

THE CONTRACTOR CHALLENGE

Government Contractor Environment

- **HIGHLY REGULATED**
- Operate on thin margins: 1%-3%
- **Competitive bidding environment**
 - Anything that can be done to improve labor cost is critical
 - Spending the maximum allowable amount on bona fide fringe benefits should be a major priority

Formula For Success:



- **Challenged to attract and retain** employees as well as maximize **productivity** of workforce



Pay Fringe in Paycheck vs. Bona Fide Plan

Contact Us to Model Client Scenarios

Example:

- 100 employees
- Fringe: \$15
- Hours Worked Monthly: 173
- Savings per person per hour: \$3.75
- Savings per month: \$65,000
- Savings per year: \$780,000

Note:
The difference between the winner and runner up in RFP process is often less than 2%.

EXAMPLE – How much savings are we talking about?

	No Benefit Plan	Benefit Plan
Base Wage	\$40.00	\$40.00
Fringe Paid as Cash	\$15.00	\$0.00
Total Cash Wage	\$55.00	\$40.00
Payroll Burden	25%	25%
Fringe Contribution		\$15.00
Bid Cost Hourly	\$68.75	\$65.00

6%

	No Benefit Plan	Benefit Plan
Savings per Hour		\$3.75
Hours per year		2,080
Annual Savings / Employee		\$7,800
Number Employees		100
Employer's Annual Savings		\$780,000
Expected Contract Duration	5	\$3,900,000

THE SCENARIOS: Government Contractors Fall Into 3 Buckets

Paying Fringe in Cash

- Significant percentage fall into this bucket
 - Don't understand the implications
 - Understand, but worry about repercussions
- Administratively easy BUT:
 - Less competitive bidding
 - Win fewer jobs
 - Adversely impacts the bottom-line
 - Company growth and job security of workers put at risk

Can't Spend Entire Fringe

- Understand the importance of spending the fringe on bona fide benefits
- Out of options (i.e. 401k maxed)
- Not aware other options exists
- Not as competitive as they could be because of payroll burden on unspent fringe dollars

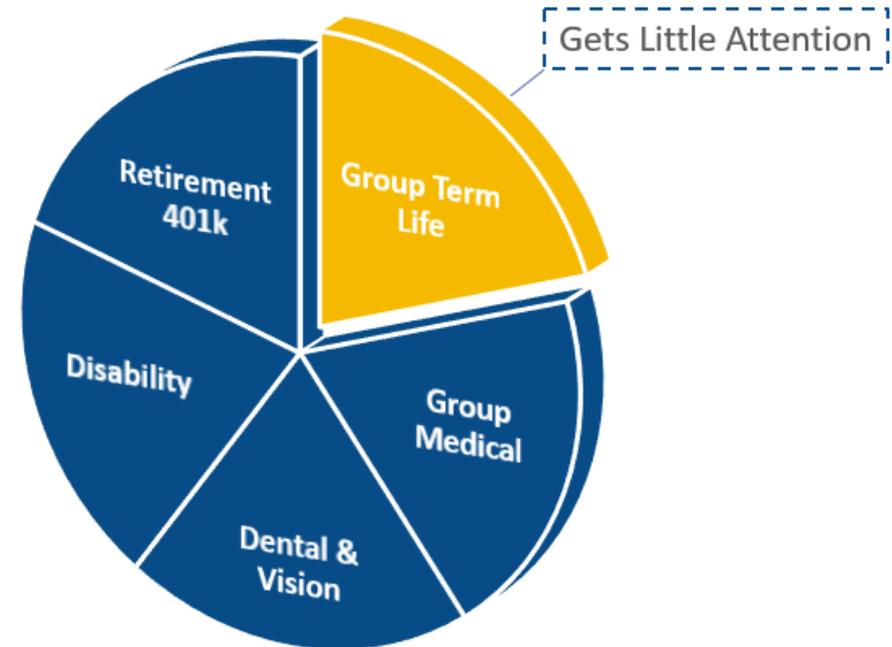
Spending All Fringe

- The tax savings is maximized, but benefit package may not be as strong as it could be
- May need to reallocate how fringe dollars are spent in an attempt to increase worker productivity as well as attract and retain employees
- Financially secure employees are less distracted by personal issues and more productive on the job (16%)

