Developments in Employee Benefits and Health Care

The Evolution of Group Insurance Programs

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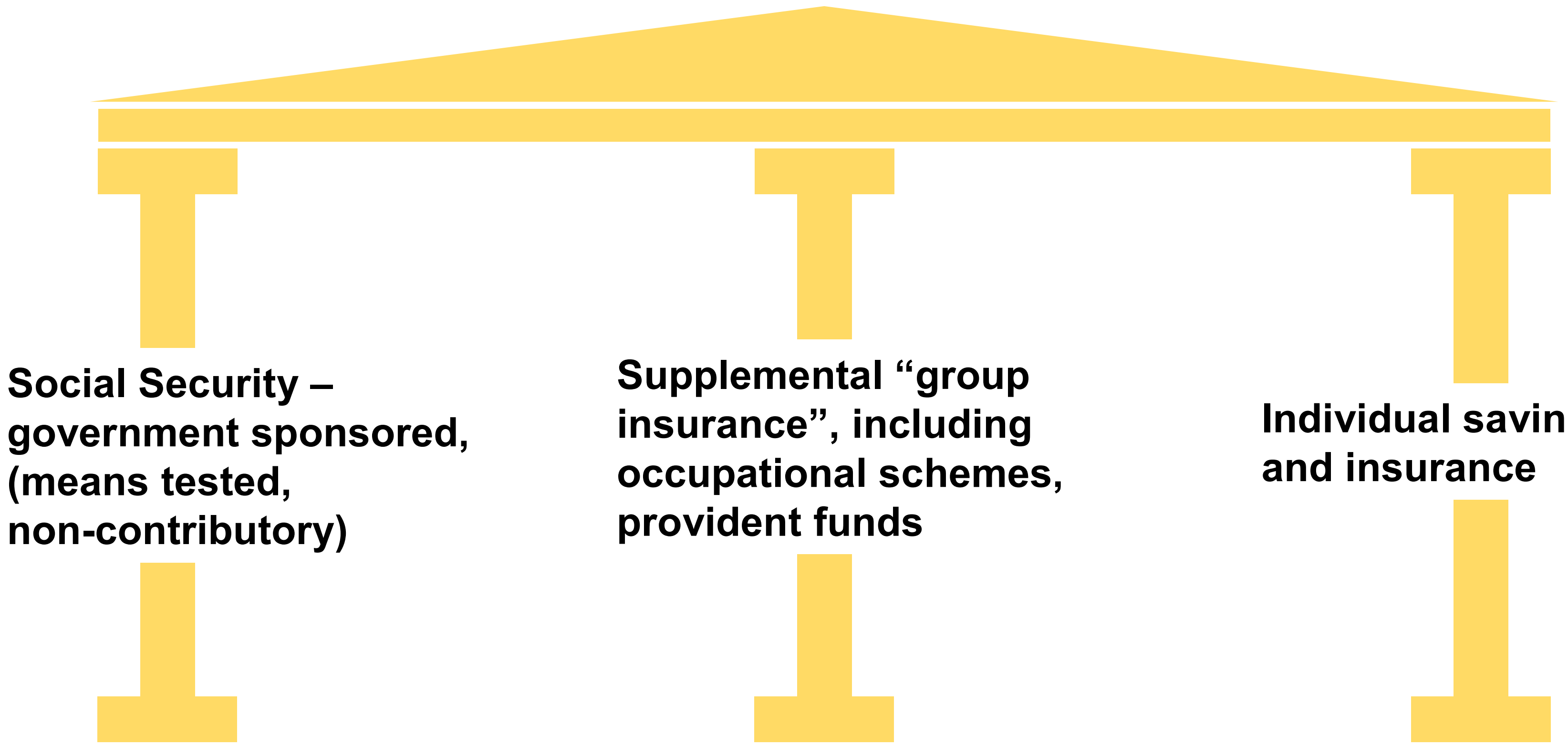
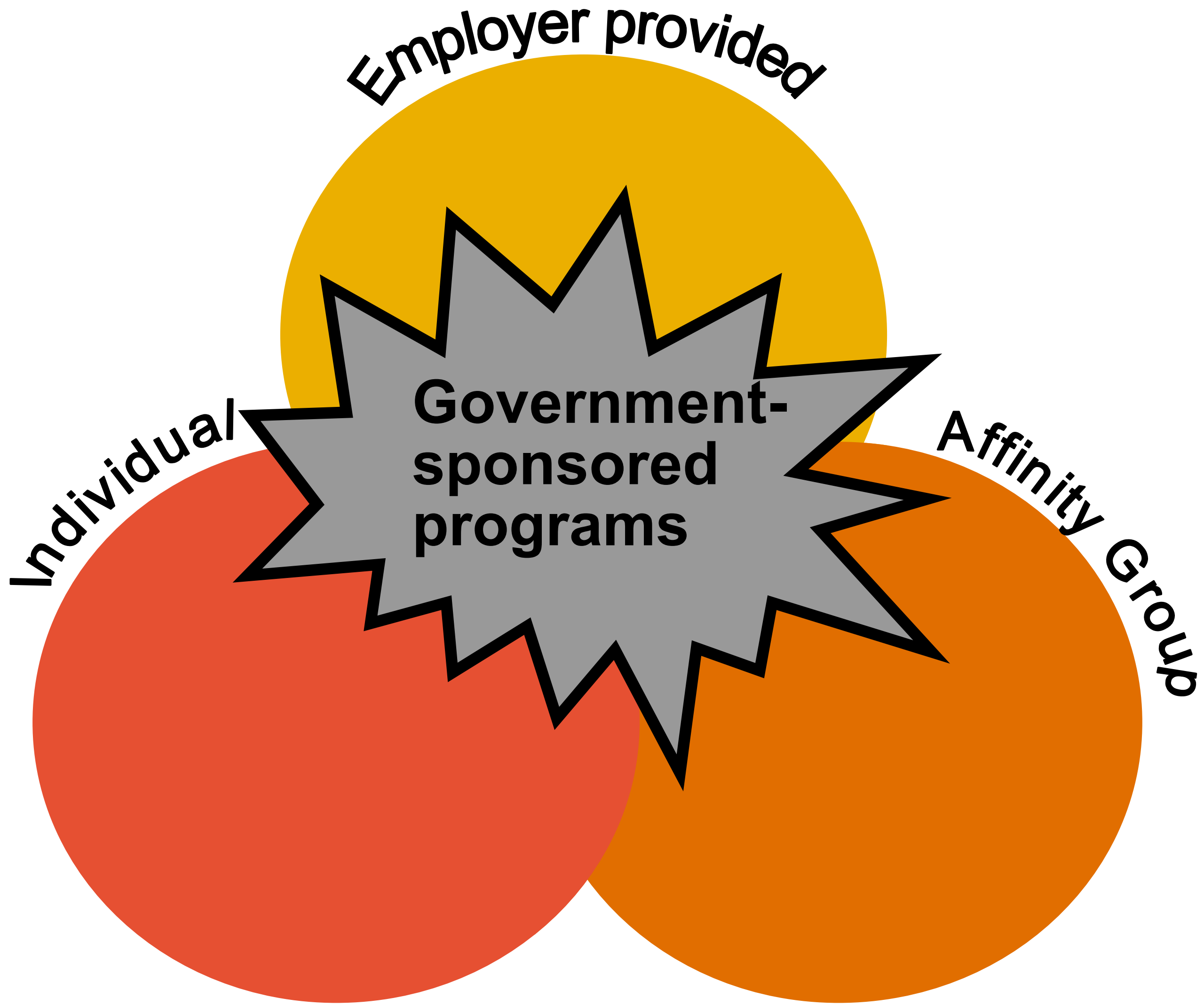
A starting point

