Colonial Life

Making benefits count.

Filling the Revenue Gap

How Brokers Can Leverage Voluntary Benefits to Build Business

Benefits at Work Series

A Colonial Life White Paper

May 2011

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Filling the Revenue Gap

Executive Summary

The broker's world today looks quite different than it did a few years ago. Reduced commissions, health care reform and an economy still trying to recover from recession have left many brokers in search of new ways to increase revenue or replace lost income.

Even as employers start to hire again, many human resources departments are finding their world has changed, too. The rising costs of providing employee benefits, changes in the health care plans they offer, and greater administrative duties have made their lives more complicated. They're faced with significant change, yet they must remain competitive in order to survive. And they're looking to brokers for help.

Fortunately, brokers can address these challenges head-on with a powerful solution: voluntary benefits. By adding voluntary benefits to their portfolios, brokers can increase their agency's revenue and help clients remain competitive.

"Benefits brokers' primary business has been medical and employer-funded benefits and, for many, voluntary insurance simply hasn't been their bread and butter," says Bonnie Brazzell, vice president at Eastbridge Consulting Group Inc. "However, changes have taken place in the last several years — benefits plans have gotten more expensive and companies are increasingly cost-sharing with employees — so we see more brokers fully incorporating voluntary benefits into their business model and proactively cross-selling these offerings."

Although most brokers are familiar with the general concept of voluntary benefits, many still have a learning curve. Brazzell estimates a majority of brokers are not ready to sit down and consult with employers in order to recommend and sell voluntary benefits on their own.

This white paper discusses what brokers need to know to leverage voluntary benefits to build business in today's workplace. Brokers will learn what immediate opportunities exist in the marketplace along with how to implement a turnkey voluntary benefits practice with no overhead or product training required. The paper discusses how brokers can increase employee participation through strong benefits communication and education. Brokers will also discover how to maximize results by using local enrollers who can offer one-to-one benefits counseling.

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>
> ***Bonnie Brazzell, Vice President***
> ***Eastbridge Consulting Group Inc.***

Voluntary Benefits Create Opportunity for Brokers

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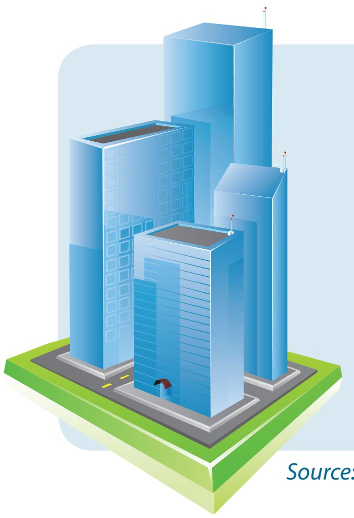
Brokers don't need clients with thousands of employees to get a boost from adding voluntary benefits to their offerings. A recent Eastbridge Consulting survey found that a large number of independent benefits brokers consider companies with 100 or fewer employees their primary target for the sales and marketing of voluntary worksite benefits.[1]



Company size brokers consider their primary target for voluntary worksite benefits

Fewer than 100 employees	78%
100-999 employees	17%
1,000 or more employees	3%
Don't know	2%

Source: Eastbridge Consulting Inc., "Producer Attitude Scorecard Service (PASS),™ Colonial Life Results, October 2010.

Brokers who want to take advantage of marketplace opportunities can quickly and cost-effectively develop a voluntary benefits program that lets them offer a proven solution that meets both new and existing clients' needs — and one that also begins making money right away.

Voluntary benefits, such as life, accident, cancer, critical illness, hospital confinement indemnity, and short-term disability, are designed to supplement core benefit offerings. Voluntary insurance plans allow employers to offer a cost-effective, expanded benefits package at little to no direct cost to them. Employees choose the benefits that best meet their individual and family needs and typically pay for these products themselves, usually through convenient payroll deduction. Individual voluntary benefits are owned by employees, so they can keep the coverage if they leave employment. Some group voluntary benefits allow employees to convert to individual policies when they leave their company.

Additionally, voluntary benefits pay insureds a lump-sum benefit they can use as they see fit. Employees can choose to apply the money they receive to their medical expenses, such as deductibles, treatment bills, rehabilitation or home health care expenses. Or, they can use the money for nonmedical expenses, such as mortgages, groceries, electric bills, child care or travel to and from a treatment center.

Brokers who want to take advantage of marketplace opportunities can develop a voluntary benefits program that meets clients' needs and also begins making money right away.

