



2024
**WORKPLACE
BENEFITS
CONFERENCE**

**Era of
Innovation**

Workplace Benefits Innovation: Broker Trends and Insights for 2024 and Beyond



Debbie Poole

AVP, Account Executive, Lockton

Why offer voluntary benefits?

Employers

- No-cost, value-added benefit
- Benchmarking: generational and industry
- Fill gaps in core coverage
- Customized consumerism increases employee appreciation

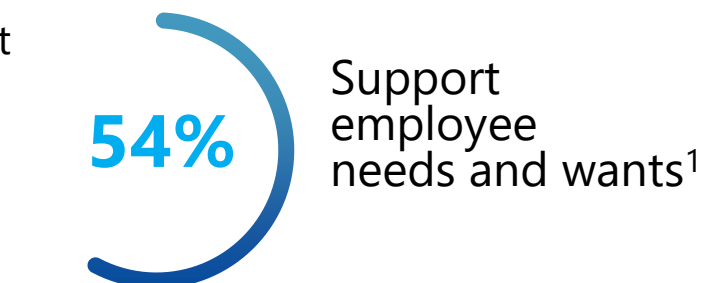
Employees

- Options; power to choose
- Tax-free, first-dollar benefits that fit their lifestyle
- Group plan rates and underwriting conditions
- Simplified enrollment and payroll deduction
- Financial protection for life's unexpected medical expenses

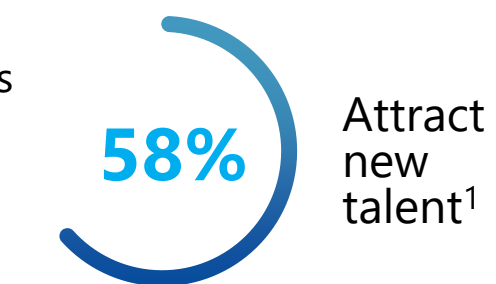
50% of employees would not be able to cover an **UNEXPECTED out-of-pocket MEDICAL COST** of \$500.²



25.5 million ER visits are caused by **ACCIDENTAL INJURIES** each year.³ Accident Insurance provides cash benefits to help pay for medical expenses associated with an accidental injury.



~40% of workers will be **DIAGNOSED WITH CANCER** in their lifetime.⁴ Critical Illness provides a lump sum benefit to cover out-of-pocket costs when diagnosed with cancer or other covered conditions.



¹2018 Employee Benefits. [Getting Results from Voluntary Benefits](#)

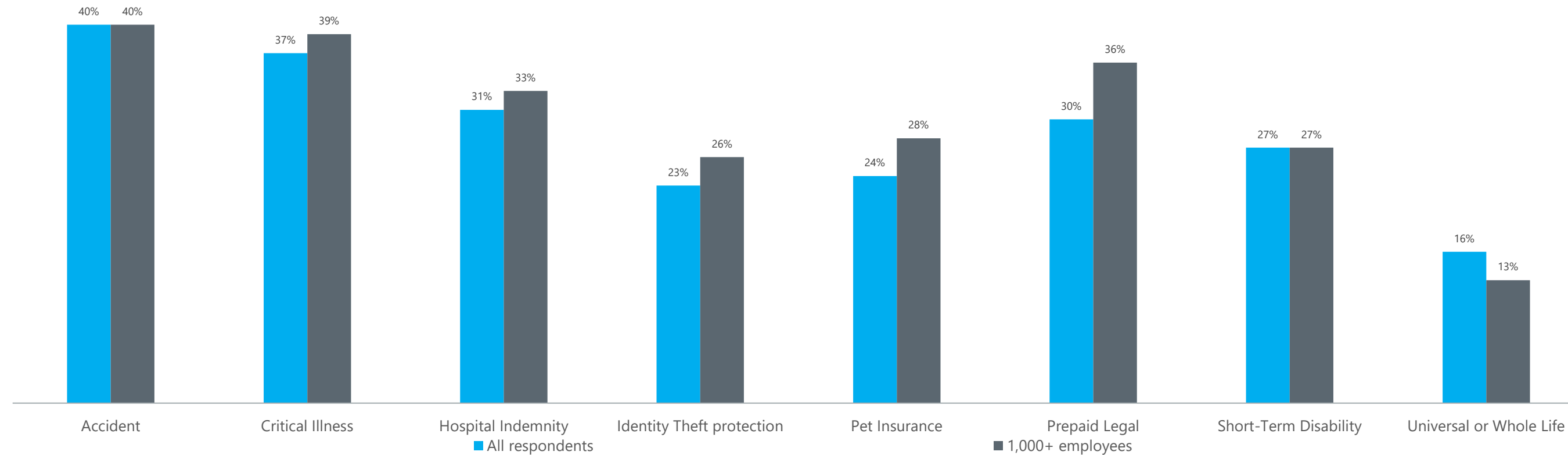
²Kaiser Family Foundation, 2022

³Center for Disease Control, National Center for Health Statistics, 2021

⁴National Cancer Institute, using 2017 – 2019 data

Voluntary Benefits Benchmarking

WHAT BENEFITS DO EMPLOYERS OFFER?¹



Voluntary benefits can modernize benefits and create employee choice



State long-term care regulations



Medical claims integration



Supplemental health captives



Communication



Technology credits



Voluntary benefits



Infolock[®] reporting

¹Lockton Benefits Survey, 2023

What is a VB Captive Arrangement?

