

ONE COMPANY'S COMMITMENT TO EMPLOYER-PAID BENEFITS

In an era of cutbacks, what does a different approach look like?

When we hear about a well-established business trend, it is wise to remember that not everyone is following that trend. And sometimes there is much to be learned from those who don't follow the herd.

Large numbers of companies have reduced their employer-funded benefits in the last few years, often shifting to more extensive use of voluntary benefits. Owners of these firms see this as a prudent course in light of the relentless rise in medical insurance costs and the sputtering economy, which clouds their revenue prospects. Employees, fully aware of the uncertain job market, are likely to acquiesce.

What are the exceptions to this trend? There are companies that are able to maintain consistently rich employer-paid benefits because their industry—such as the oil business—is somewhat immune from economic weakness. Or because there is fierce competition for talent—as in Silicon Valley tech firms. But these firms, rather than eschewing the herd mentality, are really just following their own, different, herd.

Western National Insurance Company, a Minnesota-based property/casualty insurance company, represents a true exception to the trend toward employer-paid benefits cutbacks. The insurer, which has fewer than 400 employees, is represented by some 750 independent P-C agents in 13 Midwestern and Western states for personal lines and commercial lines.

Operating under the cost pressures that our industry knows all too well, Western National was recently named one of the "10 Best Companies for Employee Financial Security" by Principal Financial Group. Western National also was listed as one of the "Top 100 Workplaces in Minnesota" last year by the *Minneapolis Star Tribune*, based on the newspaper's survey of Western National employees.

RJF, a Marsh & McLennan Agency LLC company, is the broker for the group life, health, dental and disability portion of Western National's benefits program. PK Kriha, RJF's senior vice president, employee benefits, characterizes Western National's benefits program as "significantly more generous than most companies their size and larger."

What they get in return, says Kriha, is "employee retention that is higher than I've ever seen" and a "culture of well being." She says that



The relationship company



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Western National’s CEO, Stuart Henderson, JD, CPCU, is “a very humble leader. I respect him a lot. He doesn’t make changes just because everybody else is doing it.”

Western National pays 84% of the cost of the medical benefits it offers to employees and dependents. It pays health care coverage for part-time employees and offers coverage to early retirees. It pays 100% of the cost of long-term and short-term disability coverage. It pays 100% of the cost of a long-term care coverage program. Its retirement program consists of a 401(k) plan with a 100% employer match of employee contributions up to 3% of pay; then 50% match for the next 2% of pay.

In addition, Western National provides “outside the box” personal services to employees including employer-paid one-on-one financial counseling sessions with a Certified Financial Planner and loans of up to \$1,500 for any emergency repayable at no interest via payroll deduction.

“We don’t make a product—we sell a promise. So we’re very much a people-focused company,” says CEO Henderson. “Benefits help us attract employees who are in it for the long term, and they help keep those employees happy and engaged.”

Ginny Latocki, Western National’s human resource director, adds, “We’re always looking to add to our benefits program, to stay competitive and do the right thing for employees. We look for ways to help employees balance work with life demands, which helps maintains high morale and enhances our company’s productivity. We always rank high in independent surveys of how our employees feel about their benefit program.”

One example of Western National’s proactive and creative use

of employer paid benefits is their long-term care program, which it introduced about five years ago.

“It wasn’t that we were getting a lot of requests from employees for that coverage,” Latocki explains. “Management just felt it was an important program to add. We strongly recommend to employees that they plan for their future with the retirement program, and we felt that long-term care was another important piece of that puzzle.

“We have almost everyone enrolled in the program because of the core benefit that Western National provides to employees. Then employees have the option to ‘buy up’ for larger amounts. They also have the option to purchase at a group rate long-term care for family members—not just immediate family, but brothers and sisters and parents.

Deb Newman of Newman Long Term Care in Richfield, Minnesota, handles the long-term care portion of Western National’s benefits. She characterizes this benefit as “very generous.” Most of the group programs she sees are from much larger employers. “And those other programs provide a very modest benefit,” Newman says.

“What Western National did,” Newman says, “is to pay for a very modest long-term care benefit—\$50 per day, but then they added and paid for the 5% compound inflation benefit. So that benefit is going to grow every year for employees. Western National then allowed us to go to employees to see if they want to also contribute. This is where the success story really begins. Close to 40% of the employees doubled the benefit—or more.”

Newman positions the long-term care product in the benefits mix as

“a wrapper around the retirement benefits.” That’s important, she points out, because people entering retirement today usually do not have a defined benefit pension plan. “Often the only permanent benefit product they take with them is their 401(k) plan. If the 401(k) assets are depleted to pay for long-term care, these retirees will have insufficient assets for a surviving spouse.”

Ginny Latocki says Western National is committed to a “holistic” approach in its support of employee wellness. It takes advantage of substantial wellness resources from RJF, which help employees meet individual objectives for exercise and nutrition. At the same time it promotes financial wellness and involvement in the community for its employees.

“For the last few years we’ve offered one paid day per year for employees to volunteer in the community for a cause of their choice,” she explains. “We also hold mini-fund raisers where for a couple of weeks employees can contribute to a charitable cause, and the company matches those donations. Participating employees are allowed a ‘casual dress day,’ and the company can present a nice check to a charity.

“We think it’s important to encourage activities in the company which bring people together who do not know each other well because they don’t normally interact in their jobs. It brings about camaraderie and teamwork,” Latocki says.

In an era of benefit cutbacks, Western National shows that the “road less traveled” can pay dividends. “Stability is very important to employees, particularly when it comes to benefits. So we’ve kept the benefits stable,” says Henderson. ■