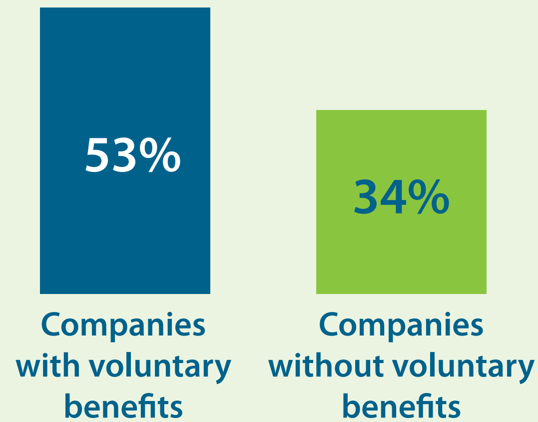
The key advantages employers gain with voluntary benefits include:

- **Better management of their benefit costs.** For example, employers can offer lower-priced, high-deductible health plans and provide voluntary insurance to help cover the higher deductibles.
- **Lower payroll taxes.** As an added bonus, offering voluntary benefits that qualify for pretaxing can lower payroll taxes with each enrolled employee.
- **Time and money savings.** Implementing a comprehensive benefits communication and enrollment program can help HR departments preserve precious time and budget resources.
- **Employee satisfaction.** Offering voluntary benefits also provides a great incentive for workers to stay with their employers. Employees can receive more benefits with no direct cost to the employer. The employer is also helping employees protect their health, savings and everything they've worked so hard to achieve.

A recent Unum study revealed employees who are offered voluntary benefits in the workplace are more satisfied with their benefits than those who are not offered voluntary coverage. Fifty-three percent of employees at companies that offer voluntary benefits are satisfied with their benefits packages, compared with 34 percent who say the same at companies without this type of coverage.[2] That kind of satisfaction is valuable to employers since voluntary coverage allows a company to offer more benefits and add perceived value to a plan without affecting the bottom line.

Voluntary benefits create more satisfied employees

Percent of satisfied employees



Source: Unum, "Beyond the Usual Benefits: How Employee Education Can Drive Workplace Satisfaction," August 2009.

Brokers can expect to realize these benefits:

- **A reliable new revenue stream.** About 40 percent of employees will purchase a voluntary product when the enrollment includes one-to-one meetings. Each employee in an account could potentially represent $60 or more in commissions.[3] Even more can be earned with bonuses and renewals.
- **Stronger relationships with group benefit clients.** Brokers can provide their clients with a way to enhance their existing benefits package at little or no cost while helping meet their employees' needs. Brokers also can bring a lot of value-added services at no added cost. This helps position brokers as full benefits providers, which means clients won't have to look elsewhere to meet their needs.

> ***"Not only have voluntary benefits allowed us to better meet our clients' needs, but they've also introduced an additional income source for us, which is critical in today's market where medical commissions are being compressed."***
>
> ***Matthew Gregory, Executive Director***
> ***Leavitt Benefits Services***

- **Quick ramp-up without additional overhead.** Brokers don't have to become experts in voluntary benefits or invest in any additional overhead if they partner with an experienced voluntary benefits carrier. A full-service voluntary carrier, for example, has proven enrollment systems and benefits communication processes in place, ready to go the minute they're engaged.

Utah-based Leavitt Benefits Services is one example of a broker firm capitalizing on the opportunities that voluntary benefits afford.

"We've uncovered a serious interest from our groups around voluntary products, which previously we had not fully or proactively supported with them," says Matthew Gregory, executive director, Leavitt Benefits Services. "Not only have voluntary benefits allowed us to better meet our client's needs, but they've also introduced an additional income source for us, which is critical in today's market where medical commissions are being compressed."

The Timing Is Right for Voluntary Benefits to Grow

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Health care reform by many accounts is the 800-pound gorilla: exerting pressure on some companies to change their benefits strategies to comply with the new legislation, forcing many working Americans to absorb more medical cost increases if their employers shift to less-rich health plans, and squeezing broker commissions as a result of the mandated 80 to 85 percent loss ratios.

If health care reform creates dynamics and complexities in the marketplace, it also creates opportunities for voluntary benefits. Fifty-one percent of brokers expect the changes taking place because of health care reform to cause them to change the types of voluntary products they currently sell. In particular, more than half expect to sell additional accident, critical illness, short-term disability, cancer and term life voluntary insurance.[4]

