ACCIDENT INSURANCE:
MONEY IN THEIR POCKETS

By Len Strazewski

It used to be a throw-in, a cheap benefit that employers added to their plan designs at nominal cost as part of a package of ancillary coverages that included term life, dental and vision benefits.

The old Accidental Death and Dismemberment (AD&D) policies paid a limited schedule of benefits for rare catastrophic claims; as a result they were often overlooked by employees. But now a new breed of accident insurance benefits are becoming more attractive—and necessary—for employers, benefits experts say.

“Something has to be in place to provide the first-dollar coverage that individuals do not have,” Sterling says. “As a result, voluntary accident insurance plans that are designed to fill in gaps are becoming more popular.”

Insurance industry research confirms the employee dilemma. According to the 2016 Aflac Workforces Report, 52% of employees have less than $1,000 saved for unexpected out-of-pocket expenses associated with a medical event.

Aflac’s Stephanie Shields, vice president of product innovation and marketing, says the need to fill in the holes has spurred product creativity and market growth.

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Buzil says the new accident plans are designed to pay benefits directly to employees who choose them, simplify the claims process, and meet the economic needs that come with emergencies. “Our goal is to put money in their pockets when they need it,” she says.

Surveys say ...

The increase in deductibles comes at a time when U.S. employees are still recovering from a multi-year recession and tapped savings. According to a study conducted by the Board of Governors of the Federal Reserve System in Washington, released in May 2016, nearly half of Americans surveyed in 2015 (46%) said they could not cover an emergency expense for $400 or more.

The Report on the Economic Well-Being of U.S. Households in 2015 was developed by consumer research firm GfK, which surveyed a panel of 50,000 consumers about their economic preparation. The survey also noted that 22% of respondents experienced a major unexpected medical expense for which they had to pay out of pocket the prior year, and 46% of those said they had a major medical expense for which they currently owe debt.

“With major medical deductibles ranging as high as $5,000 to $10,000 annually, many employees just don’t have the financial resources to meet their deductibles if an emergency arises,” he adds. “They need accident insurance to fill in those gaps for sudden emergency room visits, sports accidents or unpredictable hospital admissions.”

Janet Buzil, vice president of marketing and product development at Chubb Workplace Benefits in Glenview, Illinois, agrees. “Medical plan deductibles are going up. High-deductible health plans are here to stay. Employers are not likely to pay for richer benefits as their own plans rise, plan sponsors have shifted more financial demands on their employees, benefits experts say.

Newly designed and more flexible accident insurance products—now more likely to be voluntary and employee-paid—are filling in the gaps in group medical coverage and giving workers more opportunities to fund a broader range of needs.

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for a more holistic employee solution,” Shields says.

**New plans**

Insurers agree there’s a growing recognition of the need for accident insurance products and have launched their own efforts to design broader and more creative plans. New accident insurance products from Aflac, Transamerica Employee Benefits, Chubb Workplace Benefits, Standard Insurance Company and others provide coverage features that extend beyond medical treatments to include family transportation and lodging, rehabilitation services, daily recovery costs and family care when caregivers are recovering from illness or injury.

And employers are responding. While interest in accident insurance products has expanded, they are not replacing any other benefits but are adding to an employer’s overall benefits strategy. Accident plans can include payments for health screenings, behavior modification and other activities that not only can improve employee health but also reduce employers’ catastrophic claims.

“The old AD&D coverage was one of the least used employee benefits—used by less than 1% of covered employees—because it covered so little. Today we have risen to the challenge of building accident benefits that supplement medical insurance.”

Caldwell says the upward trend is expected to continue in 2017 as small and mid-sized employers review their benefits programs. Agents and brokers can take advantage of this opportunity by asking clients to review their accident plan designs to choose a product with the most current features and benefits.

“What I have seen is employers using accident insurance to help employees cover those now uncovered expenses: the $250 emergency room copay, urgent care costs and some non-medical expenses like transportation and home help,” he says.

**Spreading the word**

Marketing the new accident insurance products is not easy. Insurers note that agents and brokers must work a little harder to educate employers about the plan designs and deliver the product knowledge to the employees who finally make the benefit choices.

“As employers integrate voluntary products into their benefits strategy, they need to ensure that their employees understand the importance of the product,” Shields says. “As high-deductible health plans continue to grow in popularity, this leaves more responsibility on employees for medical costs. Voluntary benefits are a way to ease the burden of high out-of-pocket costs for care. Integrating voluntary benefits into a benefits strategy can save the employer premium dollars and still provide the protection and coverage needed to recruit and retain employees.”

Employers must learn to make choices that match their employees’ needs, and employees must make good choices for their families’ needs.

“I think it can be overwhelming for employees,” says Buzil. “There are a lot of choices to make at enrollment, and getting a better understanding of the value of supplemental health insurance benefits requires some education and assistance.”

As a result, insurers are providing a growing roster of collateral benefits communications, enrollment support and decision support technology that automates not only the choices but also the order of choices according to plan design relevance.

“Employers are providing more decision support to employees and helping guide employees to purchase these plans,” Shields says. “Employers have been communicating with their workers in various ways, such as in-person interaction, presentations and online tutorials and consulting advisers to help them explain the importance of accident coverage.

“Insurance carriers also have been working with employers and advisers to position accident products more strategically in the enrollment process so they directly follow the major medical decision. When this happens, employees are better able to see the connection between holes that may exist in their medical plan and how voluntary products can help cover those risks.”

The Standard, for example, provides decision-support tools that include online access to videos describing the product, as well as common claims examples, Lehman says.

Sterling adds that the extra work can be worth the effort. Agents and brokers who can artfully educate employers about the new accident benefits and how they complement a traditional benefit plan design can enhance their overall value proposition.

“In many cases, using our ability to match voluntary benefits to an employer’s benefits plan has been the deciding factor in reaching our goal—getting a broker of record letter,” he says.

For more information:

Aflac
www.aflac.com

Chubb Workplace Benefits
www.chubb.com

Hub International
www.hubinternational.com

Standard Insurance Company
www.standard.com

Transamerica Employee Benefits
www.transamerica.com

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Len Strazewski is a Chicago-based writer, editor and educator who specializes in marketing, management and technology topics. In addition to contributing to Rough Notes, he has written on insurance for Business Insurance, Risk & Insurance, the Chicago Tribune and Human Resource Executive, among other publications.