

Employee Benefit Insights



Inadequate Life Insurance Coverage Plagues Today's Employees

Life insurance is considered by most people to be the best way to protect against the financial repercussions surviving family members face when a primary wage earner dies. Yet, according to figures from LIMRA, an insurance and financial services industry association, 44% of U.S. households either don't own life insurance but think they should, or own life insurance but think they need more. A survey from MetLife found that 43% of life insurance beneficiaries received less than \$50,000 in proceeds following the insured's death, and 55% received an amount that was less than the deceased's salary. This pronounced need gives employers a significant employee engagement and recruitment/retention opportunity, by adding to or enhancing supplemental life insurance products offered through an employee benefits package.

The MetLife research underscores the financial insecurity survivors feel following the death of the primary wage earner in an uninsured or underinsured household. While more than half of surviving spouses who received three or more years of income through life insurance benefits felt financially secure the year following the death of their partner, fewer than half of those who received a lower amount of life insurance benefits felt financially secure, and only 11% of those who received no life insurance proceeds felt financially secure. More than a quarter reported continuing to feel financially vulnerable even four to five years after their spouse's death.

Due to the primary wage earner's income not being adequately replaced, 64% of surviving spouses reported an impact on their lifestyle, such as having

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WELCOME...

The Broad Reach Benefits family suffered a great loss on April 27, 2010. Connie Frost passed away at her home in Cutchogue, NY after a valiant battle with breast cancer for the third time.



As we pay tribute to Connie, it is important to celebrate her life rather than mourn her death.

That is what she wanted. Connie taught us the value of life by the way she lived and shared with us both inside and outside the workplace. She was active and vibrant, loyal and conscientious. She established perspective by the way she handled every situation, and was always willing to help others.

Connie was born on May 23, 1941, in Keystone, Iowa. She graduated from Washington High School in Cedar Rapids, Iowa, Class of 1959, and attended Iowa State University. She was a member of the League of Women Voters and was always active in the local communities where she lived such as becoming a member of her town Planning Board and Township Committee.

Connie was, above all, a loving wife, mother and grandmother. She loved cooking, sailing and golf. But most of all she loved her friends, flowers and nine grandchildren.

She was loved by all who knew her, and will be deeply missed.

Connie requested any donations be sent to Camp Courageous of Iowa, 12007 190th St., P.O. Box 418, Monticello, IA 52310-0418.

www.campcourageous.org

—Philip Cohen, BRB President

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to move; 55% had to withdraw funds from savings; and 47% had to resort to tapping retirement savings.

While most employers offer some form of life insurance coverage to employees, in many cases this is one times salary, or less. However, employees frequently have the opportunity to buy additional coverage on a voluntary basis. The MetLife research illustrates the need for employers to better educate their workers as to the availability of supplemental coverage, the advantages of purchasing it through the workplace, and on the amount of coverage needed to remain financially secure.

The advantages of purchasing supplemental coverage through a workplace voluntary plan may not be readily apparent to employees, who may have difficulty seeing beyond the additional, though small, payroll deduction they will incur by purchasing coverage. A supplemental policy purchased through the workplace brings with it the advantage of group rates and sometimes less stringent (or no) individual underwriting.

Illustrating to employees that they can get greater coverage at a lesser cost by purchasing their coverage through the workplace, as compared to in the individual market, can make their participation in the voluntary plan more likely. However, employees must first come to the conclusion that they do indeed need the coverage. Look to your voluntary benefits provider for communications, including "how much coverage do I need" types of worksheets or calculators, to help bring this point across to employees. Your insurance provider also may be able to supply stock newsletter articles to run in a company publication or post on a web site, or speak to employees in meetings or in a one-on-one setting about coverage adequacy.