- Demographics, urbanization, social change
- An aging population and social change will ultimately stress the resources of a society
  - Retirement income needs
  - Long term care
  - Hospitalization and medical costs
- Developing effective approaches is critical for the long run success of any population
  - Breadth of coverage
  - Flexibility of coverage
  - Retention of coverage
  - Effectiveness of coverage

Traditional view – distinct pillars

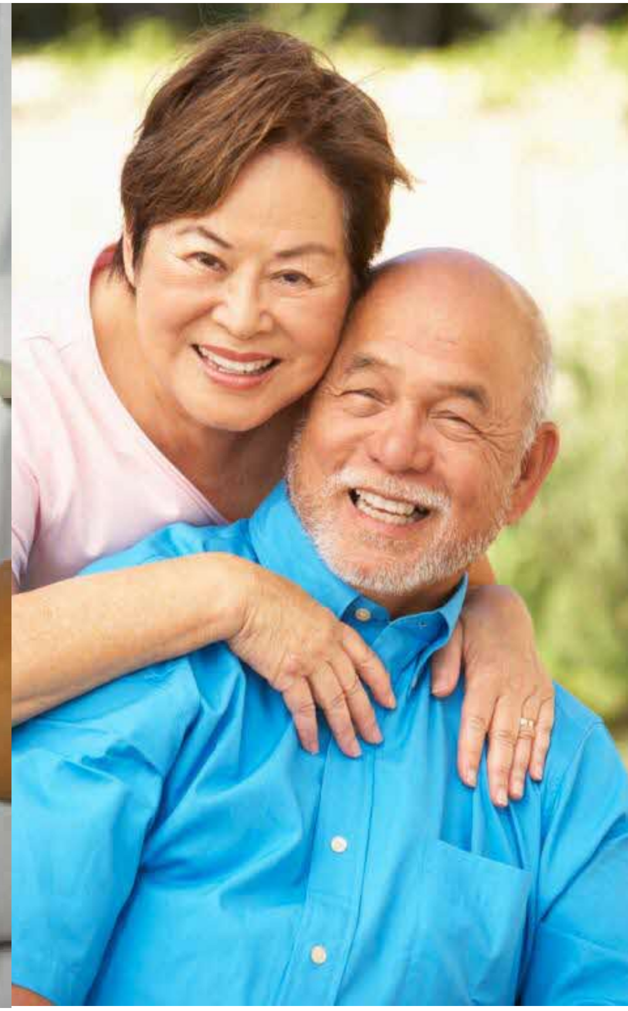


Beyond the traditional view



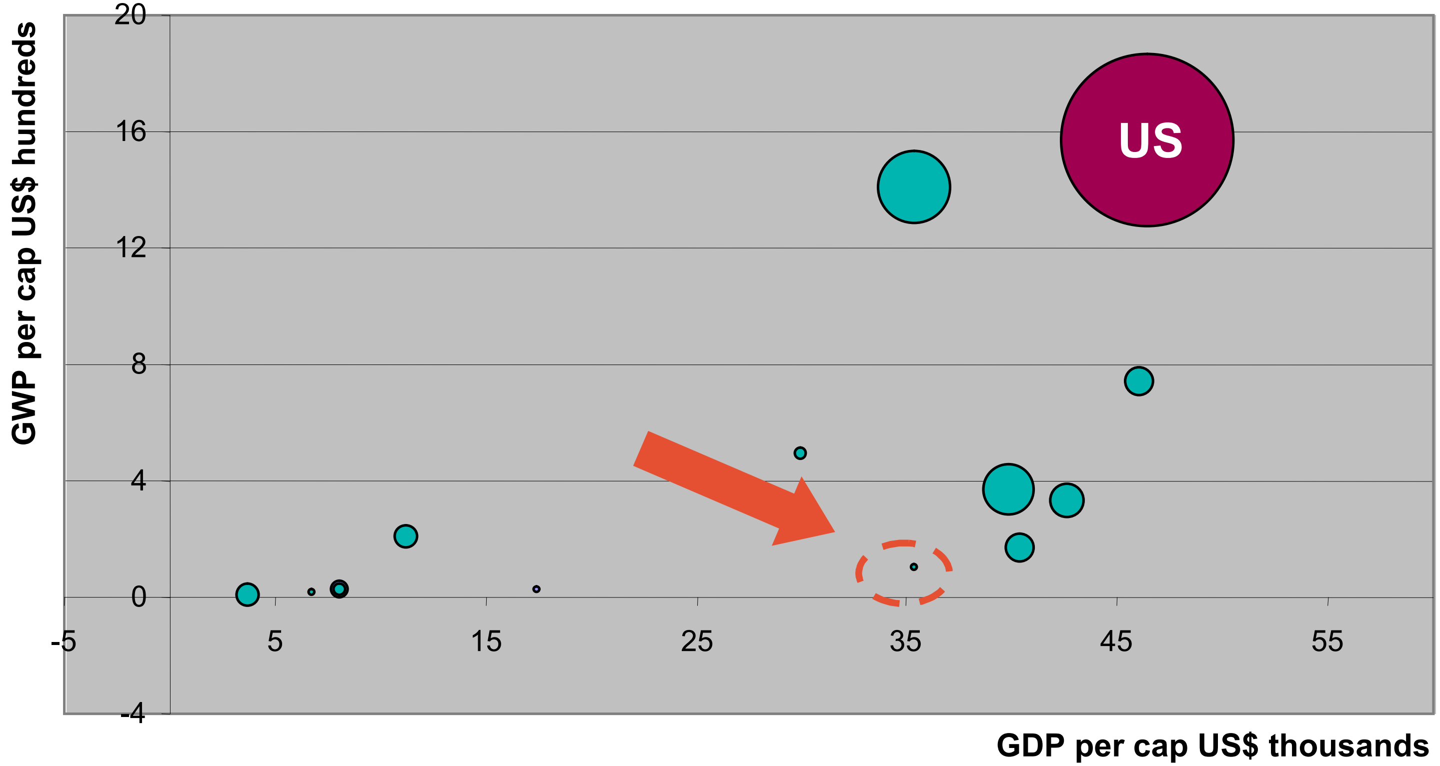
Group insurance programs evolving to meet the needs of the new environment

- Recognizing the importance of flexibility and choice in coverage
- Balancing costs and benefits to meet the needs of both employer/sponsor and individual in providing insurance benefits and coverage
- Using new and innovative approaches to achieve better outcomes
- Effective communication to members

