



Win-Win-Win SITUATION

SPECIALTY BENEFITS HELP DIFFERENTIATE BEST-IN-CLASS EMPLOYERS

BY CATHY STREINER

Warnings are everywhere about the diminishing workforce, and a war for talent rages as companies jockey for position. Benefits are a critical arena in which human resources (HR) professionals can wield their influence to increase the power of the proverbial attraction-and-retention carrot.

Traditionally, core benefits included little more than health and supplemental life insurance, but over the past few years the popularity of consumer-driven benefits has increased dramatically. Also called voluntary benefits or niche benefits, they enable employees to opt in to specialized benefits programs either through payroll deductions or a separate payment arrangement with the provider. These niche benefits can add to employees' peace of mind, reduce absenteeism, and promote productivity increases—and all this is at little or no cost to employers.

MARKET DRIVERS

Niche benefit providers access employees either directly through employers or indirectly via brokers. While providers and brokers use consumer-driven benefits as a forum for worksite marketing, this is not the sole reason these benefits have gained ground. The employer-provider relationship has developed symbiotically.

Employers are selecting niche benefits providers to address:

- **Worker shortage:** A top concern for CFOs today is developing creative benefits and compensations programs that are cost-effective while helping to acquire, retain, and motivate top performers. All consumer-driven benefits are not suitable for every employee, but they can beef up a portfolio with attractive, high-quality options.
- **Cost of employees vs. employee morale:** It's common knowledge that the biggest cost for employers are employees. Struggling to balance rising health care benefits costs and perceived value to employees, employers often must cut back on their portion of benefits contributions. How then to maintain good employee

morale and productivity without increasing spending? One way is to offer cost-saving benefits that employees can personalize, often with the tax advantages of a payroll deduction and little or no cost to the employer.

- **Support for consumer-directed health care:** The employee-consumer of today must be involved in cost control, particularly when it comes to health care. Employers forced to implement plans with high deductibles must simultaneously support employees with related choices in terms of wellness programs. Additional niche benefits—whatever they may be—further encourage employees to take responsibility for their lifestyle choices.
- **Worksite marketing:** Why knock on individual doors when calling on a single company can bring access to hundreds or even hundreds of thousands of individuals? Because it provides a captive audience, the worksite is a powerful marketing arena for providers and brokers. Providers have become skilled at tailoring their programs to suit individual employers.

MANAGEMENT

The overbooked, underpaid benefits executive may wonder how introducing an array of optional benefits is going to fit into the daily schedule. Communicating details of any new program to employees is inevitably a time-consuming challenge. Then there's the ominous possibility of accounting and help-desk issues.

Barbara Ferraro, vice president of Corporate Insurance at Raymond James Financial, had been warned about taking on an auto and home insurance benefits provider. In light of their



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experiences with an earlier provider, colleagues told her she was assuming a sizable management responsibility.

“It concerned me because I didn’t want to end up being an adjunct claims or collection department,” Ferraro states. However, she says she was pleasantly surprised with Liberty Mutual’s auto and home insurance program. “Other than the initial setup time with IT—which was not extraordinary—I spend about a half hour a month. It’s been consistent for four years. There’s no balance at the end of the month I have to collect. For a benefit, it’s actually been wonderful. I can’t describe it any other way.”

Liberty Mutual offers voluntary auto and home insurance through more than 2,800 employers. Like some other consumer-driven benefits providers, the company maintains a customized, co-branded Web portal accessible by employees through their employer’s self-service system and payroll deduction is automated.

Other providers, such as Warwick, RI-based mortgage company Home Loan, make administration easy on the employer by eliminating payroll deduction.

“There is zero introduction and zero maintenance on the part of HR from our introductory letter to the onsite and so on,” Home Loan CEO John Murphy says. “We keep HR personnel in the loop as much as they want to be kept in the loop. We set up in their cafeteria in a friendly, fun way—and whoever wants to speak with us about a mortgage will do so. If employees are interested they pay Home Loan directly.”

Another mortgage broker, ditech.com, also uses direct payments but prefers to leverage an employer’s automated system.

