

A stylized illustration of a plant on the left side of the page. It features a thick, light green stem that branches into several thinner green stems. At the top of these branches are several blue leaves of various sizes. One large blue leaf is positioned near the top left, while several smaller blue leaves are scattered along the green stems.

# *Small Business Guide to Employee Benefits*

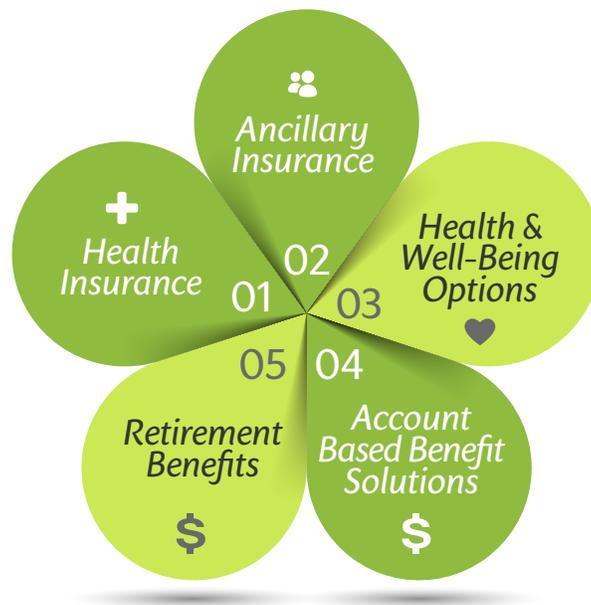
# Table of Contents

What type of employee benefits are available for a small business?	3
Why should a small business offer benefits?	10
Which employee benefits are right for my business?	13
How does a small business navigate the process of buying benefits?	17
Sources	20

# What type of employee benefits are available for a small business?

Getting a comprehensive grasp on the wide variety of employee benefits that are currently available can be overwhelming to the most seasoned corporate HR manager, let alone a busy small business owner. Yet, in a business environment where employee benefits are more important than ever, it is essential that employers take the time to educate themselves on all of their benefit options.

Offering a solid benefits package helps keep employees and their families healthy and financially secure, which in turn helps a business run as productively and efficiently as possible. Knowing the types of insurance available and the protection each of them provides is a great place to start. Many of the following options will be familiar to most employers and employees; others have only recently grown more popular in the workplace. All of them offer a unique advantage to employers and employees.



## Health Insurance

Health insurance is the leading benefit among companies of all sizes and one of the most talked-about social policy issues of our time. Major medical plans offered by employers typically adhere to the Essential Health Benefits required by the Affordable Care Act. This includes coverage for:

- Ambulatory Care
- Emergency Care
- Hospitalization
- Maternity Care
- Mental Health and Substance Abuse Treatment
- Prescription Drugs
- Rehabilitative and Habilitative Services
- Laboratory Services
- Children's Dental and Vision Care
- Preventive Services and Chronic Disease Management

## Ancillary Insurance

Ancillary insurance has become increasingly important as the cost of standard health insurance has risen. Employers can turn to ancillary insurance as a way to offer their employees an added layer of protection, regardless of the level of health insurance already being offered (if any). While dental and vision insurance may be the first insurance options to come to mind, life and disability policies are also critical to offering a well-rounded benefits package:



Short-Term Disability (STD) insurance helps employees make ends meet when they are forced to miss work due to a disability caused by illness or accident. Benefits are paid for a short period of time. The illness or disability must be a result of a non-occupational injury. STD coverage is mandatory in New York, New Jersey, California, Rhode Island, Hawaii and Puerto Rico.



Long-Term Disability (LTD) insurance provides employees with income replacement when an illness or a disability caused by a non-occupational injury forces them to miss work for an extended period of time. According to the U.S. Census Bureau, employees across all industries have a 1 in 5 chance<sup>1</sup> of being unable to work because of a disability; STD and LTD benefits can help those employees and their families cope with that difficult time.



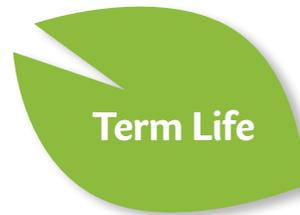
Hospital Cash insurance provides benefits in case of hospitalization (independent of any other insurance). The cash benefit is paid directly to the plan participants and can be used any way they see fit, including everyday expenses. Even with the best health insurance plans, employees can incur surprisingly expensive hospital fees; these cash benefits can help with the burden of the unexpected.



Some accidents can have life-changing outcomes resulting in the loss of a limb or even death. Accidental Death and Dismemberment (AD&D) plans make payments based on a predetermined schedule of benefits and a lump payment for death.



In addition to providing important routine maintenance, having dental coverage can help detect and prevent other illnesses, such as heart disease, diabetes and premature birth.<sup>2</sup> Insured members can choose any dentist, but generally pay less for services from providers in the plan's network.



Term life insurance can be a cost-effective way to provide peace of mind for employees and protection when their families need it most. Policies pay a benefit in the event of the death of the insured during a specified time period, while premiums are being paid.