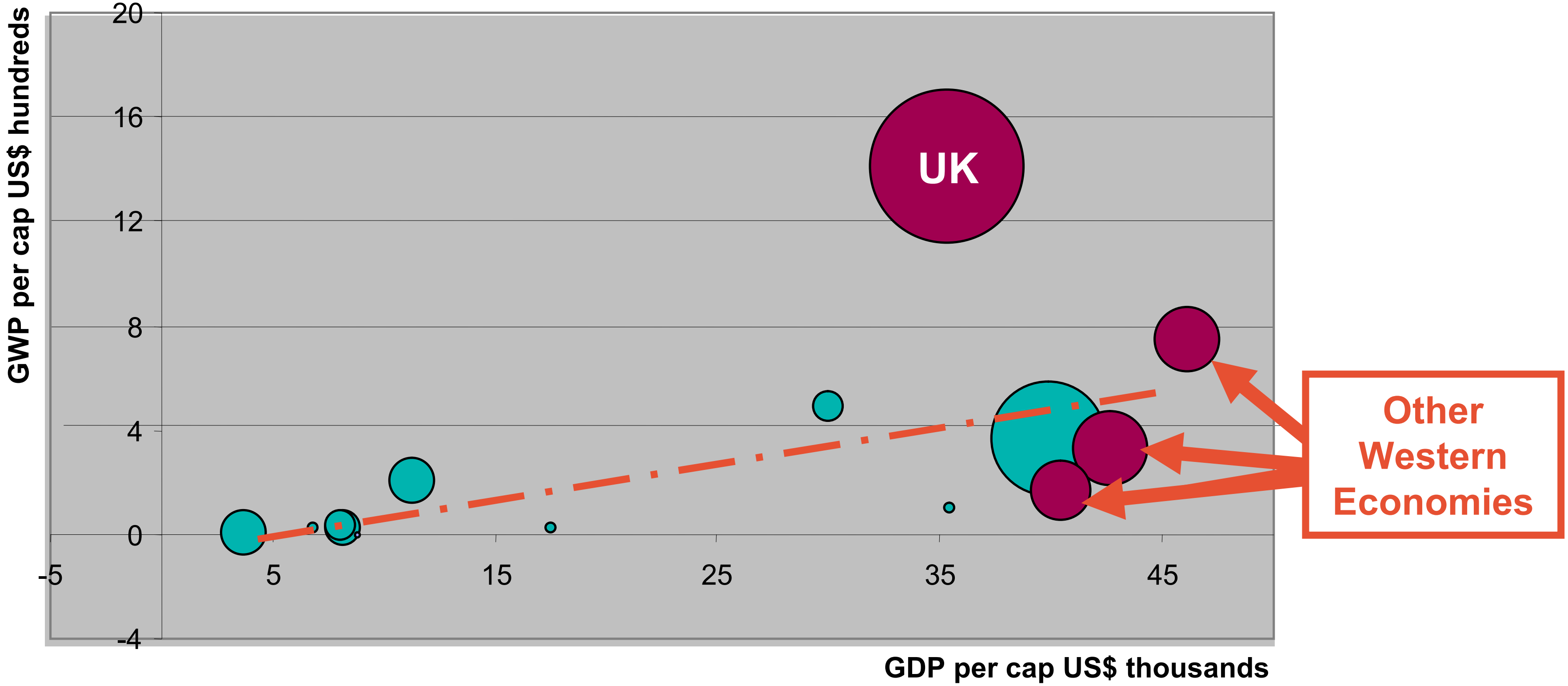
Employee Benefits Landscape

Global Group Insurance market
1. The US dominates



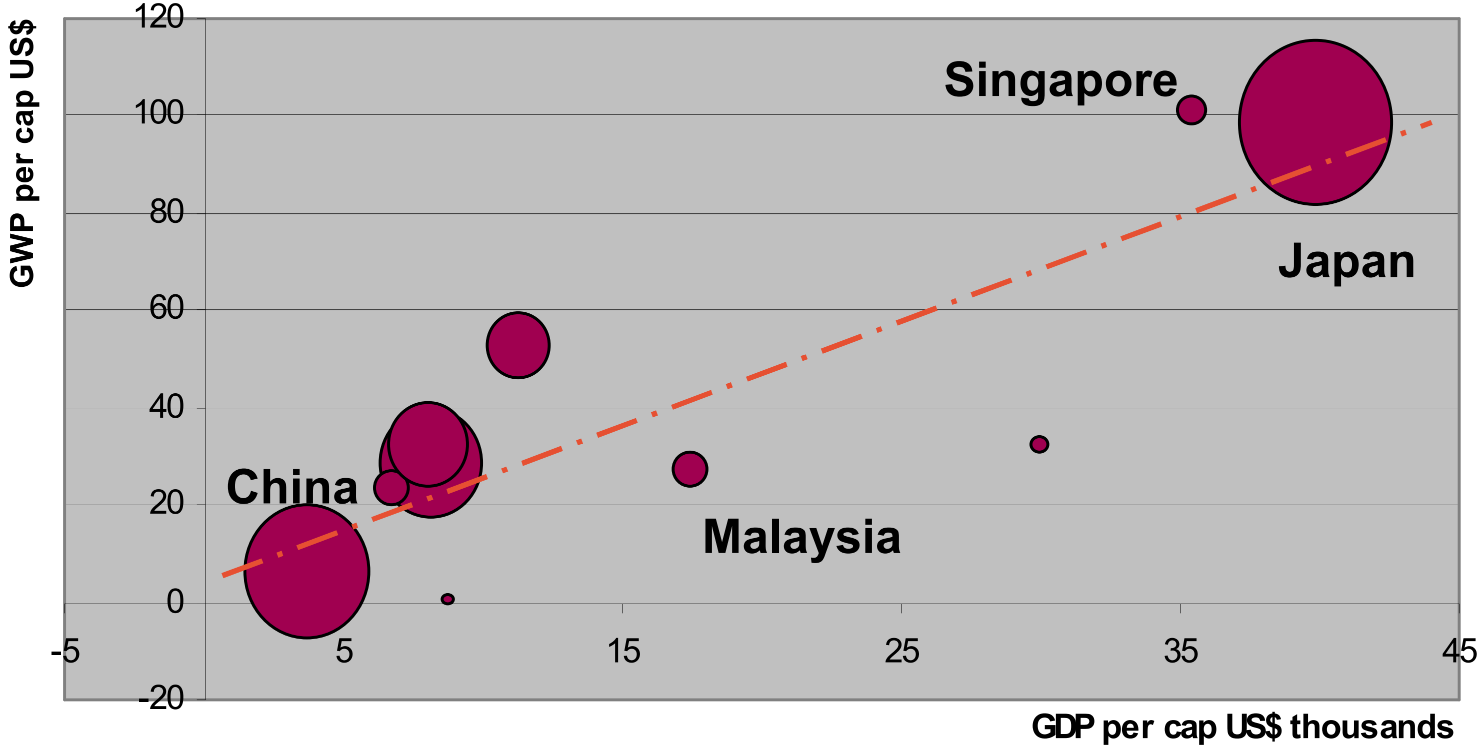
Source: AXCO, Industry statistics

Global Group Insurance market
2. The UK is an outlier



Source: AXCO, Industry statistics

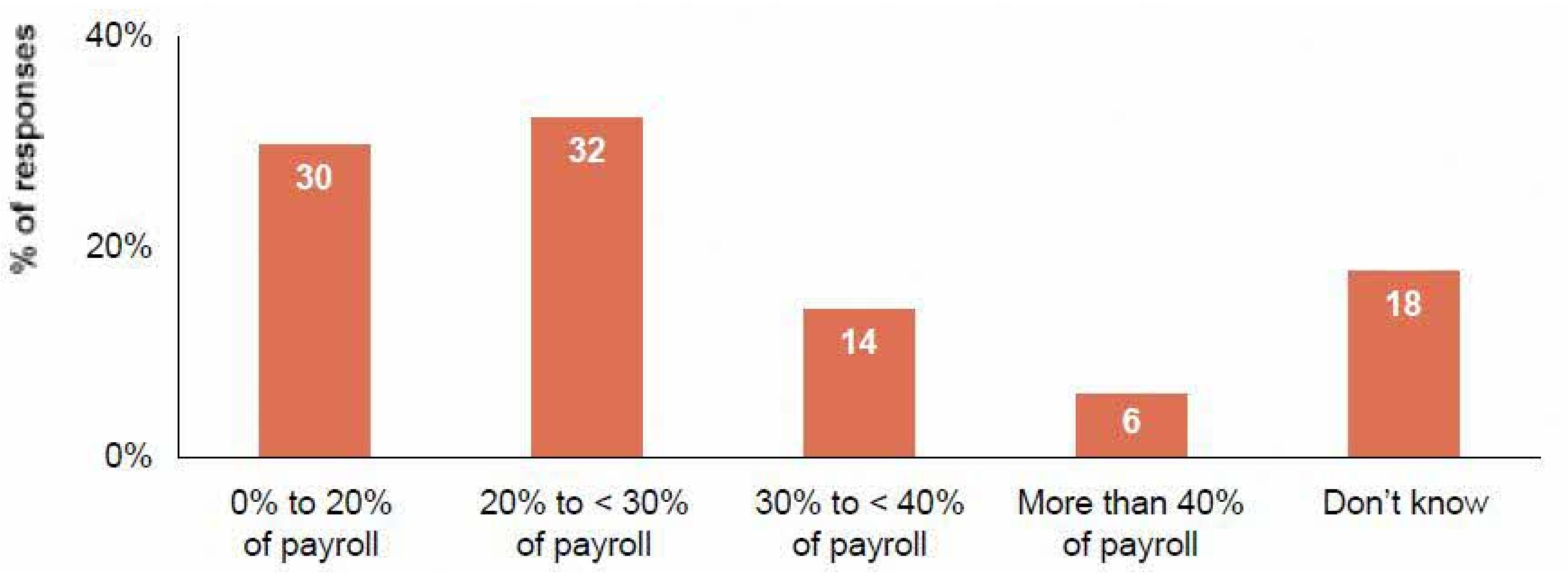
Global Group Insurance market
3. Asia Pacific Trend excluding Retirement



