An Employer's Guide to Voluntary Insurance

Changes to the way major medical insurance is purchased and delivered have made voluntary insurance more critical to a complete benefits plan than ever. Find out how voluntary insurance options benefit employees – and why they're just plain good business for U.S. companies.

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Voluntary insurance benefits: The right choice for employees; the smart choice for businesses

Successful organizations address the diverse needs of their employees and protect them from high out-of-pocket medical costs. What's more, they use well-thought-out benefits options to lure the best and brightest new workers to their organizations. Voluntary benefits options and other financial tools are low-cost ways to help employees build smart safety nets. They're also a smart option for companies that want to build stronger, more content and more loyal workforces. This booklet outlines the hows and whys of voluntary insurance while providing key insights into the financial needs and concerns of today's employees.

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What is voluntary insurance – and why do employees need it?

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A whirlwind of changes to the way health insurance in the United States is purchased and delivered has more Americans focused on cost and coverage than ever before. Suddenly, major medical insurance isn't just a nice-to-have: It's a must, much like auto and homeowners insurance are musts for those of us who drive cars or own homes.

Health care reform has turned workers' attention to their personal health care situations. They're also looking closely at their insurance coverage to identify gaps that might leave them vulnerable to medical expenses they're ill-equipped to pay. Enter voluntary insurance, a type of coverage that's not required or mandated, with enrollment that's completely optional – which is why it's known as "voluntary."

Why voluntary?

Voluntary insurance works hand in hand with major medical plans to help ensure individuals who are sick or hurt have the funds needed to pay health-related costs their primary insurance might not cover, as well as other out-of-pocket costs. After all, when a medical event occurs, there are deductibles, copayments and treatment costs that aren't covered to consider – not to mention the bills that continue to roll in even if an individual is too ill or injured to work.

According to the 2014 Aflac WorkForces Report,[1] 49 percent of today's workers have less than $1,000 on hand to pay out-of-pocket medical expenses and 66 percent would not be able to adjust to the financial costs associated with a serious injury or illness. Perhaps that's why so many are open to voluntary insurance: 52 percent of workers who don't currently have access to voluntary benefits through their companies say they'd probably apply for coverage if their employers made it available.

With that in mind, here are several reasons employers should seriously consider offering voluntary options:

» Voluntary insurance can help provide employees with financial safety nets that keep their minds on their jobs and not on money concerns. That's especially important given that

employees who participated in the 2014 Aflac WorkForces Report said personal financial issues are the top non-work-related issue that distracts them while they're on the job.[1]

- Voluntary insurance pays cash benefits workers can use to help pay unexpected health care costs that might not be covered by major medical insurance or to help pay bills that threaten their financial security.
- Voluntary insurance pays cash benefits regardless of any other insurance coverage employees have in place, including policies available through government health care exchanges.
- Employees who are offered and enrolled in voluntary insurance plans feel more empowered at work, report increased job satisfaction and believe they're more financially prepared to cope with unexpected medical expenses.[1]

A win-win scenario

With so much uncertainty swirling around benefits and options in the wake of reform, developing a plan to manage health care-related costs can be overwhelming for both employers and workers. Voluntary insurance options are a double win: They can soften the blow of rising out-of-pocket costs for workers and, because premiums are employee-paid, they can be made available at no direct cost to companies.

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[1] The 2014 Aflac WorkForces Report is the fourth annual Aflac employee-benefits study examining benefits trends and attitudes. The study, conducted in Jan. 2014 by Research Now, captures responses from 1,856 benefits decision-makers and 5,209 employees from across the United States. To learn more about the Aflac WorkForces Report, visit AflacWorkForcesReport.com.

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Better together: The truth about voluntary insurance riders

Some things just go together. What's peanut butter without jelly, peaches without cream, Hall without Oates?

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Better together: The truth about insurance policy riders

Some things just go together. What's peanut butter without jelly, peaches without cream, Hall without Oates?

The same two-is-better-than-one principle applies to insurance. What's commonly known as a rider – an add-on to a basic insurance policy – can help make all the difference in the overall value of your coverage. Think of a rider as a little extra something that's added to a basic life or health insurance policy to sweeten the deal and personalize your coverage.

Where does the term "rider" come from? Simply put, a rider is something that doesn't exist on its own. It only comes into play when it's attached, or "riding," with something else – sort of like a sidecar on a motorcycle.

When it comes to insurance riders, there are many kinds: Both life and health insurance policies can be beefed up with riders. Your insurer determines what types of riders to offer, and it's up to you – with help from your agent or broker – to choose the ones that are right for your needs.

Common examples of life insurance riders include:

- A waiver of premium rider, which pays your insurance premiums if you're totally disabled and cannot work.
- An accidental death benefit rider, which provides an additional sum to your beneficiaries if your death is the result of a covered accident. This rider is sometimes known as "double indemnity" because in many cases the payout is twice the policy's face value.
- A spouse or child life insurance rider, which allows you to add term life insurance coverage for your husband, wife or child.

