Colonial Life®

Making benefits count.

Reinvent the Enrollment Experience:

How to Drive Value for Your Benefits Package

Benefits at Work Series

A Colonial Life White Paper

Fall 2009

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Reinvent the Enrollment Experience:

How to Drive Value for Your Benefits Package

Executive Summary

There are approximately 1.2 million businesses in the United States with 10 or more employees. These businesses constitute one quarter of all private-industry firms, but account for the large majority of employees (89 percent). Not only are these employers responsible for approximately 90 percent of the revenue produced by all U.S. businesses, they also provide the primary funding for the country's employee benefits programs.[1]

Despite a challenging economy, companies continue to view benefits as a vital part of building and maintaining a loyal and productive workforce. A company's benefits program is one of the largest investments it makes in employees. Employers spend upward of $1.4 trillion annually on these employee benefit programs, and Americans receive more than $2 trillion in benefits payments from them annually.[2] With this type of corporate commitment and in this type of business climate, human resource executives need to ensure they are getting the most value for their benefits dollars.

Gone are the days when employers think of their benefits programs as simply perks for employees. Instead, they have come to realize that a competitive benefits program is a vital business strategy for attracting and retaining quality workers who can help their companies grow and compete in the marketplace. However, in working to maintain a competitive benefits program, HR professionals often find themselves caught in a revolving door of coverage, cost and carriers.

The continued rise in health care costs, coupled with the stranglehold the poor economy has had on business, is forcing many employers to cut benefits and/or pass more responsibility on to employees. Unfortunately, these practices leave employees with more financial risk than ever before. As a result, employees have now become a critical audience in the benefits process, which makes the enrollment experience more important than ever. No longer will a check-the-box approach for enrollments work.

The general practice in the benefits industry has been to focus on the employer's perspective — the cost and quality of the benefits program along with a carrier's service. But there is a new paradigm that looks at workplace benefits from the long-term perspective of *both employers and employees*. This means the enrollment process needs to be more than a method for enrolling traditional core benefits such as major medical, group life, dental and vision. It should also serve as a way to enroll *all* benefits being offered, including voluntary, employee-paid benefits that are growing in popularity such as individual life, disability and accident plans.

This holistic approach to benefits enrollments helps employees understand their entire offering and encourages year-round dialogue and relationship-building instead of a "once-and-done" approach. Only by taking a big picture look at their benefits packages can employees learn how their different insurance plans complement each other and make appropriate decisions to protect themselves and their families.

This white paper discusses how to reinvent the enrollment experience to benefit both employers and employees — while increasing a company's return on its benefits investment. Employers will learn how this paradigm shift is driving the need for more comprehensive benefits education and what measures they can take to help employees better understand and appreciate their benefits choices. Readers will learn the importance of planning and reporting before, during and after the actual enrollment. The paper also illustrates why an effectively communicated benefits package can make a big difference in how employees perceive their company and how they may perform — no matter if the company has a few employees or a few thousand.

New Workplace Dynamics Drive Changes in Enrollment

New Workplace Dynamics Drive Changes in Enrollment

Recent studies suggest that an organization's size does not play a part in its ability to navigate the new benefits landscape.[3] In fact, smaller employers can be just as effective at administering benefits as larger employers (that have access to more resources) with the right strategies and tools.

Employers of all sizes recognize they cannot keep the status quo and expect different results. The savviest companies are taking measures to change their programs from top to bottom, focusing on creative benefit designs, additional communication methods and new ways to deliver value not only to employees, but also to the corporate bottom line. A substantial number of companies see the current economic crisis as an opportunity — more than half (53 percent) say they are trying or considering new benefits strategies they would not have considered otherwise. Almost three-quarters (70 percent) of them are specifically increasing communication to address employee benefits concerns. And 57 percent do not plan to cut back on investments in benefits communication and education.[4]

Smaller employers can be just as effective at administering benefits as larger employers (that have access to more resources) with the right strategies and tools.

Actions employers are taking in response to the recession

70 percent	Increasing employee communication
53 percent	Trying or considering new benefits strategies
15 percent	Reducing spending on benefits communication

(Source: Towers Perrin, "The Benefits in Crisis – Weathering Economic Climate Change," Pulse Survey Report, April 2009)

Before any employer develops a benefits program, it is important to understand the dynamics affecting both the company and its employees.