Vision benefits provide employees and their families with access to discounted eye wear and regular eye exams can help provide early detection of health conditions like diabetes and high blood pressure. Like dental, using the plan's network of providers can result in significant savings for the insured.



24-Hour Accident insurance provides benefits in the case of an accident that occurs anytime, anywhere. The cash payments can help pay for out-of-pocket costs and other expenses that result from the accident.



Critical illness insurance pays a benefit when a specific illness or condition is diagnosed. The insured can use the payout in any way they choose, from medical bills and help around the house to a restful vacation.

## More Health and Well-Being Options

Another powerful way employers can respond to the health needs of employees and their families is by offering health-related benefits that are not insurance. These programs offer a wide range of advantages, from detecting a medical problem in its early stage to improving mental health and promoting good eating habits. Some of these services are:



Employee Assistance Programs (EAP) provide 24/7 phone access to advisors who can help with life's complications, from personal problems to HR and management related issues. Experienced consultants can refer callers to financial and legal professionals, help resolve personal conflicts or be an understanding voice during a difficult time.



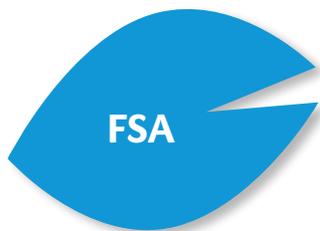
Wellness Programs promote various approaches to establishing and maintaining a healthy lifestyle, i.e., cooking classes, weight loss contests, health screenings and tobacco cessation systems.



Nurse Help Lines provide 24-hour phone access to registered nurses who answer any medical questions and/or recommend appropriate level of care. This service can be designed to be used by everyone in a subscriber's household and may provide useful information when questions arise about a child's health, a pregnancy, or any number of other health concerns.

## Account Based Benefit Solutions

Medical co-payments, deductibles and fees for services can add up to a significant yearly outlay, even for employees with good insurance plans. To counter this unfortunate reality, employers can offer employees the opportunity to contribute to a health spending account. The contributions are made on a pre-tax basis, lowering the employee's yearly tax bill while providing a cash reserve for medical expenses. There are three types of accounts:



Flexible Spending Accounts (FSA) take pre-tax money out of an employee paycheck and transfer it to an account. The money can then be used to pay for medical expenses throughout the year. Any funds that are not used to pay medical expenses are lost at the end of the year.



Money contributed to a Health Reimbursement Arrangement (HRA) can be used for deductibles, co-insurance or covered medical expenses. Any money contributed by an employer on behalf of an employee doesn't count as income, saving valuable tax dollars. Like an HSA, the money remains in the account as long as the employee is a member. Unlike HSA, HRA funds are not portable.



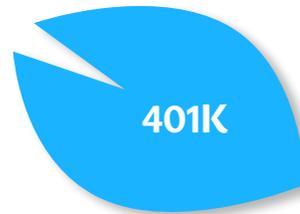
To open a Health Savings Account (HSA), the employee must be a member of a high-deductible health plan. Contributions are pre-tax and the employer or a family may also contribute. HSA funds can be used to pay the deductible as well as coinsurance and eligible medical expenses. Contributions remain in the account for as long as the employee is a member. HSA's are completely portable, meaning you can keep your HSA even if you change jobs.

## Retirement Benefits

Healthy employees are just the first part of the benefits equation. Another priority for many workers, particularly older workers, is financial planning for the future. And although it may not be prominent in the minds of some young workers, it is extremely important for them to begin planning and investing as early as possible. The main retirement plan benefit options available to small businesses are:



A SEP IRA (Individual Retirement Account) requires contributions from both the participant and the employer. Contributions are not taxed until they are distributed. The employer determines the percentage of income that will be contributed, ranging from 0% to 25%.



401K plans must meet certain requirements established by the IRS. Employees can defer up to a certain amount of their salaries into a broad range of investment options. Employers can choose to match a certain percentage of the employee contribution, or make other types of contributions.

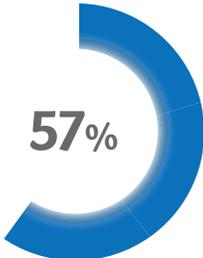


A SIMPLE IRA is an option for any businesses with 100 or employees or less. The employer establishes an account for each eligible employee and makes mandatory contributions. The employer contribution can either be a match of the employee's contribution, up to 3% of the participant's compensation, or a non-elective contribution of 2% of the participant's compensation.

## Additional Benefits

Other benefits many employers offer include traditional perks like vacation, sick leave, transportation benefits (which allows employees to pay for their commute using pre-tax dollars) and charity match programs. Although these are often seen as secondary, non-essential benefits, offering them can often make a big difference in employees' lives, in addition to improving company morale and loyalty.

*Health and retirement benefits for businesses with less than 100 employees.<sup>3</sup>*



Offer health insurance



Offer retirement benefits



Offer paid sick leave

***Conclusion***

Small businesses have many options when implementing a benefits strategy for their employees. For many business owners, providing a foundation for financial security for workers and their families is a fundamental part of building a successful enterprise.