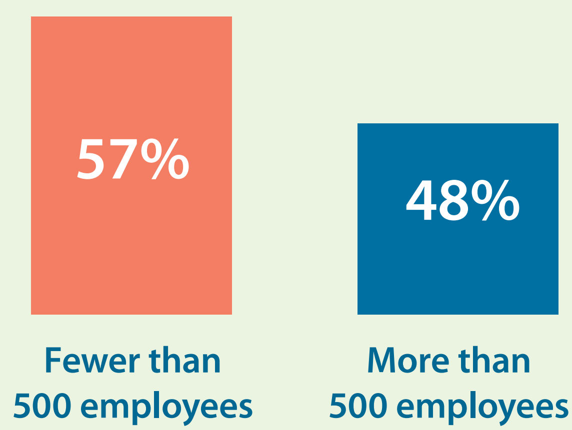
Brokers who expect product sales to increase as a result of health care reform

Accident	69%
Critical illness	65%
Short-term disability	57%
Cancer	54%
Term life	53%
Long-term disability	46%
Long-term care	45%
Hospital/intensive care	40%
Supplemental medical	40%

Source: Eastbridge Consulting Inc., "Producer Attitude Scorecard Service (PASS),TM Colonial Life Results, October 2010.

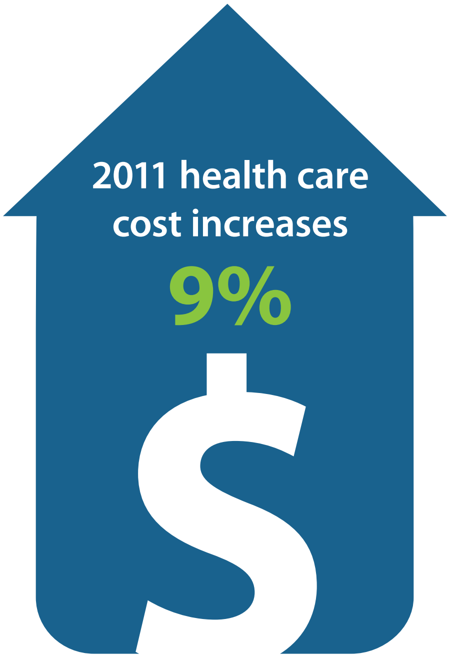
If health care reform has done anything, it's made employers more dependent on their brokers for benefits guidance. A recent study shows 57 percent of employers with fewer than 500 workers and 48 percent of those with more than 500 say they will rely on their consultants, brokers and agents more than ever.[5] So, while the legislation has probably complicated business, it's also made brokers more important to their clients.

Employers who will rely on brokers more than ever because of health care reform



Source: Storey, Denis, "Reform of the Union," Benefitspro.com, Jan. 26, 2011.

As employers look to brokers for help creating new benefits strategies to comply with health care reform, voluntary offerings will be key components because:



Source: Frank, Jackie, "Employer Health Costs to Rise in 2011," Reuters, Sept. 27, 2010.

Health care costs are continuing to rise.

Recent reports show employers are expected to pay nearly 9 percent more for health care costs for their workers in 2011, the highest level in five years. And employers will more than likely ask their workers to absorb 12 percent of these costs.[6] Almost one year after health care reform was signed into law, a new Deloitte study found there is $363 billion more in hidden health care costs than reported in most official government accounts. These hidden costs are attributed to expenditures that fall outside traditional areas such as doctors, drug prescriptions, hospitals and insurance coverage and represent an additional 14.7 percent of health care spending not previously captured in the National Health Expenditure Accounts data.[7]

Employers are moving more toward consumer-directed health plans.

Consumer-directed health plans are reappearing on employers' radar screens. The timing seems right for a resurgence as these plans place consumers in the driver's seat, counting on them to make more informed and frugal health care decisions if given a bigger financial stake in the process. Seventy-nine percent of employers expect to offer account-based consumer-directed health plans by 2012.[8]

Employees will shoulder more out-of-pocket expenses.

As employers continue to look for ways to control their health care costs, employees will see more cost responsibility shifted to them in the form of increased premiums, co-pays and/or deductibles. When deductibles and out-of-pocket expenses increase, so does the employee's share of first-dollar expenses. For example, the additional costs captured in the Deloitte study support an increase in consumer discretionary spending on health care from 16.2 percent to 19.9 percent, which surpasses housing and utility costs at 18.8 percent. These cost-shifting strategies leave employees with more financial risk than ever before.

Voluntary benefits are exempted from market reforms.

The impact of coverage mandates and tax provisions will be minimal when it comes to benefits other than medical. Voluntary benefits will not be offered through insurance exchanges and will be exempt from changes to guaranteed issue and pre-existing condition requirements, as well as from the excise tax on health plans when deducted on a post-tax basis. Accident, long-term care and disability plans aren't subject to the excise tax whether paid for with pre- or after-tax dollars.

Employers have come to realize a competitive benefits program is a vital business strategy for attracting and retaining quality workers who can help their companies grow and compete in the marketplace.

