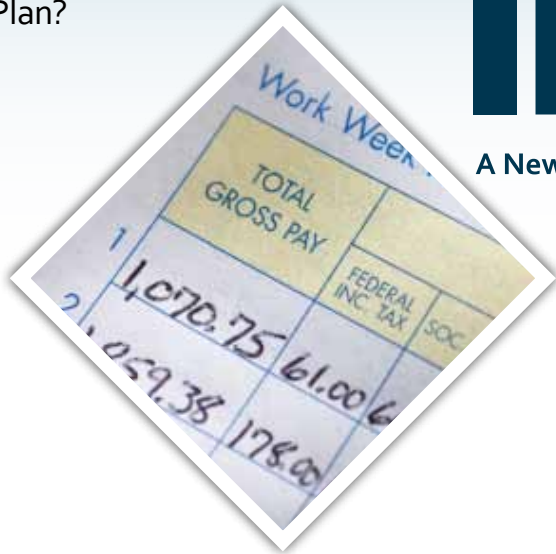


Benefit Winter 2011 Insights

A Newsletter for Clients and Friends of BancorpSouth Insurance Services, Inc.

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Show Employees Their Hidden Paychecks

A hidden paycheck gives employees a big-picture view and increases their appreciation for employer contributions.

Show Employees Their Hidden Paychecks

A top-notch workforce is essential to your company's success. It's always important to have engaged, loyal employees, and in an economic downturn, it's more critical than ever to keep employee morale high to maintain the competitive edge top-quality employees bring.

One way you keep your best employees on board is by offering a generous benefits package. But do your employees fully appreciate your investment? According to many surveys, they don't. Employees tend to focus on their share of the costs, and many grossly underestimate the amount their employers pay. Employees also tend to underestimate what employers pay for other benefits such as paid time off (PTO), tuition reimbursement, pension or 401(k) plans, and statutory benefits like employer-paid Social Security.

So how do you make sure employees know and appreciate how much you spend on their benefits - traditional benefits like health, dental, and life insurance as well as benefits like PTO and statutory benefits? Communication is the key.

One of the most effective ways to drive home the point is to present the full costs of all the benefits you provide as an employer in the form of a "hidden paycheck." For example, if you pay an average of 20% of an employee's salary on providing a traditional benefits package, an additional 5% on matching 401(k) contributions, and approximately 10% each on PTO and statutory benefits, you could provide a "hidden paycheck" communication outlining the following for an employee who receives an annual salary of \$50,000:

HIDDEN PAYCHECK

\$50,000 in salary

\$10,000 in employer contributions for health, dental and life insurance

\$5,000 for time off

\$2,500 in 401(k) contributions

\$2,500 for statutory benefits

\$70,000 = TOTAL COMPENSATION

Of course, the amounts will vary depending on how much you contribute to the employee's overall benefits package. But as you can see, even with fairly conservative estimates, the amount is significant. A hidden paycheck communication gives employees a big-picture view and increases their appreciation for employer contributions.

There are a variety of ways in which you can present hidden paycheck

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Welcome to the BancorpSouth Insurance Services, Inc. Newsletter!

We are pleased to present to you our agency newsletter. This newsletter is designed to give you timely and important information regarding employee benefits, government regulations, new products, and other areas of interest to employers and their employees. We value you, your employees, and your business and continue to strive to provide you with the very best products and service available.

Thank you again for your business.



BancorpSouth
Insurance Services, Inc.

To locate an office near you, please visit us online at www.bxsi.com or contact us at info@bxsi.com.

Is it Better to Self Fund Your Employee Health Plan?

Employee health bills are fluctuating because of uncertainty related to the 2010 healthcare reform bill. Companies are trying to contain the damage by paying employee health claims out of pocket. Some experts suggest that total savings an employer would receive from moving to a self-funded health plan could be between 10% and 20%.

When employers debate whether to adopt a self-funded health plan, the possibility of lower monthly healthcare costs should be considered in comparison with the risk of covering employees' healthcare bills. There is no concrete answer for this issue that is right for all situations. The best answer depends on the demographics of employee bases and the company's financial situation. The risk of an employee having an accident or developing a serious illness is a major concern.

Although nearly 93% of companies with more than 5,000 workers have self-funded plans, many smaller companies don't. According to a recent survey conducted by Kaiser Family Foundation, the reason for reluctance among smaller companies is the possibility of being hit with a large employee healthcare bill and not having enough cash to pay it. The survey found that only 16% of companies with under 200 workers had self-funded plans. However, experts in this industry expect interest in these plans to rise in the future.

The Benefits Of Self-Funded Plans

From the data gathered, it's clear that there are some benefits to self-funded plans. However, there are more benefits than those that are apparent on the surface.

1. Quality of Data

Employers have better access to health claims of employees. In addition to this, they also have more details about their employees' demographic information. Exposure is limited only to employees instead of a broad population. This is a major benefit over regular health plans, which only offer generalized information.