In the following chapters, we'll discuss why a small business should consider offering employee benefits.

# Why should a small business offer benefits?

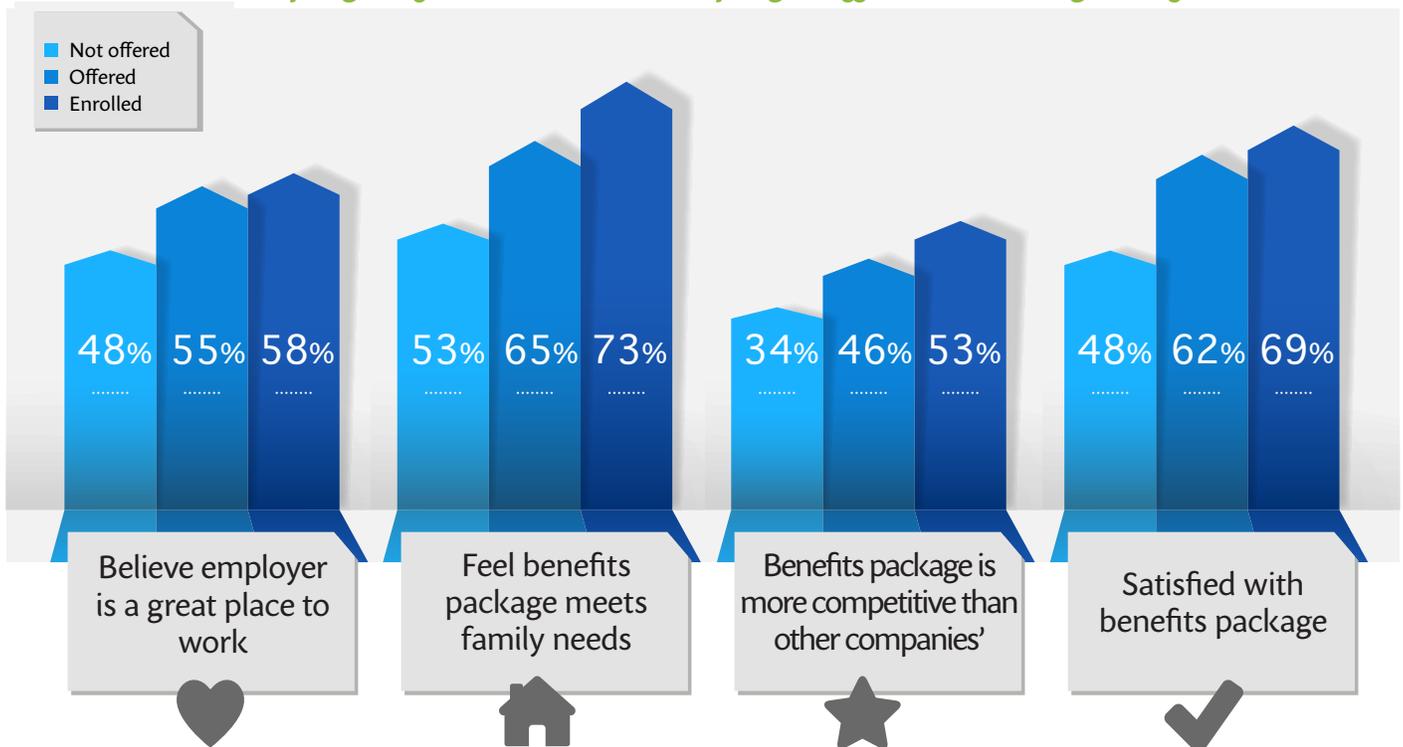
Small business owners work hard for every dollar they earn; and every budget decision they make weighs heavily on their bottom line. Commitments like technology upgrades, new equipment or added employees often promise significant returns on investment. But in the end, will they be worth it?

The same holds true for employee benefits. Will offering a safety net to employees and their families have a positive impact on a small business' bottom line? In many instances, the answer is yes. Here are the main reasons why.