Employers will count on benefits to help drive business recovery.

Not only are employers dealing with the health care reform measures, but they're still recovering from the recession. Gone are the days when employers think of their benefits program as simply perks for employees. Instead, they have come to realize a competitive benefits program is a vital business strategy for attracting and retaining quality workers who can help their companies grow and compete in the marketplace. Even as the economy continues to improve and employers continue to rehire, companies will look to offer the most robust, yet cost-effective, benefits package and still be competitive.

Employees look to fill financial gaps.

Workers are more interested than ever in finding a solution to fill the gaps left by changes in their benefits plans. Employees have expressed considerable interest in purchasing supplemental coverage or voluntary benefits to help pay for some of the expenses not currently covered by their insurance plans. Seventy-eight percent of full-time employed adults who are enrolled in an insurance program provided by their employer and/or their spouse were at least "somewhat" interested in this type of coverage.[9] In turn, employers will have to work harder to educate workers about the value of voluntary products, such as life insurance and disability products, to overcome the perception that they are "discretionary" at a time when higher out-of-pocket medical costs are shrinking disposable income.

Employees interested in purchasing voluntary benefits

Very interested	15%
Interested	18%
Somewhat interested	44%
At least somewhat interested	78%

Source: Colonial Life & Accident Insurance Company, Harris Interactive Survey, Apr. 23-27, 2009.

When brokers work with businesses to design their benefits programs, they should also include strong communications and education strategies to help employees learn more about their financial risk and how they can select the right coverage to protect themselves. Benefits communications also create more educated health care consumers who make better financial decisions, which can help employers save on health care costs.

Developing a Voluntary Practice Is Easier Than Brokers Think

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As competition grows among brokers and more of them begin to turn to voluntary benefits, it becomes more important than ever for them to differentiate themselves. To do so, brokers need to focus on services that address their clients' top concerns, not simply provide products.

Brokers can quickly ramp up a voluntary benefits practice and begin maximizing their revenue by partnering with a carrier that specializes in voluntary insurance and has proven expertise in the industry. Working with a company that offers a broad portfolio of products and a host of value-added services gives brokers the ability to offer turnkey solutions to their clients without the overhead—and allows them to focus on what they do best without needing to become an expert in other areas. Brokers want to look for a carrier that offers a highly competitive compensation package, but should also insist on one that is financially stable and easy to do business with.

"It's a no brainer for anyone offering health insurance to offer voluntary benefits to make up for loss of commissions. There's a lot of opportunity for brokers to rethink this line of business and look at strategic partnerships to develop voluntary programs."

Les Blackwell, President and CEO
Benefit & Investment Solutions Inc.

"Because of health care reform, brokers are now turning to carriers for voluntary benefits — which is a significant change," says Brazzell. "They're moving from a 'push' to a 'pull' strategy, and it has changed the dynamics of the marketplace."

In particular, Brazzell sees brokers reaching out to voluntary benefits carriers that offer strong support services aimed at helping them with everything from plan design to enrollment to the claims process.

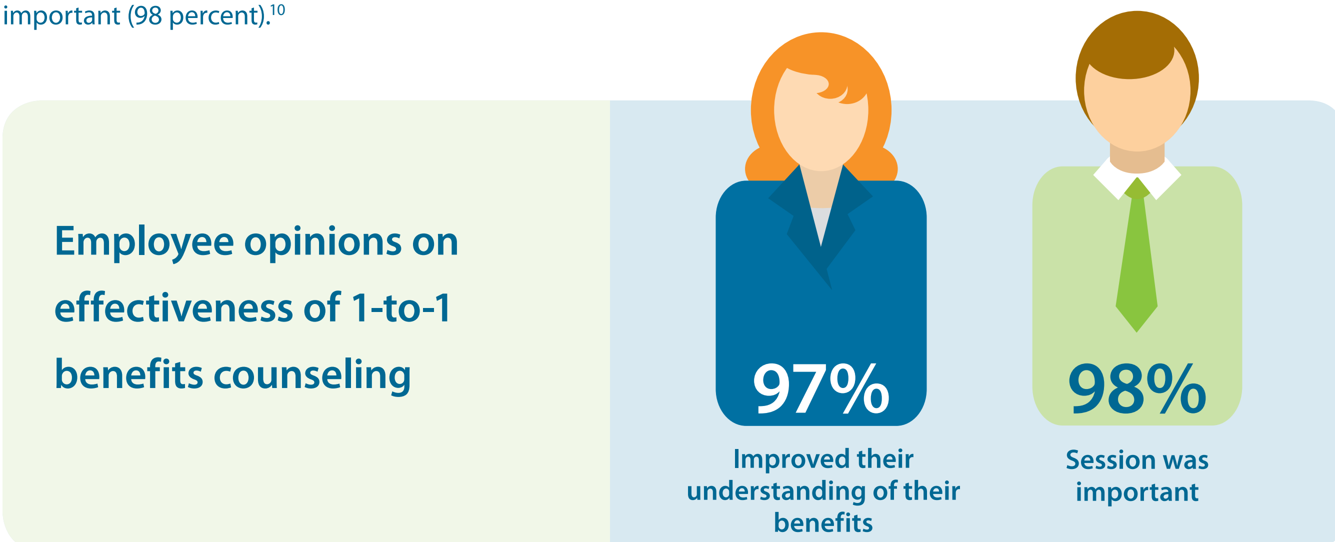
"With the health insurance market changing like it is, it's a no brainer for anyone offering health insurance to offer voluntary benefits to make up for loss of commissions, especially for under-100 employers," says Les Blackwell, president and CEO, Benefit & Investment Solutions Inc. "We used to see voluntary benefits as something we had to talk employers into, more of an add-on but not a service that added value to our operation. That has changed. There's a lot of opportunity for brokers to rethink this line of business and look at strategic partnerships to develop voluntary programs."

