

CALIFORNIA BROKER

VOLUME 31, NUMBER 3

SERVING CALIFORNIA'S LIFE/HEALTH PROFESSIONALS & FINANCIAL PLANNERS

DECEMBER 2012

Health Carriers Battle Voluntary Players for Sales

Ancillary Benefits Tug-of-War

Also Inside

*Critical Illness • Bundling Benefits • Dental • Disability
Prescription Drugs • Voluntary Benefits for Different Generations
Worksite Clinics • Life Settlements • CAHU Show Coverage
Value vs. Cost in Healthcare • Vision • Annuities/Life Insurance*



Publisher

Ric Madden

email: publisher@calbrokermag.com

Editor-in-Chief

Kate Kinkade, CLU, ChFC

email: editor@calbrokermag.com

Senior Editor

Leila Morris

email: editor@calbrokermag.com

Art Director/ Production Manager

Steve Zdroik

email: stevez@calbrokermag.com

Advertising

Scott Halversen, V.P. Mktg.

email: scotthalversen@calbrokermag.com

Circulation

email: calbrokermag@calbrokermag.com

Business Manager

Lexena Kool

email: lex@calbrokermag.com

Legal Editor

Paul Glad

Editorial and production:

McGee Publishers

217 E. Alameda Ave. #207,
Burbank, CA 91502.

Phone No.: 818-848-2957;

email: calbrokermag@calbrokermag.com.

Subscriptions and advertising rates, U.S. one year-\$42. Send change of address notification at least 20 days prior to effective date; include old/new address to: McGee Publishers, 217 E. Alameda Ave. #207, Burbank, CA 91502.

To subscribe online: www.calbrokermag.com or call (800) 675-7563.

California Broker (ISSN #0883-6159) is published monthly. Periodicals Postage Rates Paid at Burbank, CA and additional entry offices (USPS #744-450). POSTMASTER: Send address changes to *California Broker*, 217 E. Alameda Ave. #207, Burbank, CA 91502.

©2012 by McGee Publishers, Inc. All rights reserved. No part of this publication should be reproduced without consent of the publisher.

No responsibility will be assumed for unsolicited editorial contributions. Manuscripts or other material to be returned should be accompanied by a self-addressed stamped envelope adequate to return the material. The publishers of this magazine do not assume responsibility for statements made by their advertisers or contributors. Printed and mailed by Southwest Offset Printing, Gardena, CA.

Table of Contents

Annuities/Life Insurance

11 Creating a Social Security Legacy Plan With Annuities and Life Insurance

by John A. Davidson, LUTCF, FSS • Consumers are trying to plan for a secure income for their families amidst the uncertainty about the level of Social Security benefits that will be available in the future.

Dental Plans

12 The Five A's of Prepaid Dental

by Josh Nace • Prepaid dental plans offer unparalleled value and provide a cost-effective way for employers to keep their staff healthy, happy, and more productive

Voluntary Benefits Bundling



Health Carriers Battle Voluntary Players for Sales Ancillary Benefits Tug-of-War

14 When is Bundling the Best Option?

by Karen Gustin, LLIF • Are the savings real when bundling medical insurance with ancillary products like dental and vision? And are these options best for employers and employees?

16 Three Things Employers Want in a Life Insurance Product

by Chris McConathy • When your clients need help with emotional, financial and/or legal matters, they'll be happy that their employees have access to services that are included as a standard component of their life insurance benefit.

Critical Illness

19 Critical Illness Insurance Has Room to Grow in California

by Jodi Anatole • California presents an unusually good opportunity for brokers to help employers deploy one of the fastest growing of voluntary benefits - critical illness insurance.

Healthcare

20 Value and Price Don't Always Go Hand-in-Hand

Knowing costs is only one component influencing consumer behavior by Bart Halling • To get value-based benefit plan members need to become more financially accountable. It's important to understand what types of medical services and procedures are truly "shoppable."

Voluntary Benefits Generational

26 Seize the Opportunity to Engage Millennials on Voluntary Insurance

by Michael Klachefsky • Soon, half of employees will be Millennials. It's influencing their employers interactions and brokers are using it to their advantage in the current Voluntary marketplace.

29 Understanding Generational Differences to Offer Better Benefits

by Todd Mason • Today's workforce is diverse, not only in ethnicity and gender, but also in age, ranging from 18 to about 70.

32 How Voluntary Disability Benefits Can Address the Needs of Younger Workers

by Paul D. Taylor • Helping HR managers connect Millennials with information on the benefits of voluntary insurance translates into a win for both employers and brokers.