## Retention and Loyalty of Key Employees

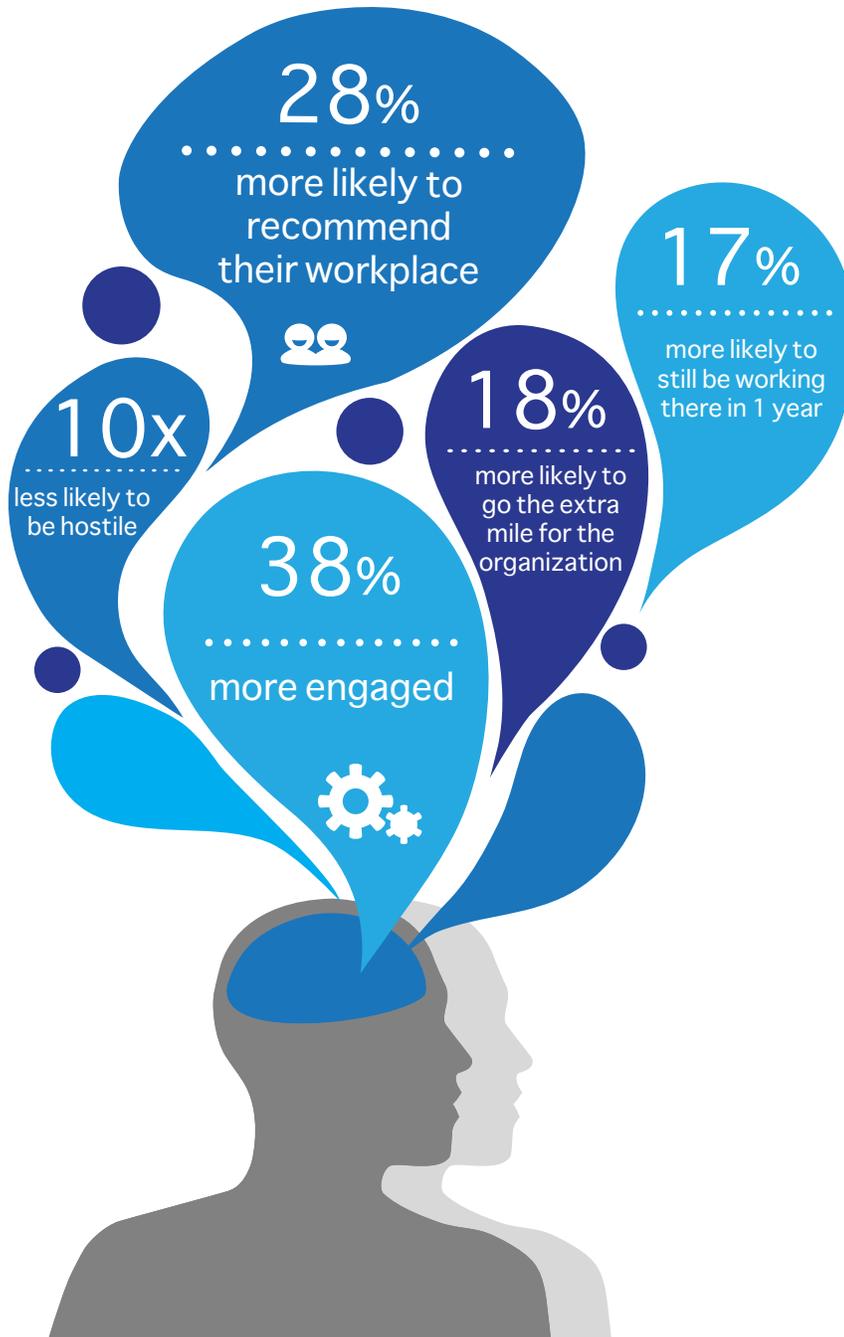
Group benefits signal to employees that a business is committed to them—and that's a street that runs both ways. When an investment is made that protects employees and their families, they return that commitment with loyalty and higher morale. Workers who feel valued are more inclined to stay for the long term, lowering the inherent costs of having to hire replacements; these costs are often greater than the savings created by not offering benefits.

## How employees feel when their employer offers voluntary benefits.<sup>4</sup>



## Improved Productivity

It stands to reason that healthy employees miss less work days and perform at a higher level of productivity than those that battle recurring ailments. That increased productivity can have a major impact on a small business' bottom line. Healthy workers with high job satisfaction and high attendance rates are powerful predictors of a strong business.



*How employees behave when their employer offers benefits.<sup>5</sup>*

## **Legal Requirements**

Certain states and localities may require mandatory insurance for some or all of your employees. Knowing and maintaining these required policies can save a small business time and legal expenses from year to year.

## **Personal Philosophy**

Many small business owners appreciate the hard work of their employees and see it as a personal responsibility to offer them some degree of financial security beyond their basic compensation. This sentiment, while certainly not required of any business, has the aforementioned positive side effects that all business owners desire. In an era where affordable benefit packages have become a major source of concern, happy workers can keep a business competitive and productive.

