

AFLAC INDIVIDUAL PRODUCT PROPOSAL

This proposal was exclusively created for:



This proposal is valid for 90 days subject to the availability of the plans and es offered.

## WHY VOLUNTARY BENEFITS

### The Trend and Need

While traditional managed care plans continue to raise rates, we see many employers choosing to implement high deductible health plans as a method of reducing costs. While this is a more affordable option, the employee now has a greater out-of-pocket burden. However, with Aflac indemnity plans, this burden can be significantly reduced.

### Why Voluntary

The real question is, why not? Voluntary insurance plans can resolve a bevy of market pressures faced by HR and benefits managers today, at no cost to their companies. As a unique opportunity to satisfy competing priorities, voluntary insurance programs accomplish the seemingly impossible—help create a more attractive, benefits package in the face of diminishing budgets, rising health care costs, and a heated competition for talent.

### Numerous Challenges – One Solution

	Employer Impact	Employee Impact	Solution
<b>Rising Health Care Costs</b>	According to a 2009 survey, employers perceive health care costs as the number one challenge to achieving short-term success in today's economic uncertainty. <sup>1</sup>	Since 1999, family premiums for employer-sponsored insurance have increased 120% while wages have gone up 44% and inflation has risen 29%. <sup>2</sup>	Voluntary insurance supplements core packages at no direct cost to employers and may reduce corporate taxes by cutting FICA tax contributions.
<b>Pressure to contain expenses means shifting many costs to employees.</b>	Controlling health and medical insurance costs is the second highest priority among companies today. <sup>3</sup>	The average annual family premium increased 27% since 2004, to \$12,680 in 2008. <sup>4</sup>	Voluntary insurance policies can help employees manage rising health care costs by providing them with cash benefits for out-of-pocket medical expenses.
<b>Growing financial stress among employees can decrease morale, satisfaction, and productivity.</b>	One-third of workers are experiencing difficulty paying off debt, and nearly half (48 percent) are so worried that it is distracting them from work. <sup>5</sup>	Sixty-two percent of all personal bankruptcies in the U.S. in 2007 were caused by health problems. <sup>6</sup>	Employees with voluntary insurance coverage are less concerned overall with medical finances issues than those without voluntary insurance. <sup>7</sup>
<b>Pressure to contain expenses means shifting many costs to employees.</b>	Nearly one-quarter of employers believe they are more likely to lose employees to competitors with better benefits packages. <sup>7</sup>	Benefits was ranked as the most important factor in terms of retention for employees. <sup>8</sup>	Among employers, 41 percent say offering voluntary benefits is a good way to look after their employees, and 40 percent say voluntary benefits help increase employees satisfaction. <sup>9</sup>

<sup>1</sup>2009 Top Five Total Rewards Priorities, Deloitte, LLC Survey, 2009; <sup>2</sup>Why Supplemental, Aflac/RTI Market Research, 2009; <sup>3</sup>Employer Health Benefits, Kaiser Family Foundation/KRET Survey, 2008; <sup>4</sup>Pierson, B., "Simply Put, It's Good Financial Planning," Supplemental Disability Insurance, Aug. 2008; <sup>5</sup>Workplace Options survey, February 2009; <sup>6</sup>Harvard research study conducted by Drs. David Himmelstein and Steffie Woolhandler of Harvard Medical School, Elizabeth Warren of Harvard Law School, and Deborah Thome, a sociology professor at Ohio University, June 2009; <sup>7</sup>Small Business "Now More Than Ever," Aflac/Acceler-PULSE, 2009; <sup>8</sup>Spherion Corporation "Emerging Workforce Study," 2009; <sup>9</sup>Why Supplemental, Aflac/RTI Market Research, 2009.

### For the employer...

- 1. You can provide Aflac at no direct cost to your company.**  
Aflac policies are 100 percent employee-paid and are purchased on a voluntary basis. Many companies choose to make Aflac policies available as a cost-effective solution to help employees with the rising cost of out-of-pocket health care expenses.
- 2. Aflac complements your existing benefits package.**  
With a wide range of insurance policies, your employees can choose the areas where they want additional coverage. Aflac benefits do not change or replace any of your current employee benefits; they complement them.
- 3. Aflac policies have been designed for ease of administration.**  
Our policies and services are designed to be easily implemented. And with coordinated enrollment, support tools, and online services, Aflac makes it easy for your employees to participate.

