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VOLUME 34, NUMBER 6

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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: calbroker.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.

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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.

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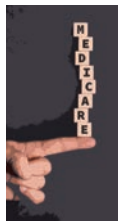
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# ZENEFITS' TROUBLES DON'T LET BROKERS OFF THE HOOK



by Alan Katz of the Alan Katz Group

**Z**enefits is in trouble. Serious, existential trouble. Some community-based benefit brokers are watching the calamity at Zenefits unfold with a mixture of schadenfreude and relief. Given the scorn and ridicule Zenefits heaped on these brokers, taking pleasure from its misfortune is hard to resist. Feeling relief, however, misreads the situation and is dangerous to one's career.

Zenefits could go out of business and several of its employees could be jailed as a result of the business practices reported by William Alden of BuzzFeed News and other journalists. While unlikely, this is a possibility because:

- Zenefits allegedly used unlicensed agents to sell and service 83% of its policies in Washington state. If proven, Zenefits could face up to a



\$2.75 million fine and some employees could go to prison. Zenefits allegedly used unlicensed agents in other states, too, which could add to these fines.

- Zenefits created software enabling some California employees to lie to regulators concerning the time they spent on pre-licensing training. California law requires those applying for an insurance license to devote 52 hours to this curriculum. Zenefits employees signed a form, under penalty of perjury, that they had done so. Some may not have. Perjury is a felony in California and conviction can result in up to four years imprisonment. If Zenefits cheated in qualifying agents to sell in California, other regulators are no doubt looking into whether the company did this in their states, too.
- If found guilty of violating consumer protection laws, state regulators could revoke Zenefits' insurance licenses. Without the license Zenefits could no longer sell new policies and insurance companies would likely terminate, for cause, their Zenefits contracts. The insurers would then

stop paying commissions to Zenefits even on previously sold policies. License revocation in one state could result in losing their licenses elsewhere. A cascade across the country of revoked licenses and terminated contracts could cost Zenefits tens of millions of dollars.

- If Zenefits loses its licenses, commissions on current policies and ability to sell new ones, then some of its more recent investors may demand their money back. (Let me be clear: I am not accusing anyone at Zenefits of committing fraud or any other crimes. What follows is totally and only hypothetical and speculative.) In May 2015, Zenefits raised \$500 million in a capital round led by Fidelity Investments and private equity firm TPG. If Zenefits management knowingly hid legal problems from them (and I'm not accusing anyone of doing so) then Fidelity and TPG could claim inducement by fraud, seek to rescind their contract, and demand Zenefits return their investment. I'm not saying this happened or that investors were misled in any way. Nonetheless, I'd be surprised if Fidelity and TPG lawyers are not also speculating about this.

Zenefits worst-case scenario, then, is that the company pays millions of dollars in fines, loses many millions more in revenue, sees employees jailed, can no longer sell insurance, irreparably damages its brand, and must repay some investors. That's a pretty scary worst-case scenario. Based on what we know today, it is also highly unlikely to happen. No regulator has found Zenefits in violation of anything. Regulators are unlikely to impose the most severe penalties available to them if their investigations do not reveal consumer harm. The steps David Sacks, Zenefits' new CEO, is taking will likely mitigate any penalties imposed on the company. Several employees, including former CEO, Parker Conrad and sales VP Sam Blond have already left the company and more may follow. Zenefits now has its first compliance officer. Mr. Sacks also seeks to change Zenefits values.

I'm skeptical, however, that Zenefits can or will quickly change its culture *(continued on Page 45)*



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	Bests	Fitch	S&P									
American Equity	A-	BBB+	A-	ICC13 MYGA (Guarantee 5) (Q/NQ)	S	2.85%*	5 yr.	None	9%, 8, 7, 6, 5, 0	Yes	\$10,000 (Q) & \$10,000 (NQ)	3.00%, age 0-75 & 2.10%, age 76-80**
				ICC13 MYGA (Guarantee 6) (Q/NQ)	S	3.05%*	6 yr.	None	9%, 8, 7, 6, 5, 4, 0	Yes	\$10,000 (Q) & \$10,000 (NQ)	3.00%, age 0-75 & 2.10%, age 76-80**
				ICC13 MYGA (Guarantee 7) (Q/NQ)	S	3.30%*	7 yr.	None	9%, 8, 7, 6, 5, 4, 3, 0	Yes	\$10,000 (Q) & \$10,000 (NQ)	3.00%, age 0-75 & 2.10%, age 76-80**
*Effective 2/1/16. Current interest rates are subject to change on new issues. **Commission may vary by issue age and state. See Commission Schedule for details												
American General Life Insurance Companies	A	A+	A+	American Pathway Solutions MYG (*Guarantee Return of Premium) (Q/NQ)	S	2.20%* <sup>a</sup> 2.35%* <sup>b</sup>	5 yr.	None	8%, 8, 8, 7, 6, 5, 4, 3, 2, 1, 0	Yes	\$10,000 (Q&NQ)	1.5% age 0-75 .75% age 76-85
*CA Rates Effective 2/22/16. First year rate includes 1.50% interest bonus. a (less than \$100k ; b (100K or more)												
American General Life Insurance Companies	A	A+	A+	American Pathway Fixed 5 Annuity (*Guarantee Return of Premium) (Q/NQ)	S	1.30%* <sup>a</sup> 1.50%* <sup>b</sup>	5 yr.	None	9%, 8%, 7%, 6%, 5%, 0%	No	\$5,000 (NQ) \$2,000 (Q)	2.00% age 0-85 1.00% age 86-90
*CA Rates Effective 11/2/15. Includes 2.00% 1st year bonus, 1.00% base rate subsequent years. a (less than \$100K) b(100K or more)												
American General Life Insurance Companies	A	A+	A+	American Pathway Fixed 7 Annuity	S	1.80%* <sup>a</sup> 2.00%* <sup>b</sup>	5 yrs.	None	9%, 8%, 7%, 6%, 5%, 4%, 2%, 0%	No	\$5,000 (NQ)	3.00% age 0-85 1.50% age 86-90
*CA Rates Effective 2/22/16. First year rate includes 4.0% bonus 1 <sup>st</sup> year. a (less than \$100K) b(100K or more)												
American General Life Insurance Companies	A	A+	A+	American Pathway Flex Fixed 8 Annuity (Q/NQ)	F	4.25%* *(includes a 2% interest rate bonus for first year)	1 yr.	None	8%, 8%, 8%, 7%, 6%, 5%, 3%, 1% 0%	No	\$5,000 (NQ) \$2,000 (Q)	2.20% age 0-75 1.70% age 76-80 1.20% age 81-85
*CA Rates Effective 11/2/15												
Great American Life	A	A+	A+	SecureGain 5 (Q/NQ)	S	2.10%	5 yrs.	N/A	9%, 8, 7, 6, 5	Yes	\$10,000	2.50% 18-80 (Q), 0-80 (NQ) 1.50% 81-89 (Q&NQ)
Effective 2/15/16. Includes .25% first-year bonus and is for purchase payments over \$100,000. Escalating five-year yield is 2.10%. For under \$100,000 first-year rate is 1.95%. Escalating rate five-year yield 1.95%.												
Great American Life	A	A+	A+	SecureGain 7 (Q/NQ)	S	2.40%	7 yrs.	N/A	9%, 8, 7, 6, 5, 4, 3	Yes	\$10,000	3.50% 18-80 (Q), 0-80 (NQ) 1.50% 81-85 (Q&NQ)
Effective 2/15/16. Includes 1.00% first-year bonus and is for purchase payments over \$100,000. Escalating seven-year yield is 2.29%. For under \$100,000 first-year rate is 2.30%. Escalating rate seven-year yield 2.19%.												
Great American Life	A	A+	A+	Secure American (Q/NQ)	S	1.50%*	1 yr.	N/A	9%, 8, 7, 6, 5, 4, 3	No	\$10,000	5.75% 0-70 4.65% 71-80 4.40% 81-89
*Effective 2/15/16. Eff. yield is 2.52% based on 1.50% first year rate, 1.00% available portion of 10% annuitization bonus (available starting in contract year two) and 0.02% interest on available portion of bonus at the rate of 1.50%. Surrender value interest rate 1.50%. Accepts additional purchase payments in first three contract years. COM12255												
The Lincoln Insurance Company	A+	AA	AA	MYGuarantee Plus 5	S	1.55%*	5 yr.	None	7%, 7, 6, 5, 4, 0	Yes	\$10,000 (Q/NQ)	
**Rates Effective 2/1/16 for premium less than \$100,000 and are subject to change												
The Lincoln Insurance Company	A+	AA	AA	MYGuarantee Plus 7	S	2.00%*	7 yr.	None	7%, 7, 6, 5, 4, 3, 2, 0	Yes	\$10,000 (Q/NQ)	
**Rates Effective 2/1/16 for premium less than \$100,000 and are subject to change.												
North American Co. for Life and Health	A+	AA-	A+	Gaurantee Choice (Q/NQ)	S	2.60%* <sup>a</sup> 2.85%* <sup>b</sup>	5 yr.	None	10, 10, 9, 9, 8	Yes	\$2,000 (Q) \$10,000 (NQ)	2.50% (0-80) 1.875% (81-85) 1.25 (86-90)
*CA rates effective 1/5/16 - a (less than \$200K) b(200K or more)												
Reliance Standard	A+		A	Eleos-MVA	S	3.25%*	1 yr.	None	8%, 7, 6, 5, 4	Yes	\$10,000	3.25%**
*Effective 2/13/16. Includes 1.50% 1st yr. bonus. Min. guarantee is 1.00%. **Reduced 20% ages 76-80, and 40% ages 81-85												
Reliance Standard	A+		A	Apollo MVA (Q/NQ)	S	4.20%*	1 yr.	None	9%, 8, 7, 6, 5, 4, 2	Yes	\$5,000	4.00% to age 75**
Includes 2.20% 1st yr. bonus. Min. guarantee 1.00% **Reduced 20%, ages 76-80, and 40% ages 81-85. Effective 2/13/16												
Symetra Life, Inc.	A	A	A	Custom 7 (Q/NQ)	S	2.90%*	7 yrs.	N/A	8%, 8, 7, 7, 6, 5, 4, 0	No	\$10,000	Varies
*Effective 2/17/16. 2.40% base rate with no guaranteed return of purchase payments. Plus 0.50% bonus for \$250,000 and above.												

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# SDAHU Conference Spotlight

by Leila Morris



**T**echnology and politics were the headlining issues at the San Diego Assn. of Health Underwriters (SDAHU) meeting January 28 in San Diego. A central message from the conference is that now is not the time for brokers to be complacent about technology. Millennials refuse to enroll for benefits with paper. At the same time, online benefit companies count on taking business from brokers who don't use technology. If brokers can get up to speed with technology, they can do what these online companies do, only better.



Alan Katz of the Alan Katz Group

Alan Katz of the Alan Katz Group said that brokers who don't keep up with the technological demands of their clients will lose them. "Everyone is online. You have to be where your clients are. Faxes are going away. E-mail attachments are going away." Katz said that, when choosing a technology partner, look out for vendors that are likely to use your knowledge for a while and then compete with you. Some online benefit companies tried to replace brokers, but are

now finding that it's best to work with them. But will their strategy change course again? Aside from the convenience of digital enrollment, security is a big issue. Katz said, "Talk to your clients about the risk of them having all their clients' personal data in one place. Do you want that liability?" When it comes to choosing a technology solution, Katz said, "You don't want to adopt a product that forces you to change how you do business. Ask others what works." If you are not comfortable with a particular technology, you won't use it, he added.



Michael Lujan, President of CAHU

Michael Lujan, RHU, CHRS president of California Health Underwriters (CAHU) gave a Sacramento update. Lujan said, "You should embrace being a consumer advocate if it means being the voice of reason of someone who actually knows what they are talking about. "From a Sacramento perspective, you have 101 people who meet with legislators and go to hearings and board meetings. They have all kinds of influence in health policy and



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the decisions that affect our world, but they never enrolled or sat face-to-face with a consumer and found out what these policy decisions mean. Say to a senator, 'I know you mean well, but the effect of your bill does this. Here's who it would hurt.' If we don't take that role, we are surrendering to other groups like Health Access who are nothing more than single payer advocates. There is no one more qualified to represent consumers in Sacramento than you all here."

Lujan said that Covered California has had strong enrollment, but retention rates have been only 68% to 69%. "It's no surprise to any of us who are familiar with attrition rates that you can't expect 85% even in a group marketplace where the employer is paying. Why would you be surprised that the retention rate is low for people who have never had coverage, couldn't access physicians, didn't know how the plan worked, didn't get a correct bill for a couple of months, and didn't know how to use the coverage?" He added that Covered California is a learning organization.

In year one, agents did 79% of in-person Covered California enrollment and 81% in year two. Year three numbers are expected to be similar. Lujan stressed that the agent system is most efficient, and that consumers are best served by agents. For example, a representative from Kaiser is not going to recommend a plan by Health Net even if it is a better fit for a particular individual or group.