“The best way is to have our information on the company Intranet along with corporate perks and discounts,” John McCarthy, business development manager at ditech.com, says. “It’s very safe and secure for employers. They simply notify employees that our discount is available.”

Boeing and General Electric are among ditech.com’s clients, and GMAC Mortgage is its parent company. Both ditech.com and Home Loan, a federal savings bank, can service employees in all 50 U.S. states.

COMMUNICATION

Consumer-driven benefits often do not fit the traditional yearly enrollment period; therefore, many providers prefer to frequently present their programs to employees through on-site presentations, direct mail, newsletters, and seminars.

“We make home and auto insurance easy to buy by offering it through multiple channels, including face-to-face sales presentations, our call centers or our Internet,” says Anne Herbster, vice president and manager of the Affinity Marketing department at Liberty Mutual Group. “Most people don’t buy over a 30-day period of annual enrollment in the fall. We must continue to communicate our program information on an ongoing basis to make it a value. Employees say, ‘This is great, and when my policy renews I’ll give it a try,’ but they forget when renewal time comes if we don’t reinforce awareness.”

Liberty Mutual’s lunch-and-learn sessions enable employers to give back to employees in the form of knowledge. Seminars on teenage driving, child safety, or auto and homeowners’ insurance

help educate employees—and also help with communication.

Giving niche benefit providers the opportunity to stimulate employee awareness often determines the measure of success of a benefit. If an employer enables Liberty Mutual to have sufficient communication, Herbster predicts approximately 20 percent of employees will be participating within four years.

Most niche benefit providers are highly motivated, knowledgeable, and educated about workplace dynamics, so it makes sense for HR departments to let them drive communication within appropriate settings after due diligence in the selection process.

LEGAL HELP

Legal benefits, perhaps the oldest of the voluntary benefits, add significant value on the employer side.

“The right legal plan can reduce a lot of the emotional upset employees suffer when confronted with a legal issue, legal problem, or lawsuit,” says Robert L. Heston, Jr., president and CEO of Legal Access Plans, LLC.

Heston believes legal benefits help conserve employee productivity by alleviating distress. For example, an employee proposing a bid might mistakenly provide an incorrect number because he or she was just served with divorce papers. Distraught workers might be physically present, but preoccupation with an extremely difficult or complex legal issue means they are not mentally present for job-related tasks.

“In the beginning stages of a lawsuit when they don’t know what to do, employees can make huge mistakes that really hurt an employer,” Heston claims. “Legal advice takes away a lot of emotional distress so employees can function while the legal problem is ongoing.”

Brett Merl, CEO of Legal Club of America, agrees that legal issues can be “extremely debilitating,” and “if an employee doesn’t have proper counsel and things exacerbate, he or she ends up missing more work and being far less productive.”

Merl suggests that employee access to legal assistance represents a long-term benefit to employers. “Employers keep taking away and taking away. They have to give something back. Some niche benefits have a lot of value, and they are inexpensive for the employer. An employer who pays for them gets a lot of goodwill and very high perceived value from employees at a very low cost.”

According to Merl, five to 47 percent of employees take part in Legal Club of America’s voluntary benefits after the program is available several years, and Heston reports four to 42 percent at Legal Access Plans. Both mentioned that varying employee access given by employers explains the wide range of penetration rates.

ROADSIDE ASSISTANCE

Like legal benefits, motor club benefits can significantly impact employee productivity by enabling workers to be at work and focus without distractions.

“Employers are telling us the membership helps reduce lateness and absenteeism. This is a real value to employers, because time is money,” says Brian Joseph, president of Pinnacle Motor Club in Grapevine, TX. “For example, Mary has a problem with her car, and typically she’ll call someone to help her because she doesn’t want to pay for towing—so now there are two employees away from work. With the motor club, instead of being a four-hour or all-day event, we take care of it.”

Pinnacle offers end-to-end global motor benefits for as little as a dollar a week through payroll deduction and family coverage costs employees \$2.50 per week.

