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WHAT'S HOT IN VOLUNTARY SHORT-TERM DISABILITY PRODUCTS?

The month of May marks a variety of observances and designations: Mothers' Day, Memorial Day, Better Hearing and Speech Month, National Egg Month, National Tennis Month and Teacher Appreciation Month, just to name a few. The most recent addition to the growing list is Disability Insurance Awareness Month.

Although I may not hang up signs outside our office in celebration of all these designations, I do think that, as benefits professionals, it's important for us to promote disability coverage. It's one of the most readily accepted products in the voluntary world. "I believe that helping replace income is one of the most important benefits," says Chris Simmons, vice president of Van Meter Insurance Group in Nashville and incoming president of the Middle Tennessee Association of Health Underwriters. "Most of us have some sort of medical coverage, but many of us don't have insurance for our paycheck."

Employers and human resources professionals agree that income replacement through disability insurance is one of the top benefits needs for American workers. Many companies today understand the importance of

up and that benefit is going away. Short-term disability, especially at a voluntary level, plays a larger role than in the past. It's a good supplement. If an employer can supplement a paid-time-off program with voluntary short-term disability, that's the best of both worlds."

How can you meet this growing need? Here's a look at what's hot right now in voluntary short-term disability coverage.

Guaranteed Issue

How important is having guaranteed issue on an individual short-term disability product? Very. "Guaranteed issue is big in the marketplace," Chris points out. "Any time you can offer guaranteed issue, it helps."

Guaranteed issue means an individual product acts more like a group product with no health underwriting, if participation and eligibility guidelines are met. You can go into an account and feel more comfortable that eligible employees can get a policy as long as any minimum participation requirements are met.

Portability

Although some group short-term disability products may have conversion options, a key strength of an individual product is its portability. The employee, not the employer, owns the policy, which means employees can keep their policy if they leave their job. When you combine the strength of portability with guaranteed issue in an individual product, you have a winner.

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having some form of employer-provided group long-term disability coverage. However, many companies are cutting back paid-time off and sick leave, which creates a coverage gap between the end of sick leave and the beginning of long-term disability coverage. Voluntary short-term disability can help fill the gap. "Employers, especially in the health care industry, are paring back on sick leave," Chris adds. "People used to have days banked

"Your Job" Definition

Some new products define total disability in terms of "your job" for the entire benefit period. The trigger point for the benefit payment is not being able to do your own occupation. Other products may not pay "your job" benefits or may only pay "your job" benefits for a small time period, perhaps a year, then change to an "any job" definition.

Partial Benefits Promote Return to Work

Some of the newer voluntary short-term disability products provide partial benefits when employees who are totally disabled come back to work earlier. Employers and employees like this feature. “Even if the employee only comes back for 15 hours a week, it helps the employee start getting back into the work routine,” Chris says.

Employees can ease back into work and still receive a partial disability benefit, unlike disability products without partial benefits that may encourage employees to stay out on disability rather than coming back to work for part-time pay and risk losing disability benefits.

Basic Features to Look For

In addition to the in-demand voluntary short-term disability features, there are also some good stand-bys to keep in mind.

Potential for tax savings on benefits. When an employee buys a voluntary short-term disability product on a post-tax basis, the benefit payments aren’t taxable. However, benefits paid under an employer-funded group short-term disability product are taxable. For example, if an employer-funded group plan pays benefits for 60% of income, once taxes are taken out, the benefits will be less. With an individual product purchased with post-tax dollars, taxes don’t apply to the benefits so the employee would receive the full 60% of income.

Fit with long-term disability. A voluntary short-term disability product should integrate with

Group Vs. Individual Disability Coverage		
	Group Plan	Individual Product
Who owns the policy?	Employer	Employee
How stable are the premiums?	Renewable every two to three years based on the industry’s or account’s claims experience.	Stable. Only changes if there are changes to all policies within the state, and if all policy changes are filed and approved by the state’s insurance department.
Is it portable?	No	Yes
Is pricing based on the age of the person who purchases it?	Not applicable	Yes. Pricing remains at the rate it was originally purchased.
Does the product integrate with other coverage?	Benefits may be integrated or offset.	No integration or offsets with other coverages.
Can the policy’s benefits change?	Coverage can be cancelled or changed.	Policy contract language can’t be changed.
Is the product available guarantee issue	All benefits-eligible employees are covered.	Not frequently available, but some companies offer it on individual disability products.

the employer-funded group long-term disability plan. Select a short-term disability product with a variety of elimination periods that will work with any paid-time off or sick leave program an employer may have. “Part of the process is making sure all plans and benefits integrate,” Chris says. “It’s not necessary to have a short-term disability plan that kicks in after two weeks if the employer provides four weeks of paid-time off. You have to tie the waiting periods with the paid-time off and sick leave plans on the front-end with the long-term disability plan on the back-end. You don’t want gaps or holes.”

Comprehensive Benefit Communication

As Chris points out, the likelihood of an employee going out on short-term disability may be greater than a long-term disability: “We see more short-term disability claims for maternity and quick surgeries. Most people on disability seem to be out of work for a few weeks rather than several months or a year.” For this reason, it’s important to have a benefits professional explain insurance options and help employees fill any gaps, especially gaps between sick leave and long-term disability.

Take advantage of May’s observance of Disability Insurance Awareness Month by talking to your clients about the value and advantages of voluntary short-term disability. “I often recommend voluntary short-term disability products to my clients to help round out the whole benefit package,” says Chris. “Although a company may offer health insurance, employees still need some way to supplement income they may lose from a disability. Just because medical bills may be paid doesn’t mean the groceries are being bought.” Income replacement is a top coverage need, and you should be prepared to help your clients and their employees meet this need. ■

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