"When I was at Covered California, we said that the exchange should pay the market rate for commissions. In hindsight, we should have said 6%. The marketplace keeps pushing commissions lower." One bill would require health insurance companies to state that consumers can be served by independent agents at no extra cost.

CAHU supports Covered California's proposed carrier Qualified Health Plan model contract (<http://hbex.coveredca.com/stakeholders/plan-management>). It would prohibit plans from eliminating agent compensation during open enrollment or special-enrollment periods on and off the exchange. CAHU also supports Covered California ex-

ecutive director, Peter Lee in his letter to CMS Secretary Sylvia Mathews Burwell. Lee suggested disallowing carriers from having different agent compensation between special enrollment and open enrollment periods; prohibiting carriers from not paying agents for enrollment; and researching the value of setting a minimum com-

mission amount so carriers contribute at least a similar portion of premiums to this important enrollment channel. "These policy considerations are particularly important, given the policy requirement that agents inform consumers of all available plans and not just those issuers who pay commissions," Lujan said. ★

## —BROKER VIEWPOINT—

*We interviewed agents from the San Diego show to get their take on enrollment and technology issues.*



Jim Lowther – Prescott & Lowther Insurance Agency

Jim Lowther of Prescott & Lowther Insurance Agency in Chula Vista said that, during the hectic fourth quarter, his firm focused on one week at a time. What was really helpful was using the quoting engine from the general agency. Timing of renewal periods has been an issue.



Linda Leong – Linda Leong Financial Services of Rancho Santa Fe

Linda Leong of Linda Leong Financial Services of Rancho Santa Fe is constantly learning so that she can sell a variety of products to meet the global needs of her clients and their families. In addition to being able to sell many insurance products, she is a licensed financial planner. She notes that all new enrollment at her firm is paperless.

Bob Burton of Dominion Financial in La Mesa said that he has leaned heavily on his GA to offer the latest technology to clients. "Online enrollment makes you do it right. You don't have to go back and clean



Bob Burton of Dominion Financial in La Mesa

up mistakes. That means less time and money for everyone." But many of the technology advancements came out in the fourth quarter, making it too late to use them. He hopes to incorporate more new technology in the next enrollment cycle. He says that it would make it easier for brokers if the renewal cycle started earlier.

Peter Vanderpoel of AXA Advisors in San Diego said that the fourth quarter has been a challenge because everyone waits for the last minute to enroll, and the carriers have been swamped. He said that his firm tries to get in touch with clients early on to start the renewal



Carolyn Louie – Snapp & Associates Insurance Services in San Diego

process. Carolyn Louie with Snapp & Associates Insurance Services in San Diego says that online enrollment is certainly important, but she has to be flexible with clients who still want to fax in paper enrollment forms. ★

*Leila Morris is senior editor of California Broker Magazine.*

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**Gil Youmans, director, Growth Markets for Colonial Life:** We still find that many small businesses are confused by health care regulations and are continuously besieged by rising health care costs. As a result, employers are transitioning to higher deductible plans and are shifting a greater share of the costs to employees. And many of the smallest groups, primarily those with under 50 employees, are not able to offer health benefits at all.

**Bill Shepard, regional vice president, Individual and Small Business Group Sales for Health Net:** The trends that affect our small-business clients the most are costs. First, the premium cost, and second, how much it costs to utilize the plans themselves. Together, they give you the true cost of a group's plan. And when one or both go up, it deeply affects small businesses and their employees.



**Tim Rhatigan, senior vice president Small Business And Individual for UnitedHealthcare:** One continuing trend involves the changes brought about by the Affordable Care Act. This year, the expansion of the small-group market – from one to 50, to one to 100 – has meant community rating and essential health benefits, such as laboratory services and rehabilitative services and devices, now

apply to a wider range of employers. Another big trend is innovation, which is empowering consumers and lowering costs for employers. Online start ups and human resource management services have placed an emphasis on ease-of-use when enrolling in health insurance.

**ARE CERTAIN ANCILLARY BENEFITS MORE SUITED TO SMALL GROUPS?**

**Tim Rhatigan of UnitedHealthcare:** The most frequently purchased ancillary benefit for small groups is dental insurance. Many studies have shown a strong connection between dental care and overall health. For instance, a 2013 UnitedHealthcare study found that people with certain chronic conditions had \$1,000 less annually in medical and dental claims when receiving appropriate dental care as op-

posed to those who did not. Vision benefits generally rank second with small groups. Life insurance and disability benefits are important to consider as well. Some small groups show interest in critical illness plans. Critical illness coverage is reportedly up 11% over the past six years.



**Stephen H. Nolte of Sutter Health Plus:** Today, we are seeing more homogenization in small group benefits, which is mostly due to the Affordable Care Act. In the not-too-distant past, many carriers sold ancillary benefit packages to cover things like vision services or acupuncture. Today, the ACA categorizes some of these services as essential health benefits, meaning that health plans must build these into core benefit

packages for small group coverage. Despite this, health plans are exploring non-traditional ancillary options that may be prudent for small groups to consider.

**Bill Shepard of Health Net:** Some ancillary lines, such as long-term disability, are less expensive and can be extremely important by providing employees with peace of mind. Knowing that their family will have some support, even if they are unable to work, is significant. It demonstrates that the employer cares about employees and their families. Other lines, like dental, are more expensive, but can be good in recruiting and retention. In addition, regular dental and vision checkups are great for early detection of health problems, and can reduce the cost of care when certain illnesses are caught at an early stage.

**Gil Youmans of Colonial Life:** Many employees at small businesses, just like large businesses, are the sole breadwinners for their family. With growing numbers of America's workers living paycheck-to-paycheck, they need the base coverage of disability and accident policies to protect their income if they are unable to work.

**WHAT ARE THE KEYS TO BEING A SUCCESSFUL BROKER TO SMALL GROUPS?**

**Stephen H. Nolte of Sutter Health Plus:** A broker's value is rising proportionately with how complicated it is to purchase health care coverage today. A small employer with five to 10 employees has the same issues to manage as does an employer with 100 employees. While they may not have as many employees to manage, they have to deal with all the technical components of the ACA. In addition, brokers are the spotters for what is coming; they offer a critical set of eyes on the overall value proposition. Finally, small employers always have an eye on the acquisition of talent;

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the broker can provide context and visibility around all employee benefits, not just health care. In short, it is extremely important for a small business to have a relationship and dialogue with a broker they trust.

**Gil Youmans of Colonial Life:** A broker should consider choosing a voluntary benefit company that offers its own enrollers to support major medical enrollment while educating employees on voluntary benefits. Some brokers are losing income opportunities with changes to major medical offerings. But they have a chance for significant supplemental income just by making the introduction to the employer.

At many small businesses, one or two people often fill the roles of business owner, day-to-day manager, HR director, and benefit specialist. There is often a need to overcome an objection for something that sounds time-consuming or complicated. For example, some decision-makers are concerned that it takes a lot of effort to add a payroll slot for voluntary benefit deductions. But the small effort that goes into creating the slot can more than pay for itself when the decision-maker realizes the pre-tax savings that can be experienced through voluntary benefits and the variety of value-added services a benefit company can offer.



**Bill Shepard of Health Net:**

As with with any other line of business, the key to being successful with small groups is providing customer service and knowing what your clients need before they need it. Many small groups don't have an HR department, or they don't have an HR or management background. So they don't always know what they need to do, or what they can or can't do under the law. It is essential for a

small-business owner to have a broker they can trust who is committed to holding their hand through the day-to-day operations that come with running a business and administering group plans.

**Bill Figenshu of Western Health Advantage:** Since health care is much more complicated than it used to be, the key is to be a knowledgeable consultant on ACA-related issues, employer mandates, and carrier rules. Small businesses don't often have robust human resources departments, so they rely on broker consultants more than ever to convey the comparative values of the various health plans and compliance mandates. A successful broker must have good relationships with carriers; brokers and carriers should communicate well with each other so that all the details of plans are understood. Armed with this knowledge, brokers can suggest superior health plan solutions for their client's needs.

**Tim Rhatigan of UnitedHealthcare:** Given the rate of change in policy and innovation, it is essential to be adaptable to change.

**ARE THERE CERTAIN SALES TECHNIQUES THAT ARE MOST EFFECTIVE WITH SMALL GROUPS?**

**Bill Shepard of Health Net:** Many small businesses are run by entrepreneurs whose experience lies with the products or services that they developed. That does not usually include health insurance. So the key is being able to communicate the information that they need to make informed decisions, so they have a complete understanding of products that are offered to their employees.

**Tim Rhatigan of UnitedHealthcare:** The most effective technique involves adapting to an ever-changing market. It is essential to understand the needs of clients and prospects, and meet those needs in a way that is tailored to them and delivers exceptional value.

**Gil Youmans of Colonial Life:** We find that education is the biggest hurdle to overcome with small groups. Many small business owners don't realize that voluntary benefits can be available at a workplace with just three employees. There is a misconception that employees don't want, don't need, or can't afford voluntary benefits. But when our counselors are able to sit down with employees, who are feeling the added pressure of healthcare costs on their wallets, we find that many are willing to spend a few dollars to protect their incomes, their lifestyles, and their families with financial protection products.



**Bill Figenshu of Western Health Advantage:**

A good sales technique is to be informed and think beyond current market constraints. For example, brokers need to understand and promote consumerism as the market shifts toward that direction. Employers and consumers have become more empowered and sophisticated. They are demanding more from their healthcare partner. ACO-type HMO models are well-suited

to this task as everyone – health plan, hospitals, physicians, employers and consumers – has skin in the game. Also, today's consumers and employers want more information on wellness programs from their healthcare partner. Improved wellness engagement heightens morale, keeps employees healthy, and keeps them on the job, which decreases absenteeism and improves production and profits. ★

*Leila Morris is senior editor of California Broker Magazine.*

## SECURIAN DELIVERS ANOTHER YEAR OF STRONG GROWTH

Securian Financial Group generated strong financial results again in 2015, with revenue increasing 9% and performance on all key metrics exceeding or nearly matching last year's record results. Securian reports the following:

- Top-line revenue increased 9%. Over the past four years, Securian's revenue has increased at an 11% compound annual growth rate.
- Insurance in force increased 7%.
- Assets under management increased 2%.
- Insurance sales were \$1.1 billion, matching 2014's results.
- Annuity sales, which include annuities sold to individuals and retirement plans sold to employers, increased 10%.
- Statutory capital increased 5%, maintaining a capital level considered excellent by rating agencies.
- Earnings were \$273 million, nearly matching last year's company record of \$279 million.
- All Securian business lines retained 90% or more of its clients.
- Fitch upgraded the ratings of Securian's insurance company affiliates—Minnesota Life and Securian Life—to AA (from AA-) with a stable outlook, citing Securian's strong balance sheet fundamentals and conservative risk profile.
- Standard & Poor's revised the outlook for Securian's insurance companies to positive (from stable) and affirmed its "Strong" rating, citing Securian's increasingly stable and diversified earnings profile and growing contributions from strategic affiliates.

For more information, visit [www.securian.com/ratings](http://www.securian.com/ratings).

## WEALTH INSIGHT PRODUCTS AND SERVICES

Private Client Resources offers a suite of new products with real-time views into data quality, service utilizations, client experience, and highly customizable web-based analytics. Private wealth management firms can select the products and services they want. They will be able to determine how much of the process they wish to outsource—and to what degree—along with a range of products and services that offer unparalleled transparency and flexibility. For more information, visit [www.pcrinsight.com](http://www.pcrinsight.com).

## BENEFITMALL MAKES W-2S EASILY ACCESSIBLE FOR PAYROLL CLIENTS

BenefitMall has partnered with TurboTax to help payroll clients view, print and download their W-2 information quickly and easily this tax season. If BenefitMall's payroll clients choose to use TurboTax to file their 2015 tax returns, their employees will not have to worry about entering their W-2 information since it will already be synced with the service. During the questionnaire process with the TurboTax software, the employee will be asked if they would like to download their

payroll information. If the employee agrees, their W-2 data will be securely loaded into their tax return. This relieves the burden of having to manually enter the required data when filing. For more information, visit [www.benefitmall.com](http://www.benefitmall.com).

## RETIREMENT PLAN REVIEW TOOL

John Hancock Retirement Plan Services introduced a tool that helps advisors evaluate the health of a retirement plan. Available online, the fully customized Plan Review supports onsite and remote meeting discussions. With Plan Review, advisors can easily analyze a broad range of plan and participant issues. Plan Review capabilities include highlighting under-utilized services and using demographics to target educational opportunities on topics, such as retirement readiness, diversification, and risk tolerance. For more information, visit [johnhancock.com](http://johnhancock.com).

## FIXED INDEXED ANNUITY

Forethought Life Insurance Company is adding an interest crediting strategy to its fixed index annuity (FIA) products: the "BlackRock Diversa Volatility Control Index." The index will be available for Forethought's entire suite of fixed index annuity products. The index responds to trends in asset returns, which provides the potential for more consistent returns than a traditional stock index. For more information, visit <https://www.forethought.com>.

