

Group or Individual Insurance?

TAKING THE GUESSING GAME OUT OF MAKING THE DECISION FOR SMALL BUSINESSES

When it comes to choosing the best insurance plans to offer their employees, HR executives for small businesses typically have fewer options from which to choose. The size of the business, that is number of employees, plays a significant role in determining whether or not group insurance is an option. This same decision applies to voluntary insurance programs.

Now that some voluntary insurance providers, such as Aflac, offer group platforms to businesses with as few as 100 eligible employees, the decision to offer group plans over individual policies may become a bit of a guessing game for benefits managers.

GROUP PLANS COST-EFFECTIVE, VIABLE OPTION

Historically, group insurance plans may have been considered out of reach for smaller companies. Having too few employees limited the options of small businesses offering employees insurance plans under a group platform. This left individual policies as one of the only options for employers to provide to employees from a benefit standpoint.

Group plans tend to offer less expensive rates, which is crucial for all companies, but especially for smaller businesses. Finding ways to offer competitive insurance benefits at lower costs to the employer is a major goal for most companies in today's environment.

With providers such as Aflac lowering the minimum number of employees to 100, securing group insurance plans is now an attainable goal for many business owners. And with voluntary group insurance platforms, employees can control how much or how little coverage they want, with no direct costs to the employer.

With group insurance options, employers and employees will enjoy more ease with enrollment and use, taking the lengthy training sessions out of the mix. Many voluntary group platforms require only one application, rate set, and underwriting structure, and employees can enroll online in many cases.

Although there are many reasons to offer group voluntary insurance, there are also a few drawbacks. For example, under a group plan individual employees receive a "certificate" rather than a "policy" of insurance and many of the policy terms are negotiated by the group. The group (called the "master policyholder") has the option to terminate the policy at any time, which means the individuals who hold certificates under the policy will lose their right to continue the group insurance coverage. While it doesn't occur often, some companies choose to terminate the master policy as a result of an acquisition, merger or filing for bankruptcy.

Meaning, Group Plans are portable, but the employee does not own their coverage as with Individual coverage. The employee can keep their coverage when they leave the employer only if the Master Policy stays

in force. In some cases, if the company cannot maintain the maximum number needed to retain coverage, the entire case could be jeopardized.

INDIVIDUAL INSURANCE

- Usually fixed premiums, locked at issue age
- Portable
- Generally guaranteed renewable
- In-person enrollment more likely

GROUP INSURANCE

- Typically less expensive rates
- Customizable
- More enrollment options, electronic or group meetings
- Simpler Underwriting process
- Portable with certain stipulations.

INDIVIDUAL PLATFORMS MIGHT BE MORE SUITABLE FOR SOME EMPLOYEES

Similar to group insurance platforms, individual voluntary insurance policies have their own pros and cons.

To begin with, individual voluntary insurance policies are available based on an individual's or family's needs. This is especially helpful for individuals or families with pre-existing or hereditary conditions, such as cancer. For individual policies, participants can enroll one-on-one and have the opportunity to speak with a professional about their needs so that they can pick and choose the coverage that is right for them.

Individual voluntary insurance policies are portable, so when an employee purchases a policy they own it and can take it with them should they leave their employer. This is an important consideration for policyholders, because voluntary benefits offer coverage for any life stage or situation, including cash sums to assist employees cover expenses due to hospitalization, unforeseen health events, or hospital confinement.

Coverage through individual platforms have fixed premiums as well as locked in age premiums at issue. Individual insurance policies are typically not subject to increase without state insurance department approval.

For employers in some states, many individual voluntary benefits offer preventative care options that encourage employees to choose

healthier lifestyles and preventative care such as mammograms or routine physicals. One of the most important factors in implementing health benefits is weighing the options of cutting costs while maintaining benefits. Some major health insurance companies do not offer benefits for preventative care. Studies show that health care costs decrease, for both employee and employer, if preventative care is accessible. Benefits such as gym memberships or healthy lifestyle education can cut health costs through individuals making healthier choices.

Where individual platforms may not measure up to their group platform counterparts is cost. Individual plans tend to be more expensive for enrollment as well as premiums because there is no minimum number of participants required, so group savings are not passed on.

Although there is variety of the types of individual coverage that can be purchased, another disadvantage to individual policies is that plans are not easily customized.

It is always recommended to conduct thorough research when making a decision about insurance platforms. Taking into account cost benefits for both employee and employer, as well as which platform makes most sense for a company's workforce should be taken into consideration.

Aflac insurance policies mentioned herein are provided by American Family Life Assurance Company of Columbus, American Family Life Assurance Company of New York, Continental American Insurance Company or Continental American Life Insurance Company.