A captive arrangement allows the client to offer the same supplemental health benefits available under a traditional insured model, and with no rate impact to the employee. The

Advantages to operating a captive for VB

WHO SHOULD CONSIDER?

- Employers with 2,000+ employees or \$200,000+ in annual VB premium
- Captive distributions should be used to support ERISA-related costs

CLIENT ADVANTAGE

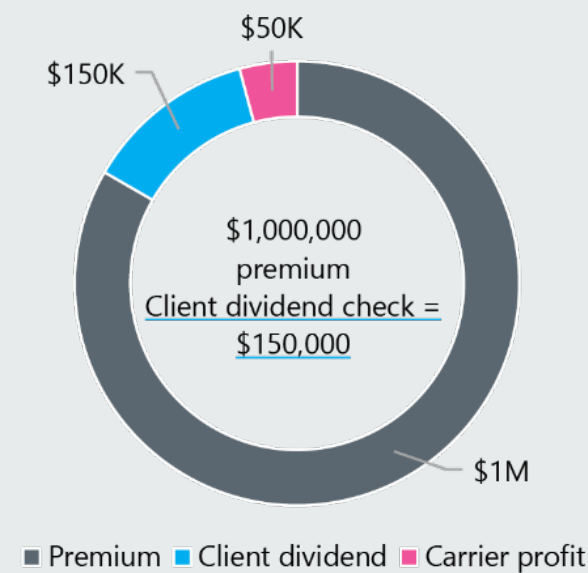
- If the claims run less than expected based on the actuarial target, the distribution can be significant
- Projected distribution can vary from year to year subject to the group captive performance

EMPLOYEE ADVANTAGE

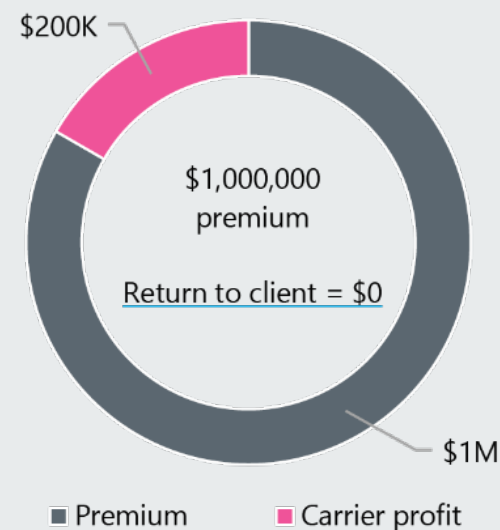
- These distributions are used to benefit employees in ERISA plans

Breakdown premium in captive arrangement

CAPTIVE BREAKDOWN



NON-CAPTIVE BREAKDOWN



Captive distribution example

Captive example

- The captive has a \$5,000,000 block of business for voluntary benefits
- The target loss ratio is 60% — the actual loss ratio ends up being 40%
- This leaves a \$1,000,000 margin to be distributed to the captive ownership and the group captive participants



- Margin distributed among the group captive participants and captive ownership based on performance
 - Captive ownership retains 20% of excess margin; captive participants receive 80% of margin proportional to their volume of premium
 - Margins paid to employer captive participants in the form of a dividend may be used
 - for future ERISA plan expenses



Sean Newman

Senior Vice President Operations and Client Engagement, Aon

Enhancing Your Voluntary Benefit Strategy

Why?

- Protect employees from financial challenges that distract from work and home
- Offer more choice and flexible products that protect employees' unique needs
- Reduce healthcare cost pressure for the business and employees
- Attract and retain top talent

Employees' Expanding Expectations



Sources:
Metlife Employee Benefits Trends Survey
Prudential Financial Employee Survey
Aon Global Wellbeing Survey

Covering Life's Unexpected Risks

Health & Care

- Accident
- Critical Illness
- Hospital Indemnity
- Caregiver Support
- Pet

Financial Wellbeing

- Permanent Life with LTC
- Short-Term Disability
- Student Loan Assistance
- Purchasing Program
- Discount Programs

Personal Protection

- Identity Theft
- Legal Insurance
- Auto/Home
- Discount Programs

Voluntary Benefits Are Key to Hiring, Retaining and Engaging Talent

HR's View on Voluntary Benefits

83%

Believe offering voluntary benefits will **help retain employees**

72%

Believe offering voluntary benefits will **engage employees**

63%

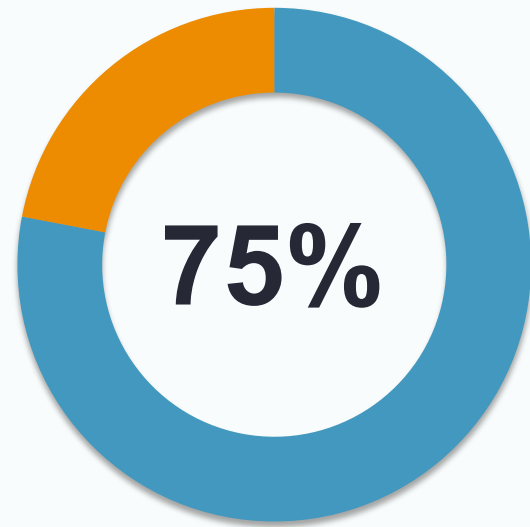
Believe offering voluntary benefits will **attract new talent**

Sources:
BenefitsPro: Employers respond to increased demand for voluntary benefits increases
Aon Global Wellbeing Survey