### For the employee...

- 1. Aflac is not health insurance; it's insurance for daily living.**  
Major medical pays for doctors and hospitals. Aflac is insurance for daily living. It pays cash benefits directly to you to help with daily expenses due to an illness or accident.
- 2. Aflac is an extra measure of financial protection.**  
When you're sick or hurt, Aflac pays cash benefits directly to you with unexpected expenses. The benefits are paid regardless of any other insurance you have.
- 3. Aflac pays you cash benefits to use as you see fit.**  
You can use your Aflac benefits check to help pay for groceries, childcare, rent. It's totally up to you.
- 4. Aflac benefits help with unexpected expenses.**  
Your Aflac benefits check helps you pay for the many out-of-pocket expenses you incur when you are sick or hurt—like the cost of transportation to and from medical facilities, parking and additional childcare expenses.
- 5. Aflac is affordable.**  
We have a range of products that can fit most budgets. And, Aflac rates don't go up even when you file a claim.
- 6. Aflac processes claims quickly-usually within 4 days.**  
Aflac provides prompt service and fast payment of accepted claims to help you pay your bills. While you're getting healthy, we focus on getting you cash as quickly as possible.
- 7. Aflac pays you benefits even when you're healthy.**  
We want you to be healthy—that's why we promote preventative care. Get a routine physical, a mammogram, or an eye exam and we'll pay you. It's that simple.

CURRENT CLIENTS

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Aflac proudly serves the following clients:



### Financial Strengths

The national economy is facing troubled economic times, but our financial ability to back our policyholders and their policies is stronger than ever. Take a look at our most recent financial ratings\* below:

- **A.M. Best:** A+
- **Rating and Investment Information (R&I):** AA-
- **Moody's Investors Service:** Aa2
- **Standard & Poor's:** AA-

\*Ratings as of 9/22/11

### Company of Choice

Aflac has received a variety of accolades from numerous sources:

- Ranked by Fortune Magazine as No. 1 as America's Most Admired Company in the life and health insurance category (2012).
- For the second consecutive year Aflac has been recognized by the Reputation Institute in its Global Reputation Pulse report as the most respected company in the global insurance industry.
- Aflac received the honor in the Insurance category as the 2011 World's Most Ethical Company ranked by Ethisphere Council.

### Industry Decision Makers Agree...

The following statistics show the concerns that top HR professionals have concerning morale and profitability.

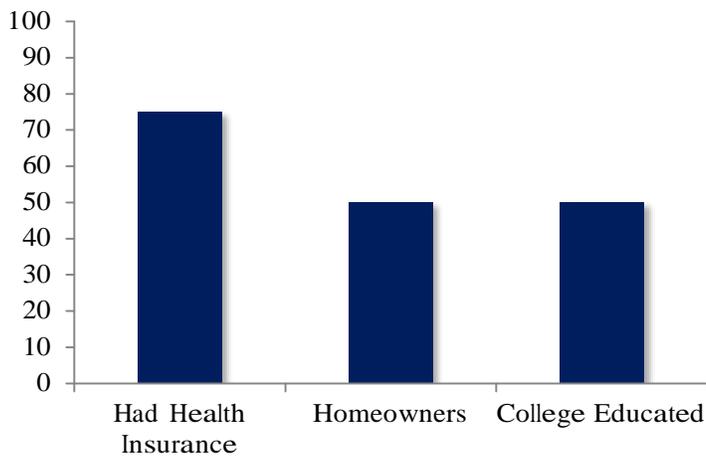
- 85% agreed that one of their biggest challenges is getting employees to understand their benefits.
- Over 75% agree that a well communicated benefits program leads to reduced turnover.
- 76% agree that voluntary insurance adds to employee satisfaction.
- 83% of employees indicated that it is important that they feel valued and recognized by their employer through the benefits made available in the workplace.
- 1 in 3 employers feel productivity increases when employees choose voluntary insurance.

