

Defined Contribution

This innovative “*Defined Contribution*” approach allows employees to select specific benefits with premium dollars provided to them by their Employer. The employee may also select additional benefits through the ease of payroll deduction

The Employer now has a “Fixed Budget” for benefits and the Employees select ‘The Benefits They Want!’



Companion Life

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Rated A+(Superior) by A.M. Best

Employer Contribution Requirements

- The minimum employer contribution is \$25 PEPM for benefits, however there is no limit.
- Think of it as handing the employee a gift card to use at the benefits store – most employees will spend more than the contribution from the employer.
- 5 Eligible/Enrolling life minimum.

Defined Contribution Plan Benefit Offerings*

- Basic Life / AD&D
- Voluntary Life
- Short Term Disability
- Long Term Disability
- Dental
- Vision
- Critical Illness

***All Benefits are Guarantee Issue**

***ALL Benefits have a 2 rate guarantee**

***With the Exception of the Basic Life and Long Term Disability, there are NO Participation Requirements**

Basic Life / AD&D

Employer has the choice to select one of the following options:

- 1) \$10,000 Basic and AD&D
- 2) \$15,000 Basic and AD&D
- 3) \$25,000 Basic and AD&D
- 4) \$50,000 Basic and AD&D

Dependent Life Insurance:

Spouse: \$5,000

Child: 14 Days to 6 Months: \$100
6 Months & Over: \$5,000

- 100% Participation needed when offer Employer Paid Life / AD&D
- Rates valid for groups with 10 – 99 lives
- 2-year rate guarantee
- Basic Life / AD&D benefits reduce 35% at age 65, 50% at age 70 and 75% at 75; Benefits terminate at retirement
- Married or civil union employees of the same group are only eligible for coverage based on themselves individually, with only one employee providing coverage for any dependent children

Voluntary Term Life/AD&D

Employees.

- \$10,000 to \$100,000 of Voluntary Term Life/AD&D
not to exceed \$100,000 Guarantee Issue* if you enroll when initially eligible

Spouses

- May elect up to 50% of Employee Amount in \$5,000 increments
not to exceed the \$25,000 Guarantee Issue

Child(ren) Options:

- \$2,500 \$5,000 \$7,500 or \$10,000

Important Features

- Accelerated Benefit
- Waiver of Premium
- Portability Provision
- Conversion Privilege

Short Term Disability

The Employer will select 1 Plan Option and 2 Benefit Amounts

	Option 1	Option 2	Option 3	Option 4
Benefits Begin				
Accident	8	8	15	15
Sickness	8	8	15	15
Benefit Amount	60% of earning or flat \$100/week or flat \$200/week	60% of earning or flat \$100/week or flat \$200/week	60% of earning or flat \$100/week or flat \$200/week	60% of earning or flat \$100/week or flat \$200/week
Weekly Benefit Maximum	\$1,250	\$1,250	\$1,250	\$1,250
Benefit Period	13 weeks	26 weeks	13 weeks	26 weeks
Maternity	Covered	Covered	Covered	Covered
Pre-existing Conditions	12-12	12-12	12-12	12-12

Long Term Disability Minimum participation – 2 Employees

Benefit Summary		
Elimination Period	90, 180, or 360 days	
Maximum Amount	\$1,000 up to \$3,000 or \$6,000 – based on SIC Code (increasing by \$500 increments)	
Maximum Payment Duration	2 year RBD, 5 year RBD, or to age 65	
Integration Approach	Primary and Family	
Definition of Disability	Two year own occupation	
Work Incentive Benefit Duration	One year	
Minimum Payment Amount	Greater of \$100 or 10%	
Pre-existing Conditions Limitation	12/12	
Limited Benefit	24 months for Mental Illness / Substance Abuse	
Rate Guarantee	2 years	
Standard Features		
Full Maternity Benefits	Social Security Assistance	Survivor Benefit
Cost of Living Freeze	Continuity of Coverage	Waiver of Premium
Workplace Modification Benefit	Vocational Rehabilitation	

