

The Guardian
Workplace
Benefits StudySM
4th Annual



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in
sync

Market
Insights

Closing the Gap

Addressing the Employee Benefits IQ of Working Americans as
a Path to Improving Financial Well-Being



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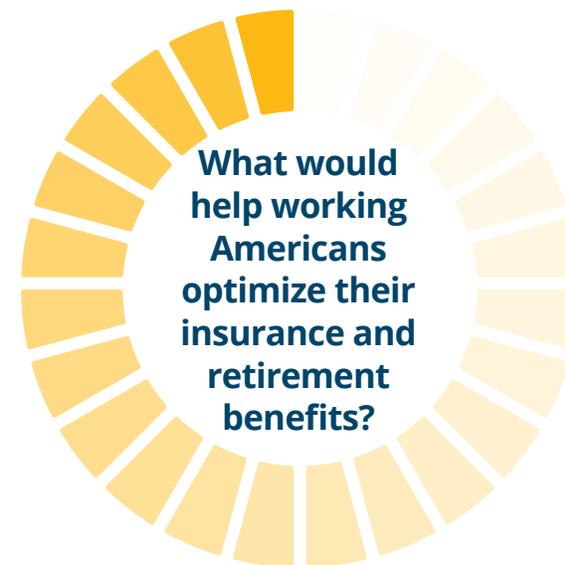
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Introduction

The pace of recent changes impacting employee benefits programs is unprecedented. Passage of the Affordable Care Act in 2011, the proliferation of high deductible health plans, expanding employee-paid options, and new benefits administration platforms and technology are altering the way working Americans access and pay for their employee benefits.

Despite feeling overwhelmed by the increased complexity of their employee benefits programs, most working Americans claim to have a good understanding of their workplace benefits and are confident in making benefits decisions. Unfortunately, their confidence level may be unfounded. In our 2016 employee benefits IQ quiz, when answering a variety of true-false questions about benefits coverage and terminology, working Americans scored an average grade of 72 or a C, with 51% earning a grade of C or below. Early baby boomers fared a bit better, while a quarter of millennials received a failing grade.

Most employers want to improve those grades. Among businesses surveyed in 2016, “helping employees make better benefits decisions” is their second most important benefits strategy behind “making plan design changes to reduce costs.” But what more can be done to support working Americans and help them optimize their insurance and retirement benefits?



Most working Americans claim to have a strong understanding of their employee benefits

“I’ve got this!” That’s how most working Americans feel about navigating their employee benefits (e.g., what they cover, how they are paid for, and how to get help). In fact, 80% of working Americans say they understand their benefits very well. As a result, nearly as many — 3 in 4 (74%) — feel very confident in the benefits selections they made during their most recent annual enrollment period.



Do these results suggest over-confidence? Employers tend to think so. Just 62% believe workers have a strong understanding of how their employee benefits work. Furthermore, only 17% believe their employees understand the monetary value of the benefits they receive.



Employees with the most confidence include:

- **Those who use a financial advisor:** 72% of those with an advisor are highly confident vs. 58% of those without one
- **Early boomers:** 71% of boomers age 57 or older are highly confident vs. 54% of millennials
- **Those with higher incomes:** 70% of those with at least \$100,000 in annual household income are highly confident vs. 50% of those earning less than \$50,000
- **Those who work for larger companies:** 63% of those working for companies with 1,000 or more employees are highly confident vs. 45% of those in companies with fewer than 50 employees

While many working Americans feel confident in their decisions, 1 in 4 say making benefits selections is more of a guessing game than an educated decision (25%).



Falling short: Too many working Americans know less about employee benefits than they realize

With no opportunity to study or prepare in advance, working Americans were given a pop quiz to test their knowledge of:

Basic Group Insurance Products: Medical, long-term disability (LTD), accident, critical illness, and hospital indemnity insurance

Features and Terminology: LTD elimination periods, guaranteed issue, voluntary benefits, portability, and deductibles

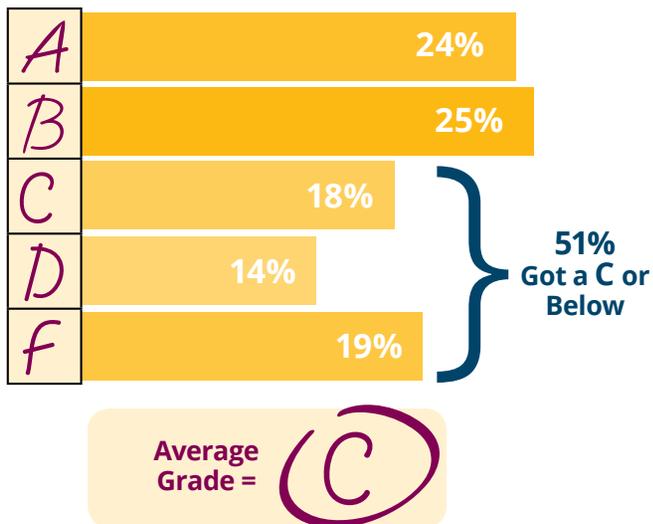
In a 10-question, true-or-false employee benefits IQ quiz, working Americans scored an average grade of 72, or a C, with 51% earning a grade of C or below.