Aflac policies are **100% employee-paid** and are purchased on a voluntary basis. Many companies choose to make Aflac policies available as a cost-effective solution to help employees with the rising cost of out-of-pocket health care expenses.

### Rising Health Care Costs

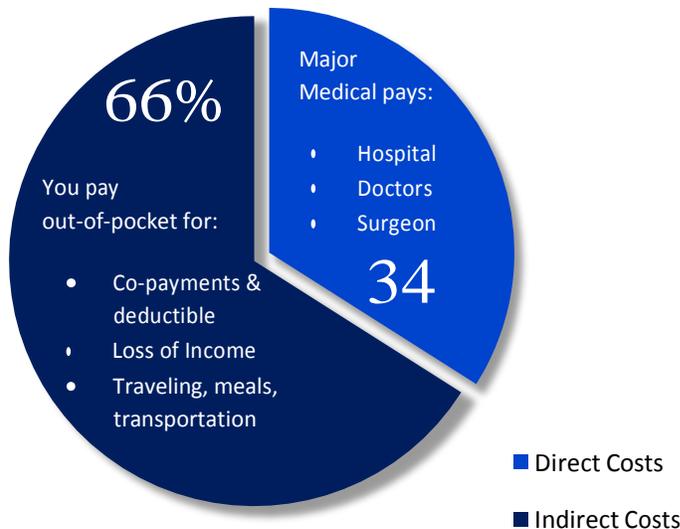
Aflac policies help employees with rising health care costs. We pay cash directly to the policyholders to alleviate the financial burden of co-pays, deductibles and daily expenses. Often, people don't account for the fact that many costs of an injury or illness are out of pocket expenses, such as loss of income and travel expenses. In essence, Aflac gives your employees an added financial safety net without costing you anything.

### The Statistical Need



#### Harvard Study (Himmelstein)

Half of all U.S. bankruptcies stem from excess medical costs. The chart to the right categorizes those that filed for bankruptcies. A majority (over 70%) of those that filed for bankruptcy had major medical insurance.



#### National Cancer Institute

The National Cancer Institute estimates that as much as 66% of the overall cost for cancer treatment is related to INDIRECT COSTS. The family pays for indirect costs from: earned income, liquidating assets, savings, loans and supplemental insurance.

## FICA TAX SAVINGS

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Aflac pre-tax programs and cafeteria plans provide employers with significant FICA tax savings. When polled, 69% of employers surveyed have experienced payroll tax savings due to employees making premium contributions on a pre-tax basis.\*

<b>Number of Employees</b>	Per 100
<b>Average Aflac Participants</b>	60%
<b>Average Price of Policy</b>	\$510
<b>FICA Savings Rate</b>	7.65%
<b>Total FICA Savings</b>	<b>\$2,340</b>

The above chart represents the following:

On average, 60% of employees take advantage of Aflac programs when offered at the workplace. The average annual price of an Aflac policy is \$510. Taking into account the above statistics, the total premium will amount to \$30,600. Given the 7.65% FICA savings rate, the company will save \$2,340 on their FICA taxes. The tax savings are simply based on the amount of premium from participating employees (i.e. higher premium equals higher tax savings).

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# Product Overview

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## UNIQUE FEATURES

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### How We Differ from Most Insurance

There are some very distinctive aspects about our products that make us different from major medical insurance:

- ▶ **Wellness Benefits**  
We understand the importance of wellness. You will notice that many of policies have a benefit that pays cash directly to the policyholder for being proactive.
- ▶ **Guaranteed Renewable**  
In other words, we will never drop anyone from coverage no matter how much they use their policy.
- ▶ **Portable**  
Our policies are individually owned so employees can keep them in the event they leave your employment. Moreover, they will keep the group discounted rate, which they received at time of enrollment.
- ▶ **No coordination of benefits**  
Claims are paid on our policies regardless of any other insurance. Essentially, we enhance what is already in place.
- ▶ **Claims paid directly to the policyholder**  
Claims are paid in the form of cash benefits directly to the policyholder. The money can be used for out-of-pocket expenses associated with a medical event or simply for everyday expenses.

