

How Voluntary Benefits Can Bolster Your Employees' Financial Security

Employers forced to make economy-mandated cuts to employee benefits have an option that can shore up their workers' financial security while helping the company's bottom line: supplemental insurance.

Today's workforce is at risk like never before. Household debt is at a record high relative to disposable income, and unemployment rates have doubled since the recession began in December 2007. Worry over foreclosures, bankruptcies and rising costs is spilling over from American households into the workplace.

Changes in benefits plans caused by the economy add to employees' lists of worries. According to an April 2009

QUICK LOOK

- ⇒ Reductions in employer-provided benefits, brought on by the weakened economy, has put the workforce at increased financial risk.
- ⇒ Voluntary benefits complement an employer's core benefits program and can help employees protect their families and minimize their financial risk.
- ⇒ Voluntary benefits allow employers to expand their benefits package at little to no direct cost and increase employee satisfaction.

By Randy Horn, Colonial Life
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survey by Colonial Life, about four out of five employees are concerned about:

- Unexpected medical expenses such as emergency room visits or major surgery — 86 percent
- Medical expenses no longer covered by their plans — 83 percent
- Increased premiums — 83 percent
- Addition of, or increase in, deductibles — 81 percent
- Addition of, or increase in, co-pays — 79 percent.

Employers are feeling their own pressures. They continue to struggle with the ever-rising cost of health-care premiums, even though they recognize the importance of maintaining competitive benefits packages. They're worried

about their employees' shrinking financial safety nets, but feel their options are limited when it comes to solutions because they can't afford to fund any new benefits right now.

Employees Gain Flexibility and Choice

Supplemental insurance offers a promising remedy for employers and workers. Commonly known as voluntary benefits, supplemental insurance is sold through the workplace and complements, not replaces, an employer's core benefits program. The most common types of plans offered include life, accident, disability, cancer/critical illness and hospital confinement coverage.

Premiums are paid by employees through payroll deduction.

Voluntary benefits have a reputation for flexibility, which makes them especially attractive to employees. Workers can choose the benefits that best meet their individual and family needs, customizing plans with coverage levels to suit their personal situations. When the products are individually owned, employees can keep their coverage if they lose or change jobs, a plus in today's workplace, where many businesses have downsized or are considering additional cuts. Indeed, the portability of voluntary products and the fact that most are individually owned make them even more appealing in a troubled economy.

Employees are truly interested in purchasing additional insurance right now, contrary to what many employers believe. A June 2009 survey by Unum indicates that 59 percent of employees would consider purchasing additional insurance if their employer offered them the opportunity.

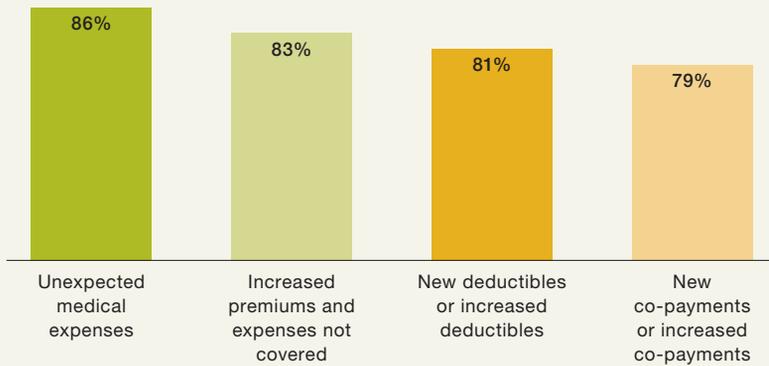
Employers Can Expand Benefits and Increase Employee Satisfaction

By integrating voluntary benefits with core group offerings, employers also enjoy tremendous advantages. The addition of voluntary benefits provides employees with increased financial protection and an expanded benefits package while helping employers manage costs.

For example, when employers increase deductibles in order to lower premiums, they may want to offer a voluntary hospital confinement indemnity plan to help provide benefits to offset the increased deductible. Or if a company is forced to drop ancillary group benefits such as employer-paid life or disability to save dollars, a voluntary plan can allow employees to purchase this coverage on their own.

FIGURE 1: EMPLOYEES CONCERNED ABOUT COVERAGE CHANGES

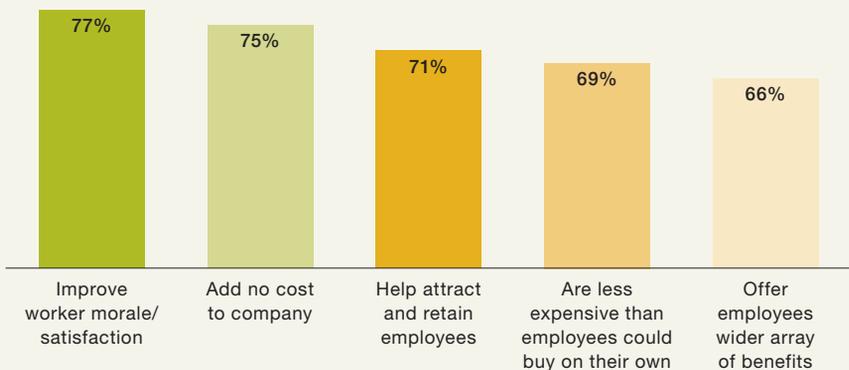
Eight out of 10 employees say they are concerned about changes their employers have made to their insurance coverage in the past year.