Voluntary Benefits

Aligned with Client Goals

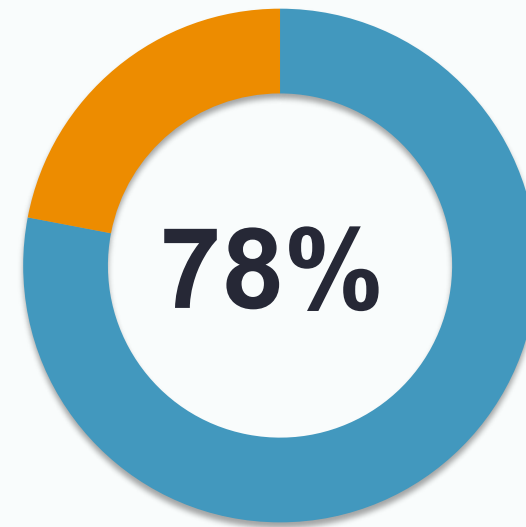
Healthcare Affordability



of organizations indicate that offering voluntary benefits is the best way to address affordability of healthcare

Source: Aon Health Survey 2023

Benefit Choice and Flexibility



of organizations indicate that offering voluntary benefits expand benefit flexibility and choice

Source: Aon Health Survey 2022

Expanded Coverage

#1

The number one reason employers offer voluntary benefits is to meet employees needs with expanded options for coverage

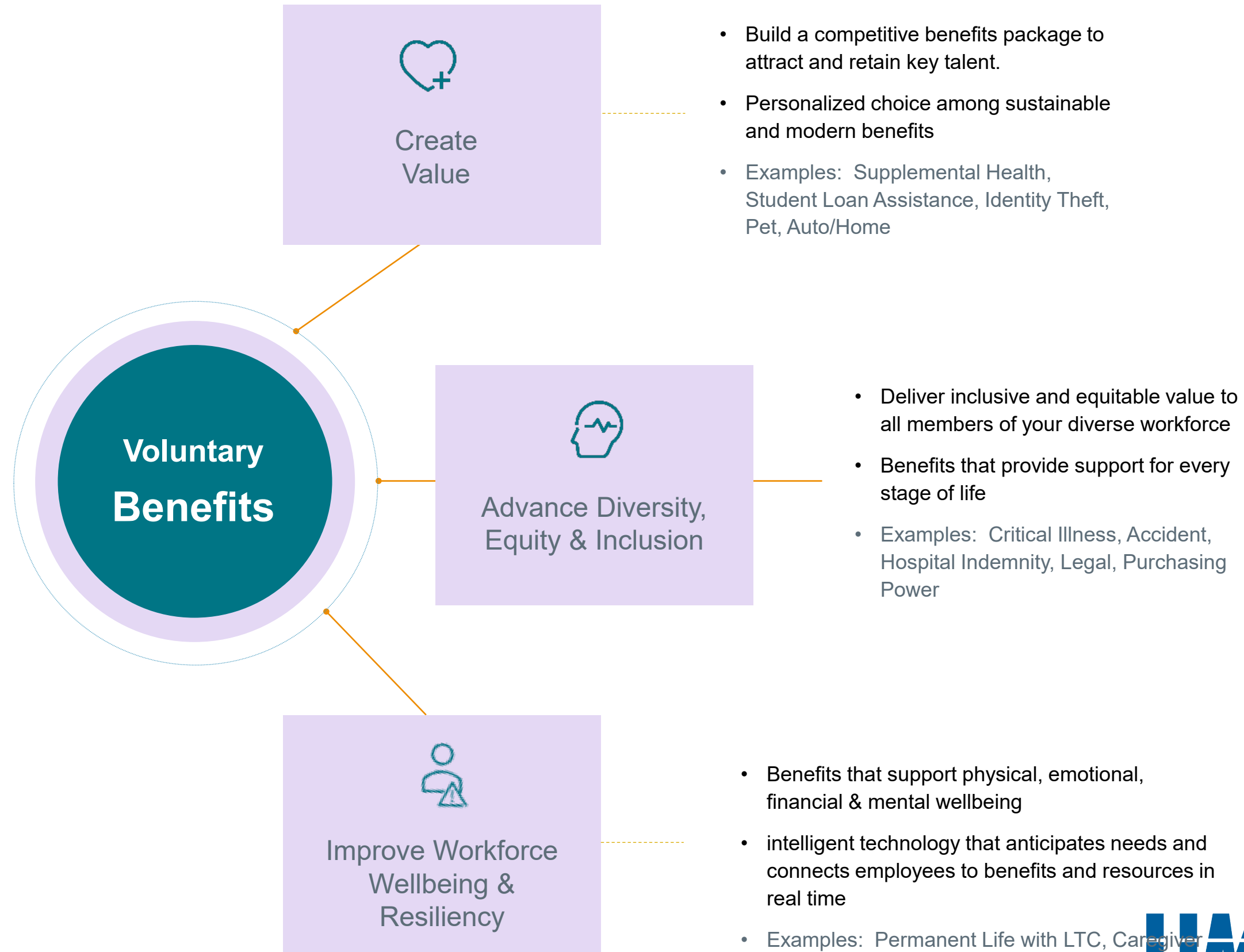
Voluntary benefits offer employers a solution to the challenging task of creating an employee benefits package that meets the needs of the increasingly diverse workforce.