### **Conclusion**

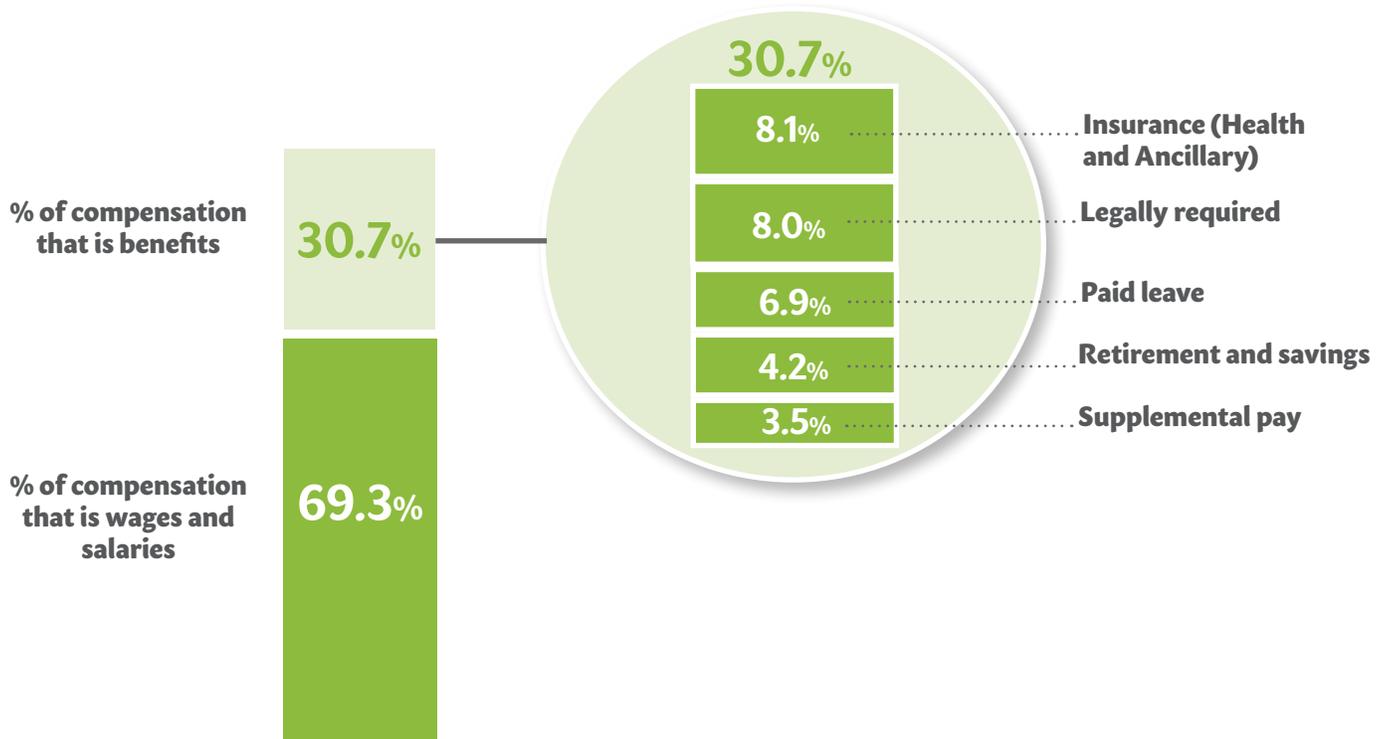
Keeping talented employees and maintaining a competitive edge is not easy in today's economy. Small businesses that offer benefit packages are potentially doing more than providing their employees with improved health outcomes and financial security; they are also improving their protection from high turnover rates, low productivity and legal complications.

# Which employee benefits are right for my business?

Choosing the right mix of benefits is a series of decisions unique to each and every small business. There are many factors to consider and questions to answer before making such a critical investment. Let's take a look at the typical thought process that every business owner needs to undertake when building a benefits package.

## What is my budget?

Small businesses generally have little flexibility in terms of what they can realistically spend on employee benefits. Asking for partial employee contributions and choosing a variety of low-cost additional benefits (beyond the core set of benefits that have been set as priority) is often a good way to stretch a benefits budget. This table provides a snapshot of what percentage of an employee's total compensation is currently being spent by the employer on benefits.<sup>6</sup>