When looking to develop a successful voluntary benefits program, brokers should evaluate potential partners on their ability to offer the following important capabilities:

One-to-One Benefits Counseling

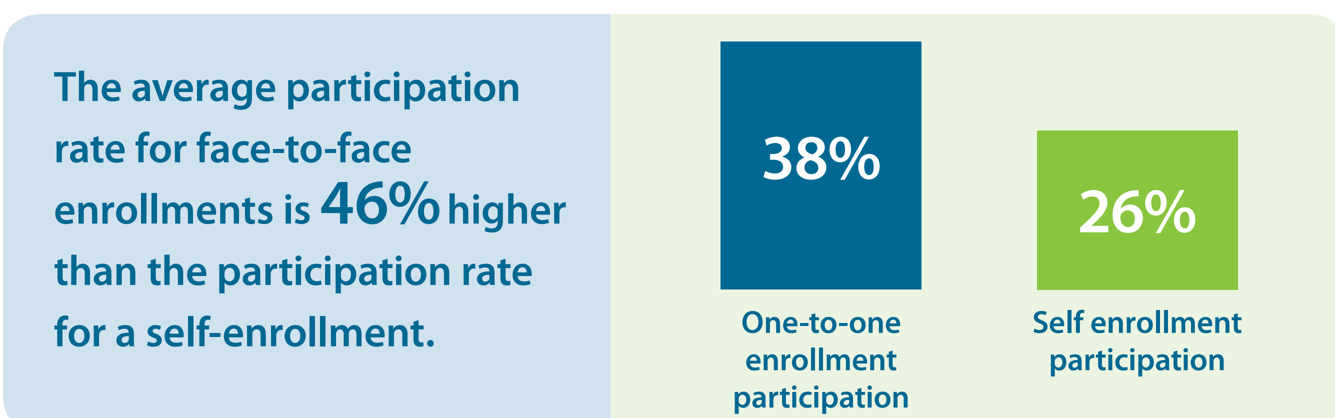
A one-size-fits-all approach to benefits communication no longer works. Insurance is complex, and relying on self-education or technology alone isn't realistic. Having access to trained benefits counselors who personalize the decision-making experience for employees can create real satisfaction. Employees appreciate having someone help them understand all the terminology and choices, as well as give them the confidence they need to make good decisions for their families.

Surveys of employees who meet individually with benefits counselors during their enrollments prove the effectiveness of the one-to-one method. Virtually all (97 percent) employees surveyed by Colonial Life say personal benefits counseling improved their understanding of their benefits and that this type of communication is important (98 percent).[10]



Source: Colonial Life Benefits Post-enrollment Survey, Jan. to Dec. 2010.

Personal benefits counseling can also increase employee participation during benefits enrollments. A recent study by Eastbridge Consulting Group, Inc. found the average voluntary benefit participation rate for face-to-face enrollments is 46 percent higher than the participation rate for a self-enrollment.[11] That means 46 percent higher commissions for brokers. A majority of brokers (55 percent) agree individual sessions with benefits counselors are very effective enrollment tools, but only 17 percent currently use them as the primary way to enroll employees in benefits.[12] This discrepancy appears to point out a significant lost opportunity for penetration, participation — and broker income.



Source: Eastbridge Consulting Group, Inc., "Voluntary Participation Rates," Spotlight Report, August 2010.