## AFLAC CANCER CARE

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### Plan Overview

Aflac's Cancer Care policy is an individual policy that is portable and guaranteed-renewable. Anytime a policyholder moves or changes jobs, the Aflac policy will not cancel and will always follow the policyholder. This policy offers the policyholder freedom to choose providers and explore treatment options, which are choices that may not be available with some comprehensive major medical health plans.

Our mission is simple. If you're diagnosed with cancer, you should spend your time focusing on getting better, not worrying about your finances. Some expenses won't be covered by major medical insurance—including travel, food, lodging, child care, and household help. And remember: living expenses such as car payments, mortgage or rent payments, and utility bills will continue, whether you are able to work or not.

### The Need

Despite the best efforts of doctors, researchers, and countless organizations, Cancer remains a concern for many individuals and families. People from all walks of life are at risk, regardless of age, gender, or ethnic background. Here are a couple of statistics to help you understand the role Cancer plays in America's overall health. According to the American Cancer Society:

- In the United States, men have slightly less than a 1-in-2 lifetime risk of developing Cancer; for women, the risk is a little more than 1-in-3.<sup>1</sup>
- About 1,479,350 new Cancer cases were expected to be diagnosed in 2009.<sup>2</sup>

<sup>1</sup> "Disability and Health in the United States, 2001–2005," National Center for Health Statistics, 2008.

<sup>2</sup> Social Security Administration Fact Sheet 2007.

### Plan Highlights

Listed below are the major benefits of this plan (this list is not exhaustive):

- ▶ Initial Diagnosis
- ▶ Hospital Confinement
- ▶ Radiation
- ▶ Chemotherapy
- ▶ Immunotherapy
- ▶ Experimental Treatment
- ▶ Surgical/Anesthesia Benefit
- ▶ Reconstructive Surgery
- ▶ Hospital Confinement
- ▶ Lodging Benefit
- ▶ Reconstructive Surgery
- ▶ NCI Evaluation
- ▶ Wellness

Rates

Aflac Cancer Care Classic

Age		Premium
<b>18-75</b>	<b>Individual</b>	\$7.59
<b>18-75</b>	<b>Insured/Spouse</b>	\$12.99
<b>18-75</b>	<b>One-Parent Family</b>	\$7.59
<b>18-75</b>	<b>Two-Parent Family</b>	\$12.99

Specified Health Event Rider

Ages	Individual	One-Parent Family	Husband/Wife	Two-Parent Family
<b>18-35</b>	\$2.19	\$2.34	\$3.72	\$3.72
<b>36-45</b>	\$3.60	\$3.63	\$6.18	\$6.18
<b>46-55</b>	\$4.95	\$4.98	\$9.06	\$9.06
<b>56-75</b>	\$6.18	\$6.36	\$12.51	\$12.51

**AFLAC CANCER CARE PLAN CLASSIC - Series A78300**  
**SPECIFIED HEALTH EVENT RIDER - Series A75056**  
 All rates shown are weekly and based on the NY product

## ACCIDENT INDEMNITY ADVANTAGE

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### Plan Overview

One of the inherent values of Aflac's accident indemnity policy is that we pay cash benefits to help cover expenses associated with an accident. Like our other policies, the accident policy is individually owned, guaranteed-renewable, and portable.

It's a way to stay ahead of the medical and out-of-pocket expenses that add up so quickly after an accidental injury - not just for emergency treatment, hospital stays and medical exams, but for other expenses you may face, such as transportation and lodging needs. When you have a covered accident, we'll send cash benefits directly to you and you decide the best way to spend them. It's as simple as that.

### The Need

Accidents happen to all kinds of people every day. In 2005, over 30 million people sought medical attention for an injury and almost 3 million of these were hospitalized.\*

What would the financial impact of an injury mean to your security? Are you prepared for medical debts in addition to everyday household expenditures and lost wages? Out-of-pocket expenses associated with an accident are unexpected and often burdensome; perhaps the accident itself could not have been prevented, but its impact on your finances and your well-being certainly can be reduced.

\*Injury Facts, National Safety Council, 2008 edition.