Source: AXCO, Industry statistics

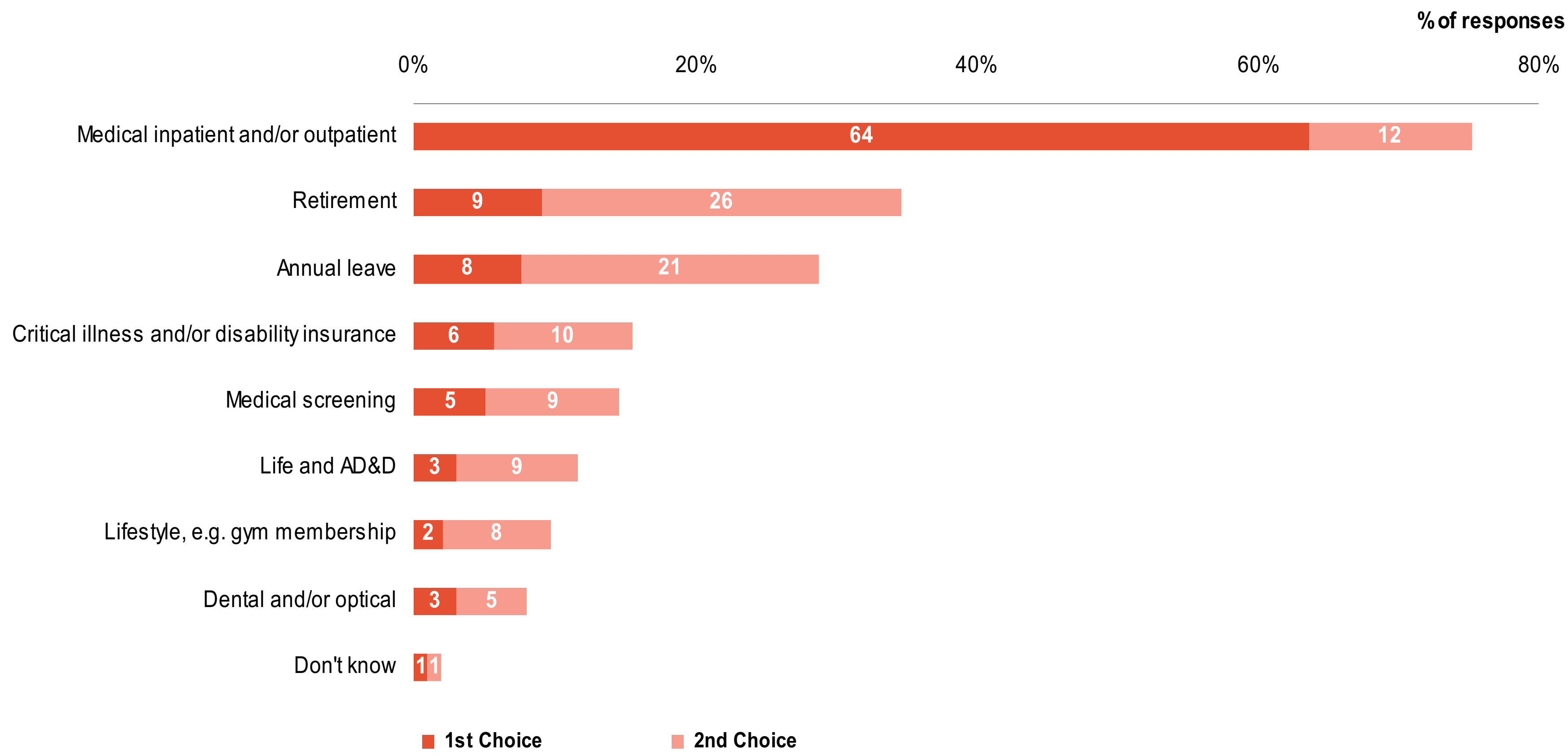
Expenditure on benefits

Over 50% of companies spend more than 20% of payroll on benefits



Source: Towers Watson HR Perspectives on Benefit Trends 2010

Benefits preferred by employees in Asia-Pacific

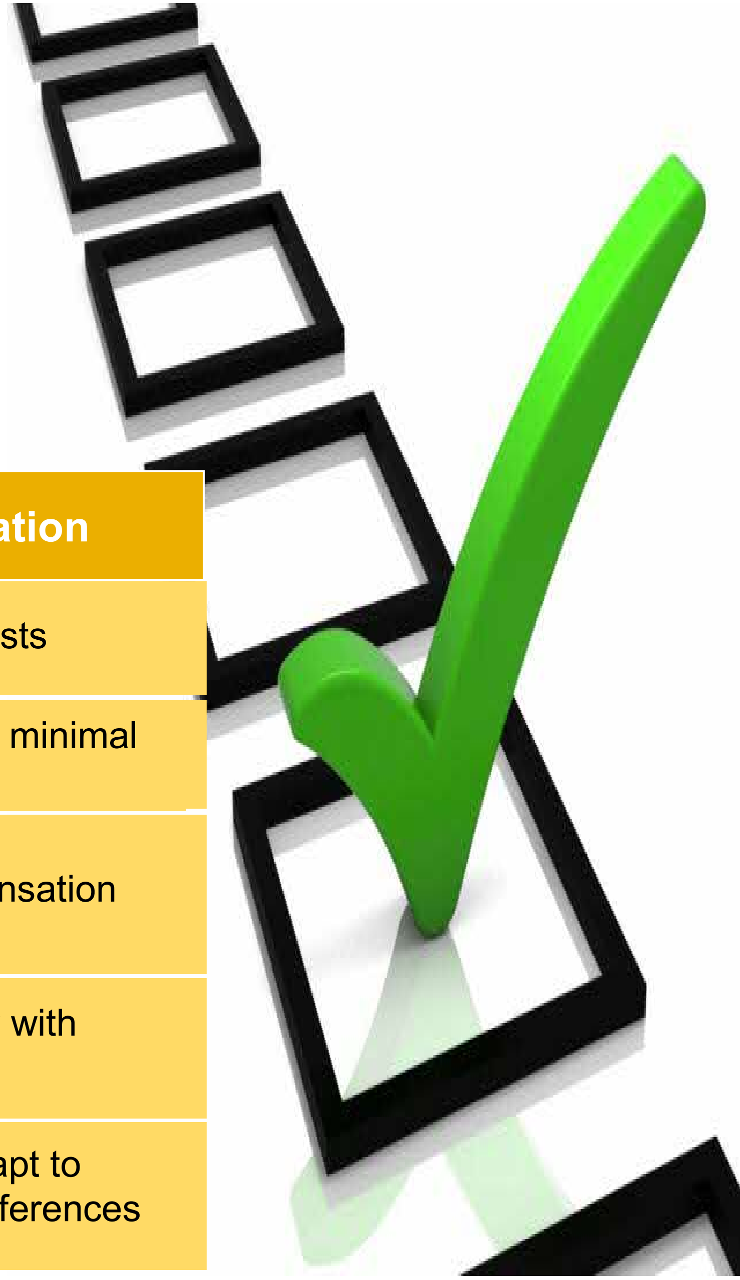


Source: Towers Watson HR Perspectives on Benefit Trends 2010

Employee choice Benefits

- Employee choice (Flexible Benefits) is a term most often used to describe an element of employee choice in the benefits package
- Prevalence of such plans increasing in Asia
- Why is it appropriate?

For the Employees	For the Organization
Better understand benefits	Budget benefit costs
Better appreciate benefits	Add new offerings with minimal (or no) cost
Design a program responsive to needs & financial situations	Promote total compensation
Take responsibility for their own needs	Share responsibility with employees
Benefits adapt to changing needs and lifecycle	Understand and adapt to changing employee preferences



Health saving account
Flexible healthcare benefits

- To be an ‘Employer of Choice’, employers have to find cost effective ways to attract and retain the best talent
- An employer can offer a choice of health-care plans and employees can choose from a range of ‘core’ to ‘optional’ coverages depending upon the individual needs
- The annual employer health-care contribution can be pre-defined and provided as a combination of group healthcare premiums and/or healthcare savings account credits (depending upon employees choice)
- The employees could contribute towards the healthcare savings account credits to increase coverage or migrate to an enhanced plan
- The contribution amount is then updated in future years to manage the employer’s cost budgets and retain affordability for employees, thereby helping to keep healthcare benefit costs under control

Health and Productivity

Healthcare programs in the workplace

Escalating healthcare costs in Asia

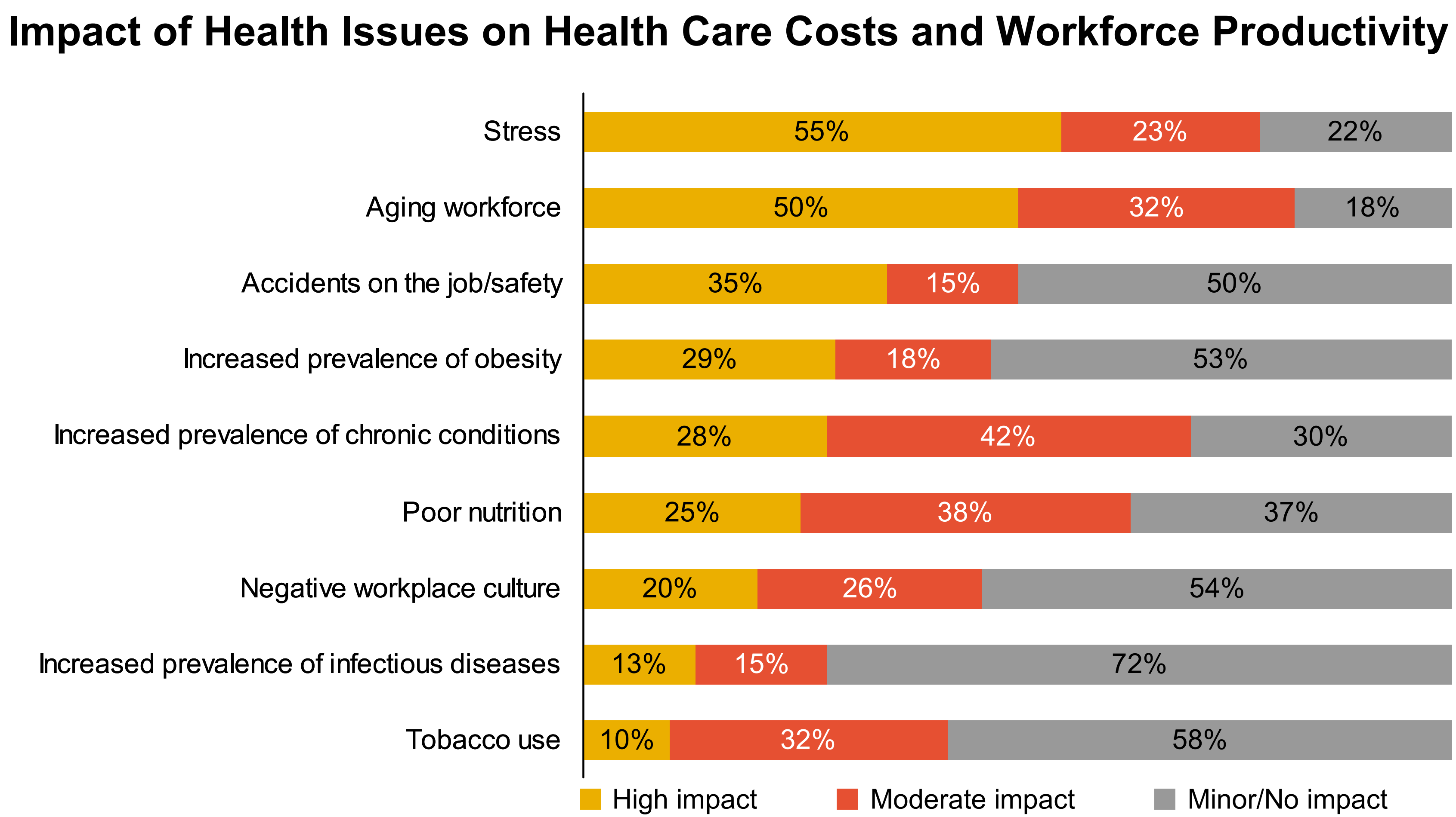
Cost of healthcare in Asia was estimated at US$880 billion in 2008 and will surpass US$1trillion in 2010 *