## BOOK DETAILS REPLACEMENT FOR OBAMACARE

The book, "The Way Out of Obamacare" offers a blueprint for replacing the Affordable Care Act. It is authored by Pacific Research Institute president, CEO Sally Pipes, and Thomas W. Smith Fellow in Health Care Studies. The plan includes the following:

- Age-based, refundable tax credits to help all people pay for health coverage, regardless of their income.
- Greater use of health savings accounts, which allow people to save money tax-free for health expenses.
- A combination of vouchers and block grants to bring Medicare and Medicaid spending under control.

"The Way Out of Obamacare" is available on Amazon.

## SHORT TERM MEDICAL

National General Insurance is offering short term medical plans, simplified and guaranteed issue. These plans are new for broker sale, particularly in California. Sold nationally, IntellaBridgeCare plans offer a choice of deductibles and coinsurance tailored to fit all budgets and lifestyles. Plans include preventive coverage (copays, coinsurance and deductibles apply), access to a large PPO network, co-insurance levels from 50% to 100%, and child-only plan options. Plans are underwritten by National Health Insurance Company. Benefits and availability may vary by state. Guaranteed issue is not available in California.

For more information, contact Kellie Bernell at [Kellie.Bernell@NGIC.com](mailto:Kellie.Bernell@NGIC.com) or 805-341-7843.

## VARIABLE ANNUITY LIFETIME INCOME RIDERS

For the second time in six months, Nationwide will increase payouts to two of its variable annuity lifetime income riders. Starting February 1, 2016, payout percentages for the Nationwide Lifetime Income Rider and Nationwide Lifetime Income Capture living benefit riders increased 10 basis points. The rate increases will be available on all new variable annuity contracts. Nationwide's lifetime income riders provide some of the highest guaranteed lifetime income payouts in the industry, according to Nationwide. They will not decrease, even if the contract value drops to zero. For more information, visit [livingbenefits/nationwide.com](http://livingbenefits/nationwide.com) or call 800-321-6064.

## LIFE POLICIES FOR EXECUTIVES

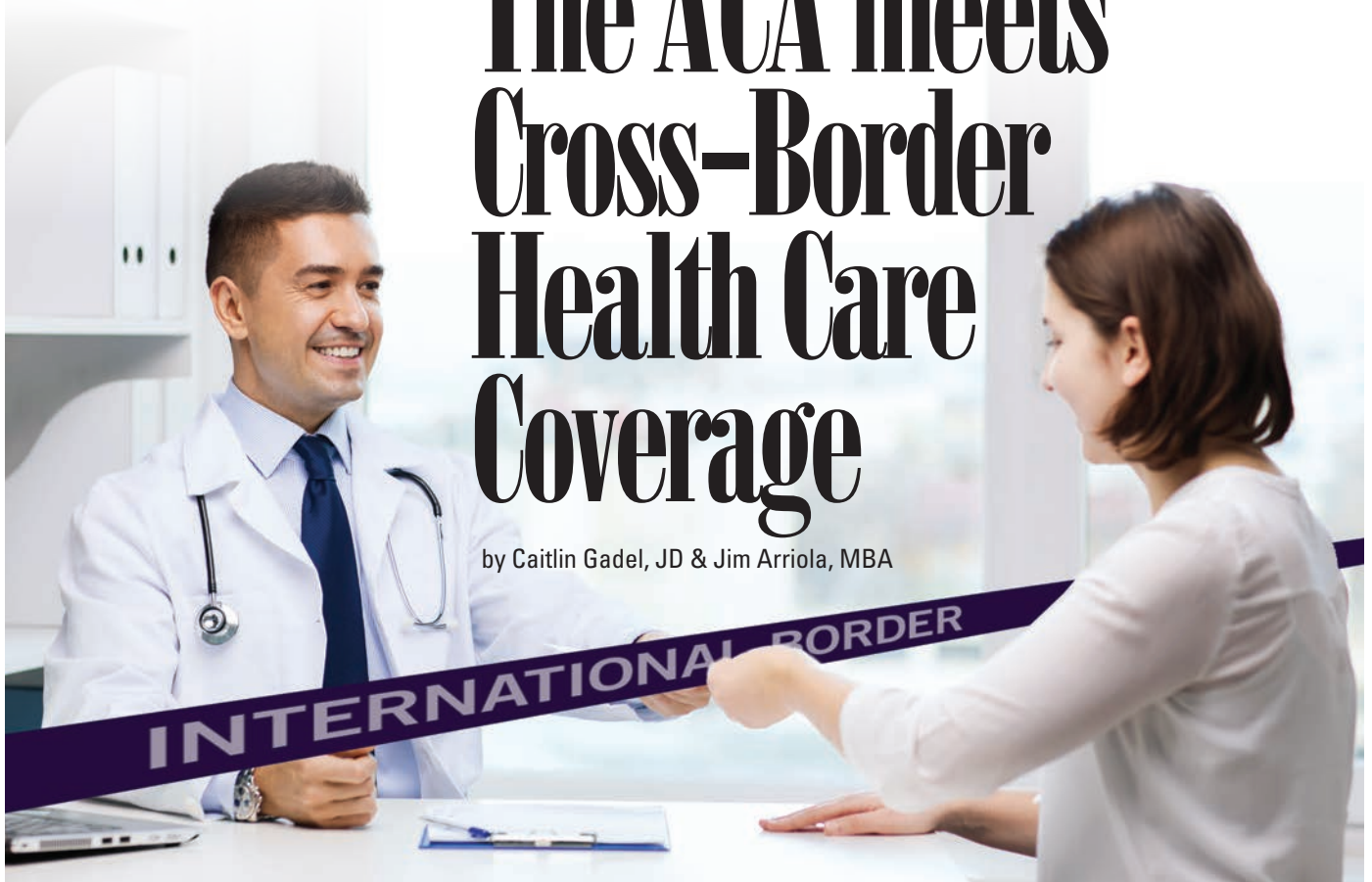
MassMutual is introducing two universal life insurance policies through the workplace to help employers retain key talent by providing executives with greater financial security. The new Executive Group Life fixed and variable insurance policies offer executives and highly compensated employees the potential to secure higher death benefits than typically available through group term life insurance policies. Premiums for the policies, which are sold exclusively through the workplace, can be employer-paid, voluntary, or contributory. Additional premiums can be paid to potentially accumulate account value. The new policies are available to executives, partners, and associates of professional firms, and employees with non-hazardous occupations earning a minimum annual salary of \$100,000. Available death benefits range from \$50,000 to \$3 million per employee with special consideration given for those who may benefit from higher coverage amounts. For more information, visit [massmutual.com](http://massmutual.com).

## HSA CONSULTING SERVICES EXPANDS CAPABILITIES AND EXPERTISE

Roy Ramthun, the founder of HSA Consulting Services, has rejoined the firm as president. Paul Verberne will also join as a Principal partner. Mr. Verberne brings a decade of experience in the HSA industry, including as counsel for HSA Bank and Director of Business Development and General Counsel for Tango Health. "We are excited to re-enter the HSA business and look forward to helping both new and veteran businesses capitalize on the new wave of interest in Health Savings Accounts," said Ramthun. Verberne said, "We are particularly excited about sharing our knowledge of the HSA rules through our "HSA Expert" certification program. The firm manages AskMrHSA.com. New "HSA Expert" online training classes will be held starting February 22. For large groups. For more information, visit [www.AskMrHSA.com](http://www.AskMrHSA.com). ★

# The ACA meets Cross-Border Health Care Coverage

by Caitlin Gadel, JD & Jim Arriola, MBA



**A**lmost 20 years ago, the California Department of Managed Health Care (DMHC) began regulating a consumer driven phenomena for receiving employer-sponsored health coverage benefits south of the border. On a daily basis, up to 40,000 workers cross the border legally from Mexico to work in California. Many of these workers and their eligible dependents who live in Mexico have a strong preference for getting health coverage in Mexico. Signing up for a California HMO plan made no sense for these families since they would have to cross the border to California to see a doctor under the employer health plan. Despite having very generous health benefits, many of these workers often paid out-of-pocket to get their care locally from physicians in Mexico.

After significant lobbying efforts from labor unions and employers, California legislators enacted changes to the Knox-Keene HMO Act to allow health plans from the U.S. and Mexico to establish cross-border health cov-

erage programs. Over the years, several insurance carriers started offering cross-border health care coverage plans to employers in San Diego and Imperial County including Blue Shield of California, Health Net, Cigna, Aetna, SIMNSA, and MediExcel Health Plan. These changes were essential to ensure that cross-border health plans were licensed and regulated. The new regulations added financial and consumer protection while providing the cultural preferences and the economic advantages of health care in Mexico.

It is now common for employers with a sizeable Latino/Mexican immigrant workforce in San Diego and Imperial County to offer both cross-border health care coverage as a company health benefit option and a more traditional group insurance plan. Depending on the plan benefits, some cross-border health coverage plans have premiums that are 40% to 50% less than comparable California coverage plans. With potential cost savings for the employer's bottom-line, it

is no wonder that cross-border plans are becoming more popular. There are an estimated 60,000 enrollees in the various cross-border health coverage plans in California. Some experts predict the total number will increase to over 100,000 as more employers offer health coverage as a result of the Affordable Care Act (ACA) rules and regulations.

## ACA COMPLIANCE FOR CROSS-BORDER HEALTH CARE COVERAGE PLANS

Many ACA provisions (and their thousands of pages of regulations) apply to cross-border health care coverage—especially if the cross-border coverage is not a qualified expatriate plan. Some brokers may be concerned whether a cross-border health coverage plan satisfies the ACA definition of minimum-essential coverage (MEC) when the provider network is in Mexico. Legal experts note that, under federal regulations, employer-sponsored plans approved by state regulators, are

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### *Example of Small Group Coverage Plan Monthly Premiums.\*\**

Age	Gold Mirror Plan	Platinum Mirror Plan
21	\$75.81	\$82.04
40	\$96.88	\$104.84
60	\$205.74	\$222.65

\*This conclusion is based on an analysis of Section 5000A (f)(1)(B) and 5000A (f)(2)(B) of the Internal Revenue Code, which defines "minimum essential coverage" and "eligible employer - sponsored plan". The analysis was performed by MediExcel Health Plan and not by a government agency.

\*\*These are sample rates for two of MEHP Small Group Products as of 1/1/2016. These rates may not apply to you.



MEC plans. In order to receive DMHC approval, employer-sponsored plans in California, including cross-border plans, must submit evidence of their compliance with many ACA regulations, such as the requirement for certain plans to provide minimum value coverage.

### SHOULD EMPLOYERS OFFER CROSS-BORDER PLANS EXCLUSIVELY?

Randy Prescott, a principal at Prescott and Lowther Insurance Agency with more than 43 years of experience as a broker, addresses this issue with the following guidance. He says, "Although cross-border health coverage is a very attractive option for employees who prefer to receive their health benefits services in Baja, as brokers, we also need to ensure that employers always offer a California coverage plan since not all workers can cross the border or want to go to Baja for care. It is very typical for large carriers to allow cross-border health plans in their underwriting guidelines."

So does that mean that brokers and employers should have no concerns about satisfying ACA requirements when offering state-approved cross-border health coverage? Well, not exactly. In the January 2016 edition of *California Broker* magazine, Brendan Sharkley authored a very informative article on International Expatriate Coverage and the ACA. Sharkley identifies the advantage of expatriate coverage for expats – those 4 million to 6 million Americans who live outside the United States. One of the key advantages of true expatriate health coverage is the exemption from some of the mandated ACA taxes and fees included in health insurance premiums. However, if an individual does not meet the legal definition of expatriate and is enrolled in an expatriate plan, there may be problems for the individual, the employer sponsoring the plan, and possibly, the agent. If the group health coverage plan is classified as expatriate health coverage, and the employer offers such coverage to non-expatriate employees, there may be potential liabilities for the employer and the enrollees. In collecting the ACA mandated taxes and fees, the IRS may not look

kindly on employers that steer non-expatriate workers to expatriate health coverage plans.

So what does expatriate health coverage status have to do with cross-border health coverage plans? Because of the ACA's complexity and varying conflicting interpretations, some cross-border health plans may have erroneously classified themselves as group expatriate health coverage. The reality is that the vast majority of cross-border health coverage plans and their en-

**"...Should a broker be afraid to offer cross-border health care coverage to employer client? Not at all. Education and knowledge will help the broker differentiate cross-border health coverage offerings to better assist their employer-clients..."**

rollees do not meet the federal criteria for expatriate classification. For example, in order to qualify as an expatriate health plan, the plan must maintain call centers, directly or through third-party contracts, in three or more countries and accept calls from customers in eight or more languages. Some brokers and employers may have inadvertently set themselves up for problems if they offer a cross-border health coverage plan that does not meet the requirements of an expatriate health plan or is classified as expatriate health coverage, but is offered to individuals who are not qualified expatriates.