Employers:

- **Need a competitive benefits program to attract and keep quality workers.** As health insurance costs skyrocket, businesses try to bridge the huge gap between the benefits they would like to provide employees and those they can afford to offer.

- **Want to close the knowledge gap.** Because employees are faced with more choices and more decision-making responsibilities, employers want them to have a better understanding of their benefits, their coverage gaps and how to fill them.

- **Must have easier enrollment administration.** With limited departmental resources, HR professionals want a streamlined enrollment process that includes easy-to-manage methods to measure, track and report progress.

Employees:

- **Need help in understanding their benefits.** Employees have tougher choices to make regarding benefits at the workplace. Benefits in general can be complicated, which makes it hard for employees to understand what they have and what else they need. If they do not understand the coverage available to them at work, they cannot fully appreciate the value of their benefits. Additionally, wrong decisions can potentially lead to higher financial risk.

- **Want peace of mind.** As employees make more decisions about their overall health care and benefits packages, they want to ensure they are making the most cost-effective choices that offer the best coverage for their families.

According to a new survey commissioned by the National Association of Insurance Commissioners, a vast majority of Americans believe they are smart about insurance, but a deeper look at the issue tells a different story. On average, people surveyed were only able to correctly answer four out of 10 basic insurance questions.[5] Regardless of what people think they know about insurance, they are still open to getting expert information.

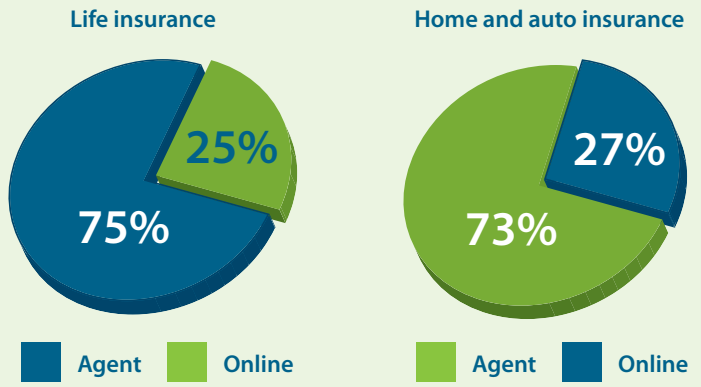
Three-quarters of U.S. consumers prefer buying insurance products through agents and other trusted sources, which include employers.[6] And, those who buy insurance products through an agent are significantly more satisfied with their plans than those who purchase individually online.[7]

With nearly one-third of employees paying at least half the cost of their benefits, it is only natural that they turn to their employers to provide the resources to help them make the right decisions during open enrollment.[8] However, to help employees better understand and tailor their insurance plans, companies need to move away from the traditional benefits enrollment model.

Regardless of what people think they know about insurance, they are still open to getting expert advice.

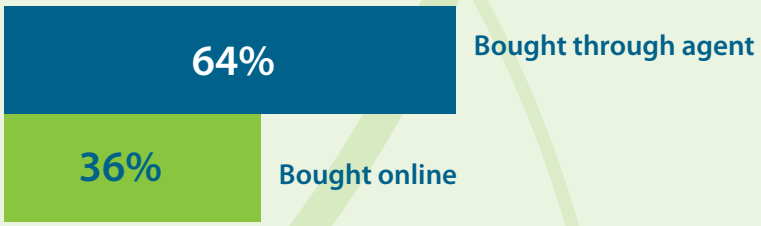
Consumers prefer to buy insurance from agents

Percentage of consumers who prefer to buy insurance through an agent rather than online



(Source: Accenture, "U.S. Consumers Prefer to Buy Insurance through Agents Despite Ability to Buy Products Online," May 19, 2009)

Percentage of consumers who felt their buying experience was "helpful"



(Source: Assurant Health, "National Survey Shows Consumers Prefer Agents When Shopping for and Purchasing Individual Medical Insurance," July 23, 2009)

Today's Enrollment Involves Understanding Benefits Integration

Today's Enrollment Involves Understanding Benefits Integration

Many employers have traditionally focused on and built enrollments around their core benefits — the group insurance plans offered to employees where the company pays some or all of the premiums: major medical, group life, dental, 401(k), vision and long-term disability. Because voluntary benefits have become more widely available to the U.S. workforce — LIMRA estimates nearly 650,000 firms (with at least 10 employees) now sponsor at least one employee-pay-all option[9] — the enrollment process must be reinvented so employees better understand how all the different insurance plans complement each other.