Country	2011 Increase
China	9.4%
India	12.3%
Indonesia	14.2%
Japan	4.0%
Malaysia	9.6%
Philippines	10.3%
Singapore	8.4%
South Korea	10.0%
Thailand	9.0%
Vietnam	10%
Taiwan	17.3%
AVERAGE	**10.2%**

* Source: WHO World Health Statistics 2009

Source: Towers Watson Global Medical Trends 2011

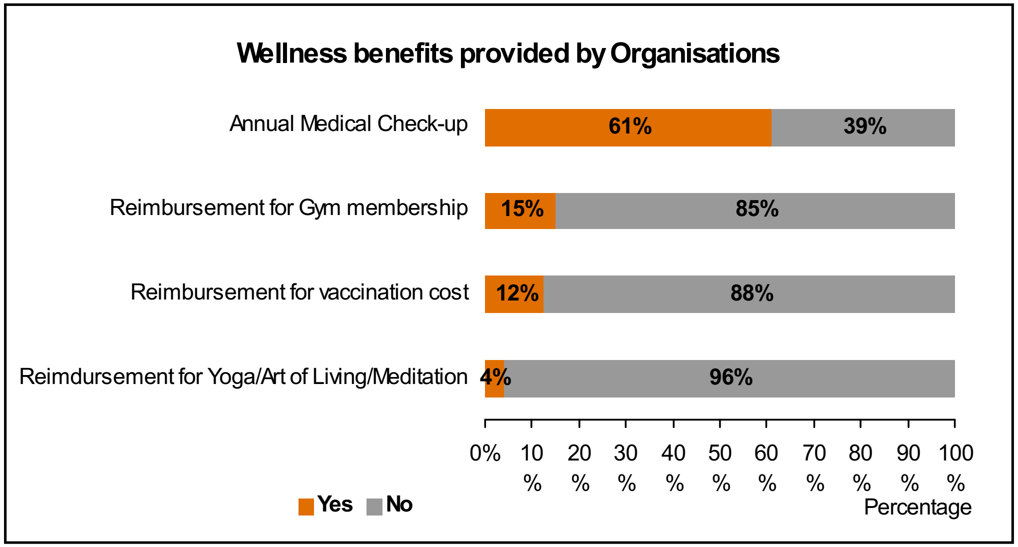
Stress, aging workforces and accidents on the job are top cost and productivity challenges for companies

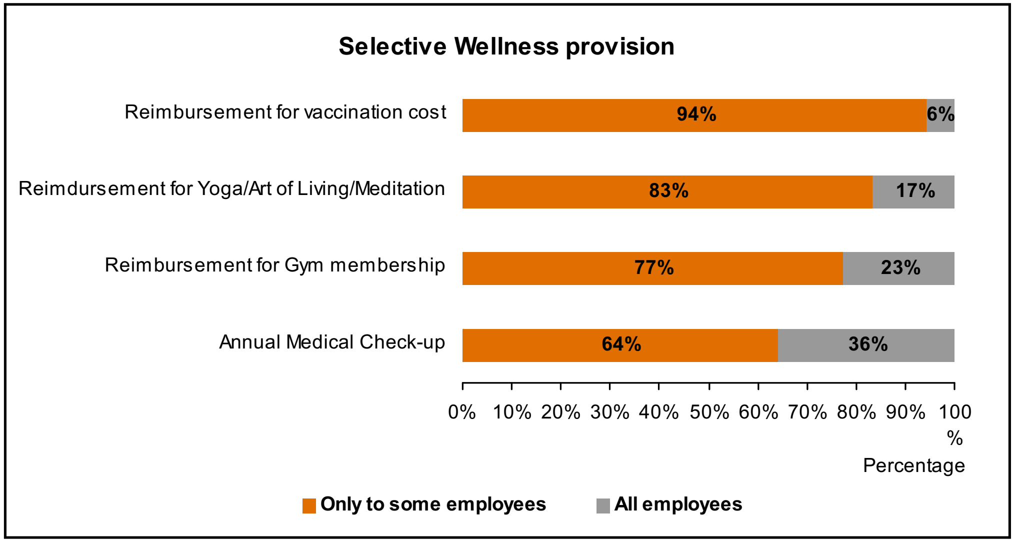


Source: Towers Watson 2009 Workforce Health Strategies Study — Canada

Wellness benefits: A subtle push from protective to preventive care

- Given the objective of employee welfare, many employers are now providing wellness benefits
- Providing an annual medical check-up tops the list of current healthcare provision with 61 percent of the surveyed employees providing the benefit
- In addition to these, a few companies offer innovative wellness plans such as periodic wellness courses in office (43 percent), healthy food menu (46 percent), campaigns like tobacco free week (24 percent) and organize outdoor activities (26 percent) to name a few





Source: Towers Watson Health survey ,2010

A growing body of evidence shows the results of employer investments in workforce health

Companies with the most effective health and productivity programs have:

1.2 percentage points lower medical trends

1.8 fewer days unplanned absence per employee

28% higher shareholder returns over a five-year period

11% higher workforce productivity

Lower turnover, fewer lost days for disability, lowest levels of presenteeism and greatest improvement in lifestyle risks