Aligning Voluntary Benefits with Client Goals

Strategic Intent

Supplement benefits package to attract and retain key talent

- Deliver inclusive and equitable value to all members of your diverse workforce at every stage of their life
- An enhanced and aggregated user experience
- Operational efficiencies for your HR team



Voluntary Benefit Trends

Carrier Evolution

- Plan design modernization
- Increased focus on value
- Claims data transparency
- Connectivity improves claims automation

Carrier Consolidation

- Product bundling provides cost savings on employer funded lines of coverage
- Major medical carrier offsets & integration with voluntary benefits

Value-Based Plans

- Prioritizing plan value based on utilization
- Increase benefit payouts
- New covered conditions

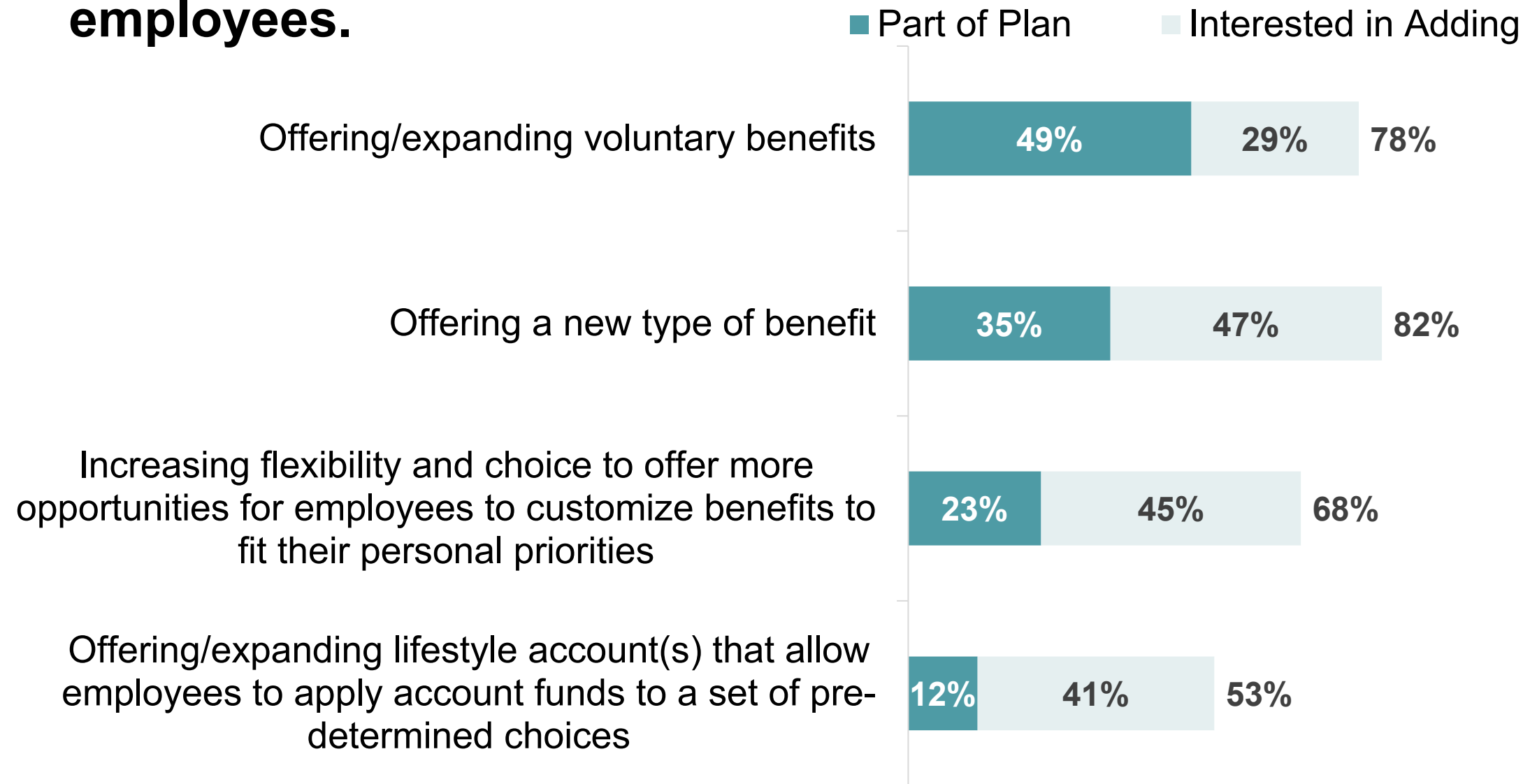
Whole Case Underwriting

- Multi Line Discounts
- Medical, Life and Disability carriers are providing bundled pricing with Supplemental Health Plans



Employees will have more benefits choices and added flexibility

For each of the following please indicate their role in your approach to offering benefits flexibility and choice to your employees.



Offering voluntary benefits is the most common way employers add flexibility and choice. Future flexibility will take several forms, from offering a new type of benefit to fill gaps to adding lifestyle or wellbeing accounts to enable more personal control over how benefits dollars are spent

Source: Aon Health Survey 2022

With Healthcare Cost Trend Accelerating, Employers Must Balance Trend Mitigation with Widening Affordability Gaps



What is your approach to addressing the affordability of healthcare for your employees?

Offer employee-paid voluntary supplemental health plans to support financial wellness



Providing low-cost primary care services (e.g., low copays, deductible waived, etc.)



Design Rx benefits to improve affordability of medications



Offer a low/no-cost health plan



Access to full-year health spending account (HSA) amount from beginning of plan year



Offer pay-based plan design variations (e.g., deductibles, out-of-pocket limits, HSA/HRA contributions, etc.)