Employees who are offered voluntary benefits in the workplace are more satisfied with their benefits than those who are not offered voluntary coverage.

Voluntary benefits, such as life, accident, cancer, supplemental health, critical illness and short-term disability, are designed to supplement core benefit offerings. Voluntary insurance plans allow employers to offer a cost-effective, expanded benefits package at little to no direct cost to them. Employees choose the benefits that best meet their individual and family needs and typically pay for these products themselves, usually through convenient payroll deduction. Individual voluntary benefits are owned by employees, so if they ever leave the company they can keep their coverage. Some group voluntary plans may allow employees to convert to individual policies when they leave their employer.

Firms with at least 10 employees that sponsor at least one employee-paid benefit

650,000

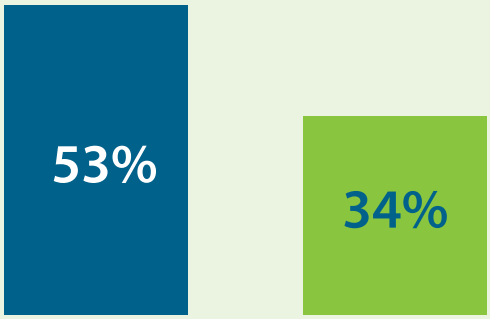
(Source: Neyer, Ron, "Analyzing the Size and Potential of Voluntary Worksite Benefits," Research Briefings, LIMRA International, Aug. 2007.)

Additionally, voluntary plans pay insureds benefits they can use as they see fit. Employees can choose to apply the money they receive to their medical expenses, such as deductibles, treatment bills, rehabilitation or home health care expenses. Or, they can use the money for nonmedical expenses, such as mortgages, groceries, electric bills, child care, or travel to and from a treatment center.

The goal is to give employees choices to meet their individual coverage needs. By integrating voluntary benefits with core group offerings, employers can help employees protect themselves against increased financial exposure and help alleviate the economic pressures so many are now under.

Voluntary benefits create more satisfied employees

Percent of satisfied employees



(Source: Unum, "Beyond the Usual Benefits: How Employee Education Can Drive Workplace Satisfaction," August 2009)

A recent Unum study revealed employees who are offered voluntary benefits in the workplace are more satisfied with their benefits than those who are not offered voluntary coverage. Fifty-three percent of employees at companies that offer voluntary benefits are satisfied with their benefits packages, compared with 34 percent who say the same at companies without this type of coverage.[10] That kind of satisfaction is valuable to employers because voluntary coverage allows a company to offer more benefits and add perceived value to a plan without affecting the bottom line.

One-to-One Counseling Takes the Lead in Reinventing Enrollment

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Increasing employees' understanding and appreciation of their benefits programs should be among companies' top goals. A 2009 survey by Colonial Life indicates that HR professionals agree. The survey shows that 93 percent say it is very important to their business for employees to understand and appreciate the value of their benefits. However, less than 19 percent of HR executives think employees actually have a very good understanding and appreciation of their benefits.[11]

The Benefits Reality Gap

Although 93 percent of employers think it's important for their employees to understand and appreciate their benefits, only 19 percent believe they actually do.

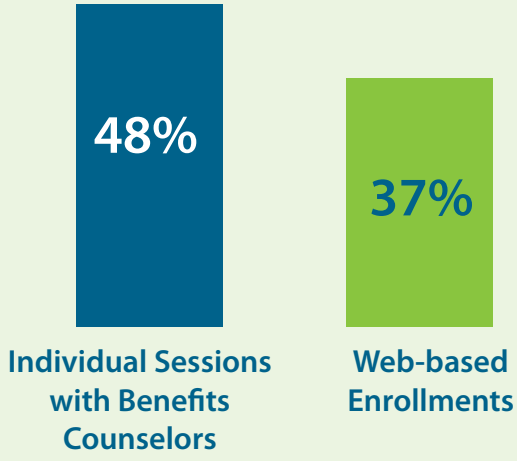
(Source: Colonial Life Survey of HR Professionals at SHRM National Conference, June 2009)

These types of statistics provide all the more reason to do away with check-the-box enrollments and transform the enrollment experience into a more meaningful, personalized benefits decision-making process.