More Than Just Tax Savings

- Typical contractor group benefit package hasn't changed in decades
- Historically only available as term insurance
 - Inexpensive
 - Meaningful benefit – only if in force when needed
 - Less than 2% of term results in a death claim
- Limits the amount an employee may get to the group schedule
 - Typically \$20,000 or 1x salary to \$50,000
 - Amounts over \$50,000 create taxable income (Table I)
- Premiums not guaranteed
 - And may be higher than individual term
- Employee does not own the coverage
 - Generally not portable. If allowed, prohibitively expensive to convert to individual coverage
- Risky to rely on for permanent needs

Typical Contractor Benefit Package



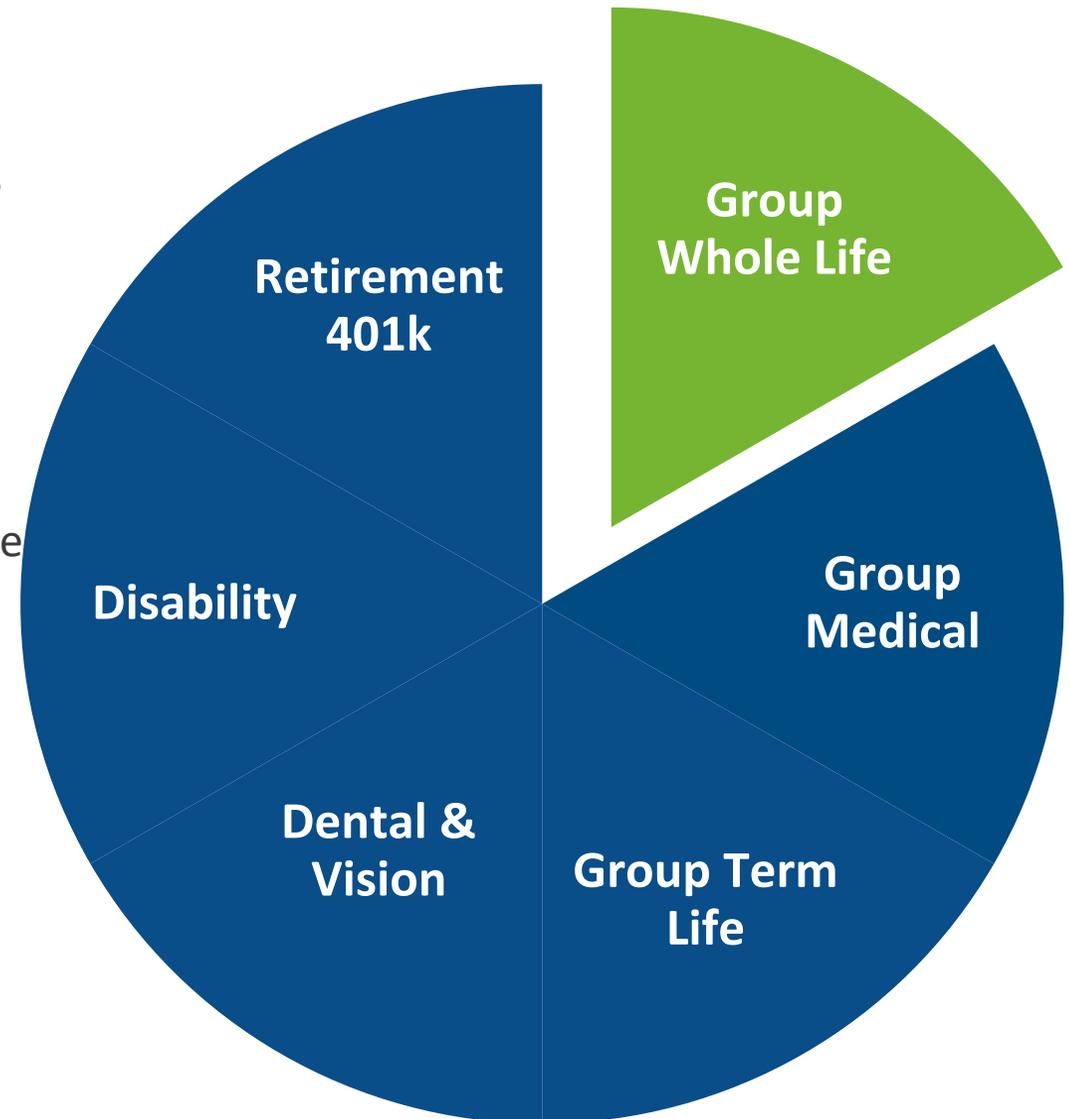
Term Insurance - Employer Perspective:

- Doesn't distinguish the company
- Ante for getting into the game = everyone has it
- Of little help when looking to spend excess dollars

THE ANSWER

Introducing Group Participating Whole Life Insurance!

- **Addresses all contractor scenarios**
 - New Bona Fide benefit never before available to contractors
 - Meaningful addition to the traditional contractor benefit package
- **Help contractors to be the employer of choice**
 - Provide all necessary pillars of financial security
 - Medical insurance, retirement plan & permanent life insurance
 - Financially secure employees are more productive than those that struggle and experience less absenteeism and turnover
- **It's not an either/or proposition**
 - All pillars are necessary
 - They complement vs. compete with each other
- **It's all about balance**



Build A Smart Benefit Plan - Focus on Your Core Employees

- Important to spend all available fringe dollars
 - But build your benefit package with a bias toward core employees
- Every organization has core employees and those that are transient
- Core employees
 - Executives, office staff, 2nd tier managers, foremen & others loyal to the company
 - Individuals you care most about
 - Individuals you can count on to help grow the company
- Transient employees that churn are focused on paying bills today
 - Rent, credit cards, etc.
 - Difficult to build loyalty – will move for additional nickels & dimes an hour
- Core employees are longer term
 - More likely to have one eye on today and the other on tomorrow
 - More likely to appreciate a strong benefit package
- A Smart Benefit Plan helps an organization become an employer of choice when recruiting, attracting and retaining talent



Product Overview

- Developed in partnership with MassMutual
 - A++ rated by A.M. Best
- Designed for the Prevailing Wage Employer *
- Qualifies as Bona Fide Employee Benefit
- Guaranteed Issue
 - \$300,000: 10-24 insured employees
 - \$500,000: 25+ insured employees
- Affordable minimum premiums
 - \$50.00 monthly (\$0.28 hourly)
- Opportunity to spend more
 - Up to \$450 monthly (\$2.60 hourly)
 - Up to \$5.20 hourly with appropriate hour banking
- **Hybrid Design** – combines best features of group and individual insurance