2.

Customized Plans

Employers decide what is covered in the plan. This includes benefits, exclusions, and eligibility provisions. Employee cost sharing, retiree benefits, and policy limits are also decided by the employer. With exemption from state rules, employers are able to decide on specific provisions without state considerations.

3. Control of Cash

Since coverage isn't prepaid, employers have access to interest and cash income that wouldn't be available under regular insurance policies. Self-funded plans may also delay payment of health plan fees until the services have been charged. However, if claims are lower, the employer is able to retain the savings instead of allowing the insurer to keep that money. Another benefit is that self-funded companies are not under obligation to pay state health insurance premium taxes.

4. Lower Employee Premiums

Workers may also enjoy lower premiums for both single and family plans. In addition to this, employees also pay less upfront when enrolled in completely or partially self-funded plans than they would at a company that is fully insured.

5. ERISA Laws Replace State Regulations

This federal law exempts self-funded plans from state regulations. This includes reserve requirements, insurance laws, premium taxes, mandated benefits, and consumer protection regulations. Employers must still abide by rules from the following entities:

- ADA
- U.S. Tax Code
- Health Insurance Portability & Accountability Act
- Newborns' & Mothers' Health Protection Act
- Pregnancy Discrimination Act
- Mental Health Parity Act
- Women's Health & Cancer Rights Act

The Cons of Self-Funded Employee Plans

Although there are many benefits to enjoy by implementing self-funded plans, there are also potential downfalls. It's important to consider these.

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information. It can be as simple or elaborate as you choose. For example, if calculating the actual amount you contribute to each employee's non-cash compensation would be too time-consuming, you could determine a company-wide average and use those figures, as long as you make it clear the number is an average. You might consider conveying hidden paycheck information up front when you first hire employees. Or you could make it an annual tradition, presenting hidden paycheck information at year-end in the form of an annual total pay statement for every employee.

No matter how you choose to convey the information, revealing hidden paycheck amounts are a worthwhile endeavor. It can help you get the word out about how much you actually spend, raising employee awareness of your investment in your human capital. It can build valuable good will, which is a critical commodity, especially in times of economic hardship, when your need for a competitive edge is greatest. If you'd like to create hidden paychecks for your employees, contact your BancorpSouth Insurance Services, Inc. agent.

1. Financial Risk

With less employees than a larger company, there is a higher statistical risk of costly claims for illnesses or accidents. Most employers with self-insured plans purchase stop-loss coverage in order to get a reimbursement for claims totaling amounts over a specific dollar level. In a description posted by the Self-Insurance Institute of America, stop-loss coverage is insurance that indemnifies a plan sponsor from claim frequency or severity that is abnormal.

2. Administrative Risks

The Department of Labor has researched how self-funded employers fail to implement efficient administrative systems. Failure to correctly administer a plan is considered a breach of fiduciary duty. Employers take full legal responsibility for operating the plan, so it's important to realize just how

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crucial this responsibility is. There are also strict rules for private claims information. Since employers have access to such information, they must take further measures to protect it and keep it secure. In some cases, this may require hiring one or more security workers.

3. Administrative Costs

Self-insured claims can be administered within the company or handled by a subcontracted party, which is commonly called a TPA. These administrators assist employers in setting up self-insured group plans. They also coordinate stop-loss coverage, utilization review services, and provider network contracts.

However, there are extra costs for these services.

4. Economic Weakness

It may be necessary to keep a self-funded plan for a minimum of three to five years in order to fully enjoy the benefits. This may be extremely difficult for some companies during economic hardship.

Be sure to weigh the benefits and disadvantages of self-funded plans before making any changes. If the task of determining how profitable such a change would be is too difficult, consider hiring the services of a professional analyst.

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In previous years, employers offered voluntary benefits to retain employees, attract strong candidates, and boost morale. They weren't as popular as they are now. Since there has been significant growth in economic pressures, most employers want to use these benefits because the plans have little to no direct costs for them. However, employers' costs aren't the only benefit. Many employers offer these benefits because their employees are able to afford them. The same employees may not be able to afford similar benefits on their own.

Business owners are seeking better ways to manage healthcare expenses. They're also seeking more flexible benefit choices. In addition to reducing costs to employees, voluntary benefit plans reduce FICA contributions. Employees may enjoy the benefit of paying less upfront for costly medical procedures or illnesses. If a serious illness or accident occurs, plan members may receive cash benefits. These benefits may be used for groceries, travel, living expenses, or other expenses related to the medical issue. Voluntary benefits can be an important strategy for boosting employee relations, employee retention, and company savings.

How to Engage Employees in Becoming Motivated to Get Healthier

My grandmother once told me that she would save her allowance all month to walk three miles to the soda fountain for a single milkshake. From ready-made foods at the market, to the fast-food restaurants, to diet pills purporting instant and effortless weight loss, our culture today is all about instant gratification and results. The basic fact that not everything is obtained without an effort and/or wait seems to be a lost concept.