Companies can provide benefits counselors to help employees understand their benefits and make better decisions. A recent survey by *Employee Benefit News* magazine showed HR professionals rate individual counseling sessions as the most effective benefits enrollment tool: 48 percent said the individual sessions were very effective, followed by web-based enrollments at 37 percent. Insurance brokers who work with these HR professionals felt even more strongly about individual counseling in a companion survey in *Employee Benefit Adviser* magazine: 55 percent rated it very effective, trailed by group meetings at 37 percent.[12]

Percentage rating method "very effective"

48 percent of HR professionals feel individual counseling sessions are the most effective enrollment tool.



(Source: Enrollment Effectiveness Survey, Employee Benefit News, October 2009)

Another recent survey showed 89 percent of HR professionals think having one-to-one meetings between a benefits counselor and each employee would significantly improve employees' understanding of their benefits.[13] Decision-making support for both core and voluntary benefits can help employees choose the coverage that fits their individual lifestyles and budgets.

Conducting one-to-one sessions, however, is just one component of a much-needed holistic approach to benefits enrollment.

Professional, one-to-one sessions with each employee allow companies to:

- Engage employees in the benefits enrollment process.
- Educate employees about the benefits they have.
- Help employees identify any coverage gaps and make better decisions about choosing benefits to help fill them.
- Help employees realize what is being spent for their benefits and the value of what is provided.
- Gain better appreciation from employees for the benefits they offer.
- Achieve a better return on investment for their benefits programs.

A Holistic Approach Encourages Benefits Dialogue Throughout the Year

Employers must surround themselves and their employees with the tools, capabilities and options that support and enhance a year-long enrollment experience.

A Holistic Approach Encourages Benefits Dialogue Throughout the Year

For many employees, the typical enrollment process consists of a printed benefits booklet, a brochure and a paper application filled out in a break room. Although this process may be the easiest to carry out, it is not the most effective. It takes more than a brochure or a benefits booklet to conduct an effective enrollment.

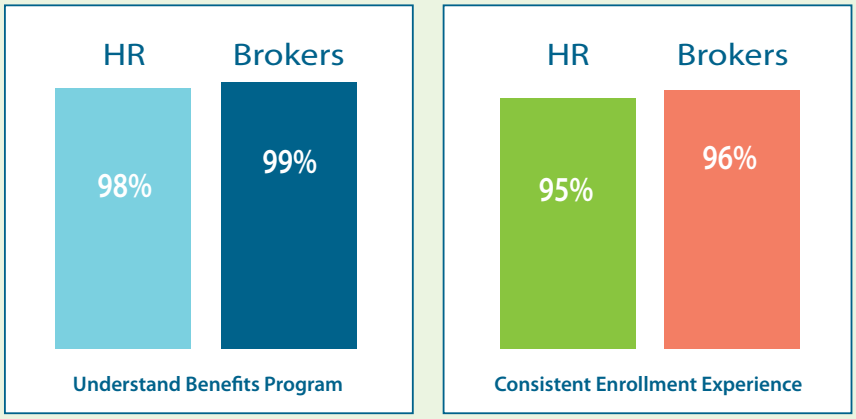
A recent Watson Wyatt Worldwide study reports that "open enrollment is a much more active process than it was just a few years ago."[14] This means that strong employer cooperation and full employee engagement are that much more critical to successful benefits enrollments these days. But, employers must realize the enrollment experience does not conclude once employees complete their forms.

The most successful enrollments involve a holistic approach that encourages dialogue throughout the year. To accomplish this, employers must surround themselves and their employees with the tools, capabilities and options that support and enhance this type of year-long enrollment experience.