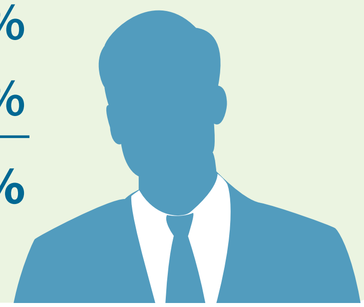
Local Enrollers

Using an enrollment firm that relies on per-diem enrollers who travel from other locations can add expense and create a lack of continuity in your accounts. Brokers can encourage long-term client relationships by using a national team of local, established professional benefit counselors who can conduct enrollments and are available for new hire and re-enrollments year after year. This method increases client satisfaction and persistency, which, in turn, increases overall income. Brokers will also reap the benefits of a consistent benefits message within their accounts.

Consider the net commission. Brokers can end up paying a significant slice of their gross commissions to fund an enrollment firm. By instead using a carrier that offers individual benefits counseling and enrollment at no charge as part of its services, brokers keep more of their commissions without the added cost of enrollment fees and expenses.

Gross Commission Rate for Short-term Disability Product	**65.0 %**
Typical Enrollment Costs: 70% of gross	**- 45.5 %**
Net After Enrollment: 30% of gross	**19.5 %**

See Appendix for more detailed revenue model



Enrollment fees and expenses can erode brokers' take-home income, leaving them with only a portion of their initial commission.

With a voluntary benefits carrier handling enrollment, the commissions brokers see are the commissions they get. They won't incur any surprises of additional fees billed to them after the enrollment.

Strong Benefits Communication and Education

Don't underestimate the importance of a good education, especially in today's benefits marketplace. Companies worry about how to communicate the many benefits changes and options facing employees today. Change, both positive and negative, creates a need for enhanced communication and education. By providing benefits communication services to clients, brokers will help employees better understand and value their benefits — and their employer's investment in them. Brokers can also help them understand any new changes brought about by health care reform legislation. Offering this service at no cost to clients can differentiate individual brokers within the marketplace, giving them a strong competitive advantage and increasing their value significantly.

> ***"Our clients spend a lot of money on their benefits programs, and they need to communicate that better with their employees. Our voluntary partner helps us do a better job when it comes to benefits communication and education. Clients are now getting value for what they're paying in terms of core coverage because employees now see the bigger picture when it comes to their overall benefits package."***
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Increasing employees' understanding and appreciation of their benefits programs should be among companies' top goals. More than three-quarters of brokers see the ability to help employees understand their benefits programs as "very important" to both their clients as well as to their own agencies.[13] Additional research conducted by Colonial Life indicates human resources professionals agree. Ninety-three percent of employers say it is very important to their business that employees understand and appreciate the value of their benefits. However, less than 19 percent of HR executives think employees actually have a very good understanding and appreciation of their benefits.[14]

The Benefits Reality Gap

Although 93 percent of employers think it's important for their employees to understand and appreciate their benefits, only 19 percent believe they actually do.

93%

Percentage of employers who feel it's important that employees understand and appreciate their benefits

19%

Percentage of employers who believe their employees *actually do* understand and appreciate their benefits

Source: Colonial Life Survey of HR Professionals at SHRM National Conference, June 2009.

Commitment to Customer Service

Choose a carrier that excels in customer service. Ask about the company's claims-paying track record, billing services and support for policyholders. And if the company participates in any customer satisfaction surveys, brokers should ask to see the results. Brokers see little compromise when it comes to service. In fact, brokers list the top three most important factors in choosing a carrier as service for the employer, service for the employee, and responsiveness to the needs of the broker.[15]

Brokers See Success with Voluntary Products: Case Studies

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BB&T Implements New Enrollment Plan in Less Than Three Weeks

Client Description:

Construction company with 930 employees across five locations in three states and one location in the Caribbean

Challenges:

- Faced with a lagging economy and rising benefits costs, yet a desire to provide the best insurance options possible, the company decided to withdraw major medical coverage from 200 of the 388 employees currently receiving this benefit. The company had also recently canceled the group life plan for these same workers.
- The client had previously reduced salaries by 5 percent across the board.
- The company also decided to reduce its contributions for the 188 employees who remained on the medical plan.
- Despite these challenges, the client wanted to make the enrollment experience as positive as possible—but needed to implement a new enrollment plan in less than three weeks.