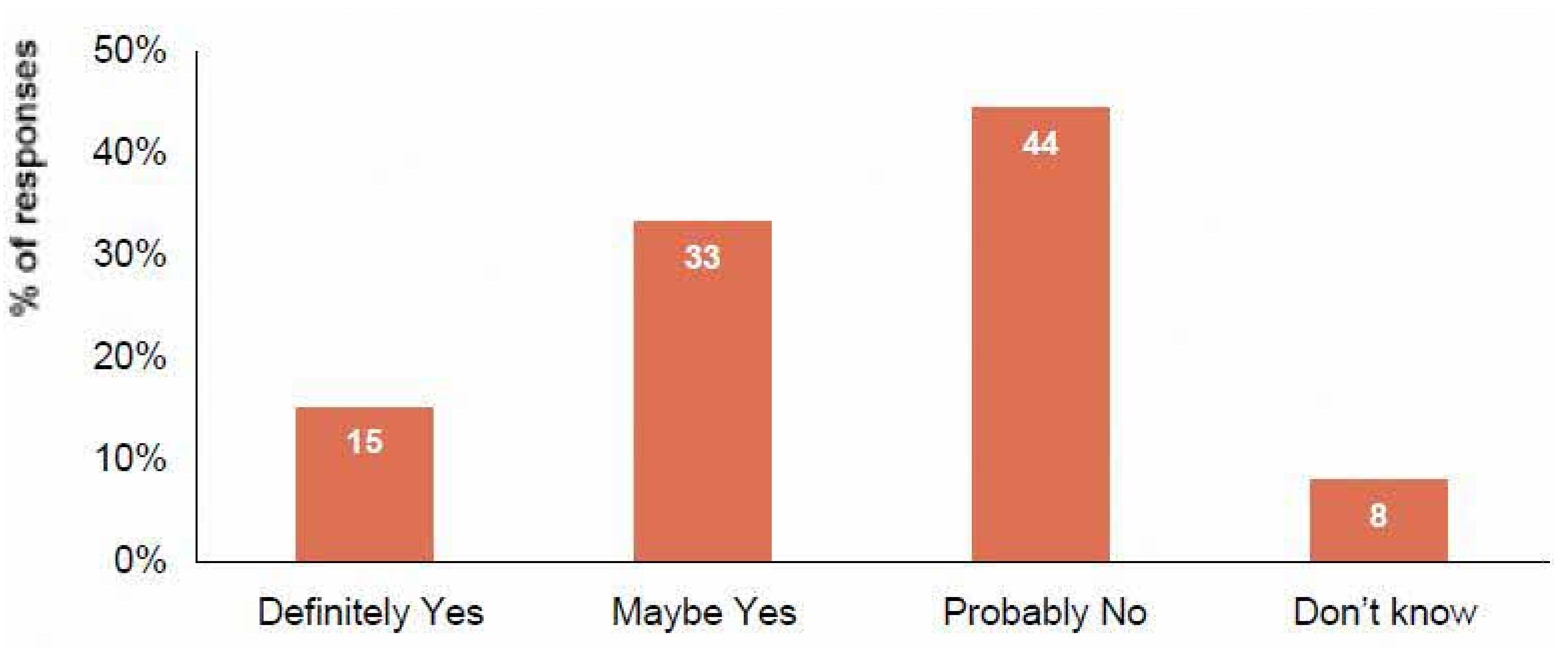
Source: *2009/2010 Staying@Work Report,* published by Towers Watson