The effects of a primary wage earner's death can devastate survivors for years. Supplemental life insurance coverage, offered through the workplace and effectively communicated to employees, is the key for most individuals to avoid this tragedy. 🌊

Voluntary Benefits: A Win-Win that Satisfies Employee Interests and Employer Needs

The voluntary benefits market is growing, and with good reason. Voluntary benefits-offered through the workplace but paid for fully by employees-enable an employer to make a wide array of supplemental benefits available to employees, at little or no cost to the company. Voluntary benefits products are so attractive that, according to one study, more than six in ten employers now offer at least one type of voluntary benefit.

The advantages of voluntary benefits are well known. Because a voluntary benefit product is marketed and sold in a group setting, employees can purchase the benefits at a group rate, pay for them through payroll deduction, and save the time of shopping for them on their own.

For eight consecutive years, MetLife has conducted research on employees and employers regarding the U.S. benefits industry, and compiled the results in its annual Study of Employee Benefits Trends. The 2010 study reveals the apparent resilience of workplace benefits even during a tough economy. It also shows that although employers and employees continue to deal with the effects of the economic downturn, they are focused on the long term, and value voluntary benefits. However, there is a slight disconnect on how much worth employers/employees place on voluntary benefits.

According to the 2010 study, 57% of employees agree that voluntary benefits provide access to options that better fit their needs. Furthermore, 60% of employees surveyed believe that voluntary benefits are valuable to provide them with extra coverage that supplements employer-sponsored benefits.

From the employer's perspective, the study found that many employers underestimate the value employees place on voluntary benefits. Just as employees expressed greater interest in voluntary benefits, the importance of these benefits has declined among employers. As a result, there may be a missed opportunity for employers to improve satisfaction with benefits program.

The most in-demand voluntary benefits continue to be those that supplement core medical, life, or disability coverages. These include dental, critical illness, specific illness, hospital supplemental, medical supplemental, disability buy-up, and supplemental life coverages.





However, demographic trends are contributing to growing interest in long-term care and financial planning products. As more people become faced with their parents' eldercare needs, they begin to appreciate the cost of extended care and anticipate what their own needs may be in a few short years. And, many workers, beginning in mid-career, face the double crunch of saving for retirement at the same time they are attempting to finance their children's college education.

Other products in the voluntary benefits market include vision insurance, legal services plans, auto/homeowners'/renters' insurance, and pet care insurance.

In deciding upon a particular voluntary benefit product or vendor, an employer should keep several things in mind:

- Is the type of product one for which employees have expressed an interest (as demonstrated by requests made or surveys done of the workforce) or one that you are comfortably sure employees will want?
- If administrative processes by the company's human resources/benefits staff will be required, are they easy to understand and economical in terms of the amount of time they will require?
- After examining detailed information on the product, does it seem to provide what its name implies?
- Is the carrier financially stable and reputable?

Voluntary benefits can be a welcome, win-win supplement to an employer's benefits package. Broad Reach Benefits can provide you with the right products and carriers for your particular situation and help guide you away from the "mass marketing" hype that over promises and under delivers. 🌊

IRS Issues Cafeteria Plan Guidance in Response to Healthcare Reform

Cafeteria plans are being altered at most companies thanks to the new rules issued by the Internal Revenue Service. If employees enroll their eligible dependents on their health insurance plans, the new cafeteria plan rules allow those employees to make immediate tax-free contributions.

According to the IRS Commissioner Doug Shulman, this change was made necessary by the new federal healthcare legislation, which was passed on March 30th, 2010. The commissioner stated that the changes give companies and businesses the chance to offer a benefit that was worth their employees' while. He further stated that the IRS was prepared to make it as easy as possible for the new changes to be implemented and to include older children of employees in those employees' tax-favored benefit plans.

Cafeteria plans are tax-favored insurance plans that allow employees to choose from a "cafeteria" of tax-free benefits, cash or taxable benefits.



Notice 2010-38 was issued by the IRS in order to fully explain and interpret the changes. In addition, the notice was designed to provide direction to employers, employees, insurers and other miscellaneous taxpayers.

The expanded tax benefit applies to group insurance plans for active employees and retirees, as well as self-employed workers. Self-employed workers can take advantage of this benefit if they qualify for the self-employed health insurance tax deduction.