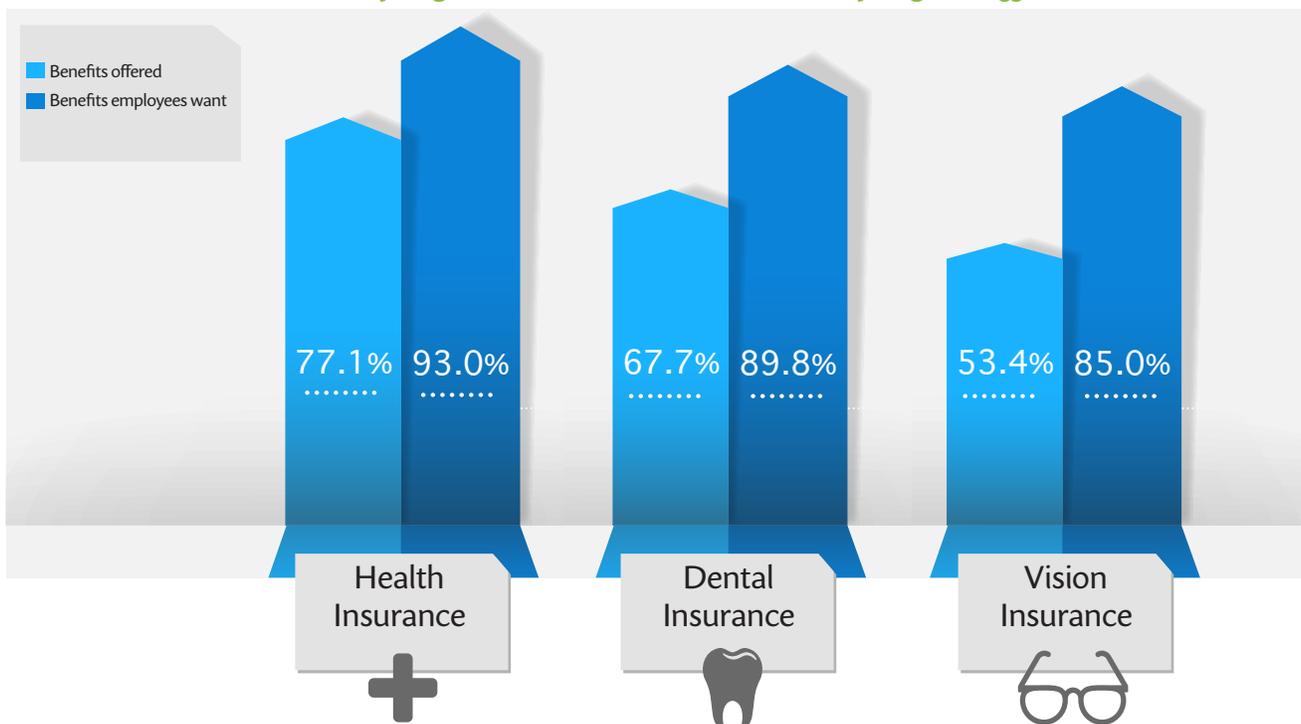


Other cost factors to consider are the administration of benefits, and of course the resulting costs of not offering benefits in terms of employee retention, competitiveness and productivity.

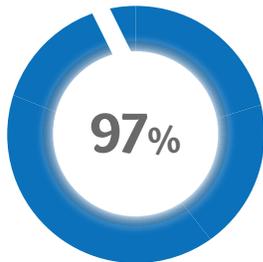
### *Which benefits do my employees want?*

Employee input can help a small business determine the range of benefits they should consider offering. The unique demographics within a company may play a big part in determining what employees want; older employees may value retirement and health plans while younger employees may prefer an emphasis on flex time and working remotely. Thoughtful feedback from workers can often help a small business put together a benefit package with options that please everyone.

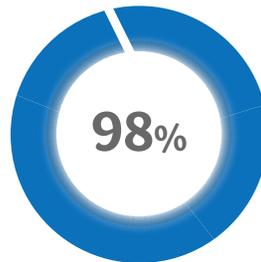
### *What employees want versus what employers offer.<sup>7</sup>*



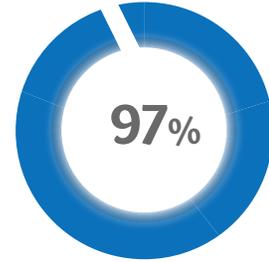
*The percentage of small business employees that participate in company-sponsored insurance.<sup>8</sup>*