HR professionals in the *Employee Benefit News* survey agreed that providing a consistent enrollment experience for all employees runs a strong second to understanding the benefits program: 95 percent said it was very important or important. Brokers also agreed, with 96 percent saying a consistent experience is very important or important.[15]

Employers and Brokers Value Communication and Consistency

Percentage rating enrollment capability "very important" or "important"



(Source: Enrollment Effectiveness Survey, Employee Benefit Adviser and Employee Benefit News, October 2009)

Companies and their employees share equal footing at the center of a holistic enrollment experience divided into three different timeframes with distinct activities attached to each:

Before Enrollment

Before enrollment actually begins, HR professionals must conduct some planning to ensure success. They should work with their insurance partners to identify top communication issues, such as multiple locations, different shifts and Internet access, and then develop solutions to meet those needs. This is also the most opportune time to start employee engagement and get them excited so they will want to learn more about the benefits provided. A number of different tools, such as benchmark surveys, e-mails, accessible insurance education, rich media and printed materials, can be used.

During Enrollment

The enrollment period is where benefits counselors can play a significant role. During group meetings, they provide a high-level overview of the corporate program, what has changed and what is new. They can also explain how the upcoming one-to-one sessions will work so employees will feel comfortable about the process and become eager to meet with a benefits counselor.

In one-to-one sessions with employees, benefits counselors can review their benefits, identify any coverage gaps and help workers make the appropriate decisions to fill them. HR professionals should also expect to see daily updates on the enrollment's progress — who has been seen, what products employees are choosing and areas of the company where participation in the enrollment may be proceeding slower than planned, for example.

After Enrollment

Post-enrollment reporting, ongoing education and long-term planning are integral for ongoing success. HR professionals will want to know what worked and what needs adjusting. Employee participation and election results, combined with feedback from an employee survey on the overall enrollment experience, give companies the data they need to make adjustments before the next enrollment period and/or to develop more long-term benefits strategies.

Post-enrollment reporting, ongoing education and long-term planning are integral for ongoing success.

Not all human resources departments are staffed to provide this type of enrollment experience. Likewise, most insurance agencies are not staffed or equipped to deal with such a labor-intensive process. And although major medical insurance is the catalyst driving the need for employees to get help understanding their benefits, very few major medical carriers are willing to address this need.

The voluntary benefits industry, however, has responded by providing innovative, effective benefits enrollment for both core and voluntary benefits. A top carrier can bring in benefits professionals who will spend time with each employee and provide personal, straightforward advice. Some firms charge for these capabilities, and some offer these services at no direct cost to the business or the employee. Each company is different, so HR professionals should be sure to ask about the carrier's enrollment and benefits communication capabilities and costs.

The most innovative insurance providers offer a number of tools and strategies to help HR staff manage the enrollment.

Flexible Technology, Local Benefits Team Among Most Effective Enrollment Management Tools

Flexible Technology, Local Benefits Team Among Most Effective Enrollment Management Tools

The best insurance carriers should provide more than products. They should offer a full package of enrollment tools and services necessary for a successful enrollment: pre-enrollment educational information, enrollment forms, salary illustrations, marketing materials, service materials and applications. The carrier should also be able to provide these tools for both an employer's core benefits program and its voluntary offerings.

When evaluating carriers for such full-service capabilities, HR professionals should look for insurers that offer:

- **Strong Pre-enrollment Planning –** Developing a clear, comprehensive strategy to manage communication and data is the foundation of a strong pre-enrollment plan. To be effective, plans must have the flexibility to accommodate a broad employee audience. This means companies have to deliver benefits communication through a number of different channels and provide enrollment options to reach all their employees, no matter where they are located or what shifts they work. Here, too, the groundwork for reporting and measuring results must be laid, whether that means providing employees' elections by facility or dissecting daily information to make tactical enrollment changes on the fly.

- **Flexible Technology –** Insurers should offer technology that allows HR professionals to conduct enrollments in ways that meet their needs—not how the technology dictates they should. Flexible enrollment technology should work for companies of all sizes, from three employees to thousands of workers. It should work to enhance—not replace—one-to-one sessions in situations where employees cannot physically meet with a benefits counselor. Technology should also allow benefits counselors to co-browse the Internet with employees, conduct offline enrollments when online access is an issue, or answer questions and enroll employees over the telephone. Customized daily reporting not only allows HR professionals to collect, parse and analyze information according to their needs, but also allows them to make adjustments midstream during enrollment.

- **A National Team of Local Benefits Counselors –** A team of benefits counselors who live in the same area as the company and its employees provides consistency during the enrollment process and helps workers build a relationship with someone they can trust to do what is in their best interest. Having a local team gives HR professionals someone there for the initial enrollment, as well as for new hires, annual re-enrollments and ongoing service.