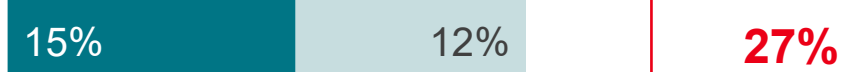
Offer pay-based employee contributions



Expand benefits coverage for needs of those with disabilities (e.g., hearing aids, vision care, assistive devices, etc.)



Bundle supplemental health plans with medical plan carrier to support administration and awareness



Offer a low/no-cost health plan that incorporates significant cost-saving features (e.g., reference-based pricing, narrow network, etc.)



Part of 2024 plan
 Interested in adding

Offering voluntary benefits is one of the top ways employers are addressing healthcare affordability for their employees.

Employers Expanding Levers To Support Wellbeing

Top 3 employer focus areas in 2024 to support wellbeing through programs, at work and in benefits choice

Holistic Wellbeing

Creating a strategy to support holistic wellbeing with priority focus on:

Physical wellbeing

Emotional wellbeing

Work/life wellbeing

Work Arrangements

Allowing employees to personalize work arrangements while encouraging in-office time:

Hybrid work

Designated team days

On-site fitness centers

Voluntary Benefits

Creating new ways for employees to personalize benefits to meet their needs, prioritizing:

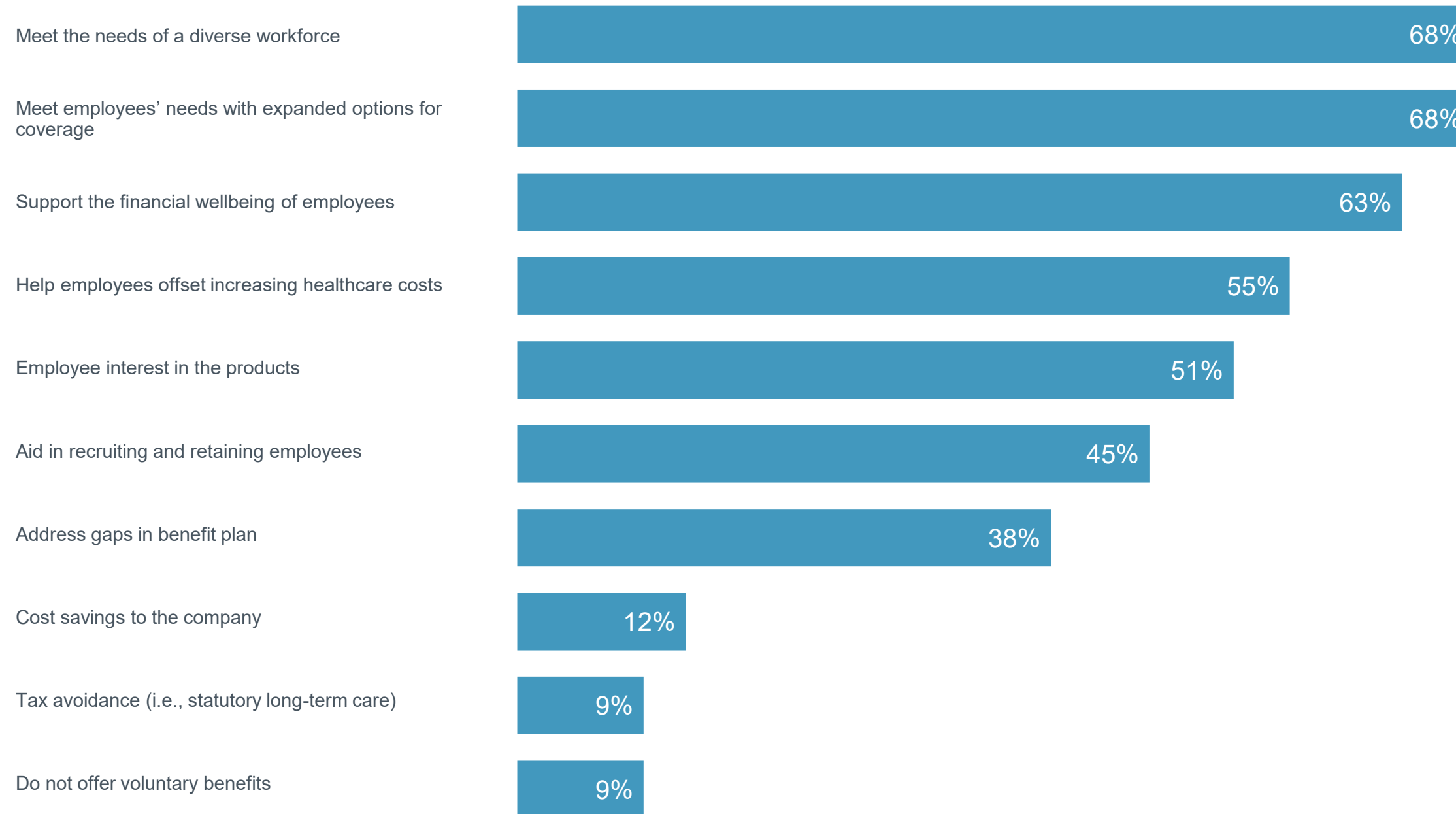
Meeting the needs of a diverse workforce

Expanding choice

Supporting financial wellbeing

Why Employers are Offering Voluntary Benefits

If your current or future approach includes offering voluntary/supplemental benefits, what are your main reasons for offering these benefits?