Take-up rate when offered Life Insurance



Take-up rate when offered Short-term disability Insurance



Take-up rate when offered Long-term disability Insurance

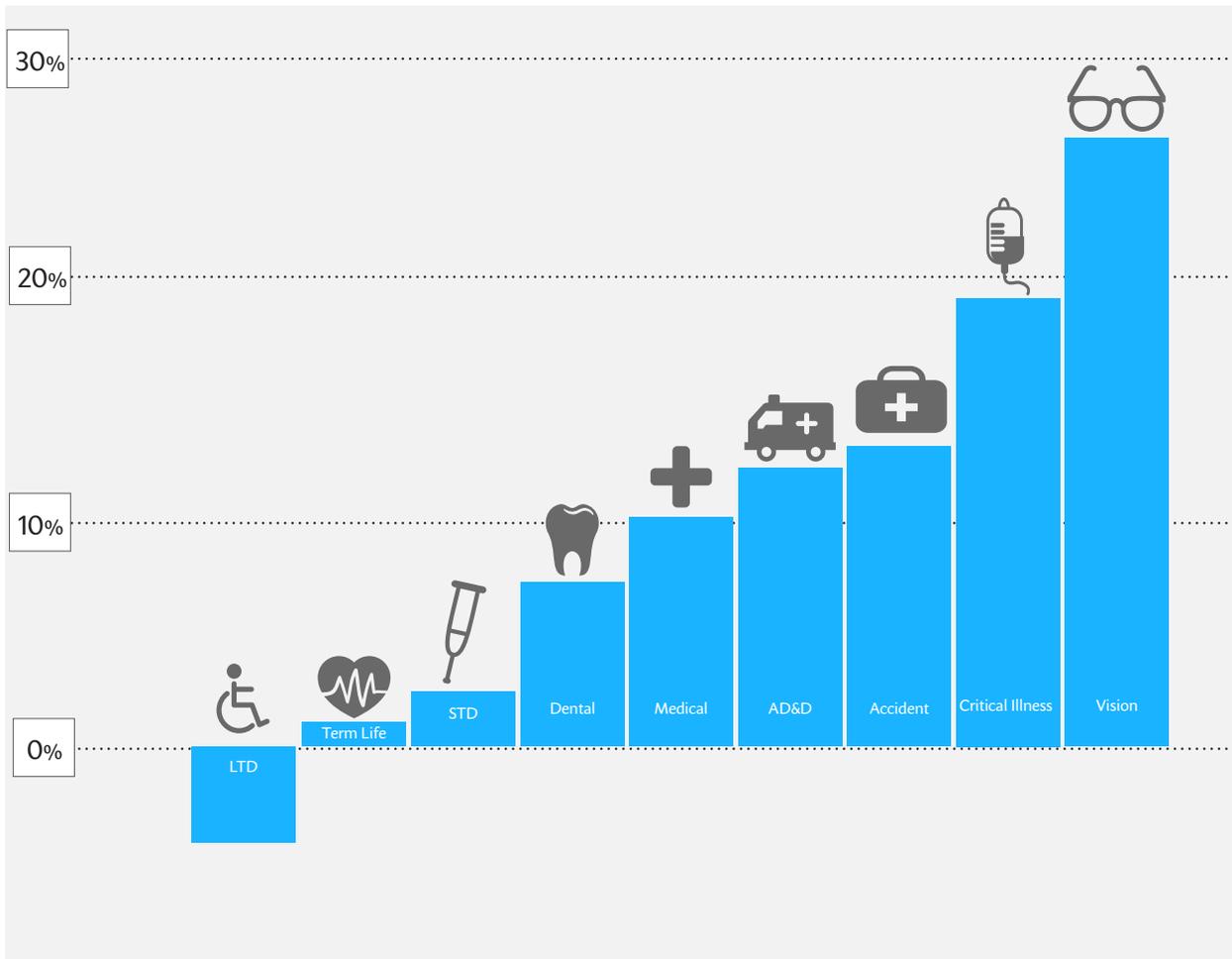


***Which benefits will best serve my business interests?***

Certain features of the benefits chosen by a small business can directly impact the day-to-day operations of the business. In a broad sense, the main question is ‘Which benefits will help my business maximize efficiency and productivity?’

While basic employee benefits typically improve overall productivity, there are some non-traditional options that can have a major impact as well. Reducing stress through employee assistance telephone programs give workers someone to talk to about a whole range of personal and financial problems; providing flexible schedule and location work options, if possible, allows employees to better manage family life; and encouraging break times helps employees clear their heads and reduce fatigue. Although the cost of these benefits must always be considered, small businesses often find that they are much lower than expected.

## The change in voluntary benefits offered by employers in 2014, compared to 2013.<sup>9</sup>



### Conclusion

Having the right mix of benefits is crucial to delivering a benefit package relevant to both employees and the overall operation of the business. Conversations and surveys will help determine which benefits employees desire; consideration of the short-term strategy and long-term goals of the company will dictate the best options from a business standpoint.

# How does a small business navigate the process of buying benefits?

When small business owners become more educated on employee benefits, they can begin the buying process with confidence. The next step is to turn to the many resources available to help identify and price the best benefit packages available. Knowing what to look for and asking the right questions puts employers in position to make the optimum decision on benefits.

## Choosing a broker

Finding a local insurance broker online who services small business is a relatively easy task. The difficult part is finding the broker who understands a business' specific needs and can offer policies that work on multiple levels, including cost, coverage and ease of administration. A business' Property and Casualty broker may be a good place to start; they are often licensed to sell employee benefits or can recommend a broker who is. Other valuable resources include CPA's, Personal Insurance Advisors, Employer exchanges, and associations. A few things every small business owner should consider when choosing a broker are:

### Communication

### Standing

### References

#### Communication

Potential brokers should be contacted by phone or email so the employer knows who's responsive, easy to communicate with, and on the same page. Initial contact should also confirm that the broker has the specific expertise and experience the business owner is looking for: asking a lot of questions about the broker's background and specialties is the best way to learn about their credentials.

#### Standing

Any broker that an employer decides to do business with should be in good standing with the applicable state department of insurance. Most insurance departments have online tools available to check brokers' records. Additionally, the carriers the broker works with should have a solid financial rating, but it's important to take into account the policies the carrier offers; carriers that offer policies with smaller commitments like vision and dental do not necessarily have to be rated as strongly as health insurance or retirement benefit providers. Visiting the web sites of private rating agencies will confirm a carrier's financial rating. Two of the most referred to rating agencies are A.M. Best and Standard & Poor's which assign annual financial strength ratings.

#### References

A broker or agent should be able to provide references, preferably other small businesses. Business owners should try to speak directly with clients of the broker to determine whether they are satisfied with the benefit plans and service the broker provides.

Good brokers will follow-up with a "fact-finding" meeting. They will ask many questions about their client's business and insurance needs; why they want insurance, the demographic details of the staff and the business' contribution level towards benefits.

## Quotes and Comparisons

Once an employer has established which benefits will be offered, the broker will be able to provide quotes from different insurance carriers. Cost will be based not only on the types of coverage and plan designs offered, but on how the premiums will be paid. There are three possibilities:

### Non-Contributory

A non-contributory insurance benefit is paid for entirely by the employer. It requires that 100% of employees receive coverage, which generally lowers the overall cost of the premium.