### HOW TO TELL THE DIFFERENCE

Broker due-diligence starts with determining if the cross-border health coverage plan is expatriate coverage. The advantage of true expatriate health coverage status is that the plan is exempt from certain ACA provisions. Brokers should, among other things, determine if the cross-border plan's premium rates include required ACA

fees, such as the Patient-Centered Outcomes Research Institute Fee (PCORI) and the Health Insurance Provider Fee. To verify the response from the cross-border health plan, a simple check of premium rate review on the DMHC's website (<http://wpso.dmh.ca.gov/ratereview/>) will show if ACA fees are included in the filed rates in the cross-border plan's actuarial certification.

Since 2014, Section 9010 of the ACA, as amended, imposes an annual fee on certain health insurers (also referred to as covered entities). For 2014 and 2015, the IRS provided temporary relief for covered entities that provide expatriate plans. This relief allows a covered entity to pay a reduced fee for their expatriate plans. However, expatriate plans generally still had to pay a fee. In order to determine the appropriate fee, covered entities must report to the IRS the value of their net premiums using IRS Form 8963. All information on IRS Form 8963 is open for public inspection. The listing can be viewed at: [www.irs.gov/pub/irs-utl/Form8963FinalFeeYear2015.xlsx](http://www.irs.gov/pub/irs-utl/Form8963FinalFeeYear2015.xlsx). Insurance carriers, including carriers that issue expatriate plans, that are not on the list may have failed to comply with Section 9010 of the ACA, which could be a red flag indicating a plan does not comply with other provisions of the ACA.

So should a broker be afraid to offer cross-border health care coverage to employer clients? Not at all. Education and knowledge will help the broker differentiate cross-border health coverage offerings to better assist their employer-clients to take advantage of cost savings and consumer choice while avoiding potential liability concerns down the road. ★

*Caitlin Gadel is an attorney at Seaton, Peters & Revnew, P.A. ([www.seatonlaw.com](http://www.seatonlaw.com)), a legal firm specializing in advising and representing employers in employee benefits and ACA compliance. To contact her, email: [Cgadel@seatonlaw.com](mailto:Cgadel@seatonlaw.com).*

*Jim Arriola is COO for MediExcel Health Plan ([www.mediexcel.com](http://www.mediexcel.com)), a California-licensed cross-border health plan. Arriola, a West Point graduate, has been involved in cross-border health for over 20 years. To contact him, email: [jarriola@mediexcel.com](mailto:jarriola@mediexcel.com).*



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# Focusing on Vision Plans with Laser-Like Precision

## *Coverage of the 2016 Transitions Academy Vision Conference*

by Leila Morris

**N**early 500 industry professionals from North and South America gathered in Orlando for the 20th annual Transitions Academy last month. At the conference, Transitions Optical featured a survey that offers encouraging news about the future of vision benefits. Employee benefits, including vision plans, have become increasingly important to employees, especially younger workers. One in four Millennials has changed jobs to get more competitive benefits. Vision benefits are now tied with dental as the second most popular election. Also, 80% of those who enrolled in a vision benefit used it to pay for their eye exam during this past year. The survey was conducted by Wakefield Research for Transitions Optical in December of 2015. It reveals that consumers get vision benefits through the following sources:

- 85% Employer
- 9% Direct from vision provider
- 4% Health exchange
- 3% As a dependent on someone else's policy

At the same time, the survey reveals a tremendous need and opportunity to educate workers on the dangers of harmful blue light from digital devices and from the sun. We asked vision plan executives to comment on the survey and on the vision plan market in



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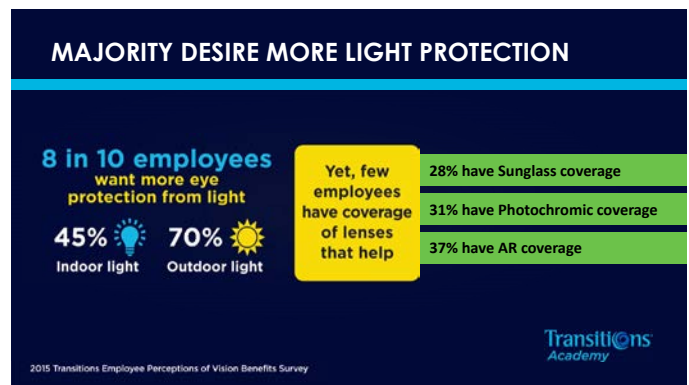
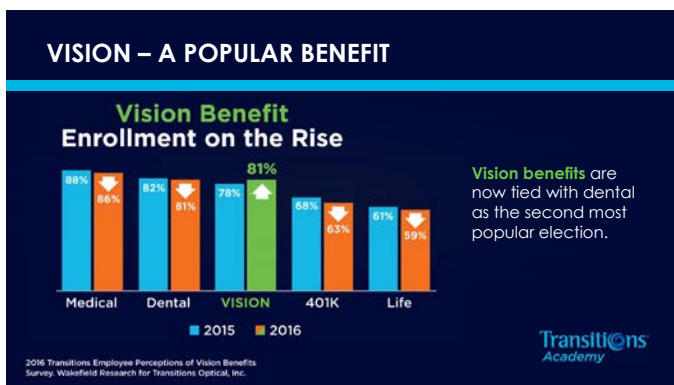
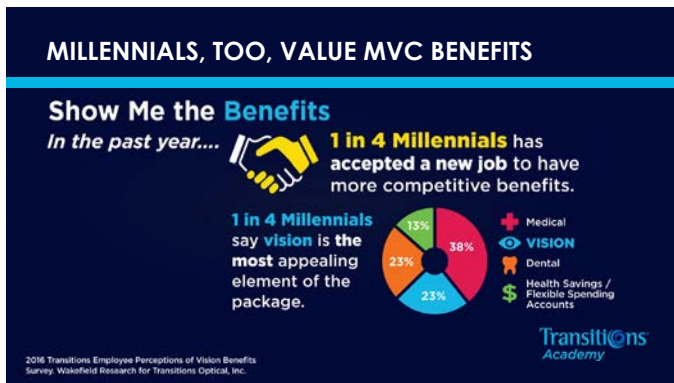
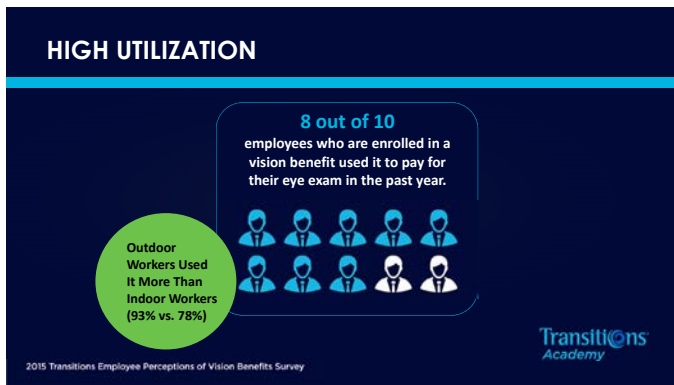
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\*2016 Transitions Employee Perceptions of Vision Benefits Survey. Wakefield Research for Transitions Optical, Inc.

general. Matt MacDonald, EyeMed's VP of Marketing and Strategy said, "More than eight out of 10 full-time employees in the U.S. now have a vision benefit through their employer. EyeMed's membership has doubled in the past 10 years. But it makes sense. Vision is our most dominant sense, and a large part of the workforce is entering a stage of life when they need vision correction. For everyone else, not only do more and more jobs require precise vision, but also even our pastimes are more enjoyable when we see clearly. And the fact that Millennials find vision benefits more appealing than did previous generations seems to tell us that these trends aren't reversing anytime soon."


Phillip Needleman, V.P. of Operations for Vision Plan of America said that the industry has changed significantly in the past few years. All of the big health insurance companies are offering vision plans with major medical. So managed vision is a growing and shrinking industry with business consolidating into a few companies. A prime example is Luxottica, the world's largest frame manufacturer. "They own Cole Vision and Lens Crafters. They will sell a plan and



send you to a store and sell frames. They are driving down the premium costs. They are undercutting everyone," he said. On top of that, more people are going to big box stores instead of to independent optometrists.

Vision Plan of America has pivoted away from groups and more toward individual plans. The company bundles vision benefits with other ancillary benefits like dental and chiropractic. Needleman says that the individual vision plan market is lucrative and underutilized among brokers. "I am writing a \$40,000 commission check to one broker." He said that too many brokers miss the opportunity to sell these plans alongside other products that they are presenting to individuals, such as life insurance.

Dan Schauer, senior vice president of VSP Vision Care said that health care reform and increasing healthcare costs are driving demand for voluntary benefits. "Since the inception of the Affordable Care Act (ACA), we have seen more and more brokers looking to round out their clients' supplemental benefit needs. It is much more appealing given the fact that voluntary policies can be offered at no direct



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cost to the employer. An employer can choose to contribute a portion of the premium or simply make the products available to their employees to purchase. Vision insurance in particular can result in huge cost savings to the employer due to reduced healthcare costs, avoided productivity losses, and lower turnover rate,” he added.

Schauer said, “When offering our employee paid plan, it is becoming more and more popular to offer a base plan and a buy-up option. We’re seeing higher enrollment in the buy-up plan, which means given the choice, the employee is willing to spend more for the richer plan.” The buy-up option has been quite popular for both a fully paid vision plan and an employee-paid plan. The implementation of the ACA has brought about minimal changes in an employee’s behavior when choosing their benefit options. When an employer offers a buy up on an employer-paid plan, a majority of the time, the employee will pay the additional amount to get a premium offering, he added.



Dan Schauer,  
VSP Vision Care



Matt MacDonald,  
Eyemed

“We are seeing that for many consumers, especially Millennials, getting the best bang for your buck does not necessarily mean paying the lowest price. It means receiving the most benefits at a fair price, which includes the ability to co-create the product and influence the customer journey as well as the marketing. This consumer partner and co-creator trend has led to a new definition of brand value.”

He said vision benefits can have an undeniable impact on a person’s health and wellness, which is a great

reason for brokers to offer vision coverage. A 2014 study conducted by Human Capital Management Service (HCMS) found that employers saw a \$1.45 return on investment for every dollar invested in a comprehensive eye exam. He noted that an eye exam provides the only non-invasive, un-

**“When offering our employee paid plan, it is becoming more and more popular to offer a base plan and a buy-up option. We’re seeing higher enrollment in the buy-up plan, which means given the choice, the employee is willing to spend more for the richer plan.”**

obstructed view of a person’s blood vessels. Through detection of early signs of chronic diseases, eye exams offer an inexpensive and effective way for employees to get the treatment they need to prevent a more serious illness or condition. The HCMS study reveals that people who get an annual eye exam are more likely to enter the healthcare system earlier for treatment of serious health conditions, thereby significantly reducing their long-term cost of care. In fact, optometrists are the first to identify signs of diabetes in patients 34% of the time, high blood pressure 39% of the time, and high cholesterol 62% of the time. “It’s a voluntary benefit that translates into significant cost savings and adds a huge health and wellness value to an employer’s benefit offerings,” he added. ★

*Leila Morris is senior editor of California Broker Magazine.*



# Tips for Selling Medicare Advantage During Lock-In Period

by Erin Ackenheil

**W**hen you think about selling Medicare plans, chances are that you immediately think of Medicare's annual-election period (AEP) when beneficiaries can choose a new prescription drug or Medicare Advantage (MA) plan. It marks the biggest enrollment period for all plans and happens annually between October 15 and December 7. But there are ample opportunities for sales during the other months of the year, known as the "lock-in period," as Baby Boomers age into Medicare in record numbers. With the right strategy, drive, and organization, you can turn Medicare enrollment into a year-round sales engine for your business while separating yourself from your competitors and becoming a valuable asset to existing and new clients.

How do you get there? The first step is acquainting yourself with Medicare's products, including Medicare Advantage, Medicare Supplement and Part D, and all of the deadlines, rules, and regulations, so you can be an informed consultant to your clients. When people age into Medicare, they are frequently confused by their options. They may be purchasing their own health insurance for the first time in their lives. So they need someone like you who can help them navigate these uncharted waters. Independent agents, in particular, can position themselves to their clients as being able to review the whole universe of available plans.

This is a tremendous opportunity since 379,956 people are expected to age into Medicare in California in 2016. To make this demographic trend work for you, get educated about Medicare, MA, Medicare Supplement and drug plans, and know your stuff inside and out.

Secondly, get involved with your cli-

ents as early as possible. Most people technically become eligible for Medicare for the first time when they turn 65 years old. But by then, it may be too late for you to be of assistance to them or someone else may have beaten you to it. For that reason, it is important to get involved months earlier when people first start sorting through their Medicare options and it is top of mind to them. Not surprisingly, a great deal of selling in this space is dependent upon proper timing.

Start to connect with potential clients when they turn 64. Approach local small businesses and ask if you can talk to associates who will be aging into Medicare. Don't forget to review your own book of business, too, for people who will soon be eligible for Medicare for the first time. After all, you want to be the kind of agent who will be there for your clients throughout all of the changes in their lives.

