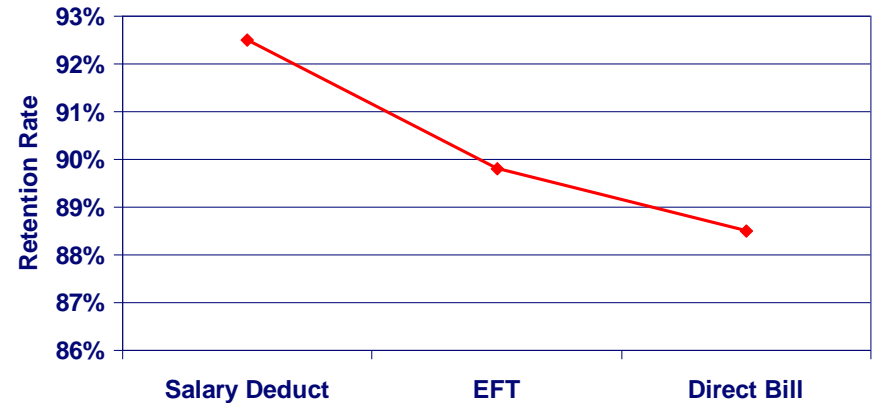
Impact of Payroll Option

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

Simple steps to improve your Benefits program

- ▶ Identify existing gaps by conducting a workplace survey to understand employee priorities and interest
- ▶ Select turn-key providers with robust communications plans
- ▶ Work with vendors to establish payroll deduction

Result...

Watch the morale and employee retention figures rise



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“Voluntary is no longer a quaint sideline; it has become one of the largest and fastest growing segments of the benefits business.”

***- Gil Lowerre, Eastbridge Consulting
January 2011 Ed. – Benefits Selling Magazine***



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