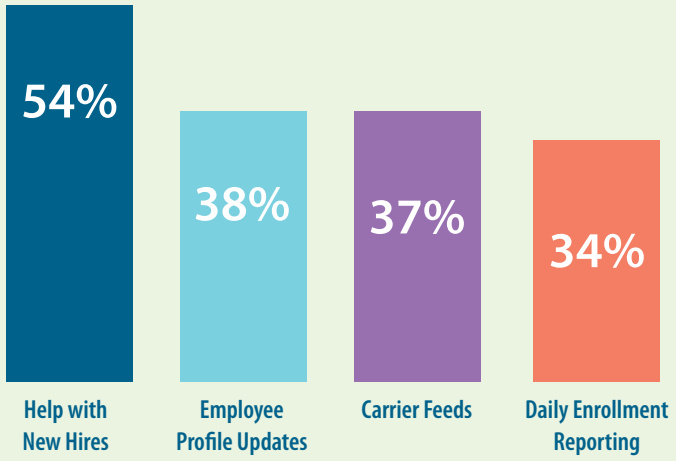
- **Expanded Services –** For companies with fewer than 1,000 employees, conducting the annual open enrollment is usually more important than ongoing maintenance. As the size of the company increases, other ongoing maintenance services and needs become more important. For example, employers may want to ensure each employee's profile information in the company's enrollment system is correct. Often, HR staffs do not have time to get updates on every employee, yet having current employee information is important. Additionally, periodic audits of all employees' dependents are important to make sure the employer is not paying for or providing insurance to dependents who should no longer be covered. Other large employers may also want a leave-behind, online year-round benefits administration system for new hires that allows HR staff to perform basic activities on their own, such as make life-event changes or gain quick 24/7 access to all employees' benefits data. Having a local team to conduct the enrollment and handle these tasks at the same time is important to large accounts.

Employers clearly want this kind of support. When asked what kind of enrollment administrative support they value most, help with new hires tops the list (54 percent). The ability to get carrier feeds (37 percent), employee profile updates (38 percent) and daily enrollment reporting (34 percent) also ranked highly.[16]

When insurance carriers combine the best enrollment technology with a professional team to deliver personalized benefits communications for each employee, companies can feel confident they are providing their workers with the most effective benefits education.

What enrollment administrative support helps most?

Employers most value receiving help with new hires from their benefits carrier.



(Source: Enrollment Effectiveness Survey, Employee Benefit News, October 2009)

