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# Supplemental Disability Income Protection Plans

## Protecting Your Top Executives

Competitive employers are continually looking for innovative ways to bring their company's benefit package to the next level. A good employee benefit program can yield several advantages: employee retention, improved morale, lower absenteeism, increased productivity, and employee recruiting power. VPA has discovered a wonderful new plan that can help you retain your key employees and attract top performers.

Suppose you suffer a debilitating accident or illness. You're a key executive. You're protected by your group LTD plan, right? "Not exactly," says Hank Frazee, a member of the highly respected Ford/Meehan Agency.

Frazee explains, "Group LTD plans cover a percentage of base salary, and there's usually a cap on that amount -typically \$5,000 to \$10,000 per month. As a result, prolonged disability poses a tremendous threat to an employee's lifestyle and income."

The bottom line? People most vulnerable to the financial burden of disability are people at the top. The more salary an employee makes, the lower the percentage of their actual income is covered under the group plan. Benefits are usually taxable and further, most group plans don't cover bonuses, commissions, retirement contributions, and outside income. Group plans usually

have benefit limitations (specific illnesses and limited coverages, for example) that most employers and employees are unaware of.

David Sartin, Director of Marketing for VPA, has over 30 years of experience in healthcare and disability benefit consulting. "Many large companies have this problem, but few are aware of it until there is an employer relations disaster brought on by an unexpected disability. We have found a way to help our clients fill in the gaps in coverage through supplemental disability income protection policies. We're not talking about replacing existing disability plans. We're talking about filling in the gaps that inevitably occur between individual needs and standard group products."

## A Disability Story

Frazee tells the story of a young professional approached to buy supplemental disability income insurance during the first year of his new promotion. "Executive Smith didn't feel that he needed this type of insurance because he was young and in good health. His father-in-law advised him against buying the insurance because the odds of anything happening to such a young man was slight. Executive Smith's life insurance agent and friend finally convinced him to buy the insurance. He real-

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It is always a pleasure to announce new additions to VPA. It is even better when the announcement signals exciting business developments. In our last issue, we announced the addition of Thomas E. Klett to our executive team. By adding someone of Tom's expertise, we have enhanced our ability to assist existing and future clients to adopt "second generation" integrated disability plans for their employees. The corporate benefit issues today are more complex and intricately intertwined with the overall business strategy. The ability to interpret the subtle differences and recommend a solution maximizing the current resources takes the experience and expertise that Tom brings to VPA. The significance of Tom's hiring and the opening of VPA's first office in the Eastern Time zone, however, go far beyond his individual contributions. We are now uniquely positioned to capture a considerable portion of the self-insured employer absence and disability management market.

We recently reviewed the opportunity to gain market share in the ASO market. As more insurance companies refuse to accept ASO programs, the size of the market continues to exponentially expand and we find ourselves looking at a tremendous opening. Traditionally, we have leveraged our goodwill with clients and our relationships with brokers and consultants, to spread the word about VPA and the wide range of services we offer. Unfortunately, this didn't add much to our marketing efforts East of the Mississippi. Despite being the largest, independent Third-Party Administrator in the United States, we still are not well known by many large employers or their consultants.

We must change this view. We are planning additional enhancements to increase our capacity, react faster to our customers, and develop innovative products. The pressure on large employers to reflect their business goals in their benefit programs is increasing. We must be able to help lead our clients in meaningful changes to their programs. In order to do this, we must be able to understand, and react, to all of the business issues affecting our clients benefit programs.

As we increase the level of our service, we will add major clients in all regional locations. We will provide more plan design assistance to companies going through mergers and acquisitions. We will provide "value added" services through strategic partners that have the same commitment to excellence. Finally, we realize we cannot achieve our goal without continuing to make strategic investments in technology and in human capital. We will continue to add high caliber employees to our team as we meet the challenges facing us in the new millennium.

The opening of this office is a significant milestone in our history as we approach 20 years of providing excellent service to our clients. It is a defining moment that signals our emergence from a company known mainly for statutory plan administration to a full service, national power capable of administering all plan types in any environment. This is the beginning of our commitment to extend our presence to all regions of the country by hiring the best and brightest talent to complement the excellent staff already at VPA.