Voluntary health insurance policies, such as cancer, disability and life, also may include optional riders. You might select a rider that increases your benefits based on the length of time your

policy is in force, or one that pays benefits in the event of certain medical circumstances. For example, some riders pay benefits if you're diagnosed with cancer or another covered, life-threatening disease, such as Type 1 diabetes or advanced Alzheimer's disease; while others go into effect if you suffer a traumatic health event, such as a heart attack or stroke.

The bottom line is that your life or health insurance journey isn't over once you've applied for basic coverage – it continues as you select the optional riders that customize your experience. It's almost like taking an off-the-rack dress or suit that fits just OK to a tailor who makes it fit like a glove.

Next time you consider adding an insurance product to your portfolio, remember to ask about available riders. After all, neglecting to do so is like ordering apple pie without ice cream.

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Voluntary insurance: Go with the group or go it alone?

Sometimes it's smart for employers to make group insurance available to workers, while at other times it's best for them to provide individual coverage options.

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Voluntary insurance: Go with the group or go it alone?

Some of life's activities are not for solo players – board games, charades and team sports are examples. At other times, we're on our own: think running on a treadmill, completing a crossword puzzle or playing classic solitaire. The same is true of health insurance coverage. Sometimes it's smart for employers to make group insurance available to workers, while at other times it's best for them to provide individual coverage options.

Most employer-paid health insurance benefits, including major medical coverage, fall into "the more the merrier" category, with employees enrolling in group plans. But when it comes to voluntary coverage, both group and individual plans have distinct advantages, and employers can choose to provide workers with access to one or the other – or even both.

One way today's employers are keeping company expenses under control while providing employees with the health benefits they want is by offering voluntary insurance plans, including critical illness, short-term disability, accident, dental and life insurance plans. These plans give employees the freedom to select coverage that suits their particular needs and life stages and, at the same time, allow businesses to differentiate their benefits plans from those of rival companies. After all, voluntary coverage can be a powerful tool when it comes to attracting and retaining a talented workforce.

The advantages of voluntary plans are clear, but it's up to employers to decide what type of coverage they'll make available to workers:

» **Individual plans** are unique to each employee, meaning they are often issued and priced based on medical history, age and other personal factors.

- **Group plans** may offer coverage options without requiring applicants to answer health-related questions and absent of age or other considerations.

Individual assets: Fixed premiums and guaranteed renewal

When deciding whether to offer individual voluntary products to their workers, employers should consider the features and benefits unique to this type of coverage. To begin with, individual voluntary insurance policies are just that – individual. They're typically based on a person's or a family's unique health situation; however, individual policies are beginning to require less underwriting and in some situations are even guaranteed-issue. Prospective participants often meet one-on-one with an insurance professional to discuss their needs and choose the amount of coverage that's right for them. Here are some other important points:

- **Individual voluntary insurance coverage is guaranteed-renewable.** Once employees are enrolled, they can continue coverage even if their relationships with their companies end – as long they continue to pay the premiums.
- **Individual plan premiums don't change based on the experiences and claims of fellow workers.** Rates can only be changed by a state's department of insurance and apply to everyone in the state who's enrolled in a particular coverage plan.
- **In some cases, individual plans may have higher premiums than group plans.** This is because individual plans feature premiums that are based solely on an individual applicant's health, age and other circumstances, as opposed to the overall health of all employees.

Group insurance points: Cost-conscious and customizable

Many people don't seek out individual coverage because it's easy to enroll in their employers' group plans. Enrollment is simple – all they need to do is fill out the provided forms – and the plans are marketed as among the least expensive available. Here are a few important things to know about group voluntary coverage:

- **Group plans generally require limited underwriting.** That's great news for those with health conditions that preclude them from qualifying for individual coverage, although some plans include limitations on pre-existing conditions.
- **In some instances, group plan premiums may be lower than individual plan premiums.** This may benefit older employees and those with pre-existing conditions, because premiums are based on shared risk within the group.
- **The insurance contract is issued to the employer, not the employee.** With group plans, employees receive certificates of coverage, and the employer is the master policyholder. If the company decides to terminate the master policy for any reason, employees' coverage may end.

In summary

Thorough research is important when employers are deciding whether to offer individual or group insurance coverage to employees, as well as when employees are selecting their plans. Cost benefits for both employers and employees are major considerations, as are renewability, portability and the potential for customization.

Individual or group insurance? Know the difference.	
Individual Voluntary Insurance	**Group Voluntary Insurance**
Individual plans are unique to each employee, meaning they are often issued and priced based on medical history, age and other personal factors.	**Group plans** may offer coverage options without requiring applicants to answer health-related questions and absent of age or other considerations.
Coverage is generally not guaranteed-issue and may feature more strenuous underwriting.	Coverage may be guaranteed-issue, with fewer underwriting stipulations, although participation requirements must be met.
The policy belongs to the insured and is portable, meaning it remains in effect if the employee changes jobs or retires, as long as premiums are paid.	Coverage is portable, but with certain limitations. If the employer cancels the group's master policy, the employees' coverage may be terminated.
Benefit amounts and quantities are often more robust because they're chosen by the individual applicant.	Benefit amount options, plan designs and features are determined by the employer, and employees must decide whether to apply after determining whether the employer-specified options meet their needs.
Enrollment is more likely to include a one-on-one meeting with a benefits expert.	Enrollment options are plentiful and include group meetings and electronic platforms.

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