Enrollment Experience Success: Case Studies

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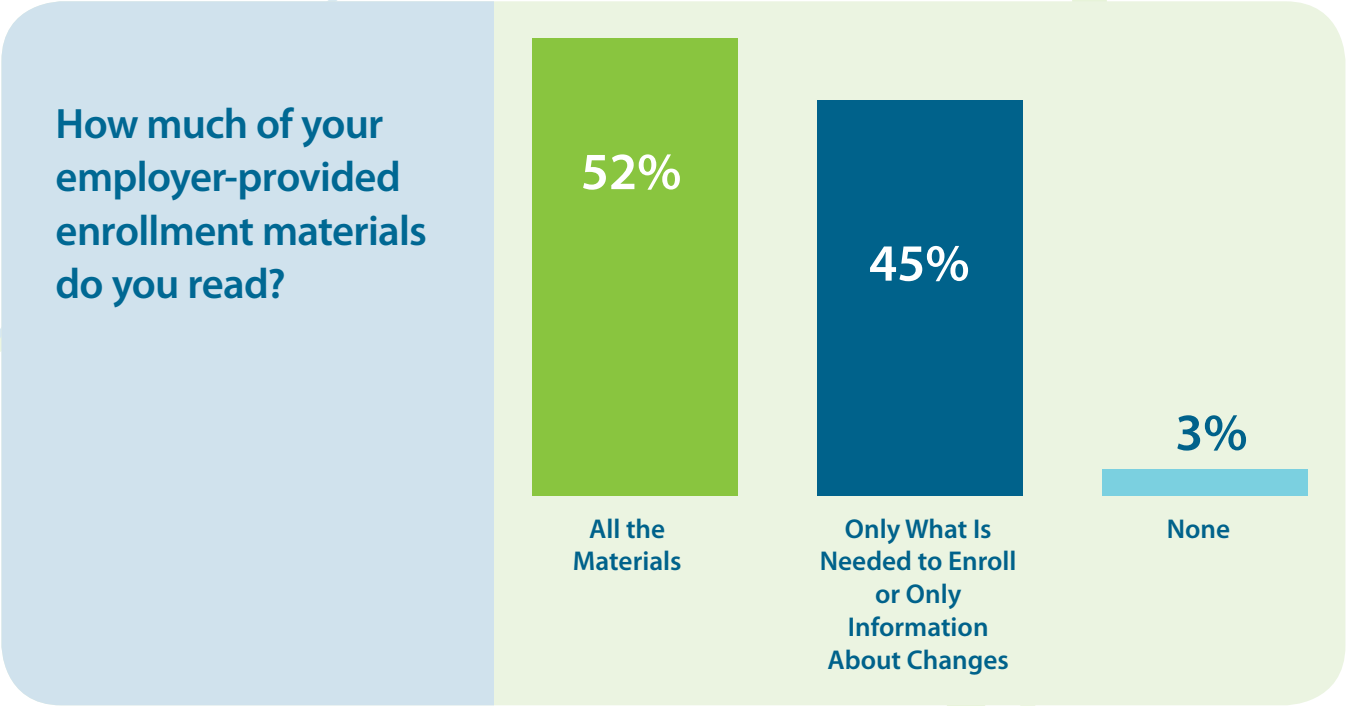
A standard cookie-cutter enrollment doesn't fit most companies. Rarely does an employer have all 200 employees in one central location, for example. Rather, it is more typical to have an employer with 30 workers at one location, 10 at another and two somewhere else. This makes the exchanges of benefits information even more critical. Selecting insurance often requires detailed communication—more involvement than simply handing out printed materials. Employees must first come to understand and appreciate the actual product before they will buy in to specific coverage.

Interestingly, only a slight majority of employees (52 percent) read all the materials provided by their employer during the annual enrollment process. Three percent do not read any of the materials, and the remainder (45 percent) reads either only what is needed to enroll or only information about changes to the plans.[17]



(Source: Watson Wyatt Worldwide, "Many Workers Struggle with Basic Health Benefits Terms, Watson Wyatt Survey Finds," Press Release, July 9, 2007)

To have a truly effective enrollment, companies must have the flexibility to accommodate a much broader employee audience. The following case studies showcase the results some employers have received after making a commitment to reinvent the enrollment experience.

Case Study A

Company:

Leading Furniture Company With the Nation's Largest Inventory

Number of Employees:

7,000 in 150 locations

Challenges:

- The company had limited resources to support communicating complex core and voluntary benefits plans.
- A one-size-fits-all enrollment approach would not work for all employees; the company needed a variety of enrollment methods.
- The employer wanted to get a customized download file of enrollment data to give all its insurance carriers.
- The company preferred using a customized enrollment system that promoted the company and worked for its different locations and employee shifts.

Solution:

- The company worked with a voluntary benefits partner to provide face-to-face benefits counseling sessions for all employees. It also added benefits counseling sessions via a call center. In addition, some employees were able to enroll by themselves online.
- The voluntary benefits partner provided comprehensive post-enrollment reporting consisting of:
  - Employees seen and not seen through in-person benefits counseling and call center benefits counseling.
  - Employee e-mail addresses.
  - Names of employees' dependents.
  - Employees who opted out of coverage.
- The company received an extensive communication plan that contained benefits booklets in four languages (English, Spanish, Vietnamese and Bosnian), as well as customized posters, tent cards and newsletter articles.

Results:

- Benefits counselors met with 52.2 percent of employees and conducted individual counseling sessions.
- Data files were returned on schedule and to the specification of the employer.
- The company received additional electronic copies of each employee's election form.

Case Study B

Company:

A Regional Medical Center Offering a Full Range of Health Care Services

Number of Employees:

600+ in one location

Challenges:

- The medical center was losing employees to a large hospital system in the area. It wanted to help improve morale by making sure employees understood their benefits and appreciated the value of their benefits program. The employer realized the importance of having a third party talk to each employee about the value of the benefits package. The company felt employees would have a greater appreciation for what the hospital was doing for them and their families and the investment it made in their benefits.
- The medical center wanted to move to a paperless enrollment process, but the cost of buying its own online enrollment system was too expensive.
- The company needed to improve benefits communication without incurring additional costs.