Dental

Employer Chooses from following plan designs:
For Groups 5-19 lives, choose 1 Plan, For groups 20-99 choose 2 Plans

Services	Option 1 Modified Select	Option 2 Modified Select	Option 3 Modified Essentials	Option 4 Modified Essentials
Program Deductible Per Individual Family Limit Waived for Type I service?	\$50 Contract Year 3 Yes	\$100 Lifetime No Limit No	\$100 Lifetime No Limit No	\$50 Contract Year 3 Yes
Type I Preventive Services	100% oral exams, cleanings (2 per 12 months) bitewing x-rays (1 per 12 months) space maintainers pain treatment, sealants full mouth x-rays	100% oral exams, cleanings (2 per 12 months) bitewing x-rays (1 per 12 months) space maintainers pain treatment, sealants full mouth x-rays	100% oral exams, cleanings (2 per 12 months) bitewing x-rays (1 per 12 months)	100% oral exams, cleanings (2 per 12 months) bitewing x-rays (1 per 12 months)
Type II Basic Services Benefit Waiting Period	80% fillings, anesthesia simple & surgical extractions endodontics, oral surgery periodontics None	80% fillings, anesthesia simple & surgical extractions endodontics, oral surgery periodontics None	80% space maintainers, fillings, pain treatment, sealants, full mouth X-rays None	80% space maintainers, fillings, pain treatment, sealants, full mouth X-rays None
Type III Major Services Benefit Waiting Period	50% crown, inlays, onlays dentures, bridges, implants None	50% crown, inlays, onlays dentures, bridges, implants None	50% anesthesia, endodontics simple & surgical extractions oral surgery, periodontics crowns, inlays, onlays dentures, bridges, implants 12 months	0% anesthesia, endodontics simple & surgical extractions oral surgery, periodontics crowns, inlays, onlays dentures, bridges, implants 12 months
Maximum	\$1000 Calendar Year	\$1500 Calendar Year	\$1000 Calendar Year	\$500 Calendar Year
Type IV Orthodontia Child(ren) Only Lifetime Maximum Deductible Benefit Waiting Period	50% Child(ren) Only \$1,000 None 12 months	50% Child(ren) Only \$1,000 None 12 months	50% Child(ren) Only \$1,000 None 12 months	Not Selected
Takeover Benefit	Preferred Takeover	Preferred Takeover	Preferred Takeover	Preferred Takeover

Vision

Employees have their choice of either Plan

	Employee has choice of either Option			
	<i>Vision Essentials Option</i>		<i>Vision Select Option</i>	
	(Exam only)	LOW Option	(Exam and Eyewear)	HIGH Option
<u>Vision Care Services</u>	<u>In Network</u>		<u>In Network</u>	<u>Out-of-Network</u>
Exam with Dilatation (as necessary):	\$10 Copay		\$10 Copay	\$35 allowance
Contact Lens fit and Follow-up: (Contact lens fit and two follow-up visits are available once a comprehensive eye exam has been completed)				
Standard*	N/A		\$0 Copay	\$40 allowance
Premium*	N/A		\$0 Copay, 10% off retail, then apply \$55 allowance	\$40 allowance
Frames: Any available frame at provider location		<u>In Network Only</u> 35% off retail price when complete pair of eyeglasses purchased; otherwise 20% discount.	<u>In Network</u> \$130 frame 20% off balance over allowance.	<u>Out-of-Network</u> allowance \$72 allowance
<u>Standard Plastic Lenses:</u>		<u>In Network Only</u>	<u>In Network</u>	<u>Out-of-Network</u>
Single	Member Pays:		\$10 Copay	\$25
Bifocal	\$50		\$10 Copay	\$40
Trifocal	\$70		\$10 Copay	\$55
	\$105			
<u>Lens Options:</u>		<u>In Network Only</u>	<u>In Network</u>	<u>Out-of-Network</u>
UV Coating	Member Pays:		Member Pays:	Discount available
Tint (Solid and Gradient)	\$15		\$15	only at Network
Standard Scratch Resistant Coating	\$15		\$15	providers and retailers
Standard Polycarbonate	\$15		\$15	
Standard Anti-Reflective Coating	\$40		\$40	
Standard Progressive (Add-on to Bifocal)	\$45		\$45	
Other Add-Ons and Services	\$65		\$65	
	20% off retail		20% off retail	
<u>Contact Lenses: (Material only)</u>	<u>Conventional:</u>		<u>Conventional and Disposable:</u>	<u>Out-of-Network</u>
	15% off retail price		<u>In Network</u>	\$96 allowance
			\$0 Copay, \$120 allowance. 15% off balance over allowance (conventional only).	
Medically Necessary	N/A		Paid in full.	\$200 allowance
<u>Frequency:</u>				
Examination		12 months		12 months
Frames		Unlimited		24 months
Eyeglass Lenses		Unlimited		12 months+
Contact Lenses (in lieu of eyeglass lenses)		Unlimited		12 months++