towerswatson.com

Communication and Social Media

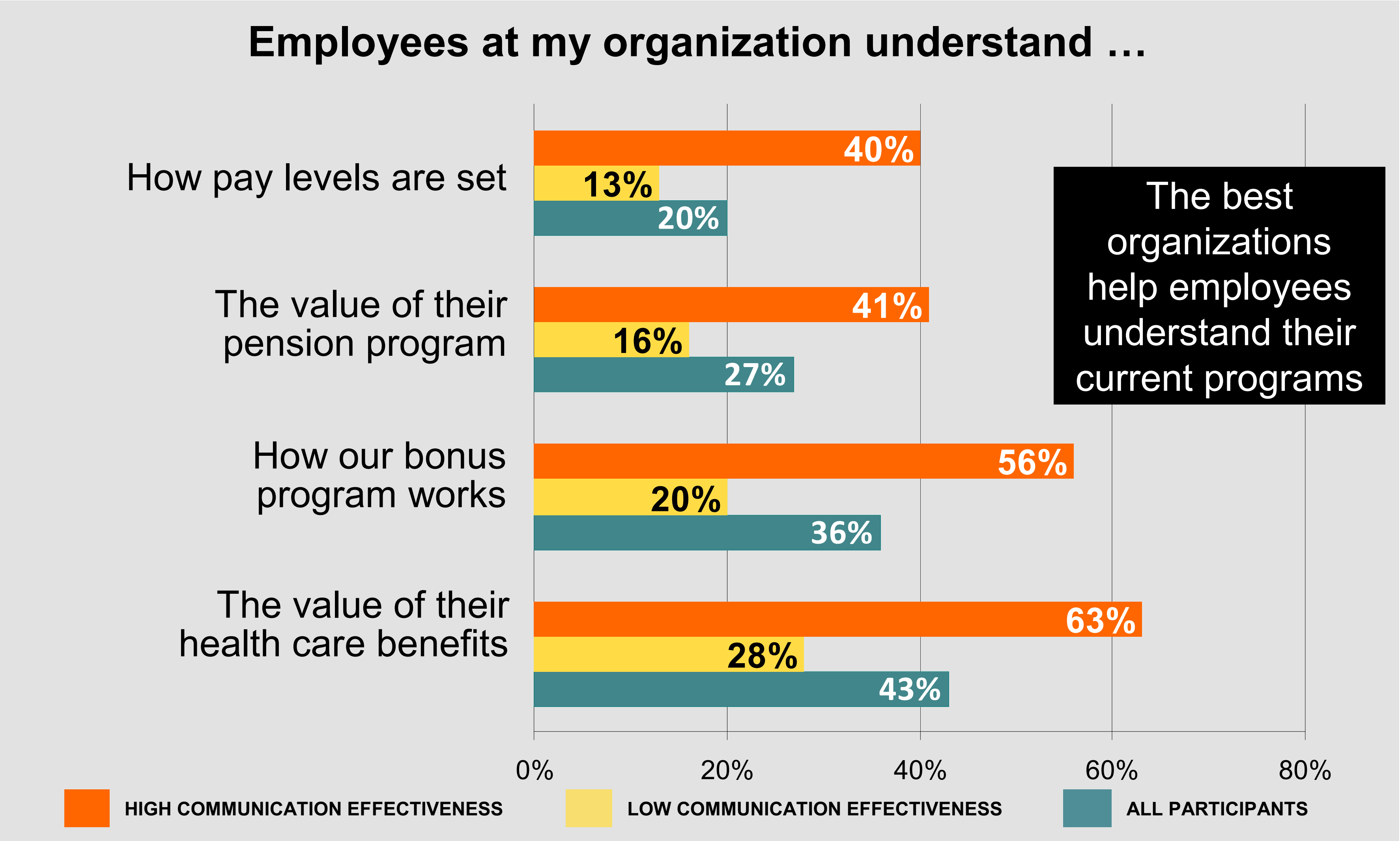
Employee understanding of benefit costs

Few companies could be sure that the value of benefits are well understood

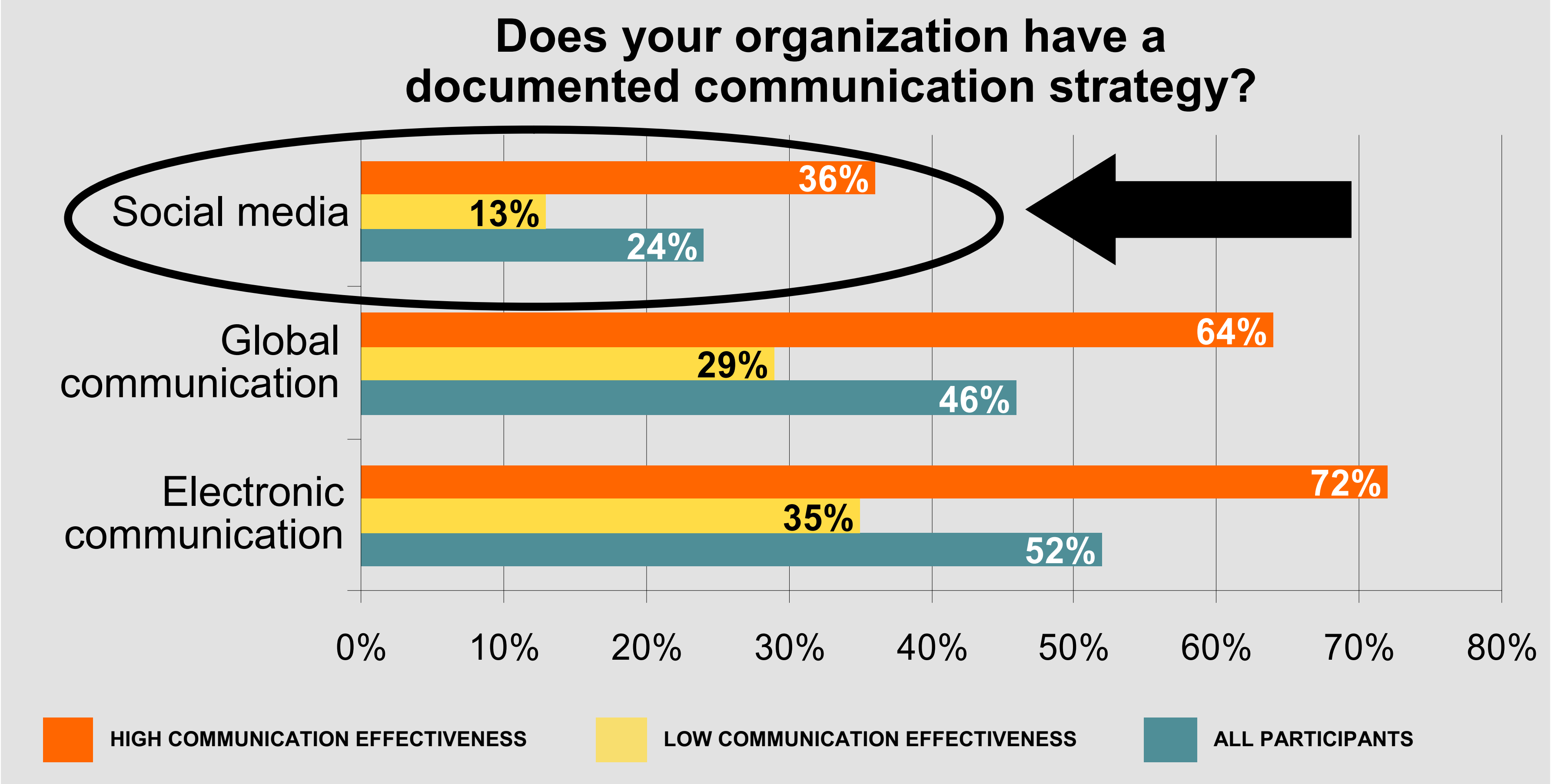


Source: Towers Watson HR Perspectives on Benefit Trends 2010

Effective Communication Makes a Difference for Employees



The Need for a Communication Strategy



What Exactly Is Social Media?

Blogging

Micro-Blogging

Social Networking

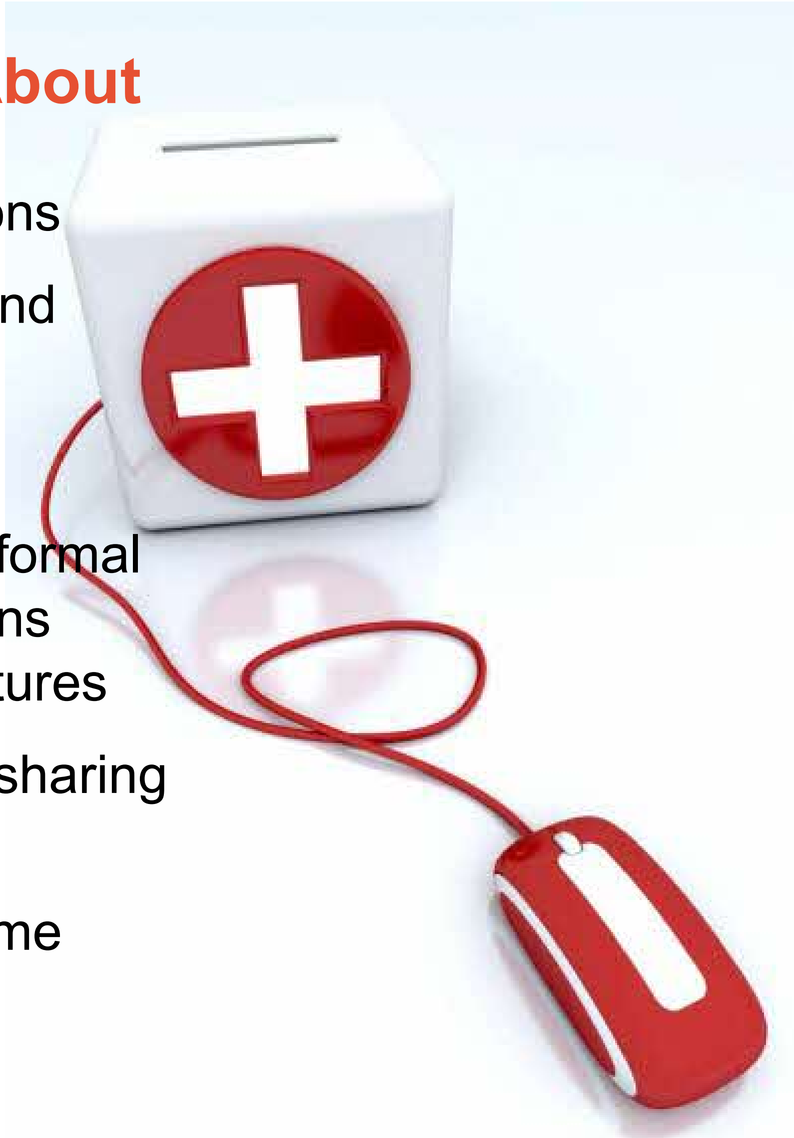
Collaboration

Content Sharing

Mobile Apps

What Social Media Is Really All About

- Leveraging relationships and connections
- Enabling communication, information and collaboration
- Facilitating community building
- Augmenting formal, semi-formal and informal organizational structures and interactions within and/or across organization structures
- Creating a common online location for sharing content and information
- Empowering users to share and consume content the way that they choose



Social Media

Connects People to People

Connects People to Teams

Social Media is online technology which…

Connects People to Ideas

Promotes Two-Way Dialogue

Why Do Employees Like Social Media?

Improved effectiveness and efficiency at work

Better connections with coworkers	Better reuse of materials: stop reinventing the wheel	Feel more connected and more valued at work	Puts me in control

Working smarter and achieving more with less

Employee Expectations Have Changed…

- Employees compare their intranet user experience against the Internet. They expect:
  - Search as easily as Google
  - Content updated frequently
  - Personalization (Amazon knows who I am, so should my company)
  - Log-in once for everything (like Google or Windows Live ID)
  - Easy-to-use user-generated content tools
  - Logical navigation (breadcrumbs, dynamic lists)
  - Presence — see what others have viewed, said or are doing
  - Access anytime, anywhere (mobile or desktop)
  - Many tools, many options — for ME to choose

Social media in organizations today

- Organizations are piloting and testing
- Opportunity to apply learnings to improve the effectiveness of group insurance programs

Myth: "If you build it, they will come."

Reality: "If you make them feel **smarter**, make them feel **empowered**, make them feel **heard, solve** their problems or make them feel **entertained, they will come**." (Hint: do all five.)

Questions?

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