Solution:

- The medical center partnered with a voluntary benefits carrier to design and implement a comprehensive benefits communication and education program that centered on face-to-face benefits counseling and customized communication materials.
- The company used the voluntary benefits provider's proprietary online enrollment system to conduct the enrollment at no cost.

Results:

- The medical center said the enrollment strongly improved its employees' understanding and appreciation of its entire benefits package. In fact, the hospital decided it wanted to offer annual benefits counseling sessions.
- The customized online enrollment system allowed the medical center to streamline its enrollment process and make it completely paperless.
- The voluntary benefits carrier's products and value-added services helped the medical center respond to the changing benefits needs of its employees.

HR Can Help Showcase the Long-Term Value of Benefits on the Road to Economic Recovery

HR Can Help Showcase the Long-Term Value of Benefits on the Road to Economic Recovery

As the economy begins its recovery, companies need to use this time to evaluate their workforce strategies. The HR department has an opportunity to provide clear value in this regard. Companies that plan properly, implement innovative benefits strategies and communicate appropriately with their employees will truly be able to achieve sustainable long-term success.

Today's employer not only should view itself as a benefits deliverer, but also as a partner to help employees strengthen their financial safety nets. HR professionals can help solidify their companies by enhancing the value of their total benefits packages through a comprehensive offering of personal insurance plans and benefits education services — all delivered through a holistic approach to the enrollment process.

Employees who are knowledgeable about their benefits are almost 30 percent more likely to be satisfied with the benefits plans offered.

For HR professionals, simply negotiating a reduction in major medical insurance premiums is not going to help their companies realize a strong return on investment from their benefits programs. In fact, poor employee understanding of a plan is cited by 30 percent of employers as a significant challenge in maintaining affordable benefit coverage.[18] Instead, HR departments should look for solutions to truly help their companies reach their ultimate business goals. And many employers see enhanced benefits communication and enrollment programs as a prime solution. One recent study on the effects of the economy on businesses reports 48 percent of companies surveyed intend to add additional communication on the value of their benefits programs.[19]

It is imperative employers communicate with workers — during all stages of their employment — in ways that meet their individual needs and preferences. By using a mix of methods, channels and formats, employers can effectively increase understanding and empower employees to make more careful, informed decisions about their insurance.

Employees who are knowledgeable about their benefits are almost 30 percent more likely to be satisfied with the benefits plans offered.[20] The more satisfied and engaged employees are, the more productive and more likely they are to produce a higher quality of work and exhibit increased loyalty to their employers.

That gives HR professionals an open road to drive value in their organization's benefits package.

Partner With an Expert

There are lots of ways to partner with an insurance expert:

- **Voluntary Benefits Carriers –** These companies offer a variety of solutions to meet an employer's benefits challenges, such as voluntary benefits integration with the core benefits program, benefits communication and education for core and voluntary benefits, full-service enrollment support and a portfolio of voluntary insurance plans to help employees fill coverage gaps. Some voluntary benefits carriers provide a local enrollment team for annual and new-hire enrollments, as well as for any ongoing local service.

- **Brokerage Firms –** They deliver expertise in core benefits strategies and can provide access to voluntary benefits and enrollment support.

- **Enrollment Companies –** These firms bring in a team of professionals to enroll employees in their benefits programs. After the first couple of years, the annual enrollment is typically migrated to call centers. Companies may also find that costs of enrollment firms per employer location increase as the number of employees at the location drops.

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About Colonial Life

Colonial Life & Accident Insurance Company is a market leader in providing insurance benefits for employees and their families through their workplace, along with individual benefits education, advanced yet simple-to-use enrollment technology and quality personal service.

Colonial Life offers disability, life and supplemental accident and health insurance policies in 49 states and the District of Columbia. Similar policies, if approved, are underwritten in New York by a Colonial Life affiliate, The Paul Revere Life Insurance Company. Colonial Life is based in Columbia, S.C., and is a subsidiary of Unum Group.

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