Critical Illness*

Covered Conditions			
Cardiovascular Conditions	Percent of Face Amount	Additional Conditions	Percent of Face Amount
Heart Attack	100%	Major Organ Transplant	100%
Stroke	100%	End Stage Renal Failure	100%
Coronary Bypass Surgery	25%	Blindness	100%
Cancer Conditions	Percent of Face Amount	Deafness	100%
Invasive Cancer	100%	Paralysis	100%
Cancer In-Situ	25%	Accidental Loss of Speech	100%
		Coma	100%

- All Benefit levels are Guarantee Issue
- First Occurrence Coverage
- Reduction Schedule begins at age 60

Eligible Employees	Maximum Amount Available (Employer Chooses One Amount)
10-24	\$5,000
25-99	\$10,000
100-199	\$15,000
200+	\$20,000

- Dependent Coverage (if elected) is 50% of Employee Amount
- Reoccurrence and Additional Occurrence benefits Included
- Age Banded rates with 5 Year Rate Lock

Actual Case Study – Defined Contribution

Group Size: 18 Employees

Benefits Selected: Basic Life, Voluntary Term Life, STD, Dental

What was the Employer Monthly Allocation?: \$34.88

What did the average Employee actually spend?: \$77.89

What did the Employees Purchase?

18 Employees selected Basic Life

12 Employees selected Voluntary Term Life (7 Spouses and 5 Children)

17 Employees selected Dental (1 Employee elected Option #1 and 16 Employees elected Option #2)

9 Employees selected STD (9 Employees elected Option #2)

What was the total Annual Premium?: \$16,824*

What was the 1st year and renewal commission?: \$2,103*

Notes:

The Employer chose to offer 4 of the 5 benefits that were available (Vision were not selected)

Employees definitely selected **“The Benefits They Wanted”**

As you can see, there was no need to worry about participation requirements

Unique design for Employer Allocation – It was the monthly premium the the ER was already paying for the EE Dental

The group currently had VTL and STD, but they were voluntary.. DC increased participation and premium

Actual Case Study 5/1/16 – Defined Contribution

Group Size: 47 Employees

Benefits Selected: Basic Life, Voluntary Term Life, Dental, Vision

What was the Employer Monthly Allocation?: \$25.00

What did the average Employee actually spend?: \$47.51 (With 30 of the 47 employees exceeding the ER Allocation)

What did the Employees Purchase?