## Voluntary Plan Advisory Committee

In 1995, the Employment Development Department (EDD) invited plan sponsors and third-party administrators (TPAs) to join them as they reviewed regulations that control California Voluntary Plans. Because the regulations were becoming increasingly unclear and outdated, the EDD wanted to give those parties who were most affected by these laws, Voluntary Plan employers and administrators, the opportunity to participate in regulatory changes. This began the first "Voluntary Plan Advisory Committee."

Since then, the Voluntary Plan Advisory Committee meets 2-3 times each year. They discuss relevant plan issues, regulations, and policies. Members even bring examples of problematic situations -and together, discuss resolutions within the context of the law. These discussions often lead to the development of improved procedures and legislative reform for the benefit of all Voluntary Plan sponsors and administrators. Significant changes have resulted because of the Voluntary Plan Advisory Committee. For example, the Committee influenced the recent approval of the "Master" Voluntary Plan concept. They were also instrumental in the change in the California Unemployment Insurance Code (CUIC) that now allows employers to enroll employees into a Voluntary Plan by electronic (E-mail) methods.

VPA and several of our clients are active participants in the Voluntary Plan Advisory Committee. If you would like to further understand Voluntary Plan procedures or contribute in Voluntary Plan reform, we invite you to join us at the next meeting. For more information, please contact Thelma Wilson at (800)473-9761, ext. 3105. Just think of the great things we could accomplish together!

# NATIONAL SEMICONDUCTOR CORPORATION



National Semiconductor

Living in the Information Age, we experience the empowerment that technology brings to our lives. At any day of the week, it is not uncommon to see travelers holding cellular phones to their ears or computers on their laps. It is this technology that National Semiconductor Corporation makes possible. A leader in the electronics industry, National Semiconductor develops and manufactures products that connect us to the information highway.

In 1997, Fortune Magazine ranked National as one of the most promising and aggressive chipmakers in the industry. Combining real-world analog and state-of-the-art digital technology, the company's chips lead many sectors of the personal computer, communications, and consumer markets.

National realizes people are the key ingredient to their technology. Their employee benefit program is built upon the same philosophy. Self-Insuring their state disability insurance, short-term disability, long-term disability, and workers' compensation benefit plans has been key. "Self-Insuring allows us to build better employee programs through innovation, flexibility, and creative solutions," remarks Gene Kiernan, Director of Risk Management and Insurance at National.

In 1986, VPA was selected to administer National's state disability, short-term, and long-term disability plans. Kiernan reports, "VPA held the knowledge and understanding we needed." Over the past 12 years, VPA and National have been true partners in creating a highly successful program - a program built with

the employees in mind.

VPA has sought to improve communication methods and reduce the extraneous obligations from disabled employees. National has found VPA's telephonic claims filing and 24-hour interactive voice response system (IVRS) extremely effective. Employees and physicians report claims telephonically, eliminating the hassle of archaic paper forms.

The IVRU allows instant access to claim status, 24-hours a day. With these tools, employees are able to focus on the relevant issues of their disability, not paperwork. National also makes use of VPA's elective deduction process. VPA automatically withholds payments, such as medical and dental insurance premiums, from the employee's disability benefit check. This alleviates the necessity for employees to mail a check each month to National in order to continue their elective benefit coverage.

As the single administrator of National's disability plans, VPA is able to manage the disability from beginning to end. The confusion and duplication of efforts is eliminated as employees' transition from one benefit coverage to another. VPA's unique relationship with National's self-insured workers' compensation administrator is also instrumental in reducing duplicate activities for employees who are eligible for benefits from both administrators.

Kiernan concludes, "We have experienced significant administrative and financial success by using an efficient administrator. VPA offers a strong mix of good people, a strong product, and efficient administration."

## VPA Profile



Thomas E. Klett

## Towers Perrin Consultant Joins VPA and Opens NY Office

Thomas E. Klett, a consultant and health and disability practice leader with the international consulting firm Towers Perrin, has joined VPA as our new Regional Vice President of Marketing.

Tom will head our newest office in White Plains, New York where he will be working with large self-funded employers in developing solutions to complex health, workers' compensation, disability, and paid time-off delivery issues. He explains, "Employers, particularly major employers, are looking for specialized expertise when outsourcing the administration and management of complex absence and disability plans. Their needs run the gamut from assistance with technical benefit offset issues to improved coordination among their chosen benefit vendor partners. Employers are looking for an organization which can both understand their problems as well as solve them."

