



**“Don’t Bring Me a Renewal...
Bring Me a Solution!”**

Peggy P. Hayes
Director of Marketing
American Public Life Insurance Company
April 2010



The Perfect Storm



The Perfect Storm: Medical cost increases

- Three times the rate of inflation
- Paying more for less
- “obscene profits”





- “Consultants will be asked to provide a greater menu of options in problem-solution, with a focus on risk and volatility management...”

Employee Benefit News, November 2009, “Adjusting the Game Plan” by Lydell C. Bridgford



The Perfect Storm: Legislative uncertainty

- Uncertainty causes fear
- Gaps?





- “Any health care reform scenario will undoubtedly leave some gaps exposed. And voluntary carriers are likely to move quickly to offer products which fill those gaps, wherever they ultimately surface.”

Employee Benefit News, October 2009, staff report, quoting Ron Neyer, LIMRA Senior Analyst



The Perfect Storm: Legislative uncertainty

- Gaps?
- Enhanced need for education





The Perfect Storm: Recession hits businesses

- SHRM survey: Sixty percent stated that the recession has caused them to scale back or hold steady on paid employee benefits.





The Perfect Storm: Recession hits businesses

- SHRM president: “a reduction in some benefits is required to survive the economic crisis.”





The Perfect Storm: Recession hits businesses

- 43% more likely to cut back on employee benefits
- 65% considering more aggressive steps to slash insurance costs

Survey conducted by Accelerant Research



The Perfect Storm: Recession hits employees

- Employees are worried about...
- Basic medical care: 13%
- Death of a wage earner: 19%
- Emergency room visit: 19%
- Serious illness: 28%
- Disability: 35%

Benefits Selling Magazine, September 2009



The Perfect Storm: Recession hits employees

- More voluntary options emerging
- Pre-paid legal
- Purchasing plans
- Pet insurance
- Employees need agents to help them evaluate their options



The Perfect Storm: Recession hits employees

- “Brokers report that programs such as pet insurance or pre-paid legal assistance are losing favor as employees, like their employers, try to maximize their return on the money that they spend on their benefits.”

Vaughan Reale, president, Advantage Benefit Planning. Employee Benefit Adviser, September 2009



Where there is pain, there is opportunity

- SHRM study: Number One concern of employers is rising health care costs

2008 SHRM Workplace Forecast Study

A sunset over the ocean with a white text box containing a list of bullet points. The sky is filled with golden and blue clouds, and the sun is low on the horizon, casting a bright glow over the water. In the top left corner, there is a small yellow icon of a building with a flag.

Scenario One: Risk shifting on Major Medical Plan

- Eliminate co-pays
- Increase deductibles
- Increase employee contributions




Solutions

- Medical supplements (“gap” coverage)
- Accident plans
- Critical Illness plans
- Flexible Spending Accounts



Flexible Spending Accounts Have Improved

- Over-the-Counter medications (set to go away in 2011)
- Grace period
- Debit Cards



Scenario Two: Reducing traditional core benefits

- Group life
- Only 41% of adult Americans have individual life insurance*
- Solution: voluntary life

Trends in Life Insurance Ownership Among US Individuals, LIMRA International (2006)



Scenario Two: Reducing traditional core benefits

- Short- and Long-Term Disability
- Solution: voluntary plans
- Case study: “One employer who replaced an employer-paid disability plan with a voluntary disability plan saw 90% participation and realized a tax savings of \$20,000 to \$30,000 which it was able to reinvest into the health care plan.”

Employee Benefit Adviser, September 2009, “The Vast Potential of Voluntary Benefits”, Kristine Palmieri