Additionally, consider developing a turning 65 flyer for your target market, outlining who you are and how you can help them navigate their transition to Medicare. You might also play host to informal sales events in your community in a Medicare 101 format so you can collect prospect information, provide your sales information, educate your potential clients and build your pipeline, all in one swoop.

When you reach people who are aging into Medicare, take a consultative approach, letting them know about approaching deadlines and what to expect. Ask not only about their plans, but also about their spouse's plans. Begin to focus in on more plan-specific information three months before their 65th birthday, which is when they can first enroll in Medicare. Again, if you're an independent broker, stress that you can look at all plans to find

the best one. In this way, you will build a growing pipeline of both prospects and buyers.

During this process, you'll undoubtedly also run across many people who will continue to work past the traditional retirement age. This is becoming increasingly common for a variety of reasons, including the need for continuing income as well as the fact that people are living longer, healthier lives. These people will need lots of guidance to get through it. They'll need to know about opting out, having special election periods, facing possible late penalties, etc. This is where you come in. Answer their questions and, most importantly, stay in touch.

For individual insurance members approaching age 65 and people working in companies with fewer than 20 employees, Medicare is primary, so they will need to take both Medicare Parts A and B whether they continue to work or not. For these people, Medicare plans almost always dramatically reduce their costs. Unfortunately, some agents get into the, "They are still working" trap and walk away, only to find out later that another agent has sold them a Medicare policy!

It's different when someone is employed by a larger company whose coverage is primary. In this instance, most will delay taking Part B until retirement. If retired, some people have employer-funded retiree health care either through a private exchange or a fully insured option. In these cases, you'll want to evaluate and compare their cost share. Many times they are better off where they are, at least for now. Regardless of the outcome, staying in touch as their trusted Medicare advisor makes sense. And if you don't help them weigh their options, another agent will.

That leads us to our third tip about lock-in selling: maintain a database of people who are going to be working longer than usual with a note on when they expect to retire. This doesn't have to be fancy. It can be as simple as a spreadsheet or whatever works best for you, but it is critical to document to keep the pipeline full. Once you have created this database, use it to check in with clients about every six months to see if their plans have changed. One good way to do this is by sending them an article of interest about retirement or a related topic. You don't want to be overbearing, but you don't want to lose them either. I bet you'll be surprised by how many people welcome your outreach. They probably have a retirement plan and want to be sure they are taking the right steps to stick to it. Keep notes, be personal and make sure you track permission to contact by mail or phone.

Remember that the Centers for Medicare & Medicaid Services (CMS) has rules about how you may contact Medicare prospects. Among other things, you aren't allowed to make cold calls. Face-to-face appointments and scheduled phone calls require completion of a scope-of-appointment form beforehand. And if you do host a community meeting or do a mailer, printed materials need to be filed with CMS and approved. If you aren't sure of the regulations, contact Medicare or an offering insurer.

So there you have it. By educating yourself about Medicare, reaching out to prospects early, and keeping track of later enrollees and being compliant, you can sell to this growing demographic all year round, and not just during AEP. As an added bonus, people who are turning 65 tend to have friends and family members around the same age. When your reputation grows as an expert in helping people of this age group, you'll earn referrals to your clients' friends and family members as they age into Medicare, too, providing you with a steady stream of consistent, predictable membership. ★

*Erin Ackenheil is vice president of sales for Anthem Blue Cross, which serves around 260,000 Medicare Supplement members in California.*

# Choosing the Right Medicare Plan

by Colleen Gimbel



**W**ho remembers the song lyrics, "Someone's knocking at the door. Someone's ringing the bell?" As a Paul McCartney fan, I would never dream of taking liberties with his lyrics. I'm going to make an exception in this case and finish the chorus with, "Do yourself a favor. Open the door and let 'em in!"

As stated in previous articles I've written, Medicare opportunity is knocking. In fact, it's almost pounding on your door right now. If you are already in the Medicare space, hooray for you and your clients! This industry is in dire need of dedicated and ethical agents who can assist

their clients with Medicare plans.

If you have not opened the Medicare door, it's likely that one of your competitors has. By making Medicare part of your portfolio, you offer your clients a much-needed benefit. Plus, some Medicare plans pay lifetime renewals! Yes, I said lifetime! There aren't many industries where you receive commissions for as long as the member stays on the plan. You may want to keep this information in mind as you contemplate Medicare plan sales.

In either case, this brings up a common question among agents. How do you know what type of plan would be best for your client? It doesn't matter if

you are new to Medicare or have been dabbling in Medicare sales for years; the question is significant, and it's important for you to know the answer.

First let's dispel one of the most common misconceptions. Just because a client has money, does not necessarily mean that they will automatically want a Medicare supplement insurance plan instead of a Medicare Advantage plan. Although this may be true in some cases, it is most definitely not how to best help your client

choose a Medicare plan. For the record, if you ever read the book, *Millionaire Next Door* you will quickly learn that millionaires are wealthy because they like to keep their money or, at the very least, spend it wisely!

As a Medicare agent, the first step to any sale is to complete a needs assessment with your client. There are three main areas of a needs assessment: lifestyle, medical, and preferences. Below is a list of things to ask about in each segment:

## CLIENT MEDICARE NEEDS ASSESMENT

### LIFESTYLE:

- Medicare eligibility
- Income information
- LIS/dual eligibility if client is lower income
- Travel habits
- Multiple homes in different states

### MEDICAL:

- Current plan: happy or not
- Client likes/dislikes regarding plan
- How many times per year visit PCP/Specialist
- Illnesses/family history/chronic conditions
- Prescriptions: generic versus brand name
- Doctors: must keep or open to change

### PREFERENCES:

- Networks/no networks
- What's most important to client

Needs assessments can vary in size and scope. The above information will give you enough information to get started. Obviously, the more detailed understanding you have of your clients' needs, the better you will be able to help them choose the right plan. Once you have gathered the appropriate information, you can then begin to make a preliminary determination on which plan type would fit best.

Here are characteristics of clients who typically enroll in a Medicare supplement plan:

- Have higher than normal medical usage
- Want maximum flexibility
- Travel extensively out of the plan area
- Can afford the premium
- Understand PDP coverage is not covered

Here are characteristics of clients who typically enroll in a Medicare Advantage plan:

- Have low average medical usage
- Travel minimally outside of plan area
- Value/need a lower premium
- Want/need PDP coverage included
- Want/need extra benefits such as dental, vision, etc.



This is a simplified explanation of Medicare plan sales. Many situations do not fall into a bullet point. But, it's a good start to understanding the differences between the types of clients who typically enroll in a Medicare supplement versus a Medicare Advantage plan.

There are some always and never moments in Medicare plan sales. For instance, you never want to assume that you know which plan a client may want and only present that plan. You should always make a recommendation based on your knowledge or expertise in the industry. You could say, "Based on your needs assessment, I believe plan A would meet your requirements. If you want to look at additional options after we review the benefits of Plan A, we can do that as well." It's a good idea to always have at least two plans to present unless you are in an area that only has one option.

Always explain the differences among Original Medicare, Medicare Advantage, PDP, and Medicare supplement plans. Never give your opinion about which you think is better.

Always make sure that you definitively know the answer to a question before you respond. Never assume that the client understands everything you are saying. Always ask follow up questions to ensure comprehension.

I could go on and on with the always and nevers. But I don't think I have that much space in the magazine. I'll end with never stop learning or asking questions. Your clients trust you, and are relying on you to give them correct information. OK, one more: Always work with someone you like and trust to help you navigate the Medicare waters.

This is an incredibly fast-growing industry with literally hundreds of thousands of people turning 65 every month; it's time to do what Paul McCartney said and "Open the door and let 'em in." ★

*Colleen M. Gimbel is vice president, Marketing/Recruitment/Compliance, for Berwick Insurance. For more information, call 888-745-2320 ext. 710, e-mail [colleen@berwickinsurance.com](mailto:colleen@berwickinsurance.com), or visit [www.berwickinsurance.com](http://www.berwickinsurance.com).*

# TRUCKING WORKERS' COMPENSATION

## *The Ever Growing Monster of Increased Premiums*

by John Rosmalen

**T**rucking in the United States is one of the most difficult industries to cover from a workers' compensation perspective. This may be due to the insurance companies' lack of understanding of the industry as well as from a regulatory standpoint. Insurance companies sometimes charge \$100,000 to \$500,00 for small-to-medium size trucking firms without even an inspection to ensure the classification of the risk. The entire industry is affected when the losses grow from misclassification.

Insurance companies look at what the industry is doing as a whole, and paint each company with the same brush. It is a sum of the averages when it comes to number crunching from an underwriting perspective. It is difficult to find an insurance company that is willing to look further into the prism and work with the trucking companies to look at their safety programs, issues they have had in the past, and what is being done for the future.

Underwriters use geographical factors and industry trends across a broad range to analyse risk. For example, an underwriter will look across the entire nation for incidents of truck drivers in a certain class to determine their propensity for risk in parcel delivery operations. But these numbers include additional classes that are not even remotely categorised as parcel delivery.

The industry is made up of van transport palletised freight, hand freight, and parcel freight. Then there are the larger items and car carrying. Each type of operation requires its own risk rating and roughly the same creditable debits on each category. Here are some facts about the diverse trucking industry:

- The transportation of relatively small freight is referred to as "less than truckload shipping (LTL)."
- The alternatives to LTL carriers are par-

cel carriers or full truckload carriers.

- Parcel carriers usually handle small packages and freight that can be broken down into units of less than 150 pounds. Parcel carriers compete with LTL carriers by convincing shippers to break larger shipments down to smaller packages.
- Pickup/delivery drivers usually travel set casual routes every day or several times a week.
- Transit times for LTL freight are longer than for full truckload freight (FTL).
- Parcel delivery and cargo trucking both use a network of hubs and terminals to deliver freight.
- Using an LTL carrier is very similar to using a parcel carrier. The shipper often has a regular, if not daily, pickup schedule.

Truckers commonly travel many states and cities resulting in being away from their families for weeks on end. It is not a dangerous job if safety protocols are followed and enforced. The issue we face involves the protocols that ensure that employees have enough time to deliver their freight and enough time to rest without a decrease in income.

Margins for trucking companies have gotten steadily worse. Rising costs, including workers compensation, have made it difficult to ensure that the bottom line is protected.

From my experience, a trucking company needs a detailed occupational health and safety program that provides actual feedback to the insurance company. This would ensure that the underwriter sees how the operation is run. Loss reports can only tell part of the story. Each business will have its share of losses. It is necessary to look over a much larger period such as 10 years, in some instances, to ensure that a communication strategy gives a deeper insight into the business.

Professional employer organizations (PEOs) are saying yes to truck companies when they see a deficiency in the workers comp marketplace. They look at the risks in much more depth. They look at the risk from the inside with phone interviews and risk control visits to ensure that clients are complying with safety standards. But they charge a huge deductible and a huge administration fee.

Both markets are overpriced with the cost to the general public getting larger and larger. Small to medium trucking businesses need an internal system and a risk operating program to show the insurance companies how they run their business. That includes safety manuals and monthly safety meetings. It must be reportable on paper, e-mail, or video so it can be communicated to the insurance company.

Background and reference checks are imperative in the trucking industry even though there is a shortage of truck drivers. In some cases, new drivers complain of back injury or the like within one month of employment. The carrier usually honors the claim since it is too expensive to fight.

Most brokers do not understand the costs of running a trucking organization. It takes a specialist in the trucking field to ensure that clients get the best possible price for the longest period. Brokers need to understand the rising costs and varying issues with insurance company classifications. Brokers also need to ensure that the trucking business has a well communicated occupational health and safety program and is in sync with the insurance company to convey the right information to the underwriter to get as many credits as possible. ★

*John Rosmalen is CEO/senior underwriter for IMACO insurance. He specializes in Workers comp coverage, looking at all facets of workers comp. For more information, call 800-943-3821.*

# INIEWS

## INSURANCE REGULATION SHIFTING TOWARD MANAGED CARE AGENCY

by David Gorn

[www.californiahealthline.org](http://www.californiahealthline.org)

The regulation of health insurance in California is shifting dramatically toward the Department of Managed Health Care, whose share of the commercial market has mushroomed in recent years. The change has come at the expense of the other agency in the state's unusual bifurcated system, the California Department of Insurance, whose authority over commercial health plans plummeted from 20% of the market to about 12% between 2012 and 2014 — the most recent data available. For a variety of reasons, the shrinking of the insurance department's responsibilities is likely to continue, according to Katherine Wilson, CEO of Wilson Analytics, a health care consulting firm based in San Francisco. "It's a huge shift, particularly in the individual market," Wilson said. "And the change in the small-group market is huge too, just not as big." In 2012, the insurance department regulated 71% of the individual market; by the end of 2014, that figure had plunged to just 18%. California is the only state in the U.S. with dual health insurance regulators. Critics of the state's divided approach note that it dilutes regulatory power by giving the insurance companies a wedge between the two agencies and creating needless inefficiencies in health care and how it's paid for become increasingly complex.