Source: Colonial Life & Accident Insurance Co./Harris Interactive Survey, April 23-27, 2009.

FIGURE 2: EMPLOYERS SEE VALUE IN VOLUNTARY BENEFITS

Employers believe voluntary benefits offer many advantages.



Source: Neyer, Ron, "The Voluntary Benefits Report Card," LIMRA International, 2007.

Employee satisfaction with benefits plans is 19 percent higher among employers that offer voluntary plans than those that don't.

Another advantage of voluntary products is that they pay insured employees benefits to use as they see fit. They can choose to apply the money to medical expenses, such as their deductibles, treatment bills, rehabilitation or home health-care expenses. Or they can use the money for nonmedical expenses such as mortgages, groceries, electric bills, child care and travel to and from a treatment center.

Employers who offer voluntary plans also see increased satisfaction among their workforce. Employee satisfaction with benefits plans is

19 percent higher among employers that offer voluntary plans than those that don't, according to a January 2009 Unum survey. Satisfaction with employers is also higher — 6 percent better than with those that don't offer voluntary plans. Finding a way to keep workers happy without impacting the employer's bottom line is an advantage in today's competitive environment.

Research reported in 2007 by the Life Insurance and Marketing Research Association (LIMRA), a life insurance and marketing research organization, reinforces the many advantages employers

see in voluntary benefits. Companies report seeing value in the following areas:

- Improving worker morale and satisfaction — 77 percent
- Adding no direct cost to the company — 75 percent
- Attracting and retaining employees — 71 percent
- Giving employees options to purchase less expensive insurance than they could get on their own — 69 percent
- Being able to offer employees a wider array of benefits — 66 percent.

Voluntary benefits are widely available in the United States, yet many

employers are still unfamiliar with them. Some mistakenly believe the addition of benefits creates more administrative work for their company. And some midsize to small employers assume voluntary benefits are best suited for larger companies.

The reality is that voluntary plans work for companies of all sizes. And a good voluntary carrier will streamline administration and eliminate extra work on the part of the HR department.

Wisely Choose a Voluntary Partner

There are numerous voluntary insurance carriers in the marketplace today, and companies should be careful to choose a partner that fits best with their business. They should closely scrutinize the carrier just as they would any other vendor partnership.

How a Voluntary Plan Works

Here is an example of how one form of voluntary, or supplemental, insurance functions.

An employer offers a hospital confinement indemnity plan that pays a lump sum benefit when an employee goes into the hospital. The benefit is paid directly to the employee, regardless of other insurance the employee has, and doesn't depend on the cost of medical treatments.

The employee uses the money as needed to help cover the health plan deductible, pay for child care or travel expenses or even pay the electric bill and rent while out of work.

In addition, the plan could include options allowing the employee to buy extra protection for high-cost areas services, such as outpatient surgeries and services, diagnostic testing and emergency room visits.

Consider these criteria when evaluating a voluntary benefits partner:

Business understanding. Look for a partner with a proven history and a foundation of best practices across a wide variety of industries.

Product offerings. Choose a carrier with a wide array of voluntary products that offer a broad range of benefits options for employers and employees. A single-source carrier for voluntary products helps simplify enrollment and administration.

Benefits communication. Benefits communication expertise should be a prime consideration when selecting a voluntary partner. A 2009 survey by Colonial Life shows that 93 percent of HR professionals say it is very important to their business that employees understand and appreciate the value of their benefits. However, less than 19 percent of HR executives think employees actually have a very good understanding and appreciation of their benefits. Choosing a company that offers one-to-one consultation with each employee about the entire benefits package (core benefits and voluntary products) will likely increase appreciation of the benefits package. Nine out of 10 employers think one-to-one meetings improve employees' understanding of their benefits, according to a 2008 Colonial Life survey.

Enrollment expertise. Select a carrier that offers a variety of enrollment options and is equipped to work with companies with diverse needs such as multiple locations, shift workers and Spanish-speaking employees. Evaluate the types of technology the carrier offers to reach employees at enrollment, because not all employees get the most out of an enrollment that offers only a traditional paper application and benefits booklet. A good voluntary carrier knows that technology should

complement, not replace, personal interaction with a benefits counselor.

Customer service. Look for a carrier that has a strong reputation and commitment to ongoing customer service. Ask about its claims-paying track record, billing services and services for policyholders. If the company participates in any customer satisfaction surveys, ask to see the results.

Count on Voluntary Benefits

The economy has certainly thrown a hard blow to today's workforce, but employers still have options to help their employees while the recession recedes. Even with the changes health-care reform is certain to bring, voluntary benefits can be an effective part of a benefits strategy that strengthens employees' financial safety nets and helps employers better manage the bottom line. 

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