

OCTOBER 2016

Closing the benefits gap

How to help employees strengthen their financial safety net



Overview

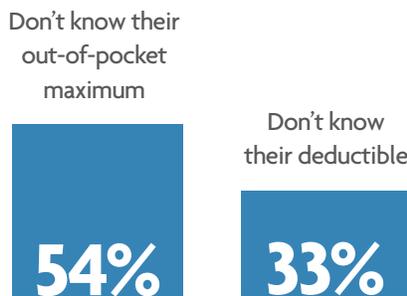
Employees are concerned about their financial risk related to health care expenses, and they want to learn how to close gaps created by changes in their health care plans. Employers can help ease these concerns by offering voluntary benefits and providing clear benefits communication. The following information is based on survey data taken from 1,000 U.S. employees. The survey was commissioned by Assurant Employee Benefits¹—now part of the Sun Life Financial family.



When it comes to health care, employees are concerned about their financial risk

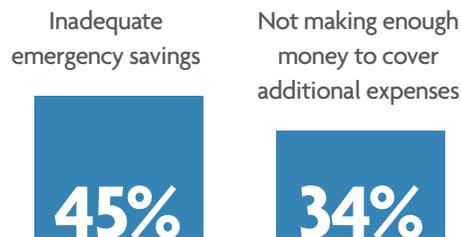
With health insurance plans becoming more complex, employees have greater uncertainty about what's covered versus not covered and how much they'll have to pay out of their own pockets.

A majority of employees (84%) are satisfied with the benefit options offered by their employers, and 92% are confident about their decision-making ability. Yet employees are alarmingly uninformed about important details of their insurance plans. Half (54%) don't know their out-of-pocket maximum, and one in three (33%) don't know their deductible. Three in ten (30%) don't know either of these numbers.



The main reasons why employees are concerned are because they do not have adequate savings (45%) and because they don't earn enough money to cover additional expenses (34%).

Why worry?



Employees fret more and prepare less for health emergencies when they don't clearly understand their insurance plans. When employees know both their out-of-pocket maximum and deductible, they are three times more likely to be "not at all concerned" (16%) about covering their share of medical expenses than those who don't know either (5%).

The Sun Life research showed that even among employees who are unfamiliar with their potential costs, nearly two in three of them (63%) are concerned about being able to pay their out-of-pocket costs in case of a major medical expense.



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Employees understand the benefits gap and are looking to employers for help

70%
of employees are unfamiliar with the term “voluntary benefits”

Nearly nine in ten (86%) employees understand that changes in their health care coverage are creating gaps—and over three in four (77%) are concerned about their financial risk because of these cutbacks. In fact, 62% of workers say they need additional coverage. Furthermore, a large majority of employees (86%) believe the onus is on employers to offer options to fill the gap.

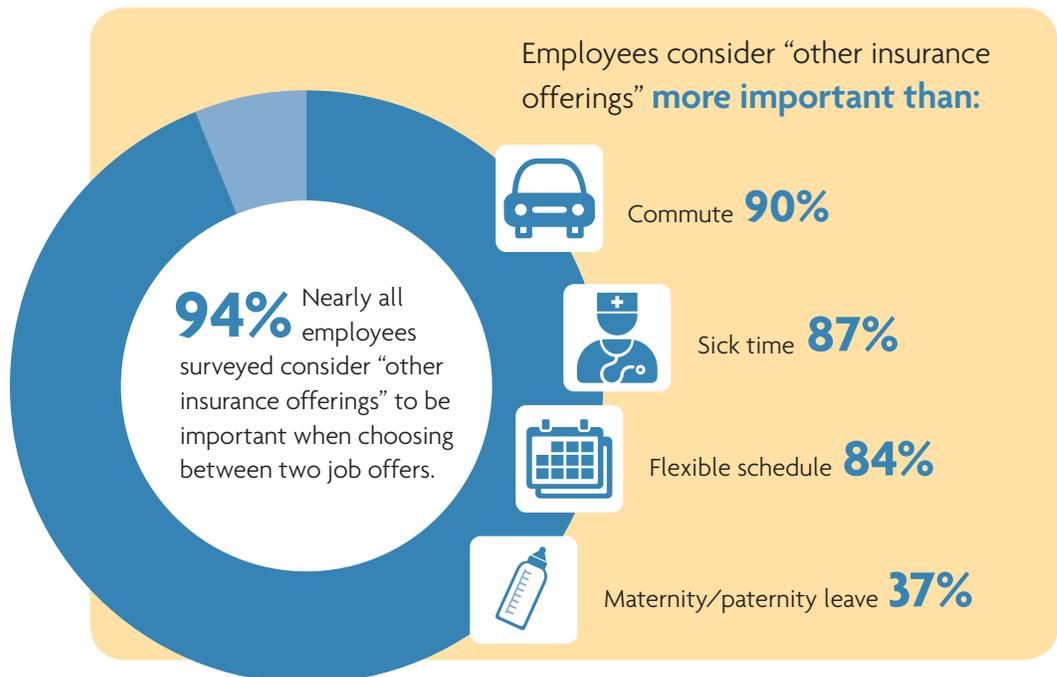
 **A large majority** of employees believe the onus is on employers to offer options to fill gaps.