When it comes to a person changing their mindset to adopt healthy habits and rid unhealthy ones, results and gratification take time. It takes a commitment and constant effort to succeed at losing weight, exercising regularly, tobacco cessation, and other habit changes. If they're to be successful, workplace wellness programs not only need to recognize the above, but also to understand what elements will engage employees over the long-term.

Let's say you've hosted a health benefits presentation on active lifestyles and eating right. The employee turnout is high, and you had a lot of sincere interest from your employees. However, you observe a week later that very few have made any of the recommended changes. Within a few months, even most of those

that made an attempt are back to their regular routines.

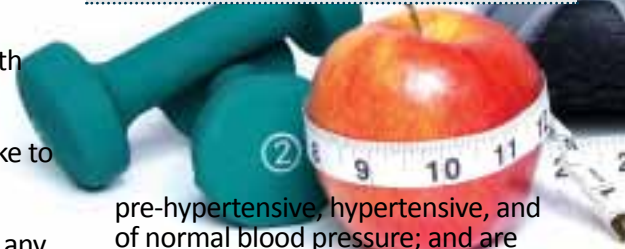
The above is an all too common scenario that confirms the reality that most people are more well-intentioned than self-motivated. Therefore, motivation should be one of the key elements provided by your wellness initiatives. Here are a few tips to help you inject motivation into your workforce:

- Make the experience personal for employees through offering a health risk assessment that will show an employee their own unique health risks and what steps he/she can take to address each risk.
- Completion of the assessment and any resulting follow-up recommendations should be tied to the health risk assessment incentives you're offering, such as reduced health plan premiums.
- Keeping in mind that an individual must be willing, ready, and able to make a behavior change. You might focus on those that express a desire to make positive lifestyle changes. Aside from offering incentives, you might also help employees see the risks of failing to make positive changes, by posting charts with comparative lifespan stats on individuals that are smokers and non-smokers;

pre-hypertensive, hypertensive, and of normal blood pressure; and are overweight, obese, and of normal weight.

- Provide/encourage support system structures, such as employee-based walking clubs, sponsoring a biggest loser competition, subsidies for joining certain fitness centers, or newsletter articles featuring health-successful employees.

Change is rarely easy for any of us. Employers must be careful that they don't get so caught up in the black and white of a wellness program that they forget to address what will make or break it - human nature.



7 Reasons To Add Voluntary Benefits

Since voluntary benefits work so well, they'll likely be around for a long time. Health reform and HHS have contributed to the many challenges in healthcare. Voluntary benefits work well, people like them and they are affordable. The following are advantages of offering voluntary benefits:

1. Desired Benefits

Employees usually ask prospective employers about disability, life, health, and dental benefits. It's always beneficial to be able to offer good prospective employees the benefits they desire.

2. No Employer Expenses

The only thing better than being able to offer employees the benefits they desire is being able to do so without paying much. Typically, payroll tax savings gained from Section 125 offset the administrative costs that are often associated with voluntary benefits.

3. Group Rates

Since the rates are calculated for a

group, individual costs for employees are usually lower. This means that employees are able to enjoy the same great benefits they desire at an affordable cost.

4. Lower Employee Turnover Rates

Employers who offer better benefit packages to their employees enjoy a low turnover rate. Good benefit choices also attract good prospective employees. When employment levels are high, it's essential for employers to have an attractive benefit offering to draw the best job candidates.

5. No Secondary Market

Some of the best programs are only offered in plans that are sponsored by employers. This aspect is also more attractive to prospective employees because they can't obtain the same insurance coverage without working for the employer who offers it.

6. Fosters Goodwill

Employees appreciate



employers who show that they care enough to offer good benefit options. This shows employees that the employer cares about their individual needs and the needs of their families.

7. Good Underwriting

Most individuals are not able to find life or disability coverage on their own. This is especially true for individuals who have a medical history that is not favorable. Voluntary benefit plans have simpler underwriting requirements and employees are sometimes guaranteed coverage without answering any health questions.

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Information contained in this newsletter about product offerings, services, or benefits is illustrative and general in description, and is not intended to be relied on as complete information. While every attempt is made to ensure the accuracy of the information provided, we do not warrant the accuracy of the information. Therefore, information should be relied upon only when coordinated with professional tax and legal advice.



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Insurance Services, Inc.

BancorpSouth is a \$13.2 billion asset bank holding company based in Tupelo, Mississippi. A division of BancorpSouth, Inc., BancorpSouth Insurance employs over 500 insurance and risk management specialists. Equipped to service clients across the globe through our Worldwide Broker Network relationship, BancorpSouth Insurance is annually ranked as one of the nation's largest brokers by Business Insurance magazine.

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