Employees' children who will not reach the age of 27 by the end of the current year qualify for the tax benefit starting from March 30th of this year. It makes no difference whether the children are already covered under the employer's plan or added at a later date.

For the purposes of this new benefit, the child category includes a son, daughter, stepchild, adopted child or a qualifying foster child. This standard for the age of the child officially replaces the relevant age limits under prior federal tax law; additionally, the old requirement that a child qualifies as a dependent for tax filings is also superseded by this law.

Finally, the notice also states that cafeteria plans provided by employers can now allow employees to start making tax-free contributions for their children's health insurance coverage even if the cafeteria plan has yet to be amended. Sponsors of plans have until the end of 2010 to amend their plans. 🌊

Embracing Social Networking in Your Workplace Wellness Program

Rising health care benefit costs, poor health habits and unnecessary medical care costs consume portions of employer resources and your employees' paychecks. In fact, employees with more risk factors, including being overweight, smoking and having diabetes, cost more to insure and pay more for health care than people with fewer risk factors. An investment in your



employees' health through your workplace wellness program may already be lowering health care costs.

If you're looking for ways to increase the effectiveness of your workplace wellness program, consider this low-cost solution: social networking. Utilizing social networking to enhance your wellness program can increase participation and retention, help to improve employees' behaviors and save your organization money.

Why Utilize Social Networking in Your Workplace Wellness Program?

Tapping into social networking can increase participation among your employees. It allows colleagues to challenge each other to participate in wellness initiatives in ways that traditional wellness programs cannot. The peer-to-peer dynamics online and offline can increase employee participation and engagement.

- **Ex:** Consider creating Facebook® groups for employees, depending on their wellness interests. Employees can invite others to join the group and become more involved. If some of your employees are interested in running, create a "Running Club" group where members can post dates and times of group runs, races they plan on running or goals, such as running a certain number of times each week. Once a few groups are created, invite employees to create groups of their own and encourage other colleagues to participate.

It can also increase retention. It is difficult to continue to find new ideas and initiatives to make wellness programs fresh. And it's always a challenge to find a way to reach employees outside the workplace. When utilizing social networking, employees can create their own


groups and share information about topics that are specifically important to them. This can result in a more long-term engagement with the wellness program.

- **Ex:** Once employees have found their niche, or area that they're interested in improving in terms of wellness, they are much more likely to stick with the program. And finding others with similar goals is also crucial to their retention. With help from social networking outlets such as Facebook® groups, employees can seek out exactly what they're looking for and get involved with other employees who have similar interests. Achieving wellness goals is much easier when you're not in it alone. Whether that means tapping into an outlet that employees can use to plan group workouts or just find moral support, social networking can increase retention.

Modify behaviors to become healthier with social networking. Those around you have a tremendous impact on your health – if your employees see colleagues losing weight, quitting smoking, increasing their exercise or otherwise embracing a healthier lifestyle, they will be more likely to join in and do so as well. You can help employees adopt healthy behaviors by increasing peer influence through social networking.

- **Ex:** Consider using a corporate Twitter® account to post health and wellness articles, information and success stories. When employees "follow" you, they will receive overall wellness information as well as examples of how others are embracing a healthier lifestyle. This is a simple way to continue to connect with employees regarding wellness as frequently as you would like. Adopting healthy behaviors doesn't happen right away, but social networking can help keep health and wellness on employee's radar year round.

Utilizing social media is free. Don't have a large budget for financial incentives related to your wellness program? Social media is free and public recognition within these mediums can be very influential in reaching the goals of your wellness program.

- **Ex:** Twitter® can also be a great outlet for recognizing employees as a component of an incentive-based program. Consider tweeting names of incentive winners to create company-wide awareness for the program. If there is a prize associated with the recognition, make that known as well. The public recognition will encourage others to meet incentives and continue to embrace a healthier lifestyle into the future. 

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