### Plan Highlights

Listed below are the major benefits of this plan (this list is not exhaustive):

- ▶ Emergency Treatment
- ▶ Follow-up Treatment
- ▶ Initial Hospitalization
- ▶ Hospital Confinement
- ▶ Intensive Care Unit
- ▶ Major Diagnostic Exam
- ▶ Physical Therapy
- ▶ Rehabilitation Unit
- ▶ Accidental-Death
- ▶ Wellness

## Rates

Age		Premium
18-70	INDIVIDUAL	\$6.84
18-70	HUSBAND WIFE	\$8.22
18-70	ONE-PARENT FAMILY	\$9.81
18-70	TWO-PARENT FAMILY	\$12.33

**ACCIDENT INDEMNITY ADVANTAGE HSB 24-HOUR LEVEL TWO - Series NY35600**  
All rates shown are weekly and based on the NY product

## HOSPITAL PROTECTION

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### Plan Overview

Whether a person is hospitalized for a few days or a few weeks, major medical health insurance typically has a deductible that must be met before benefits begin. Aflac pays higher benefits for the first five days of hospitalization each year, providing cash benefits that can help policyholders recoup their deductibles faster, thereby reducing out-of-pocket expenses.

But we don't stop there. Daily benefits are payable for up to 365 days of confinement. We also pay benefits toward surgery, whether in or out of the hospital, and the Outpatient Surgical Room Charge Benefit helps with the cost of operation room charges. A variety of diagnostic and screening procedures are also covered under the Invasive Diagnostic Exams and Medical Diagnostic and Imaging Benefits.

### The Need

A hospital stay—even for a few days—can be quite expensive. According to the American Hospital Association, the average length of a hospital stay is 5.6 days with an average cost well above \$8,000.\*

\*Hospital Statistics 2007 Edition, Health Forum LLC, an affiliate of the American Hospital Association

### Plan Highlights

Listed below are the major benefits of this plan (this list is not exhaustive):

- ▶ Annual Hospitalization Confinement
- ▶ Daily Hospitalization Confinement
- ▶ Surgical Benefit
- ▶ Plus, additional options available

Rates

	Individual	One Parent Family	Insured/Spouse	Two Parent Family
18-39	\$7.65	\$10.77	\$14.13	\$16.35
40-49	\$9.45	\$12.09	\$16.17	\$17.70
50-59	\$12.15	\$14.34	\$21.12	\$22.86
60-70	\$14.85	\$18.39	\$25.17	\$27.81

**HOSPITAL PROTECTION PLAN TWO - Series A-46200**  
 All rates shown are weekly and based on the NY product

# AFLAC SHORT-TERM DISABILITY

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## Plan Overview

More often than not, people tend to buy insurance to protect their possessions, such as homes, cars, and furniture, and to provide for their survivors in the event of their death. Unfortunately, many people do not protect their income if they were unable to work due to an injury or illness. The Aflac Short-Term Disability insurance policy helps meet financial obligations if suddenly the policyholder is unable to work because of a disability.

The best part about our short-term disability is that it's guaranteed issue up to \$3,000 in benefit amount. This means that there is no medical underwriting for applicants. And for the employer, there are no participation requirements.

Also, Aflac does not coordinate benefits with other sources of disability income and benefits are paid regardless of other insurance. We also ensure that our short-term disability is affordable. By offering numerous elimination periods and benefit periods, our plan is flexible and can be adjusted to meet the potential policyholder's premium expectations.

## The Need

When disabled, you may not only lose the ability to earn a living, but you may also lose savings, retirement funds, or even your home. The financial obligations can be overwhelming. Disability insurance plays an integral and important role in your financial planning.

- About 62 million people in the United States have some disability that affects daily activity.<sup>1</sup>
- Around 3-in-10 people entering the workforce today will become disabled before retiring.<sup>2</sup>

<sup>1</sup> "Disability and Health in the United States, 2001–2005," National Center for Health Statistics, 2008.

<sup>2</sup> Social Security Administration Fact Sheet 2007.

## Plan Highlights

Listed below are the major benefits of this plan (this list is not exhaustive):

- ▶ Guaranteed Issue
- ▶ Covers Sickness and Accident
- ▶ Covers Maternity
- ▶ Customizable for Affordability
- ▶ Fully Portable