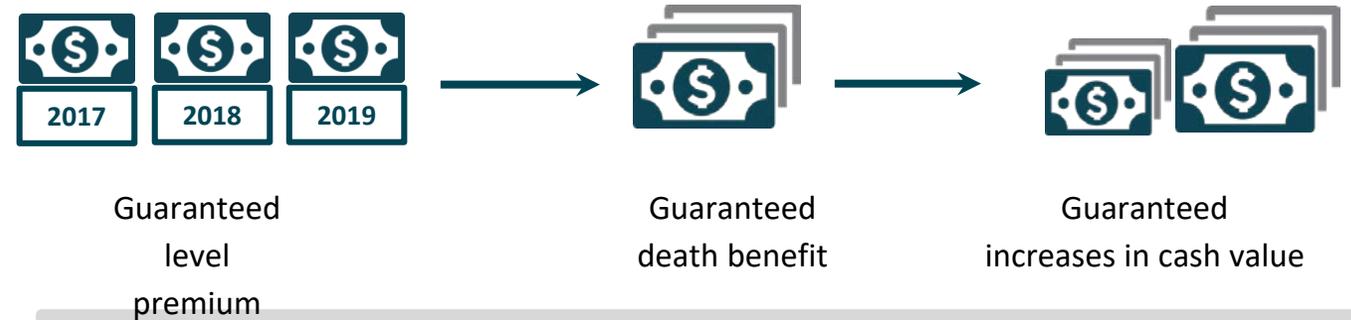
* Also suitable for Taft Hartley



HYBRID - Design

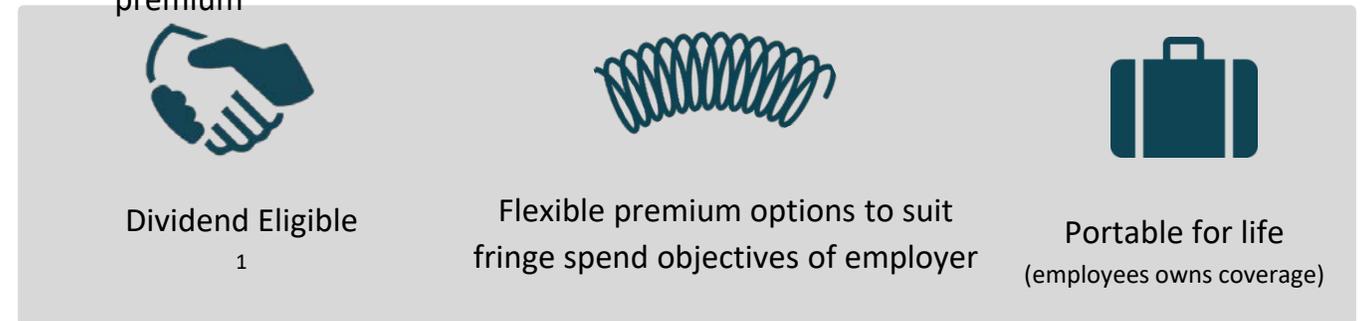
Benefits of Group Insurance:

- Master contract with employee certificates
- Situs state controls
- Favorable rates
- Guarantee issue
- Employer pay



Benefits of Individual Insurance:

- Ownership of certificate
- Portable with no change in benefits
- Guarantees
 - Premiums
 - Death benefit
 - Cash value increases @ 4.5%
- Dividend eligible
- **Easy access to the values with favorable tax treatment**



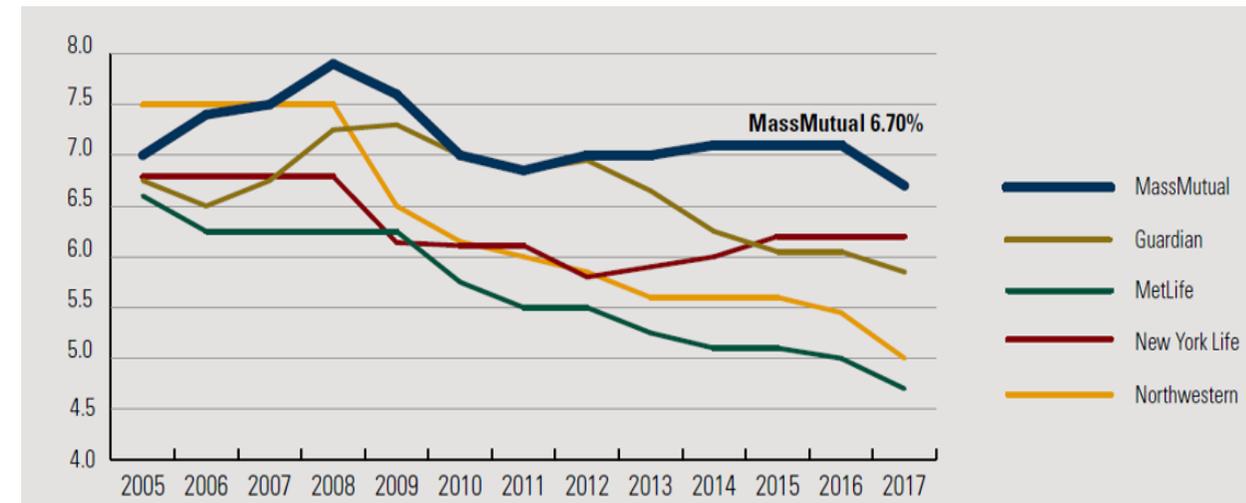
Cost-effective way to bring a valuable benefit to Prevailing Wage employees