Providing access to supplemental coverages that **support employees' unique needs and life stages**, with a focus on financial wellbeing, remains a priority focus for voluntary offerings.

Source: Aon Health Survey 2023

Evolution of the Voluntary Benefits Market



2024
Fully Integrated Solution

Medical & VB

- Integrated claims process
- Custom plan designs
- Proactive wellness claims
- Holistic case level underwriting



2015-2019
Medical Carrier Entrants

Medical Carriers

- Value based plan designs
- ASO offsets



2008-2012
All Group Carriers in
(Groupification of VB)

True Group VB Products

- Annual Guaranteed Issue
- Master policy held at employer level



1990
Entrance of initial
Group Carriers

Group Hybrid VB Products

- Retain features of Individual plans (Issue Age, Portability)

1950
Beginning of Voluntary Market
(Worksite Marketing)

Individual VB Products

- Payroll deduction; individually underwritten
- Guaranteed renewable, fully portable

Most employers
are here

**Better Benefits
Better Integration
Better Outcomes**

Value to Employers

- Greater employee appreciation
- Savings opportunities
- Eliminate administrative burden

Value to Employees

- Seamless experience
- Enhanced plan designs and increased claim payments
- Improves financial wellbeing

Voluntary Benefits Participation Trends

By Generation

Generation Z

- Accident
- Hospital Indemnity
- Permanent Life
- Identity Theft
- Pet
- Student Loan Assistance
- Discount/Purchasing Program

Millennials

- Accident
- Hospital Indemnity
- Permanent Life
- Legal
- Identity Theft
- Student Loan Assistance
- Discount/Purchasing Program

Generation X

- Accident
- Critical Illness
- Hospital Indemnity
- Permanent Life with Long-term care
- Legal
- Identity Theft

Baby Boomers

- Critical Illness
- Hospital Indemnity
- Permanent Life with Long-term care
- Legal
- Identity Theft

Valuable Benefits

Critical Illness

interest to people ages 40+, Baby Boomers and Generation X. It is also of interest to employees that have a family history of critical illnesses.

Accident

interest a broader range of ages, younger, active employees and those with children.

Hospital Indemnity

interest to people starting families and those with concerns of being hospitalized for illnesses

Permanent Life

interests all age groups. Individuals that are looking for protection for long term care or to help ease the burden on family members in an untimely death.