Disability

35 Tips On Self-Reported Symptoms And Record Keeping As They Relate To A Disability Claim

Art Fries • Self-reported symptoms and record keeping are just two areas of many that can have an influence on the outcome of your disability claim.

Worksite Clinics

36 Worksite Clinics - The Next Generation

by Jonathan Spero, M.D. • The use of worksite clinics is becoming an increasingly popular way to control health care spending and even enhance employee productivity.



Vision

38 Give Your Clients a Fresh Perspective With Vision Benefits

by Anya Simpson • During the holiday season, clients may still have a big hurdle to check off their wish list - achieve a successful benefit enrollment. This year, you've worked hard to streamline the renewal process for one of your oldest clients.

Life Settlements

40 Life Changes Lead to Reinvented Retirement and Life Settlements

by Stephen Terrell • Life settlements as a part of the financial planning landscape aren't new, but their use has evolved and is on the rise.

CAHU Show Coverage

42 CAHU Show Features Health Reform Trends in California

by Leila Morris • The experts give brokers an idea of what the market will look like in 2014.

Prescription Drugs

44 Pharmacy Network Strategies - Which Network is the Right Network?

by Tom Splitt • Are limited, preferred, and exclusive pharmacy networks viable options for employers to reduce their prescription costs? There is no right or wrong way to configure a pharmacy network because it depends on many factors.



Departments

Guest Editor's Column	6
Products	8
Annuity Sampler	10
News	23
Classified Advertising	45
Shopping List/Ad Index	46

Understanding Generational Differences to Offer Better Benefits

Today's workforce is diverse, not only in ethnicity and gender, but also in age, ranging from 18 to about 70. Generation Y, Generation X, and Baby Boomer employees have distinct viewpoints about what makes a workplace desirable. Brokers and agents who understand how each generation views and values benefits can help HR leaders and managers focus on products that are most meaningful to their employees.



By understanding each generation's risks, concerns, and health care needs, employers can provide targeted and cost-effective benefit solutions.

Employees are looking to their employers for new benefit options and

education to help them create a more secure safety net. Voluntary insurance is a smart solution that can expand benefit offerings by providing a wide range of coverage choices including accident, short-term disability, critical

illness, and hospital indemnity plans.

Voluntary insurance offers benefit options that go beyond the coverage provided by major medical insurance and can be customized to meet the varying needs of each generation of workers. It can also have a big impact on a business's finances, with 30% of employers seeing fewer workers' compensation claims after introducing voluntary insurance plans, according to a study conducted by Research Now on behalf of Aflac.

Employers that offer voluntary insurance can create competitive insurance packages to attract and retain a diverse range of talent without adding benefit costs to the company.

Generation Y Settles Into Employment

Born after 1980, Generation Y, or Millennials, are today's youngest workers. Gen-Y workers are typically finishing their education, entering the workforce, and making choices about living arrangements, marriage, and lifestyle.

The 2012 Aflac WorkForces Report reveals that 42% of Generation Y workers are employed part-time; 31% work for small employers with fewer than 25 employees; and 20% work in the retail industry. These jobs may not provide the insurance coverage that this young generation is seeking, such as life insurance, dental, or vision coverage.

It's not much of a surprise that only 69% of employees are offered major medical insurance and only 62% of those who are eligible to participate are enrolled in their company's plan. This is the lowest percentage of any generation, leaving nearly 40% Gen-Y workers without major medical coverage. Having part-time employment, being in good health, and staying on their parents' major medical plan until they turn 26 may be reasons why more Gen-Y workers don't consider their employer's insurance.

However, many Millennials say they want protection and they need help to choose the right benefits, which gives agents and brokers a great opportunity to advise their clients about the needs and characteristics of this group. For instance, 72% of Generation Y employees say they are more likely

to take advantage of benefit options that are tailored to their situation. Forty-four percent say they need to be more engaged in making benefit decisions and 55% say their HR department doesn't communicate enough.

By educating HR managers on the benefits of voluntary insurance for Generation Y workers, agents and brokers can help employers offer the expanded coverage that may prove valuable as these workers begin their careers. These benefits can help employees protect their financial future while giving employers the opportunity to build a competitive compensation package to attract and retain this young workforce.

The survey found the following benefit preferences among Generation Y employees:

- 78% say that brand names and reputation matter when selecting benefit options.
- They want low-cost benefit options. Sixty-seven percent say they would purchase voluntary insurance to better protect themselves and their families.
- They are interested in company wellness programs that can improve workplace health and boost company productivity. The majority would participate in wellness programs, but less than 25% work for a company that offers a wellness plan.