“One of our employees got stranded with a flat tire on the freeway—not a good place to have a car problem,” says Kathy Kruse, vice president of Human Resources at Kerr Group, a

manufacturer of plastic containers and closures that offers Pinnacle Motor Club membership benefits to its employees. "Pinnacle was there in less than 20 minutes, and the employee arrived at work only a little late. She was so relieved and happy that she had a service that responded. That was the result I was hoping for when we signed up for this benefit. We depend on our employees getting to work."

Joseph says the benefit is so successful that he's even noticed an increase in employer support when it comes to premiums. "Because of the reduction in lateness for those who have motor club benefits, more employers are saying that at the next benefits roll-out they will pay for a portion."

HIGHER LEARNING

Critics of consumer-driven benefits sometimes suggest they actually represent a drain on employee finances, resulting in disgruntled employees whittling away their salaries on odds and ends.

But consumer-driven benefits are voluntary, a matter of choice. They can empower employees by giving them autonomy. Workers who crave autonomy might feel better about an employer who presents an array of benefits options. The ability to choose can signify freedom, opportunity, and personalization in an environment where many activities are dictated to employees.

When an employer saves an employee money on something he or she will purchase anyway, consumer-driven benefits in effect add to the individual's salary. Case in point, on the average, 123College.com enables employees to secure \$4,000 to \$6,000 per



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year in federal aid for college-bound high school juniors and seniors.

"Education costs have increased 318 percent in the last 15 years, and wages have only gone up 93 percent. There is no way an employer in America can match that with a wage increase," Michael Garson, director of 123College.com, states. "For employees in the 123College.com program, each child is entitled to a tuition reduction for any school in America—and \$15,000 to \$25,000 over the four years of college does quite a service to the employee."

According to Garson, the U.S. government offered \$105 billion last year in federal aid for higher education for the middle and upper-middle class, and \$8 billion went unused. Eligible family income for 123College.com's service ranges between \$50,000 and \$150,000 per year, and the number is even higher for sole proprietors. Garson indicates success rates of 90 percent and higher for eligible parents aware of the program.

LUXURY ITEMS

"It seems like the animal-human bond is getting closer and closer. They're part of the family to some people," says Bill Gorman, CLU, group sales manager of National Accounts at Veterinary Pet Insurance (VPI). Owned by Nationwide Insurance and founded by veterinarians, VPI has been in business 25 years and through payroll deduction or direct billing, the company insures dogs, cats, birds, exotic animals and more, providing full major medical

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insurance and pet well-care services.

Like other consumer-driven benefits, pet insurance is convenient for eligible employees because their company presents them with a choice they don't have to investigate on their own.

"The employer provides a third-party endorsement," Gorman says. "Employees assume the employer has done due diligence as to offering the product and the particular company. I think this is true of any of the voluntary benefits."

Gorman says that in the introductory year, employee participation usually is one to two percent, but this can grow to five percent after several years, although participation varies by company.

"If pets are important to an employee, the concept is they're like kids," Gorman says. "You'd insure your kid. Why not your pet?"

Another luxury benefit, travel has been a perk in the literal sense.

"It's a refreshing program to offer, another way employers can enhance employees' lives without paying anything or assuming any liability," Genesis Travel Benefits CEO Simon Reynolds says. "We've been getting rewarding feedback from employees who perhaps wouldn't have been able to take vacations without our program."

Genesis communicates with employees via an employer's Intranet, group meetings, or direct mail, with mail working best, according to Reynolds. For employees who choose the benefit, payroll deductions enable them to reserve vacation moneys directly. Now at the end of its first year, the program draws approximately three percent of employees in a given company, Reynolds says.

"We enjoyed a great 12 months. We just launched with Rite Aid Corporation, and others of a similar size are coming down the road."

SYMBIOSIS

Establishing working relationships with reputable providers is worth the effort for benefits managers and executives. Initial setup procedures might represent the largest—or only—HR department requirement, but a provider with a record of success should be prepared to collaborate efficiently if automated systems are involved.

Correctly handled, consumer-driven benefits are an excellent opportunity to give back to employees. The symbiosis between HR and niche benefits providers drives up the value of the employer in the employee's eyes, and it can be mutually beneficial to all parties.

As Home Loan's Murphy puts it, "The employer gets a happy employee. I think it's a win-win-win." 

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