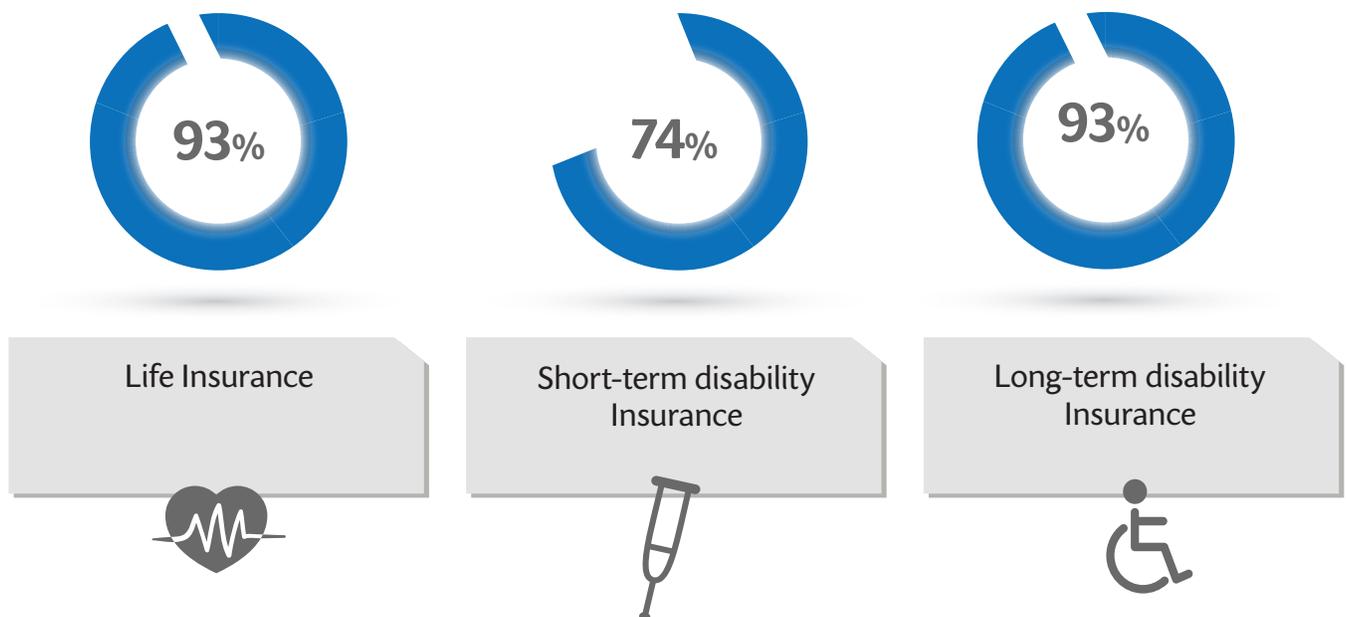
### Contributory

Employees and employers divide the cost of a contributory benefit. A contributory plan does not mandate 100% employee participation, but will have some level of minimum participation required.

### Voluntary

Voluntary benefits are paid for exclusively by the employee. The employer pays only administration costs and often provides the convenience of payroll deduction. It also allows the employer to offer a wider range of options. However, even voluntary plans require a minimum number of enrolled employees, typically 25%.

*The percentage of small business employees that do not have to contribute towards benefits.<sup>10</sup>*



## **Enrollment**

In many cases the broker will need specific information about the company in order to provide a final quote and enroll employees. Typically this will include a roster with details like name, date of birth, job title and salary. This list is sometimes referred to as a census.

## **Streamlining the process**

In addition, the employer will also have to provide data on past insurance coverage and claims, as well as other relevant information necessary to complete the process. However, innovative companies like ShelterPoint<sup>11</sup> have come a long way in streamlining this usually complicated and administratively heavy task. ShelterPoint's BaseLine portfolio of insurance products<sup>12</sup> is designed to allow employers to purchase benefits without rosters, individual enrollment, physicals or age restrictions. There is no traditional underwriting involved, regardless of industry or the number of employees being covered; the plans are built to cover all of a business' employees at a simple flat rate. Making it as easy as checking a box.

### ***Conclusion***

**Buying benefits for a small business takes some time; important decisions must be made and there are many factors to consider. Fortunately, a competent and reliable broker and innovative products like ShelterPoint's BaseLine portfolio can make it easier.**

## Sources

<sup>1</sup>United States Census Bureau Press Release, July 25, 2012  
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<sup>11</sup>The ShelterPoint family of companies consists of ShelterPoint Life Insurance Company, a NY-domiciled carrier, and ShelterPoint Insurance Company, a FL-domiciled carrier, depending on the state.

<sup>12</sup>Not all products are available in all states and from each entity in the family of ShelterPoint companies.

## About ShelterPoint

Small businesses have been counting on ShelterPoint to protect their interests for over 40 years. Our primary focus is providing business owners and their employees the safety and security they deserve, so our benefit solutions go right to the heart of what they care about most.

- Expertise and insight into what small businesses need
- Products, technology and service platforms that are easy to understand, implement and administer
- A broad, affordable portfolio of group benefits

To learn more about how ShelterPoint can help your small business provide simple, to-the-point employee benefits, visit

[www.shelterpoint.com/lineup](http://www.shelterpoint.com/lineup)