Goals for Generation X Protect Income and Assets

Generation X, aged 25 to 44, is an often-overlooked segment with a demographic situation and outlook that makes it ideal for voluntary insurance protection. Eighty-two percent of Generation X workers have major medical insurance, but only 29% have voluntary insurance. As Generation X workers experience major life changes, such as starting or raising a family, purchasing a home, and planning for their financial future, it's a critical time to take advantage of the employers' insurance plans.

These growing assets can also mean debt including mortgages, car loans, and education costs. As they face these expenses, it is critical that Generation X workers protect their assets and

income in case of a medical emergency. Voluntary insurance can protect Gen X workers against the financial stress that comes with an unexpected emergency by offsetting health care costs that aren't covered by major medical insurance.

By educating employers about the financial protection offered by voluntary insurance, brokers and agents can help Gen-X employees build a strong financial foundation.

Employers need to establish themselves as competitive recruiters and savvy talent managers to Gen X employees who will take the reins as Baby Boomers begin to retire. Forty-nine percent of Generation X workers say that improvements in their benefit package would keep them with their employer.

Implementing better benefit programs for this generation means the following:

- Offering financial planning assistance to help eliminate student loan payments or debt and save for retirement.
- Including wellness programs to help Gen Xers improve their health and well being.
- Providing income-protection options for them and their growing families.
- Marketing benefits in a variety of ways, including online and through social media, to help them find relevant information easily.
- Coordinating one-on-one or group meetings with insurance consultants to ensure that employees understand their benefit choices.

Retirement Anxiety is High for Baby Boomers

The Baby Boomer generation of 45- to 64-year-olds represents the largest group of full-time employees in today's workforce. Many Baby Boomers lost their retirement savings when the housing bubble burst and the economic recession hit, resulting in delayed retirement and little time to rebuild their wealth.

Baby Boomers are very apprehensive about retirement, according to the 2012 AARP Anxiety Index. Seventy-two percent of working Boomers say they will probably be forced to delay retirement, and 50% have little confidence that they will ever be able to retire. An additional 65% have little confidence that they will have the means to live comfortably in retirement. Ninety-five percent of those who expect to retire later than they

had originally planned, say it's because they are financially unprepared or they need to maintain health insurance.

Baby Boomers are interested in retirement savings assistance, heavy retirement savings plans/incentives, and health savings plans. They are also likely to be interested in the following:

- Voluntary insurance plans to better protect their savings in case of a serious illness.
- Portable insurance policies that can be retained after they stop working.
- Fringe benefits, such as grandchild care, flextime, or phased retirement programs.

Voluntary insurance offers cost-effective, customizable solutions to help employers protect the assets of their workers in case of serious accident or illness. Additionally, voluntary insurance policies are portable, which allows Boomers to retain their insurance coverage when they retire.

Consider Generational Differences when Designing Benefits Packages

Brokers and agents can help clients identify the right benefit packages to appeal to workers of any generation. Tailoring benefits to meet the needs of Millennial, Generation X, and Baby Boomer employees comes down to understanding their distinct attitudes and expectations about lifestyle and financial security. Many voluntary insurance products, such as dental, vision, hospital indemnity, and short-term disability, can offer financial peace-of-mind to workers and be a powerful factor in retaining valuable employees.

By sharing insights about each group, brokers and agents can enable employers to assemble the right product mix and educational programs to attract and retain a diverse, cross-generational workforce. □

Todd Mason is the California-Los Angeles Northeast state sales coordinator for Aflac. He is responsible for creating and implementing the state's strategic market development plan as well as the acquisition and training of new talent for the sales force. For more information about Aflac, visit aflac.com or send an e-mail at CALANEast@aflac.com.

As healthcare keeps changing, **there's never been a better time to offer voluntary benefits.**

"My clients are dealing with a lot today and the fact is, no one knows what the future will bring regarding healthcare costs. That's why Aflac's voluntary benefits are a crucial part of what I offer."

"Aflac's depth of voluntary benefits allows my clients to help keep their employees protected without costing their company a dime. It's really a no-brainer."

 [Hear the rest of Arthur's story at **aflac.com/arthur**](https://aflac.com/arthur)

Arthur Grutt

Executive Vice President
The Cambridge Organization, New York



Benefits Consulting | Enrollment Services | Employee Communication | Group and Individual Insurance



Individual coverage underwritten and offered by American Family Life Assurance Company of Columbus. In New York, individual coverage underwritten and offered by American Family Life Assurance Company of New York. Some policies may be available as group policies. Group coverage underwritten and offered by Continental American Insurance Company. Policies may not be available in all states. Aflac pays cash benefits directly to the insured, unless assigned. There may be indirect administrative or other costs to the employer. Individual's travel expenses for securing this testimonial were paid by Aflac.

NAD1197

Please Circle #31 on the Free Information on Page 46