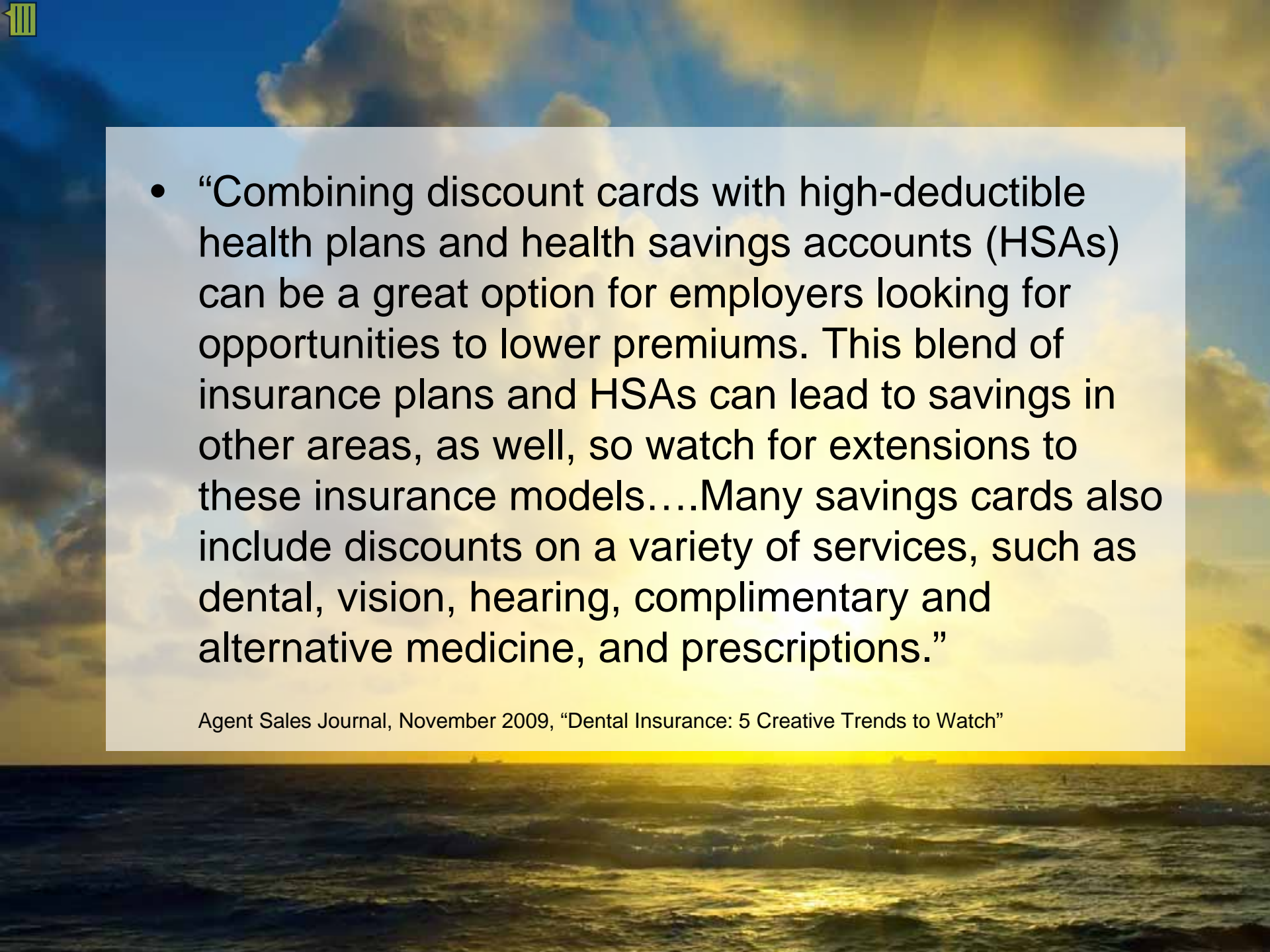
Should You Pre-tax Disability Premiums?

- “Pay me now or pay me later”
- DI benefits are taxed when:
 - Employer pays the premium, or
 - Employee pre-taxes under Section 125
- DI benefits are tax free when:
 - Employee uses after-tax dollars to pay the premium



Scenario Two: Reducing traditional core benefits

- Dental and vision
- Solution: voluntary plans
- Solution: discount plans coupled with Flexible Spending Accounts

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- “Combining discount cards with high-deductible health plans and health savings accounts (HSAs) can be a great option for employers looking for opportunities to lower premiums. This blend of insurance plans and HSAs can lead to savings in other areas, as well, so watch for extensions to these insurance models....Many savings cards also include discounts on a variety of services, such as dental, vision, hearing, complimentary and alternative medicine, and prescriptions.”

Agent Sales Journal, November 2009, “Dental Insurance: 5 Creative Trends to Watch”



Scenario Three: Employer Ceases Core Benefits

- Last resort – cease major medical plan
- As of 2006, only about half of U.S. small businesses were offering group medical or life*

LIMRA 2006 study “Growth Potential of Small Business Markets”



Solutions

- Non-traditional plans can help
- “Mini-med” plans
- Accident plans
- Critical illness plans or cancer plans
- Discount plans
- Section 125 / Flexible Spending Accounts



Offer solutions and choices

- LIMRA study: nearly 7 in 10 employers are not aware that mini-med plans exist!

Employee Benefits Balancing Act, LIMRA 2008

Who's doing this for their clients?

- 24% of benefits brokers surveyed said they sell voluntary benefits reactively
- 46% said they cross-sell voluntary benefits to their existing clients
- 30% actively seek clients using voluntary benefits



Benefits Selling Magazine, November 2009, "Playing Offense: A Benefit Broker Update", Gil Lowerre.



- “Too many businesses have seen their ‘partners and advisers’ collect large fees while their business issues go unresolved.”

Employee Benefit News, November 2009, “Adjusting the Game Plan”, Lydell C. Bridgford.



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