

Eight tips for a smooth transition between benefit carriers.

Help clients manage the transfer process with confidence.

When a client is considering switching employee benefit carriers, there’s a lot to think about. One of the best things you can do on the front end is to help clients make sure no employee falls through the cracks during the transition. In some cases, you can also help clients determine if the time is right to move coverage to a new carrier.

These eight tips can help you work with your clients to make the best decisions for their employees and manage the transition process.

1 | Identify the difference between the carriers’ benefit designs. Review actively-at-work criteria, waiting periods, grandfathering needs, life insurance portability and conversion, COBRA benefits, and other factors so you know how they’ll be handled if the employer switches carriers.

2 | Let the new carrier know if any employees aren’t actively at work. They may not be immediately eligible for coverage, so it’s important the new carrier has this information to determine how and when to enroll them.

How is “actively at work” defined? In general, it’s an employee who’s able and available to perform all their regular duties and meet the employer’s eligibility requirements. Let’s look at how the “actively at work” definition works for different coverages.

EMPLOYEE				DEPENDENT
Coverage	Vacation, PTO, days off	Off work/approved for FMLA to care for a qualified family member	Disability	Home or hospital confined
Dental, vision, accident	Immediately eligible	Immediately eligible ¹	Immediately eligible ¹	Immediately eligible ¹
Disability	Immediately eligible	Immediately eligible ¹	Not immediately eligible	Not applicable
Life, voluntary term life, hospital indemnity, critical illness ²	Immediately eligible	Immediately eligible ¹	Not immediately eligible	Not immediately eligible

¹ Employees are immediately eligible only if they were covered by the prior carrier.

² Specified disease in New York.

If an employee is not actively at work, the new carrier may need additional information about the employee to determine if they can or will take the case by assessing the risk. This information may include:

- Reason they're not actively at work
- Last day worked
- Expected return date
- Age, diagnosis, prognosis, and applicable benefit level
- Current carrier's contract to determine eligibility for waiver of premium or conversion

3 | Confirm employees not actively at work or dependents in a period of limited activity are eligible to continue the prior carrier's life insurance. When changing life carriers, it's important to make sure they don't lose their life coverage.

Two key questions should be answered for anyone not actively at work or in a period of limited activity, yet who were covered under the prior policy on the date of its termination:

<p>Does this person—employee or dependent—meet the prior carrier's requirements to convert the group life policy to an individual life policy?</p>	<p>Has this person—employee only—been disabled for a qualifying period of time to be eligible for a waiver of premium under the prior carrier's policy?</p>
--	---

If the answer to either question is yes, they'll need to work with the prior carrier to continue coverage. If both answers are no, they're generally eligible for coverage with the new carrier.

If the ...	They should be ...
<p>Employee isn't actively at work on the coverage effective date</p>	<p>Offered the right to convert to an individual policy under the prior carrier.</p>
<p>Employee isn't actively at work on the coverage effective date due to disability</p>	<p>Directed to file for a life waiver under the prior carrier.</p>
<p>Dependents in a period of limited activity on the coverage effective date</p>	<p>Offered the right to convert to an individual policy under the prior carrier.</p>

If not converted and a claim occurs ...
 ... the new carrier would review the prior carrier policy against its own policy to determine who's responsible for the claim.

There are limits on the amount an employee can convert when the policy terminates. Be sure to check with the current carrier so you know how employees will be affected.

4 | Validate employees have completed the employer's waiting periods.

Typical waiting period options	
Option	How it's applied
A Time credited toward the prior carrier waiting period applies to satisfy the waiting period of the new contract.	Applies to initial and future hires
B The waiting period doesn't apply to employees hired before the effective period.	Applies to future hires only
C The waiting period applies to all employees, including those hired before the effective date.	Applies to all employees <ul style="list-style-type: none">• Current employees based on effective date• Future employees based on hire date

5 | Review the new carrier's rules for grandfathering life and critical illness coverage. What is grandfathering?

It allows an eligible employee or spouse with prior carrier life and/or critical illness coverage above the guaranteed issue amount to continue the current coverage amount without providing medical evidence. Amounts above the maximum usually aren't allowed even when grandfathered due to medical evidence.

The new carrier may require additional information about the current benefits and the employees to evaluate the grandfathering request, including:

Case information	Individual information
<ul style="list-style-type: none">• Census information (including age, salary)• Current benefit schedule• Guaranteed issue limit and amounts over it• Participation in the current program• Total volume of insurance and volume over the guaranteed issue limit	<ul style="list-style-type: none">• Previously grandfathered and when• Previously underwritten and when• Known health risks

6 | Identify COBRA employees for dental coverage. Before transitioning a case to a new carrier, determine:

- Which employees have continued their dental coverage through COBRA
- What their continuation effective dates are
- Why coverage is continuing for each affected employee

COBRA is generally available to employers with 20 or more full-time employees, though a few states have continuation for smaller employers. Carriers must accept members currently on COBRA or any valid state continuation, but may place a limit on the percentage of employees on continuation to accept the group. Make sure the number of employees doesn't exceed the carrier's guidelines before moving the coverage.

7 | Evaluate the new dental carrier’s policies for rollover maximum. Some dental carriers allow a portion of the unused maximum benefit to roll over or add to the maximum benefit for the following year. And some will take over the accumulated dental rollover maximum amounts from the prior carrier. The new carrier will need to know the dental rollover maximum amounts from the prior carrier. Make sure you know if there are any limits on the amount they will take over before moving the coverage.

8 | Ask how treatment in progress is handled. Carriers handle treatment in progress differently. Some won’t cover non-orthodontic treatment—like root canals, crowns and bridgework—already started before the new coverage begins. Others base eligibility for these services on when the treatment is finalized (referred to as the “seat date”).

How carriers handle treatment in progress can create a “black hole” where neither carrier will contractually cover treatment in progress or, in other cases, both will contractually cover it. Be sure to know how both carriers handle treatment in progress so no employees are missed.

Normally, orthodontic treatment covered by the prior carrier and started before the new coverage begins is continued by the new carrier. It’s important to note that orthodontic treatment in progress on the effective date that wasn’t covered by a prior carrier is likely not going to be covered by the new carrier.



When clients consider a change in carriers, take a step back and look at the big picture. Help them evaluate the positives and the negatives, and if the time is right. Most importantly, make sure you know how a carrier change will impact your clients and their employees. Don’t let a transition of benefits from one carrier to another result in someone losing coverage. Be the knowledgeable resource your clients need, and help them avoid surprises down the road.



Contact your local sales representative. Visit us at [principal.com](https://www.principal.com).



[principal.com](https://www.principal.com)

Insurance products issued by Principal Life Insurance Company®, a member of the Principal Financial Group®, Des Moines, IA 50392.

This document provides a high-level overview of the carrier transition process. It is not a complete statement or summary of specific insurance products or services offered by Principal Life Insurance Company.

For financial professional use only. Not for use with consumers or the public.

Principal®, Principal Financial Group®, and Principal and the logomark design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and service marks of Principal Financial Services, Inc., in various countries around the world.

GP61401-04 | 10/2023 | 3150207-102023 | © 2023 Principal Financial Services, Inc.