Formerly a health and disability practice leader with Towers Perrin, Tom advised a number of large employers including PepsiCo, the Ford Motor Company, 3M, and Sears on developing strategies for managing the spiraling costs associated with disability and paid time-off programs.

Tom continues, "Many employers have reached a critical juncture in the administration and management of their absence and disability plans. They have come to the realization that the ability to administer the disparate plans which make up their absence and disability programs is the key to cost management and employee satisfaction."

The author of numerous articles, including: "Managing Time Away From Work -The Next Frontier in Employee Benefits" and "Managed Disability -Past, Present and Future," Tom is frequently quoted and interviewed in national and business publications. Prior to joining Towers Perrin, Tom was an executive with UNUM where he helped build a disability consulting practice. He also served as a group underwriter for the firm's group disability insurance products. "I'm personally thrilled to be part of the VPA organization," comments Tom. "As a consultant, I found that many of my clients were unable to find organizations which could help them manage the entire range of their absence and disability plans. VPA was the only organization with the technology platform, business processes, intellectual capacity and service orientation to address those issues effectively."

Tom began his career in the United States Navy, received his Bachelor of Science degree in engineering from the University of Maryland, and subsequently completed the Executive Program in Health Care Management at the Edmund S. Muskie School of Public Affairs at the University of Southern Maine.



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## Plans

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ized he needed to think about his family and insure his income if anything did happen.”

“A few years later, Executive Smith was on vacation, camping at the same place he had gone to since he was a boy. One day he decided to go swimming in his favorite spot and used the tire swing he had used since he was young. Over-estimating the depth of the water, he jumped from the swing and fell into the lake and hit the bottom. He was instantly paralyzed from the neck down.”

Executive Smith was only thirty years old when this happened. The accident caused him to be in a wheelchair for the rest of his life. The expenses of a special van, modifications to his home, and the loss of his job were very difficult financially. The disability income protection policy pays him \$5,000 per month to age 65.

“Executive Smith is very grateful that his life insurance agent talked him into purchasing the disability insurance. It has helped pay bills and gives him comfort knowing he took care of himself and his family,” concludes Frazee. Individual policies may be purchased at discounted premiums with simplified underwriting. Employers looking to enhance benefits for their key executives may choose to pay the premiums. The balance of employees

can be covered on a voluntary, employee-paid basis. “Key employees will especially appreciate this program,” predicts Sartin. “There is a comfort in knowing you are protected from unexpected circumstances. Individual policies are non-cancelable. Coverage limits can be expanded to include bonus compensation, retirement contributions, and outside income. In addition, these plans are portable and can be taken with the employees beyond their current employment.”

Supplemental disability income plans also protect the employee's income should they return to work and earn less than they did before the accident or injury. This applies whether the employee returns to their original pre-disability occupation or a new occupation.

Plan designs for supplemental disability income protection plans are extremely flexible and tailored to meet the needs and desires of the company. According to studies by the Principal Financial Group, 1 out of every 3 people will experience a prolonged disability at some point in their life. Thus, providing a creative and well-rounded benefit package is a key element for any competitive employer. Adding supplemental disability income protection plans will be another important extension of your benefit portfolio and will take your company to the next level of benefit innovation.

To find out how VPA can help you with supplemental disability income protection plans, please contact David Sartin at (800) 473-9761, ext. 3117.

## VPA to Speak with PepsiCo at the NMWCIE

Together with PepsiCo, VPA will speak at the National Managed Workers' Compensation Institute. The conference will be held December 2-4, 1998 at the Sheraton City Centre hotel in Washington D.C.

Receiving honorable mention in this year's Creative Excellence in Benefits Award, join us as PepsiCo shares how they arrived at their integrated strategy, selected vendor partners to develop and implement it, and created tools and intellectual capital necessary to make it successful.

In 1998, VPA was chosen as the general contractor for PepsiCo's integrated program. VPA will provide a step-by-step description of the program, how it translates to results, and illustrate how the psycho-social needs assessment is producing positive employee outcomes.

This discussion promises to be one of the most informative and useful sessions of the conference. Don't miss the opportunity to see why everyone is talking about this revolutionary program! For more information, please contact Tom Klett, Regional Vice President of VPA at (914) 697-7555.

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