- Early boomers are the most confident about their employee benefits knowledge and they scored the highest grades on the IQ quiz; 1 in 3 received an A
- On the other hand, millennials, who tend to acknowledge their limited benefits knowledge, received the lowest scores; 1 in 4 received a failing grade



1 in 5 Working Americans Received an 

Employee Benefits IQ Quiz Results



Generational Subgroups Receiving an F:

25% of Millennials
19% of Gen X
15% of Late Boomers
9% of Early Boomers

Working Americans struggled with questions about supplemental health benefits and several common group insurance terms

Working Americans demonstrate strong knowledge about medical insurance, including what a deductible is (86% answered correctly) and that medical insurance does not cover all of the costs associated with a long-term disability (88% answered correctly). Workers also seem to easily distinguish between accident insurance and auto/car insurance (86% answered correctly).

Fewer seem to have a firm grasp on supplemental health benefits, such as critical illness and hospital indemnity insurance (57% and 30% answered incorrectly, respectively), or specifics of disability insurance.

Not surprisingly, many employees also struggle with commonly used group insurance terminology, such as *elimination period*, *guaranteed issue*, and *portability*.

These struggles raise questions about what more can be done to better support working Americans as they learn about and enroll in their employee benefits.

Questions Working Americans Answered Incorrectly

Insurance Topic	True or False Question	Percent Answering Incorrectly
 Critical Illness	Payouts can <i>reimburse</i> caregivers for lost income <i>Correct Answer: False</i>	57%
 Disability	<i>Elimination period</i> is the waiting period before collecting benefits <i>Correct Answer: True</i>	46%
 Guaranteed Issue	No <i>evidence of good health</i> is required to apply for coverage <i>Correct Answer: True</i>	34%
 Hospital Indemnity	Pays for certain expenses not covered by your medical plan <i>Correct Answer: True</i>	30%
 Disability	LTD replaces 100% of income in event of serious injury/illness <i>Correct Answer: False</i>	22%

Communication breakdown: In 2016, working Americans are less positive about their company’s benefits education efforts

With only about 50% of working Americans having a good understanding of their employee benefits, more can be done to help them make benefits decisions. In fact, employees are less likely to rate their company’s communication efforts as highly effective in helping them make the right choices (62% in 2016 vs. 68% in 2014). And less than half (47%) feel their employer is doing a good job educating them about how to use their benefits — a sharp drop from 66% two years ago.

While many employers are attempting to enhance the employee enrollment experience, only about half of all workers (55%) feel their most recent annual enrollment experience was “excellent” or “very good.” And 1 in 2 workers (51%) — across all generations and life stages — want more relevant advice available to them during the enrollment process to help guide their selections.



Employee Perceptions of Benefits Enrollment Support

	2014	2016
Effectiveness of employer’s benefits communications at helping workers make the right choices	<i>% Highly Effective</i> 68%	62% ↓
“My employer does a good job educating me about my benefits and how to use them”	<i>% Strongly Agree</i> 66%	47% ↓
Overall experience during most recent benefits annual enrollment	<i>% Excellent/Very Good</i> n.a.	55%

An effective benefits enrollment experience can lead to value for working Americans, as well as their employers

Employees who had a positive experience during their most recent annual enrollment are about twice as confident in their benefits decisions (80% are highly confident vs. 42% of those who had a less than positive enrollment experience).

This confidence can positively influence the perceived value of those employee benefits. In 2016, the Guardian Benefits Value Index (BVI) score — an annual measure from 1 to 10 of the perceived value of benefits among working Americans — was 6.7. Those who are confident in their most recent benefits decisions have a much higher BVI score compared to those who are less confident (8.2 vs. 4.6).

A primary objective for many employers is to invest in benefits that help attract and retain high-quality talent. Notably, 75% of workers who place a high value on their company's benefits want to stay with their employer for at least five years vs. 53% of those with a lower BVI.



Working Americans still rely mainly on traditional sources for employee benefits information and education

Most working Americans depend on their human resources department (46%) or an insurance company representative (36%) to provide them with helpful employee benefits-related information. Only about 1 in 10 believe that friends/family, a financial professional, or Google are effective sources to address their employee benefits questions and information needs.