47 Employees selected Basic Life

30 Employees selected Voluntary Term Life (7 Spouses and 11 Children)

20 Employees selected Dental (7 Option #1 and 13 Option #2)

22 Employees selected Vision (1 Option #1 and 21 Option #2)

What was the total Annual Premium?": 26,798.46*

What was the 1st year and renewal commission?: \$3,215.81*

Notes:

The Employer chose to offer 4 of the 5 benefits that were available (STD were not selected)

Employees definitely selected **“The Benefits They Wanted”**

As you can see, there was no need to worry about participation requirements

The group currently had Dental in place and DC increased participation and premium

These employees were not “highly compensated” employees, but they had TREMENDOUS appreciation for DC!

Employee initially just wanted to “sign a waiver form!”

Actual Case Study 84 lives – Defined Contribution

Group Size: 84 Employees

Benefits Selected: Basic Life, Voluntary Term Life, STD, Dental and Vision

What was the Employer Monthly Allocation?: \$30.00 (Total Monthly/Annual Allocation: \$2,520/\$30.240)

What did the average Employee actually spend?: \$76.35 (Total Monthly Premium was \$6,413, so basically the employees spent MORE than 100% of the Employer Allocation)

What did the Employees Purchase?

- 84 Employees selected Basic Life - \$5,500 annual premium
- 58 Employees selected Voluntary Term Life - \$13,303 annual premium
- 61 Employees selected Dental - \$30,992 annual premium
- 48 Employees selected Vision - \$5,406 annual premium
- 76 Employees selected STD - \$21,762 annual premium

What was the total Annual Premium?": \$76,963*

What was the 1st year and renewal commission?: \$9,723*

Notes:

The Employer two years ago used EasyAppsOnline to enroll their medical. The quote from the HR Director to the employees (after she enrolled herself of the Ancillary DC benefits) was, "This is SO EASY compared to the medical!"

The only benefit that this group had prior to this DC enrollment (outside of the medical) was Basic Life

The Group HAD NOT offered any Voluntary benefits in the past, because the were confident that the

employees would not pay for benefits themselves because the employer is paying 90% of the medical insurance

Actual Case Study - Getting the BOR on the Medical...

...using Defined Contribution for Ancillary

Group Size: 40 Employees

Benefits Selected: Basic Life, Voluntary Term Life, STD, Dental and Vision

What was the Employer Monthly Allocation?: \$25.00 (Total Monthly/Annual Allocation: \$1,000/\$12,000)

What did the average Employee actually spend?: \$67.95 (Total Monthly Premium was \$2,718, so basically the employees spent MORE than 2 1/2 times the Employer Allocation)

What did the Employees Purchase?

- 40 Employees selected Basic Life - \$895 annual premium
- 32 Employees selected Voluntary Term Life - \$7,407 annual premium
- 23 Employees selected Dental - \$14,299 annual premium
- 28 Employees selected Vision - \$3,723 annual premium
- 23 Employees selected STD - \$6,288 annual premium

What was the total Annual Premium?: \$32,612*

What was the 1st year and renewal commission?: \$3,990*

Notes:

This Employer had been offering Basic Life, Dental, Vision and STD in the “traditional” way

This Employer was excited about two components of DC, 1.) Budgetability, 2.) Employee Choice.

Both of these elements were extremely significant, due to the fact that they were expanding their Health Insurance from 1 plan option to 3 plan options as they attempted to manage the rising cost of their Health Insurance

There were 3 different Brokers working on this group. 1.) The Incumbent, 2.) Another local Broker who was positioned to “take the group over” and 3.) Another local Broker who knew the Owner of the company socially. The first two Brokers “stayed the course” with their traditional approach to managing benefits (i.e. spreadsheets and “lowest rates”) The third Broker brought in the ease and innovation of the “new” online enrollment platform and the “new” Defined Contribution approach to ancillary benefits. The third broker not only wrote the ancillary benefits, but he took the BOR on the Medical as well!!! (by the way, all 3 Brokers saw the Online Defined Contribution presentation, but only one presented it to the Employer)

*Premiums and Commissions stated for illustration purposes only. Actual Premium and Commission will vary by group