Yet 70% of employees are unfamiliar with the term “voluntary benefits.” Once it is explained to them, three in four employees (72%) say it is important for employers to offer voluntary benefits, and 63% agree that voluntary benefits are helpful in filling the gaps in health care coverage even if employees have to pay for them out of their own pockets.



Three in four employees say it is important for employers to offer voluntary benefits, once the option is explained.

A holistic benefits plan is not only important to help employees mitigate their financial risks, but it is also a smart way to attract new employees. Nearly all employees surveyed (94%) consider “other insurance offerings,” which means insurance other than health insurance, to be important when choosing between two job offers—on par with retirement plans and more important than commute (90%), sick time (87%), flexible schedule (84%), or maternity/paternity leave (37%).

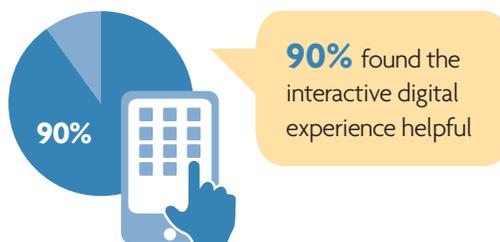


Customized benefits choices and clear communication can help

Eighty-nine percent of employees agree that having many choices of benefits is good because their needs may change as their life stage changes, and 87% of them say the ability to customize their benefits packages would help ensure that they chose the right plans. But a plethora of options will only confuse the situation unless employers take steps to ensure that employees understand how to use them. More than a third of employees surveyed (37%) said they know they should enroll in additional voluntary benefits, but they feel overwhelmed by the amount of options.

Printed materials, interactive online tools, and—even more so—face time with benefits experts can help. Of the 59% of employees who received printed materials describing their benefits choices, 91% found them helpful. Still, 33% of these employees said the materials were too confusing to help them make the most informed choice possible.

Technology is the predominant method used to enroll in benefits



While technology plays such a big role in the daily lives of employees and is the predominant method used to enroll in benefits (47%), only 15% used an interactive online tool to learn about their options before enrollment. Of those employees, 90% found the interactive digital experience to be helpful.

Essentially all employees surveyed who had one-on-one time with benefits managers and representatives (96%) found them to be helpful, but only one in five (20%) had such in-person meetings.

87% of employees say the ability to **customize** their benefits packages would help ensure that they chose the right plans.

Many employees said that the items below would **increase their confidence** in their benefits choices:

86%
Clearer explanations of their benefits choices

83%
More information

80%
One-on-one time with a benefits counselor

96% found one-on-one time helpful

CONCLUSION

Using voluntary benefits to close the gap on employee financial risk



“Less than a decade ago, employers and the benefits packages they provided insulated employees from high out-of-pocket expenses,” said Joi Tillman, Vice President, Voluntary Insurance, Sun Life Financial U.S. “In the new era of high-deductible—or increasing deductible—health plans, employers are increasingly offering voluntary benefits as a way for employees to supplement their health insurance.”

With voluntary benefits, employees may elect to purchase supplemental policies such as cancer, critical illness, hospital indemnity, or accident insurance for extra protection against their health care expenses.

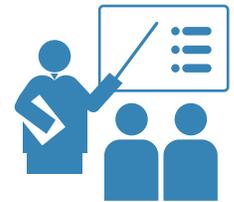
Gone are the one-policy-fits-all days. Businesses are responding to the changing times by tailoring a voluntary benefits menu based on employee demographics (like age, gender, income level, and marital status), but they could do a better job of communicating the options.

“Voluntary benefits are often described as filling the gaps in insurance coverage, but filling the gaps in benefits communication is also a vital part,” said Kevin Seeker, Vice President, Benefits Communication and Administration Services, Sun Life Financial U.S. “There are undoubtedly missed opportunities to inform employees about all of their benefits options, and nothing beats personalized communication when you’re trying to explain how benefits can fit into someone’s life.”

Most employees

say that clearer explanations of their benefits choices,

more information, and one-on-one time with a benefits representative would help them increase their confidence in choosing benefits.





About the survey

This research on voluntary benefits was commissioned by Assurant Employee Benefits, now part of the Sun Life Financial family. From September 5 to 9, 2015, a total of 1,000 full-time employees who have the option of choosing employer-provided benefits were interviewed. Fieldwork was conducted online using the GfK KnowledgePanel®. The margin of sampling error is +/- 3.5 percentage points (total weighted sample).





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