Most Effective Sources of Benefits Information

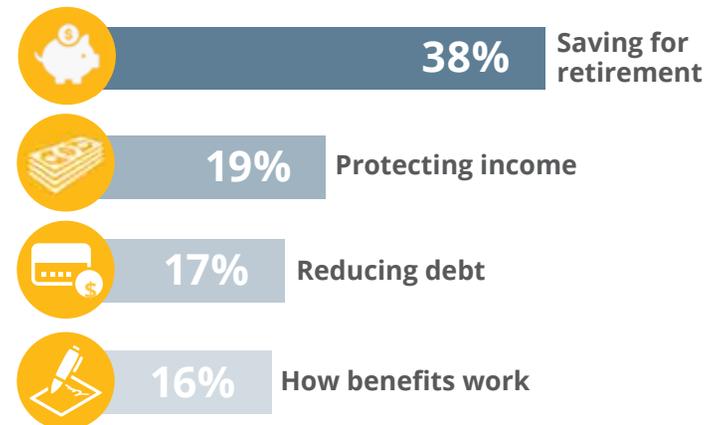
Human resources (HR)	46%
Insurance company representatives	36%
Insurance company websites	28%
Printed and online materials	26%
Benefits meetings and fairs	22%
Friends and family	10%
A financial professional	9%
Google	9%

Millennials are more likely than their older colleagues to feel HR is an effective resource, but they freely turn to friends and family and to Google, as well. Millennials are less positive about the effectiveness of benefits meetings and fairs, and fewer than 3 in 5 feel it's easy to get answers to questions when signing up for benefits.

In general, workers would like to know more about:

- Saving for retirement
- Protecting their income in the event of an injury or illness
- Ways to reduce debt
- How their benefits work and how to enroll

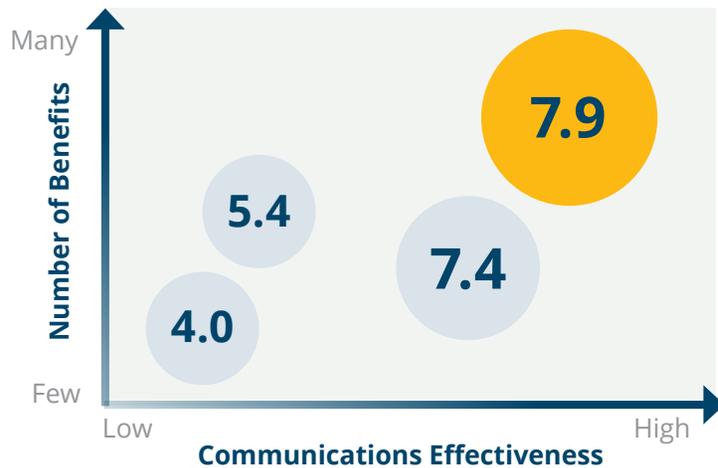
Employee Benefits Topics of Greatest Interest



Today's workforce prefers more benefits options, along with a simpler, guided enrollment experience with online support

Many workers envision an employee benefits shopping and buying experience radically different than it is today, but similar to some of their better online retail experiences. As employees look to have more choices, proper decision support is integral to employer goals. A broad benefits menu combined with highly effective decision support yields a very strong perceived value of benefits (BVI score of 7.9 vs. 5.4).

More Benefits Choices Combined with Effective Communications Increases BVI Scores



When asked what would help the most when learning about and enrolling in their company's employee benefits, workers' top suggestions include:

-  **More employee benefits choices and greater coverages**
-  **Clearer language** and simpler explanations they can more easily understand
-  **Personalized information and recommendations** tailored for their specific age, life stage, lifestyle, or financial situation
-  **Access to expert guidance** such as an advisor or benefits specialist — by phone or in-person — to answer questions and validate decisions during the employee benefits selection process
-  **Online support** including tools/interactive media to more effectively educate and engage them

Appendix

METHODOLOGY AND SAMPLE CHARACTERISTICS

The 4th Annual Guardian Workplace Benefits Study was fielded in the Spring of 2016 and consisted of two online surveys: One among benefits decision-makers (employers) and another among working Americans (employees), allowing us to examine benefits issues from both perspectives.

The study was conducted for Guardian by Greenwald & Associates, an independent market research firm located in Washington, D.C.



Employer Survey Overview

Employer results are based on a national online survey of 1,204 employee benefits decision-makers. Respondents include business executives, business owners, human resource professionals, and financial management professionals. The survey covers all industries and is nationally representative of U.S. businesses with at least five full-time employees.

Data shown in this report are weighted to reflect the actual proportion of U.S. businesses by company size, industry, and region based on data from the U.S. Census Bureau. The margin of error at the 95% confidence level is +/- 2.9%.



Employee Survey Overview

Employee results are based on a survey conducted among 1,439 employees age 22 or older, who work full time for a company with at least five employees.

This year's survey included a sample of 277 part-time permanent employees and contract, non-permanent workers. Results for part-time/contract workers are reported separately from the full-time employee data and are not reflected in the total 2016 results when comparing 2016 to prior years, unless otherwise noted.

The survey sample is nationally representative of U.S. workers at companies of at least five full-time employees. Data shown are weighted to reflect the actual proportion of U.S. workers by gender, region, race, ethnicity, education level, household income, age, and employer size based on data from the Bureau of Labor Statistics and the Census Bureau. The margin of error is +/- 2.4 at the 95% confidence level.