"This dual structure contributes to consumer confusion, government and insurance carrier administrative burdens, and difficulty in monitoring what is being bought and sold in the insurance marketplace," according to a 2011 paper by the Kelch Policy Group, published by the California Health Care Foundation. It also complicates the taxation of insurance companies: taxes on health plans regulated by the managed care agency are lower in many cases than they'd be if the same health plans were governed by the insurance department — an issue that is wending its way through state courts.

The Department of Insurance, led



### ZENEFITS CEO OUSTED OVER ALLEGATIONS THAT EMPLOYEES SOLD INSURANCE WITHOUT A LICENSE

Parker Conrad, CEO and co-founder of Zenefits, has resigned amid allegations that employees sold insurance without holding proper licenses. COO David Sacks will take over as chief executive, reports The San Francisco Business Times.

The state of Washington is investigating allegations that employees acted as insurance brokers without holding proper licenses. More than 80% of insurance policies sold in Washington State through August of last year were sold by Zenefits staffers who didn't have brokers' licenses in the state, BuzzFeed reports, citing data from a public records request.

In the email to employees, Sacks said that many internal compliance controls have been inadequate, and

some decisions have just been plain wrong. Sacks added that the problem goes much deeper than just process, calling Zenefits' culture and tone inappropriate for a highly regulated company.

The San Francisco Business Times says that the allegations mirror complaints by insurance brokers that Zenefits was bending or ignoring the same rules that they were expected to follow. In the second half of 2015, growth stalled and questions about Zenefits' approach grew, with Washington State's insurance commissioner Mike Kreidler's office confirming, in mid-November, that Zenefits was being investigated for possibly selling insurance without proper licenses. Sacks said the company is appointing Joshua Stein, who had been vice president of legal, as its first chief compliance officer.

by Commissioner Dave Jones, has authority over old-fashioned indemnity plans and some PPOs. The managed care agency traditionally regulates HMOs, but recently it has picked up some types of PPOs. That has blurred the regulatory line between the two agencies. Perhaps more important, it has allowed some insurance companies the flexibility to essentially choose their regulator in many cases. That is a contributing factor in the shift of health plan supervision away from the insurance department.

Health insurers have said that consolidating policies under DMHC's jurisdiction is more about achieving operational efficiencies and that the regulatory requirements are just as rigorous as insurance department rules.

But it's also the case that some insurers feel uncomfortable with Jones, who is an elected politician with ambitions for higher office and does not shy away from public confrontation with the industry -- though as the data show, his influence over insurance companies is contracting.

Shelley Rouillard, appointed by Gov. Jerry Brown, has been director of the managed-care agency since December 2013. She has pursued several high-profile enforcement cases against health plans, including the failure to provide adequate mental-health treatment and giving patients inaccurate provider directories.

Neither agency, however, has the power to stop insurers from raising premiums, no matter how large the increases. Legislative efforts have been made to change the regulatory structure. Last session, for example, Assembly member Kevin McCarty introduced a bill that would have put all PPO insurance products under purview of the Department of Insurance. That proposal went nowhere, but it is a two-year bill so it could return during the legislative session. More likely, the Department of Managed Health Care will continue to assume a growing regulatory role, Wilson said. Over the years, there have been calls to end California's bifurcated health insurance regulation, but if the trend continues it may resolve itself, she said. "It would be sort of a de facto single regulator."



### **SMALL BUSINESS OWNERS PREDICT A RETIREMENT CRISIS**

An overwhelming majority of small-business owners say that the country is in the midst of a retirement crisis. The online study, commissioned by Nationwide and conducted by Harris Poll, found that 84% of small business owners say American workers are facing a retirement readiness crisis. However, 60% of small-business owners say that their own employees are on track to retire. Sixty-three percent of small business owners say it's important for a business owner to provide retirement benefits, but only 34% offer these benefits to their employees.

Small businesses play an outsized role in helping workers prepare for retirement. According to the U.S. Small Business Administration, small businesses make up 99.7% of all employers, employ 49% of all private-sector workers, and create 63% of the new private-sector jobs in the country.

Joe Frustaglio of Nationwide said, "We've reached a point in this country where people are starting to pay attention to the fact that a retirement savings problem exists. Employers need to provide access and education, and workers need to take advantage of what's available to them."

Sixty-seven percent of small-busi-

ness owners who offer retirement benefits, including 401(k)s, plan to increase their contribution to employees' 401(k) plan. Thirty percent of small-business owners who don't offer retirement benefits plan to offer these benefits in the future. If that happens, 54% of small-business owners will offer their employees retirement benefits.

Half of small-business owners who plan to start offering retirement benefits say they will do so because they expect sales or revenue to increase in the next 12 to 24 months, and 32% say the U.S. economy will improve in the same timeframe. Small business owners who offer 401(k) plans and say they will increase contributions have an even more positive outlook: 56% expect company sales or revenue to increase in the next 12 to 24 months, and 53% say the U.S. economy will improve in that same period.

"In spite of recent market volatility, economic indicators are pointing toward continued growth for the U.S. economy in 2016. Small business owners should see Main Street benefit from the economic stability that we've enjoyed during the last few years," said David Berson, senior vice president and chief economist at Nationwide.

Twenty-five percent of small-business owners who plan to offer retirement benefits in the future say the ACA has made health benefits less attractive to employees, and 18% say the ACA has decreased company health care costs. Thirty-three percent of small-business owners who offer retirement benefits and plan to increase company contributions to their employees' 401(k) plans say the ACA has made health care benefits less attractive to employees, and 30% say the ACA has decreased the company's health care costs. "Lower health care costs means small business owners have the option of contributing more to their employees' retirement.

As the ACA makes health care benefits less relevant to small business employees, business owners have to find a new way to recruit and retain employees. There is mounting evidence that 401(k) plans are filling that role," said Frustaglio.

Fifty-nine percent disagree that retirement benefits are not important for attracting and retaining employees. Forty-two percent of those who plan to increase contributions say that their company's 401(k) plan is now more important for attracting and retaining employees as a result of the ACA. Twenty-four percent of small business owners who will offer retirement benefits in the future say their company's 401(k) plan is now more important for attracting and retaining employees because of the ACA.

"As the health care insurance marketplace becomes more commoditized, employers are looking for new tools to attract and retain key employees. Employers who are using 401(k) plans as a recruitment tool are ahead of the game because we're seeing more company owners asking how they can do this," said Frustaglio.

He adds that small business owners who are not offering a 401(k) plan to their employees should talk to a financial advisor about finding a plan that's right for their employees and business. Eighty percent of small business owners say they cannot compete with a Fortune 500 company's benefits, and 48% say they could afford a customized 401(k) plan to meet their small business needs.

Frustaglio said, "Small companies not being competitive with large corporations in terms of employee benefits is just not true in today's world. No matter the size of the business, from one with 33,000 associates like Nationwide to the corner grocery store, today's 401(k) plans allow for customization and access to the same options with the same tools for all employees."

Frustaglio recommends that small business owners who offer retirement benefits to their employees do a plan review every year with their advisor. The review should include an analysis of the plan's components and investment options for their employees. For more information, visit [www.nationwide.com](http://www.nationwide.com).

### **OBAMACARE ENROLLEES FACE GROWING OUT-OF-POCKET COSTS**

Obamacare enrollees were already warned to prepare for double-digit rate hikes. Now, the structure of Obamacare's tax credits is ratcheting up the out-of-pocket costs of premiums – especially for the lowest earning enrollees, according to a report by National Center for Policy Analysis senior fellow John Graham. "This ratchet effect on the out-of-pocket cost of premiums is greatest for the lowest earning enrollees [who are] only slightly above the federal poverty level. Some of them will see hikes of 50% or more. What's behind this ratchet effect? Obamacare's tax credits are determined by an enrollee's income and the second-least expensive Silver plan in the locating region. This introduces harmful leverage into most enrollees' renewal, which can increase the net premium by a significantly higher percentage than the increase in gross premiums. If every single enrollee who chose the second-lowest cost Silver plan in 2015 took the time to shop around and found the second-lowest cost Silver plan, which is usually different, the average gross premium hike would be 7.5%. This is an unlikely, best-case scenario, given enrollees' behavior renewing from 2014 to 2015," says Graham.

Numerous reports of double-digit rate hikes in Obamacare's health insurance exchanges understate the in-

creases most consumers are facing. The gross premium for the average Silver plan increased 10%. However, the subscriber earning 150% of the Federal Poverty Level has seen a 28% increase in net premium. "This is because of the perverse way tax credits are allocated to insurers in the exchanges. This ratchet effect explains why subscribers are more outraged by premium hikes than Obamacare's advocates appreciate," says Graham. For more information, visit <http://www.ncca.org/pub/most-obamacare-enrollees-will-pay-more-in-2016>

### **HEALTHCARE IS A TOP CONCERN FOR SMALL BUSINESSES**

While 76% of small business owners are stable or improving in the economy, more than half have concerns about weaker economic times ahead, according to a survey by Dealstruck. Small business owners agree that the most pressing issues in 2016 are taxes (56%) and healthcare (46%). And while 72% of liberal business owners say that the minimum wage does not affect their business and is too low, a surprisingly high percentage of conservatives agree. Only 20% of conservative business owners say that the \$7.25 minimum wage is too high.

Small businesses are generally feeling positive about their own growth and the economy, but are not applying for SBA financing (only 6% of respondents have ever applied), and 57% have concerns about their economic future. Millennial small business owners are faring better (95% are stable or improving), are more likely to have applied for SBA financing (16%), and are less concerned about the economy in the near term (47%).

Small business owners are generally not affected by the Affordable Care Act (ACA) and are not opposed to its continuation. Fifty-three percent say the ACA will not affect their businesses; 18% expect a positive effect; and 45% say it should be maintained (16% have no opinion). Twenty-six percent of Millennials (under 30) say that the ACA has had a positive effect on their businesses. Still, more than half of small businesses don't offer healthcare to employees. For more information, visit <https://www.dealstruck.com>.

# Protecting Your Largest Asset—Your Business

by Ted Tafaro

**L**ife insurance benefits are easy to understand. If an insured person dies, their named beneficiary receives a monetary benefit. Disability risks are far less tangible. None of us believes that we will have the misfortune of suffering from a disability and many of us never will. However, the reality is that during our working years, the risk of disability is far greater than the risk of death.

Research shows that many small business owners are prepared for the death of a business partner, however only a surprisingly low fifteen percent are prepared for the disability of a business partner, which is a risk two to three times greater than death during the working years. When advanced preparations for such a possibility are not taken, the results are not only emotionally devastating, but also financially devastating.

Prince Associates and the Inc. Business Owners Council of *Inc. Magazine*, surveyed over 1,400 business owners on this very important topic. Here are some findings that may surprise you if you own a small business:

- Only 40.7% of business owners were prepared for the death of a partner.
- Only 14.8% were prepared for the disability of a partner.
- 30.1% cited "They will work it out" as a solution in the event of death or disability of a partner.
- Lack of time is often cited as a key reason businesses have not prepared for either death or disability of a partner.

The first step in preparing your business for a death or disability of a key partner is getting your governing documents in order. These documents take



***"The sad reality is that few business owners are prepared for the death or disability of a partner, an oversight that can bring down the sturdiest of companies."***

many forms depending on your structure, size, number of shareholders, etc. A business lawyer can assist you in drafting these documents. Having completed the process for the third time, I can honestly say it is fast and easy to accomplish. For my company,

it consisted of a one-hour meeting with our law firm, the review and revision of various documents and then execution. Altogether, it took about one day of my time over the course of two months. The total cost for our attorney in northern New Jersey was about \$5,000. I know a ton of business owners and leaders. I can't think of a single one of them who wants to be partners with their business partner's spouse, but that is exactly what will happen if their business partner dies or becomes disabled and the legal framework is not in place to transition the business properly. Once you get your legal house in order and lay out your succession plan, you then need to fund the plans with appropriate insurance, or make the decision to self-insure all or part of the risk.

Most business owners that create shareholder agreements fund the death risk by purchasing life insurance, but the majority of those business owners who are responsible enough to create the governing documents and fund the risk of death fail to hedge against their greater risk of a business partner's disability. Please do not get me wrong - life insurance needs to be secured. However, while I understand that disability insurance is often a more complex insurance product to grasp, it too is necessary. The cost of transferring a disability risk to an insurance company generally runs from one quarter of one percent of the face amount of the coverage, up to around one percent of the face amount, depending on age. As entrepreneurs, our largest asset tends to be our business and our ability to earn our income and grow our business entities, so in the grand financial plan,



# KEY PERSON DI

Key person disability benefits allow for funds that may be used however the company sees fit such as to scout, hire and train a replacement employee, or simply provide much needed capital to a business in transition.

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the cost of this coverage is relatively inexpensive when compared to the risk. Furthermore, the wealth of many highly successful business owners is often leveraged in favor of their business and consequently they lack diversification; hence the need to protect their equity value since the risk of disability during the working years cannot be overlooked. Is disability insurance protection more expensive than term life insurance?