Solutions:

- Working with a leading voluntary benefits carrier, the broker designed a program that offered different levels of benefits to employees based on their classifications:
    - The nonbenefited employees were given options for accident insurance, term life insurance and limited benefit medical plan—for the first time.
    - The benefited employees were given additional options of accident insurance, term life insurance and hospital confinement indemnity insurance.
- Benefits counselors delivered an upbeat message.
    - A key focus for nonbenefited employees was to express the employer's gratification in providing them with benefit options for the first time, while explaining the underwriting process so workers would fully understand the value of getting these benefits in the workplace.
    - For benefited employees, the counselors explained how voluntary term life was a replacement for the canceled plan and also gave details on the simplified underwriting offered with the new insurance.
- Personalized benefits education and consistent messaging were used that included customized training, enrollment guides and benefits books, as well as group meetings, one-to-one employee counseling and a call-center enrollment option for Caribbean employees.

Results:

- All job sites reported a smooth, well-received enrollment.
- Benefits counselors effectively communicated the new core benefits and new voluntary offerings.
- Of the 330 employees who spoke with a counselor, 54 percent participated in the new plans, representing approximately $190,000 in premium generated.

Assurex Global Agency Neace Lukens Achieves Consistency, Adds Value to Its Clients

Agency Description:

Neace Lukens, based in Louisville, Ky., has been in a growth mode for more than five years and now has 54 locations in 40 states.

Challenges:

- Ten new brokerage offices added in the last five years still operated autonomously, creating a lack of standardization.
- The agency wanted to select the best carrier partners offering the right lines of coverage and strongest benefits communication and enrollment capabilities for all of its offices.
- Leveraging a trusted brand was one of the key criteria in selecting a voluntary benefits partner.

Solutions:

- Neace Lukens selected a national voluntary benefits expert, which assembled a team of more than 15 benefits counselors and two enrollment specialists.
- The voluntary partner helped move clients from paper-based enrollments to electronic or web-based enrollments.
- The voluntary partner successfully transitioned clients to core benefits communication and enrollment.
- The voluntary partner provided 1-to-1 benefits counseling sessions at multiple sites and for various client companies' shift schedules.
- All these benefits communication and enrollment services were provided to Neace Lukens' clients at no direct cost.

Results:

- Just six months into the new partnership, the voluntary carrier had provided benefits counseling and enrollment to 14 accounts and more than 5,000 employees — with no additional staffing cost to the agency.
- Enrollments included a 275-life manufacturing plant, a large rural hospital with multiple shifts, a multi-location nursing home and an automatic bank teller service with 27 locations.
- Neace Lukens' account managers now understand the value their voluntary benefits partner brings to the agency and their clients. The agency is able to protect and grow its revenue stream with no additional overhead.

Tomorrow’s Broker Must Have a Voluntary Strategy to Fully Manage Clients’ Needs

Tomorrow's Broker Must Have a Voluntary Strategy to Fully Manage Clients' Needs

Change has definitely arrived. In today's workplace benefits environment, both clients and employees need guidance now on how to proceed. At the same time, the competition is looking for ways to attract new clients, and medical carriers are looking for ways to reduce costs, including broker commissions. There is no better time than now for brokers to be proactive and initiate or revisit a voluntary benefits program.

Employers will be looking to work consultatively with brokers to find benefits solutions that meet their unique needs. Brokers should integrate voluntary products into their overall benefits strategies and not just cross-sell them as an add-on. Offering products that are relevant to clients' most pressing concerns provides far more value than simply adding voluntary products as a "feel good" benefit for employees. The right voluntary benefits partner can help brokers create a reliable, renewable income stream for themselves while helping clients control costs and promote employee satisfaction and retention.

"It's pretty important to have a strategy around offering voluntary benefits to clients to fully manage their needs. These products provide a valuable resource in an industry where it's our obligation to ensure clients have access to effective coverages."

Matthew Gregory, Executive Director
Leavitt Benefits Services

No matter what the future brings, with an expert voluntary benefits partner and strong benefits communication services, brokers can differentiate themselves from the competition. Simply negotiating a reduction in major medical insurance premiums is not going to help companies realize a strong return on investment from their benefits programs. In fact, poor employee understanding of a plan is cited by 30 percent of employers as a significant challenge in maintaining affordable benefit coverage.[16]

Employees who are knowledgeable about their benefits are almost 30 percent more likely to be satisfied with the benefits plans offered.[17] The more satisfied and engaged employees are, the more productive and more likely they are to produce higher quality work and exhibit increased loyalty to their employers.

According to Leavitt Benefits Services Gregory, "It's pretty important to have a strategy around offering voluntary benefits to clients to fully manage their needs. These products provide a valuable resource in an industry where it's our obligation to ensure clients have access to effective coverages."