¹ Dividends not guaranteed

The Carrier – MassMutual

- LIMRA 2016 - #1 writer of Whole Life insurance in the industry
- Financial ratings
 - A.M. Best Company..... A++ (superior)
 - Fitch Ratings..... AA+ (very strong)
 - Moody's..... Aa2 (excellent)
 - Standard & Poor's..... AA+ (very strong)
- Dividends
 - 160 year history of consistent, industry leading dividend payments
- Fringe Assist role
 - Sole national distributor for prevailing wage product (s)
 - Field Headquarters

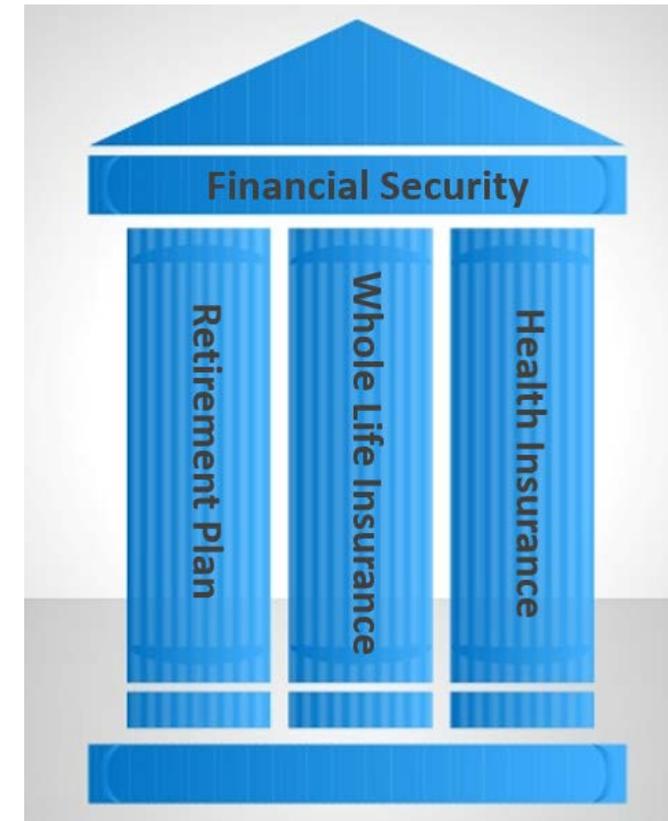
Dividend Rate Trend



THE OPPORTUNITY

What Brokers Tell Us

- Of the three pillars to financial security, whole life is the greatest revenue opportunity
- Very little revenue from retirement plans combined with significant liability
- Medical is more profitable than retirement plans, but:
 - Difficult to retain the group
 - High service commitment
 - No loyalty
- Group term life is simply an employer owned commodity
 - Given little consideration and little perceived value
 - Insignificant revenue
 - Does not foster loyalty and does not aid employee long term financial security



Permanent Life is Highest Revenue Opportunity

- Minimal service requirement
- No product sticks better
- Legally difficult to replace employee owned whole life insurance

The Opportunity - Win + Win = Win

WIN - Employer/Contractor

- Maximum Tax savings
- Minimize Payroll Burden
- More Competitive Bidding
- Spend available fringe dollars or redirect
- Attract and retain employees by providing a MEANINGFUL benefit
- Financially secure employees are more productive

WIN - Employee

- Avoid the risk and false sense of security associated with over reliance on term insurance
- Guarantee issue
- Permanent Insurance = Guaranteed premium and lifetime benefits
- Cash value and dividends – with easy access
- **Portable** at the same cost with attractive options



Broker Opportunity - Group Permanent Life Insurance

WIN - Broker

- By offering our products and services to your clients, you can safely generate new high margin revenue
 - Without distracting you from your core business operations
 - While adding more diversity to your product mix.
- Strengthen client partnerships and keep the competition away by providing new capabilities that add value to existing relationships
- Grow your business through accessing a new market that benefits from tax-advantaged solutions unavailable to other industries
- Be the **1st** to share with clients and prospects
 - Path of least resistance when prospecting for new clients
 - No need to disturb existing relationships or in-force products



THANK YOU!