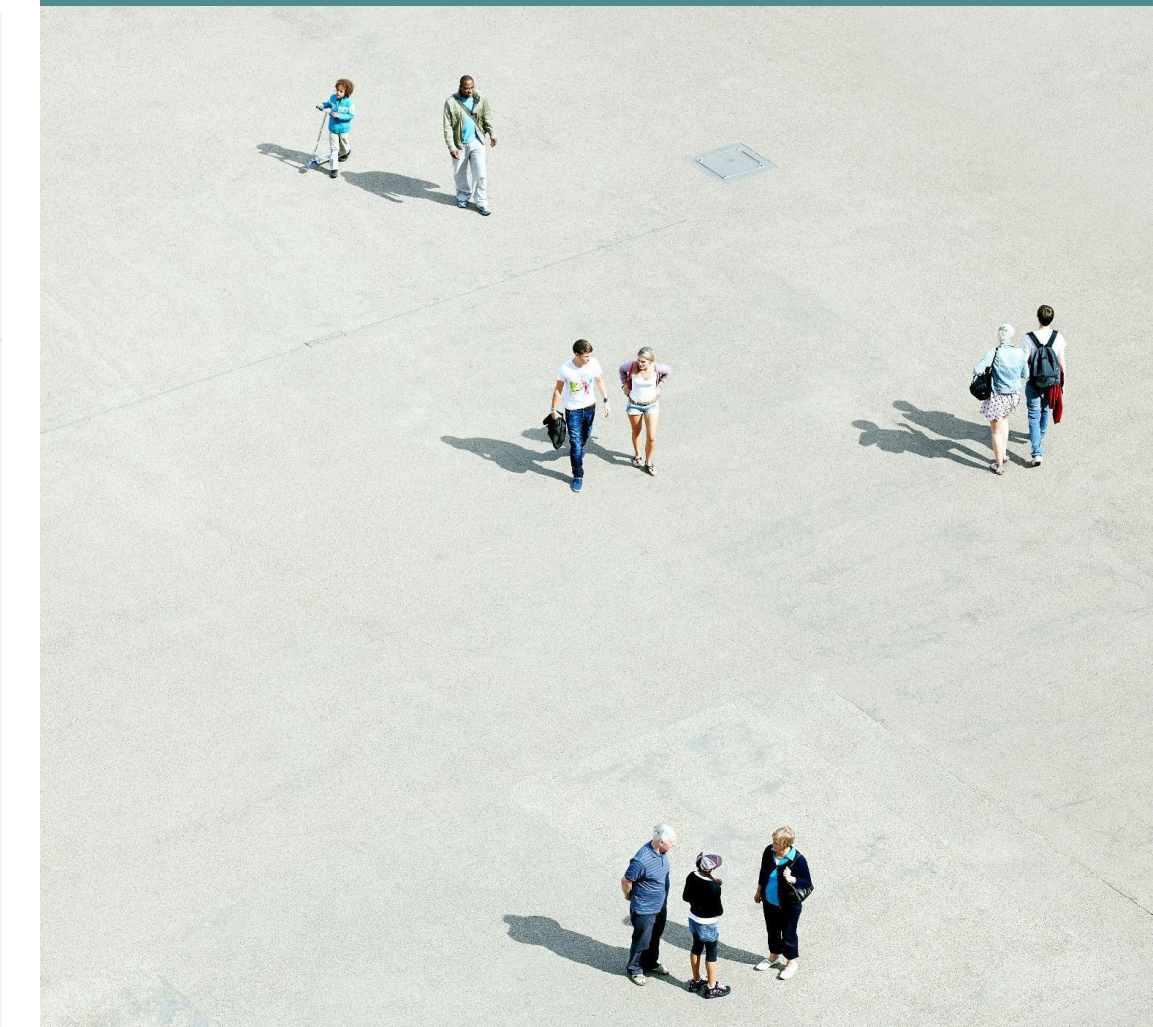
Population Health Insights

Consumer Risk Analyzer

Sample Size
 Covered Lives: 8.12m+
 Average Age: 33.7 years
 Average Claimant Age: 35.2 years

All Industry	All Industry		Client Example	
	Incidence Rates	Average Claimant Costs	Expected Incidence	Expected Claimant Costs
Accident	29.9%	\$2,168	2,990	\$6.48M
Critical Illness	8.0%	\$3,893	800	\$3.11M
Hospital Indemnity	5.2%	\$4,390	520	\$2.28M

10,000 BEE



Source: IBM® RED BOOK™ and MarketScan® Research Databases

Population Health Insights

Accident

	Incidence	Average Cost
Average	29.9%	\$2,168
Top Expenses		
Emergency Room	17.1%	\$2,790
Urgent Care	17.5%	\$1,724
Ambulance (Ground)	1.5%	\$4,671
Fracture	0.36%	\$2,514
Dislocation	0.10%	\$1,984
Laceration	0.05%	\$7,617

Hospital Indemnity

	Incidence	Average Cost
Average	5.2%	\$4,390
Top Expenses		
1 Hospital Incidence	3.8%	\$4,017
2+ Hospital Incidence	0.6%	\$7,014
Newborn Incidence	2.3%	\$2,425

