The Growing Importance of Disability Insurance

More than any other time in history, the health care landscape is evolving rapidly and employers and employees are struggling to navigate through the changes.

Employers are scrambling to determine how much change they can afford, often opting for higher out-of-pocket expenses, deductibles and copays. Employees worry that their benefits will shrink while costs will rise. And most don’t want the burden of managing their own health care insurance decisions.

As health care continues to shift, brokers must be nimble, adjust their approach and align their product offerings to reflect the changes happening in the health care industry. For example, brokers have an opportunity to educate businesses on what is often an area of insufficient protection for American workers: disability insurance.

Guiding Prospects through the Maze

To remain a relevant part of the insurance purchase lifecycle, brokers must embrace their role as consultants and advisors at the corporate and individual employee levels. Brokers can help employers and employees see the value in voluntary disability insurance to help workers gain financial protection and to help businesses maintain a reputation as an employer of choice with a full benefit package.

Early adopters who take on the role of expert in health industry changes will come out on top. These are the knowledgeable advisors who can help employers and employees understand the ins and outs of health care.

Products for Profitability

Although many workers have assumed that they have coverage through their employer, a growing number of companies are including disability in their cutbacks as they grapple with rising health care costs. While disability insurance has traditionally been a staple of workplace benefit packages, changes in health care could make many companies consider scaling back the amount of coverage or eliminate it altogether.

With confusion saturating the marketplace, it is easy to overlook the potential that a product like disability insurance provides brokers. Disability income insurance can become a steady and lucrative source of income for California brokers. With employers strategizing to control costs while still offering insurance benefits that will satisfy employees, the key to success—fully selling disability insurance is to focus your messages around the most important benefits for your audience.

Benefits for Employees

As employees assume more responsibility for their health care choices, whether they want to or not, they are quickly realizing the need for a secure, reliable safety net to help protect their finances. With deafening levels of noise in the marketplace about 401K rollouts, unemployment numbers, and health care costs, workers have little time to think about the ramifications of a disability, financially and emotionally. Findings from the 2014 Aflac WorkForces report show that many Americans underestimate their risk of experiencing a disabling illness or injury and overestimate the resources available to them in such an eventuality. In 2003, 2.6 million Americans applied for disability from the Social Security Administration; fewer than 1 million received government assistance.

Further, the long-term impact on workers’ nest eggs of inadequate coverage rarely enters the decision-making process for many workers. Brokers can offer a full education of what disability insurance can truly protect and should remind workers that loss of income makes it difficult to build retirement savings. Without enough income, workers may be forced to withdraw from retirement accounts to pay for current expenses.

Even beyond income protection, concerns over whether their employer-sponsored insurance will be reduced spurs questions that many people have never given much thought to in the past: How will they manage rising health care costs? How will they afford to pay more for less coverage? And what if an accident happens? What if they can no longer work? How
will they foot the bill for the many costs not covered by major medical insurance? They are anxious and stressed out because they simply won’t have the extra cash to pay for emergencies.

These concerns open the door to conversations about how disability insurance pays cash benefits for out-of-pocket medical expenses and covers costs that major medical insurance won’t that could result in unexpected debt. Also, with a guaranteed-issue option, which doesn’t require a complete medical questionnaire, people will seriously consider – many for the first time – the need for disability insurance.

With consumers more concerned than ever about their ability to pay for health care, disability insurance provides peace of mind should unforeseen tragedies ever occur.

**Benefits for Employers**

Employers can also benefit from offering disability insurance. Providing a full benefit package can be critical to attracting and retaining the most sought-after talent.

According to the Aflac WorkForces Report, employees are 38% more likely to be satisfied with their overall benefit package if enrolled in voluntary insurance benefits, compared to workers who aren’t enrolled. They are also 37% more likely to say their current benefit package meets the needs of their family extremely/very well if enrolled in voluntary insurance benefits, as opposed to workers not enrolled in voluntary plans. On the other side of the coin, more than half (55%) of workers are somewhat likely to look for another job if their employers stop offering comprehensive benefits.

The statistics show that a full benefit package is one of the key elements that employees consider when deciding to stay with or move to another employer.

Some employers believe that offering disability insurance is too expensive for the business, a common misconception. In fact, disability insurance policies can be offered with little or no direct effect on a company’s bottom line. In addition, brokers can help customize the policies to fit a particular employer’s needs — be it a global corporation or small business.

Will employers realize the benefits and take them seriously? According to a survey of midsize and large companies by global professional services company Towers Watson, seven in 10 employers have a stronger commitment to improving employee health, while 71% have a stronger commitment to work with health care providers and suppliers to improve health care delivery and quality.

Armed with this knowledge, brokers can demonstrate the benefits of offering disability insurance.

**Positive Change for Brokers**

The future of the health care industry is tough to predict, but it does not have to be hard to prepare for. The bottom line is that many changes in the health care landscape and the economy have opened eyes to the value of disability insurance. Americans are recognizing the financial vulnerability that comes from being under protected and underinsured. Neglecting to secure disability insurance is a prime example of how saving a few dollars in the short term can cost thousands in the long run.

This same theory applies to today’s employers. Short-term cost savings from disability cutbacks can be eradicated quickly as a result of long-term retention and recruitment challenges.

As Americans rebuild their portfolios and rethink what investments are necessary, and companies implement new strategies for their benefit program, brokers can help each see the value in voluntary disability insurance as a way for workers to help ensure financial protection, and for businesses to maintain a reputation as an employer of choice.

By revisiting the products they will promote moving forward, brokers will find the health care insurance industry climate isn’t cooling off, but rather heating up, presenting untapped potential on the horizon.

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