



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 tennis, chess or even classic solitaire. The same is true of health insurance coverage. Sometimes it's smart for employees to go with group plans, while at other times it's best for them to go it alone with individual coverage.

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 policies have distinct advantages, and employers can choose to provide workers with access to one or the other – or even both.

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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 policies. These policies give employees the freedom to select plans that suit their particular needs and life stages and, at the same time, allow employers 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

are more of a “one size fits all” proposition. They provide all enrolled employees with the same basic coverage, sometimes without regard to medical history, age or other considerations.

Individual and Group Plans: Nearly Equal in Popularity

For many years, sales of individual voluntary products outpaced those of group plans. However, in recent years, the insurance industry has seen a reversal: According to an Eastbridge Consulting Group survey, sales of group coverage exceeded sales of individual plans for a second consecutive year. Group products accounted for 56 percent of sales in 2012, with individual coverage comprising 44 percent.

Individual Assets: Fixed Premiums and Portability

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 or a family’s unique health situation; however, individual policies are beginning to lend themselves to less underwriting, including guaranteed-issue in some situations. 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 portable.**

When an employee purchases a policy, the plan remains in place even if his or her relationship with the company ends, as long as premiums are paid.

» **Individual products generally have fixed premiums that are locked in at issue.**

This means they typically do not increase without approval by the state insurance department.

» **In some states, individual plans include preventive-care options.**

These options encourage employees to choose healthier lifestyles and to take part in regular screenings, such as mammograms and physicals.

» **Individual plans may have higher premiums than group plans.**

This is because individual plans are often more robust and premiums are based solely on an individual applicant’s health, age and other circumstances, as opposed to the overall health of all employees. It’s important to remember, though, that applicants who are young and healthy may actually save money with an individual plan.

» **The benefits within individual voluntary plans are easily customized.**

This is an important factor when you consider that 76 percent of the nearly 1,500 U.S. workers surveyed last year by TNS Omnibus said they’d rather design their own disability insurance plans than enroll in one-size-fits-all coverage chosen by an employer.

Group Therapy: Cost-Effective, Customizable Options

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 very little or limited underwriting.**

The plans are offered to employees, sometimes with no regard to their individual ages or health circumstances. That’s great news for those with health conditions that preclude them from qualifying for individual coverage.

» **Group plans often come with less expensive premiums.**

This is good news for employees who fall on the less healthy side of the spectrum, as well as for older employees, because premiums are based on shared risk within the group.

» **The insurance contract is “owned” by the employer, not the employee.**

With group plans, employees receive certificates of coverage, and the providing company is the master certificate-holder. If the company decides to terminate the master certificate for any reason, employees’ coverage usually will cease.

In Summary

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

Individual or Group? Know the Difference

Individual Voluntary Insurance	Group Voluntary Insurance
Premiums are generally fixed and are locked in at issue age, based upon an applicant's individual health circumstances.	Premiums are generally lower than for individual plans, especially for older employees and those with health concerns.
Coverage is generally not guaranteed-issue and may feature more strenuous underwriting.	Coverage is guaranteed-issue, with fewer underwriting stipulations.
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 within certain limitations. Plus, if the employer cancels the group's master plan, the coverage is terminated.
Benefit amounts and the quantity of benefits are often more robust, because they're chosen by the individual applicant.	Benefit amounts and options are generally set by the employer, and may not provide all of the coverage the employee wants or 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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Sources

¹ U.S. Worksite/Voluntary Sales Report, Eastbridge Consulting Group Inc., 2013