One unique challenge that some successful entrepreneurs and their insurance advisors encounter is a problem inherent to the insurance marketplace. A very large carrier pool exists to underwrite life insurance exposures. Alternatively, when disability insurance needs to be secured, only a handful of carriers exist to offer buy-sell disability protection. Even more problematic is the fact the benefit limits available are grossly inadequate for successful business enterprises valued above \$5 million. Traditional disability insurance carriers are able to provide adequate coverage for small organizations, however for the larger private companies coverage becomes increasingly difficult to underwrite and the process is often abandoned as a result. This is when utilizing the non-traditional market's capacity is necessary.

Consider this scenario: A highly profitable software firm that designs and distributes back-office business process software for community banks and financial institutions on the East Coast is valued at \$22 million and has five equity partners with individual equity stakes ranging from \$2 million to \$12 million. Because most traditional U.S. disability carriers do not issue policies up to the necessary coverage limits, our firm was brought in to fashion a unique solution.

We created a stock redemption program that was funded with term life insurance to protect against the risk of death and a disability insurance program that would pay a lump sum benefit to the corporation in the event of a permanent disability. The timing could not have been more advantageous. Six months later, the CFO went into atrial fibrillation and suffered a stroke that permanently disabled him. Twelve months after the stroke, we delivered a \$2 million check to the company that

was used to redeem the CFO's stock. This allowed the company to navigate the corporate tragedy, as they were better equipped to redeem the CFO's equity shares and begin the process of finding a replacement.

***"The need for small businesses to look at disability insurance as their business life-preserver in the event their corporate ship starts to list can't be understated."***

The need for small businesses to look at disability insurance as their business life-preserver in the event their corporate ship starts to list can't be understated. Some key items to keep in mind:

- The largest asset that exists on the personal balance sheet for entrepreneurs tends to be the equity in their business.
- Proper buy-sell planning with well constructed documents and properly funded and updated insurance plans are a must.
- Although most businesses have life insurance protection, the greater risk of disability often goes unfunded as traditional disability carriers lack the ability to deploy the necessary capacity.
- When compared to term life insurance, the cost of an equivalent amount of disability insurance looks high, yet death vs. disability statistics explain the pricing differential.

The question you must ask yourself is would your company's succession plan be complete if one of your business partners were to suffer a serious disability? Here's a final example:

A 51 year old successful businessman owns a 60% controlling stake in a \$60 million company and draws a pre-tax income of \$4 million annually. He maintains an individual disability

income policy with a face amount of \$15,000 per month. His company owns various term insurance policies on his life totaling \$12 million to fund their stock repurchase plan.

His insurance advisor told him that he was unable to secure additional disability insurance, as his net worth was too great. After a few months of the requisite "back-and-forths" with the insurance advisor, owner, CPA and attorney, we helped redesign his disability program with the goal of accomplishing two key objectives:

1. Protecting the entrepreneur's lifestyle with more adequate disability income replacement coverage. This was delivered in the form of a disability income product with a monthly benefit of \$185,000, bringing his total disability income protection to \$200,000 per month.
2. Protecting the entrepreneur's equity. The insurance advisor updated his life insurance portfolio to more appropriately insure his equity ownership. Simultaneously, we underwrote a \$36 million disability buy-sell policy, with a two-year elimination period and an own-occupation definition.

Most closely held businesses are highly dependent on the vision, relationships and knowledge held by their equity owners. Entrepreneurs create a foundation of human capital that drives the success of the company. Deaths and disabilities within these groups virtually all end in disaster for both the company and shareholder's family if there is a poorly designed and/or poorly funded buy-sell agreement, or worse yet, no agreement at all. The sad reality is that few business owners are prepared for the death or disability of a partner, an oversight that can bring down the sturdiest of companies. ★

*Edward A. (Ted) Tafaro, President & CEO of Mahwah, a New Jersey-based Exceptional Risk Advisors, LLC, is an expert on high-limit specialty life, accident and disability products for clients with extraordinary insurance needs, including celebrities, athletes, entertainers, highly compensated executives and professionals. By partnering with Lloyd's of London syndicates, his firm has the largest binding authority available in the U.S. for its products. For more information, contact him at 201-512-0110 or ted.tafaro@exceptionalriskadvisors.com.*





## BEYOND BASICS: HOW CUSTOMIZATION ENABLES EMPLOYERS

# Attracting and Retaining Talent

by Meredith Ryan-Reid

Nearly two decades ago, McKinsey & Co. predicted that talent would be the most coveted corporate resource for the next 20 years. That conclusion still resonates: businesses must offer fulfilling professional opportunities to attract and retain talent. From our perspective, fulfilling careers offer a sense of purpose, a competitive salary, and a customizable benefit program that helps the employee meet various personal goals. Employers that are working toward employee loyalty and retention should consider partnering with a broker to implement coveted, customizable benefits programs that meet objectives.

Employees expect more than the basic benefit program with medical benefits like healthcare, non-medical health benefits like dental and vision, and retirement benefits like 401(k) and 403(b) plans. A recent MetLife study reveals that at companies where employees are offered no benefits, just

46% of employees would recommend them as great places to work. But this number climbs to 53% at companies where employees are offered one to five benefits, and jumps to 66% at companies where employees are offered 11 or more benefits. Nearly half of employers consider retention a core benefit objective, with 41% identifying it as a top objective. On a related note, 44% of employees say having benefits customized to meet their needs would increase their loyalty to their employer.

Voluntary benefits can be an employer's secret weapon in the war for talent, but only for employers that are willing to accept that the benefit landscape is shifting toward voluntary benefits. Voluntary benefits serve three core purposes:

**1. Customization Made Possible:** By offering voluntary benefits, employers allow employees to create a customized benefit package that meets

their needs and wants, fostering peace-of-mind and financial security.

### 2. Big Impact for Little

**Cost:** Employers can offer voluntary benefits at little to no additional cost. In fact, 55.5% of employees are willing to bear more of the cost of benefits in order to choose benefits that meet their needs.

### 3. Remaining Relevant to Any Age, Level of Experience:

By offering a range of voluntary benefit options, employers stay relevant and attractive to different generations of employees. For example, the data shows Millennials are most interested in having the option to purchase

life insurance while Gen Xers are most focused on taking advantage of disability insurance. Baby Boomers are particularly drawn to auto and home coverage.

Employers can create and offer the best voluntary benefit program for their target employee base with the professional support of a broker. Brokers play a pivotal role in helping employers get serious about developing and implementing a comprehensive benefit program. Brokers can help employers address top concerns about cost and compliance while developing a benefit program that covers employees' wants and needs. Seventy-eight percent of large employers that used broker services during their most recent benefit renewal said the broker had some or a lot of impact when it came to the benefits that were selected. Based on these trends, brokers have a real opportunity to help employers expand their voluntary benefit options with three strategies:

### 1. Building employer confidence to meet employee needs and create lasting impact:

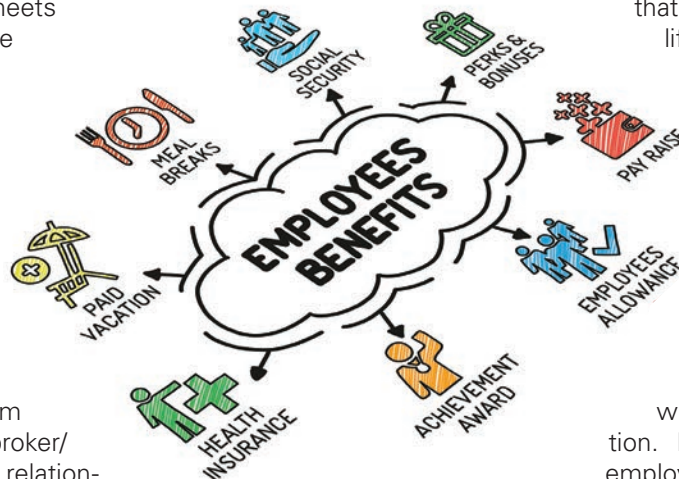
Brokers and employers can work to build the most cost-effective and appealing voluntary benefit program that meets a wide range of employee wants and needs. Fifty-nine percent of employers of all sizes that used a broker during the most recent enrollment/renewal period felt confident in the decisions made on which benefits to offer employees. This suggests that developing an effective benefit program starts with a trustworthy broker/employer relationship. This relationship is built by setting reachable goals and establishing a shared understanding of an employer's workforce needs and wants. The next step is assessing which voluntary benefits will add the most value.

### 2. Helping Employers Unlock the Voluntary Value Formula:

Sixty-nine percent of employers say that benefit customization is extremely

important, and 68% say it's critical to provide a wide array of voluntary benefits. However, not every employer is clear on the kinds of voluntary benefits that will resonate most with an increasingly diverse, multi-generational employee base. A broker can help an employer determine and activate the Voluntary Value Formula to meet the needs of

**"Employers that work with their brokers to develop and implement customizable employee benefit options that bring more than the traditional benefits to the table may be winners in recruitment and retention."**



current and prospective employees. This formula is based on the psychological and emotional behaviors that affect employee buying decisions. It is calculated by combining coverage needs with desired features and proper price perception. Using this equation helps employers expand their benefit offerings to include

voluntary benefits that create opportunities for employees to build their own customized benefits. Working with a broker using the Voluntary Value Formula for existing and target employees gives employers the best chance of offering a customizable, cost effective and relevant voluntary benefit program.

### 3. Ensuring the Employers Communicate their Voluntary Value Effectively to Current and Prospective Employees:

One of the most important roles a broker fills is helping employers communicate the new benefit options they have worked together to select. That way employees can begin customizing their own programs. Brokers excel in working closely with an employer to develop an effective strategy for informing current and prospective employees about their voluntary options. MetLife's own data shows that a strong educational approach can make or break how the voluntary benefits are perceived and selected. In fact, the more employers understand and activate the right enrollment channels, the more likely employees are to select products that are appropriate for their work/life situations. Voluntary benefits can enhance an employer's benefit offerings, but only if employees understand what these options are.

Employers that work with their brokers to develop and implement customizable employee benefit options that bring more than the traditional benefits to the table may be winners in recruitment and retention. MetLife research reveals that employers are interested in working with brokers to offer employees the most customizable benefit program possible. In this war for talent, one thing might be clear: employers and employees are motivated to help each other find and provide peace-of-mind and financial success. ★

*Meredith Ryan-Reid is senior vice president, head of Accident and Health and Worksite Benefits, MetLife.*

# Why This Could be the Age of Annuities

by Roxanne Anderson

Americans' top financial worry is not saving enough money for retirement. Fifty-nine percent of Americans are very or moderately worried that they won't have enough money for retirement, according to a 2014 Gallup poll. However, 61% of adults don't plan to buy an annuity, according to a 2015 study by TIAA-CREF.

As a product solution, annuities are getting more popular. Annuities are insurance products that are designed to protect retirees against outliving their assets. They provide a reliable flow of guaranteed income well into the consumer's golden years. But only 28% of adults have a favorable impression of them.

What gives? This phenomenon, which economists call the "annuity puzzle," dates back to the mid-1980s. While the puzzle has provided a worthy opponent for agents of the past, there are several reasons to believe that a solution is near. Changes in demographics as well as the supply and demand for annuity products have created the perfect recipe for increased sales. Let's explore this new age of annuities.

## A STEADY SUPPLY OF POTENTIAL CLIENTS

America is facing an unparalleled period in history. The largest generation to ever walk the earth has started to reach the age of retirement. In 2011, the oldest of the Baby Boomers turned 65. Over the next 13 years, more people than ever will be reaching retirement age. This is great news for agents who sell annuities. The top selling point is



that annuities offer a great retirement strategy. Agents can expect a steady stream of potential clients with over 10,000 people turning 65 every day for at least the next 13 years.

## THE EVER-INCREASING LONGEVITY OF LIFE

Thanks to advances in medicine and modern technology, people are living longer than ever. Two women, one of them American, have reached the ripe old age of 116. The average life

expectancy has increased 25% over the past 73 years. The average life expectancy at birth for both sexes and all races and origins was 62.9 in 1940, 68.2 in 1950, 75.4 in 1990, and 78.8 in 2013, according to the Centers for Disease Control and Prevention (CDC).

Those reaching 65 can expect to live almost 20 years after they retire, according to the CDC. As a result, seniors will need a solid financial strategy to make sure they don't outlive their assets.

## THE INCREASED DEMAND FOR GUARANTEED INCOME

Traditional defined benefit pension plans are few and far between. But Social Security won't support an adequate standard of living for most retirees. Many pre-retirees and retirees realize that running out of money is a real possibility. To avoid this scary scenario, more and more older adults are looking for safe ways to increase their post-retirement guaranteed income.

The TIAA-CREF survey reveals that 84% of adults say that it is important for them to have a guarantee of monthly income for the rest of their lives. Additionally, 48% say that having guar-

***The future has never looked brighter for the annuity market. Agents in the annuity market can expect to have a successful selling career thanks to graying demographics, the increased demand for guaranteed income, the development of new and improved annuity products and options, and the annuity-mindedness of the younger generation.***

anteed income should be the primary goal of a retirement plan.