Appendix

Broker Compensation Example — 1st Year Net Income

Using Enrollment Firm

1st Year Illustration

	Premium	Gross Rate	Net Income
Life:	$200,000	100%	$200,000
Disability:	$100,000	60%	$60,000
Critical Illness:	$100,000	70%	$70,000
		Gross Income:	$330,000
Enrollment Firm Share			x 70%
Enrollment Firm Income			$231,000

1st Year Broker Net Income: *$99,000*

Using Voluntary Carrier with In-House Enrollers

1st Year Illustration

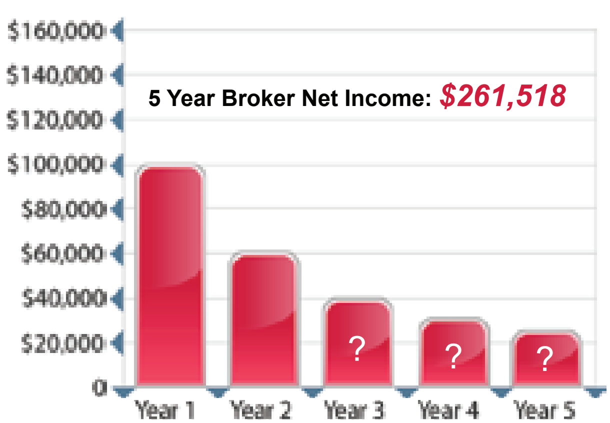
	Premium	Net Rate	Net Income
Life:	$200,000	35%	$70,000
Disability:	$100,000	25%	$25,000
Critical Illness:	$100,000	27%	$27,000

1st Year Broker Net Income: *$122,000*

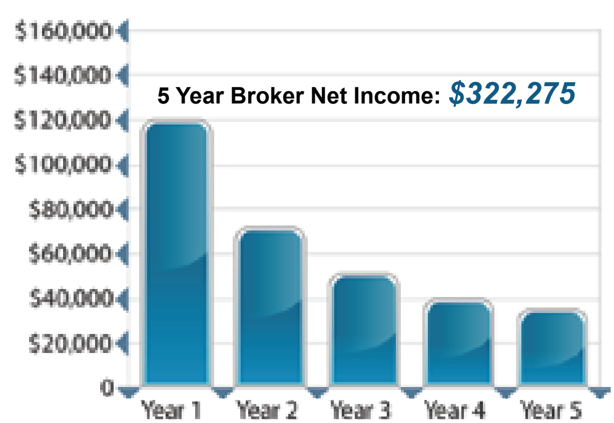
Illustration based on Colonial Life & Accident Insurance Company typical commissions. Assumes 2,000 eligible employees with 50% participation at $400/year and $400,000 annual premium on three products.

Broker Compensation Example — Five Year Net Income

Using Enrollment Firm



Using Voluntary Carrier with In-House Enrollers



Illustrations based on gross sales. Commissions will vary based on results of actual collected premium. Subsequent year sales based on Colonial Life averages: 2nd year sales at 60% of 1st year, 3rd year sales at 70% of 2nd year, 4th year sales at 80% of 3rd year, and 5th year sales at 85% of 4th year.

About Colonial Life

Colonial Life & Accident Insurance Company is a market leader in providing insurance benefits for employees and their families through the workplace, along with individual benefits education, advanced yet simple-to-use enrollment technology and quality personal service.

Colonial Life offers disability, life and supplemental accident and health insurance policies in 49 states and the District of Columbia. Similar policies, if approved, are underwritten in New York by a Colonial Life affiliate, The Paul Revere Life Insurance Company. Colonial Life is based in Columbia, S.C., and is a subsidiary of Unum Group.

For more information on voluntary benefits, call Colonial Life at (803) 798-7000
or visit **coloniallife.com**.

Colonial Life®

Making benefits count.

References

[1] Eastbridge Consulting Inc., "Producer Attitude Scorecard Service (PASS),™ Colonial Life Results, October 2010.

[2] Unum, "Beyond the Usual Benefits: How Employee Education Can Drive Workplace Satisfaction," August 2009.

[3] Colonial Life & Accident Insurance Company sales records. Assumes 100 employees, 50% participation, $500 annual premium per person, and product mix of 20% disability, 40% Medical Bridge 3000 and 40% universal life ($5,900 annualized first-year commissions per account).

[4] Eastbridge Consulting Inc., op.cit.

[5] Storey, Denis, "Reform of the Union," Benefitspro.com, Jan. 26, 2011.

[6] Frank, Jackie, "Employer Health Costs to Rise in 2011," Reuters, Sept. 27, 2010.

[7] Deloitte Center for Health Solutions and Center for Financial Services, "The Hidden Costs of U.S. Health Care for Consumers: A Comprehensive Analysis," March 2011.

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Colonial Life
1200 Colonial Life Boulevard
Columbia, South Carolina 29210
coloniallife.com

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