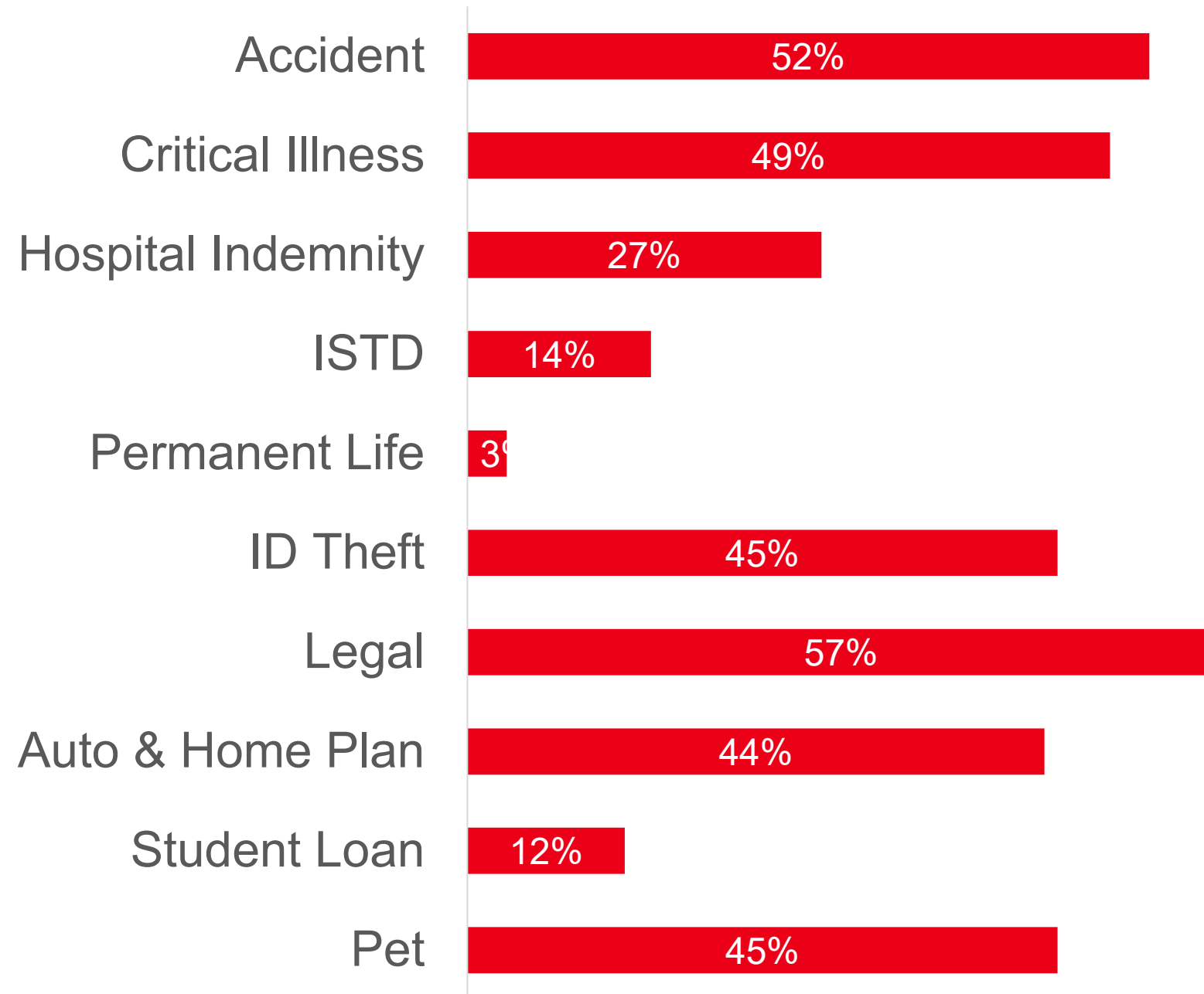
Critical Illness

	Incidence	Average Cost
Average	8.0%	\$3,893
Top Covered Conditions		
Cancer	5.23%	\$3,495
Hearing/Speech	0.93%	\$4,643
Skin Cancer	0.80%	\$3,416
Stroke	0.69%	\$5,120
Renal Failure	0.64%	\$6,252
Heart Attack/Cardiac Arrest	0.26%	\$5,653
Multiple Sclerosis	0.23%	\$8,330
Paralysis	0.22%	\$5,534
Burns	0.17%	\$2,476
HIV	0.17%	\$8,083
Benign Brain Tumor	0.04%	\$3,947
Coronary Artery Bypass	0.03%	\$6,531
Major Organ Transplant	0.02%	\$7,872
Coma	0.01%	\$4,813
Bone Marrow Transplant	0.01%	\$9,884
ALS	0.01%	\$5,590

Voluntary Benefit Benchmarking

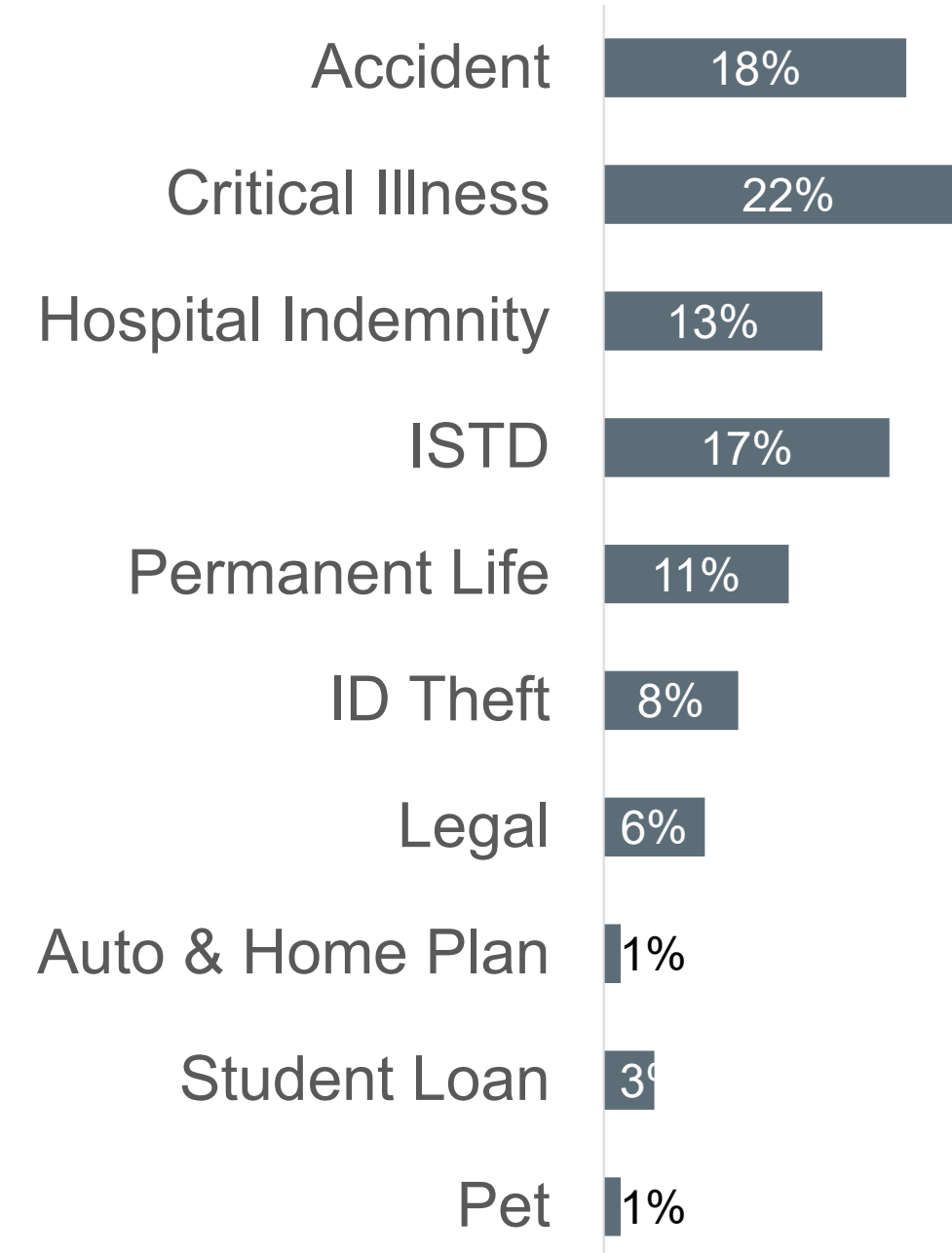
Large Clients

What **employers** are offering



Aon Benefit SpecSelect

What **employees** are enrolling in



Aon Enrollment Results

Thank You



Navigate With Confidence