How do they plan on attaining more guaranteed income? One thing is fairly certain; they don't want to splash around in the stock market. Older generations fear risking their money in markets after listening to stories of the Great Depression, experiencing the Great Recession of 2008, and hearing whispers of investors' predictions for a 2015 to 2016 stock market crash. A 2013 Allianz Life survey found that 87% of people 55 to 65 are more interested in a financial product with a 4% guaranteed return than one with an 8% guaranteed return that could de-

crease in value due to declines in the market. To gain peace of mind, older adults are looking for low- to moderate-risk investment options with decent growth potential. In other words, they're searching for products like annuities.

## INTEREST RATES ARE WELL WORTH THE WAIT

It's no secret that the interest rate environment has been poor. Older Americans know that they must make smart investment choices. Right now, annuities are among the safest and smartest investment choices.

A five-year CD might pay out about 1.5% in annual interest, and a five-year treasury might pay out 1.7%. A five-year annuity will pay out around 2% to 3% in annual interest. With fixed index annuities, investors may accumulate more interest if the market rises while experiencing no loss if the market falls. Fixed annuities may offer investors the most bang for their buck.

Annuities are also tax-deferred. Earnings on CDs are taxed annually, limiting one's true gains. Conversely, earnings on annuities are taxed at your regular income tax rate. The principal and interest compound annually. Unlike 401(k)s and IRAs, which are also tax-deferred, there is no annual contribution limit for annuities.

## BETTER PRODUCTS THAN EVER

Many people have avoided annuities knowing that, once they handed over their handsome chunk of change, they would never be able to access it in full. They knew that if they were to die prematurely, their remaining assets would go to the insurance company and not an heir of their choosing.

Today, many companies give investors more options in the form of riders and additional benefits. For an additional cost, investors can add riders to customize their package when it comes to liquidity, exit opportunities, and death benefits. Over the past two years, the industry has developed more income-focused, hybrid-style products. For example, shoppers can now purchase fixed deferred annuities and add guaranteed lifetime withdrawal benefit riders for an additional cost.

Over the past 10 years, insurers have adapted to accommodate peoples' desires. With the emergence of riders, new products, and other additional benefits, annuities have more flexibility and security than ever.

***With the emergence of riders, new products, and other additional benefits, annuities have more flexibility and security than ever.***

## A PROMISING FUTURE

When mining out a sales career, one of the most important questions is whether future generations will be interested in the product. Annuities have already caught Generation Y's attention, according to a 2015 survey conducted by KRC on behalf of TIAA-CREF.

Fourteen percent of people 18 to 34 have purchased an annuity compared to 14% of Baby Boomers 55 to 64, and 8% of those in Generation X (36 to 51). Furthermore, 18% of the 18 to 34 year olds who haven't purchased an annuity say they plan to do so before they retire.

The future has never looked brighter for the annuity market. Agents in the annuity market can expect to have a successful selling career thanks to graying demographics, the increased demand for guaranteed income, the development of new and improved annuity products and options, and the annuity-mindedness of the younger generation. ★

*Roxanne Anderson is a digital copywriter at Ritter Insurance Marketing (Ritter). She received her B.A. in English from Elizabethtown College. Ritter is a national Field Marketing Organization that solves the distribution needs of more than 80 insurance companies in the Senior Life and Health Insurance markets. An industry leader in technology, Ritter has developed proprietary services, including a customized CRM system and Medicare quoting system, to help agents serve their clients faster, better, and smarter. For more information, visit RitterIM.com.*

# Taking the Frustration Out of Consumer Directed Health Plans

by Brandon Wood



All too often with consumer directed health plans (CDHPs) consumers are forced to arbitrate among providers, benefit administrators, health plans, and pharmacy benefit managers. This fragmented experience contributes to consumer frustration, which spills over to benefit administrators, employers, and brokers. However, great CDHP designs and providers bridge the gap among stakeholders to simplify the health care payment process and remove the employee from the complex and often frustrating payment arbitration process.

The rise of consumer-directed health plans brings more plan types and higher out-of-pocket costs. Sixty-five percent of California employers offered a high-deductible health plan (HDHP) in 2014. Eleven percent of employers with an HDHP offered a health reimbursement agreement while 33% offered a health savings account (HSA), according to the California Healthcare Foundation. These plans shift more of the burden of managing healthcare costs onto consumers. So how can brokers ensure that these plans lower costs for employers and consumers, increase employee satisfaction, boost health and financial wellness, and inspire better healthcare decision making?

## SUCCESS LIES IN CONSUMER EMPOWERMENT

Sixty-four percent of health industry professionals say that consumers' knowledge of HSAs is mediocre, and 28% said it's poor, according to a recent survey by Acclaris. Many employers and brokers haven't changed

the way they communicate benefits to employees over the past 20 years. This is despite the dramatic shifts in the healthcare industry, over the past decade, including the Affordable Care Act and consumer-directed healthcare.

Traditionally, employees had three annual check points—open enrollment notification, plan selection, and plan start date—through two marketing communications channels—mail and e-mail. Gone are the days when open enrollment was the peak of benefit communications. Consistent, personalized communication plays a critical role in engaging employees and bridging the knowledge gap that's responsible for dissatisfaction with the new benefit landscape.

Today, health insurance plans are more complex. Consumers also have more responsibility for healthcare purchasing decisions. Consumer expectations are higher than ever when it comes to technology and user experience. In fact, 60% of consumers want their past behaviors to help inform and expedite their shopping experience; 37% are frustrated when companies don't take that data into account, according to the "e-tailing" group's 7th Annual Consumer Personalization survey.

The time between open enrollment and health plan activation is a critical window for brokers and employers. Effective communication about health benefits is essential, particularly with consumer directed health plans.

Consider the purchasing pathway on Amazon.com. After buying a product, a consumer gets e-mails—a purchase

confirmation, a shipment confirmation, a delivery notification, and a satisfaction inquiry. The consumer can track the shipment in real time. This same kind of engagement is key to improving the consumer's understanding and satisfaction with health benefits and consumer directed health plans. It can't all be done during open enrollment either. Let's face it, we would rather be shopping on Amazon.com that time of year anyway.

## THE PATH TO EMPLOYEE SATISFACTION, REDUCED EFFORT, AND COST CONTAINMENT

Brokers and employers must use just-in-time communication to ensure that consumer directed health plans reduce costs and simplify the process. Each year, new CDHP enrollees navigate pain points. Let's look at a hypothetical example. Jennifer is a new enrollee who selects one of the most affordable CDHPs on her employer's private exchange—an HDHP plan paired with an HSA. She gets limited communication after selecting the plan. She gets sick and goes to the doctor just after getting her insurance card in the mail in a plain, blank envelope.

She winces in anticipation of paying more than \$100 for her doctor visit, but pays nothing and gets a prescription from her doctor. But the pharmacist tells her that her prescription will cost \$345, which is significantly more than her typical \$12 prescription co-pay. At this point, she becomes disgruntled and disengaged.

With targeted messaging and technology, brokers and employers can an-

# ZENEFITS' TROUBLES

ticipate and manage these pain points so they can intervene at the right time. We must engage at the point in which the employee needs the plan, and educate them simply and in a way that allows the message to stick. This helps the consumer become informed enough to compare costs, ask the right questions, and easily navigate the murky waters of the new CDHP landscape.

Brokers and employers can make sure that consumers get the messaging they need with communications through the consumer's preferred channel (text, e-mail, phone call, app notification, etc.). Effective CDHPs offer personalized, targeted communications at the right time through the most effective channel. For example, 64% of consumers prefer texting to phone calls for customer service, according to a recent Harris Poll.

By connecting with the consumer just before they get to the pharmacy or while they are there, CDHPs can help consumers understand the cost they are about to incur as well as their payment options. This is where technology is critical in helping bridge the gap among stakeholders.

Private exchanges will be a significant source of growth for CDHPs. The most successful solutions drive satisfaction and engagement while reducing costs. They invest most in anticipating consumer needs and addressing them while reducing pain points. Integrated solutions that unify the health plan, consumer directed accounts, and decision support can provide a more complete picture of a consumers' healthcare needs. This broad visibility allows for targeted, just-in-time information, reducing pain points and increasing employee satisfaction and engagement.

It is important to teach employees how to make the most of their benefits, eliminate noise for HR teams, and help clients build a culture of health and financial wellness. Brokers who help employers engage their employees in this way will differentiate themselves and compete effectively in an era of disruption and shrinking margins. ★

*Brandon Wood is president of Consumer Directed Healthcare Solutions for Maestro Health.*

*(continued from Page 6)*

and core values. I respect Mr. Sacks' intentions, experience and abilities. He deserves a chance to make his turnaround work. Yet changing a company's culture usually takes considerable time and Zenefits' culture is deeply infused with the Silicon Valley ethos of speed, innovation, disruption, and risk taking. A different world view will be required to transform Zenefits. Yet in announcing Mr. Parker's resignation, the company added three new board members—all current investors with no domain expertise. In fact, no current Zenefits board members or executives listed on their site appear to have any experience in running a human resources firm, payroll company, or insurance agency—the enterprises in which Zenefits is engaged. What they share is deep experience in well-known tech companies. Given that Zenefits is built around technology, that expertise is important, but so is expertise in what that software is supposed to accomplish. Only in places like Silicon Valley would lack of domain expertise at the top of the company be celebrated. The company seems to exist in a Valley-sized bubble and it's tough to change what's in a bubble from the inside.

Yet, in spite of these problems and hurdles, Zenefits is likely to survive. They reportedly have enough cash on hand and no need to seek more. The most probable outcome from the various investigations is that, absent findings of intentional and substantial criminal malfeasance, Zenefits will keep their licenses, carriers will continue paying commissions, and investors will keep their money in the company.

We don't yet know how Zenefits ongoing saga plays out. What we do know are some of the lessons to be learned by the company's struggles, especially by brokers. Lesson one: consumer protection laws matter. Violate them and there's a huge price to pay. And there should be.

Lesson two: arrogance is unbe-

coming and unhealthy. Zenefits is a company whose leaders proclaimed that community-based brokers were "f#%ed," promised to drink brokers' milkshakes, claimed brokers barely knew how to use e-mail, described their profession as a "dead beast lying in the desert" and, well, you get the idea. The danger is that arrogance of this magnitude easily morphs into hubris. Zenefits' hubris was the apparent belief that it could ignore rules if they got in the way of achieving the growth promised investors.

Lesson three: even broken companies get some things right. Zenefits identified a latent customer demand. Clients want more from brokers than help with benefit plans. They want to focus on their businesses and not be distracted by HR and benefit administration. Zenefits success makes clear that brokers who only sell and service insurance plans are disadvantaged. Even in the unlikely event Zenefits goes away, this client need will not.

Lesson four: there's more where they came from. Zenefits' demise would not mean the end of well-funded tech companies challenging community-based benefit brokers. If Zenefits falls to the way side, others are ready to take their place using the exact same tactic of giving away software to employers in exchange for being named the employers' broker-of-record on benefit policies. Seeing a bully put down is always fun, and there's no harm in brokers enjoying the sight of Zenefits in disarray. Those brokers who believe Zenefits predicament means they no longer need to step up the services and value they deliver their clients, however, are making a costly mistake. ★

*Full disclosure: I'm co-founder of a company soon launching NextAgency, a platform enabling benefit brokers to level the playing field against hi-tech competitors and step up the services and value they deliver their clients. A version of this article appeared on The Alan Katz Blog ([www.AlanKatzBlog.com](http://www.AlanKatzBlog.com)).*

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# Pardon me, but will you be having full service today?

All General Agents offer service, but full service? Well, that's another story.

When it comes to broker assistance RBG has always been the envy of the industry, but as we know, the industry has changed. It's gotten less predictable, more complex, and the bottom line could probably use a tune up, an overhaul, and some major realignment.

In response, Rogers Benefit Group is offering something we call Advanced Full Service. With it, we not only get new group medical cases scrubbed, underwritten, and quickly approved, but we go the extra mile with employers and their employees to show them how to get the most from their plan. We advise them on ways to save money instead of spend money.

All in all, it's great for brokers who want to make sure that everything runs smoothly down the road. Perhaps best of all, there are no charges. Service like this won't cost you a thing.

Will you be having full service today? If you would like to have it tomorrow, visit [www.rogersbenefit.com](http://www.rogersbenefit.com), call or contact any one of our 40 offices conveniently located throughout the country. It's the first step toward finding **the kind of support and service you've always imagined was out there.**

**ROGERS  
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**Welcome to  
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# PARTNERING WITH A LEGACY.

Building lasting relationships is what we do. Just ask Ron Sellers and his wife Carol, who have worked with us for decades. While Ron mentions our quoting engine was a strong selling point, what really drew him to Word & Brown was John Word's and Rusty Brown's focus on building and nurturing relationships. Now, more than 30 years later, the partnership and confidence in service continue through a new generation of brokers, their daughter Katie.



What's kept the Sellers with us for so long?  
Find out at [saythewordbroker.com](https://saythewordbroker.com)



Say the word.

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