

Employer-Sponsored Income Protection Plans

Adam Aschoff, CEBS



Disability Plans

- Short-Term Disability
- Long Term Disability
 - Group Long Term Disability
 - Individual Long Term Disability
 - Executive Individual Long Term Disability
 - Long Term Disability=Last To Discuss

Disability Insurance=Income Protection

- What's your most valuable asset?
 - Around 90 percent of all workers consider their ability to earn an income as their most important [financial resource](#).¹
- Other types of insurance
 - Home
 - Car
 - Phone
 - Protection Plans

¹<https://disabilitycanhappen.org/research/>

It can never happen to me!

- Just over 1 in 4 today's 20 year-olds will become disabled before they retire¹
- Accidents are NOT usually the culprit¹
 - Musculoskeletal disorders
 - Cancer
 - Pregnancy
 - Mental Health/Substance Abuse
 - Fractures, sprains, etc.

¹<https://disabilitycanhappen.org/overview/>

Impact

- A 2014 study of consumer bankruptcy filings identified the following as primary reasons: medical bills (26%), lost job (20%), illness or injury on part of self or family member (15%)¹.
- A 2013 study of bankruptcy filings in Washington state found that cancer patients were 2.65 times more likely to go bankrupt than people without cancer, with younger (under age 50) cancer patients having the highest rates of bankruptcy¹.

¹ <https://disabilitycanhappen.org/disability-statistic/>



Savings?

46% of Americans cannot cover a \$400 emergency

(U.S. Federal Reserve, Report on the economic Well-Being of U.S. Households)

Social Security?

- From 2006 to 2015, only 34 percent of Social Security Disability Insurance (SSDI) claimants had their applications approved: 23% at the initial application stage and the remainder after a reconsideration or appeals process¹.
- It generally takes three to five months from time of application for SSDI benefits to get an initial decision. The backlog of appeals cases was more than one million in 2017, with associated processing time averaging more than 18 months¹.
- The average SSDI benefit as of January 2018 was \$1,197 a month. That equates to \$14,364 annually — barely above the poverty guideline of \$12,140 for a one-person household, and below the guideline of \$16,640 for a two-person household¹.

Workers Compensation

Workers' Compensation only covers time away from work if the disabling illness or injury was directly work-related. In 2016, only one percent of American workers missed work because of an occupational illness or injury¹.

¹Bureau of Labor Statistics, Employer-Reported Workplace Injuries and Illnesses (Annual) 2016, Table1 Incidence rates of nonfatal occupational injuries and illnesses by industry and case types, cases with days away from work.



Employer's Role

- Awareness/Education
- Access

Employer's Role

DISABILITY INSURANCE KEEPS EMPLOYEES PRODUCTIVE AND LEAVES YOUR COMPANY BETTER OFF.



80% of employees say insurance and benefits give them peace of mind for the unexpected.³



Without this peace of mind ... **4 of 5 HR professionals** report that financial stress affects employees' work performance.⁴



You've invested in hiring and training great employees. Doesn't it make sense to protect that investment?



Employees without disability insurance are less likely to return to work, which means devoting **money (\$4,169/average per hire), time (42 days/average per hire) and resources for a replacement.**⁵

Employer's Role

- As an employer, next time you have the chance to offer disability insurance, you may want to seriously consider it. Especially when you consider that [62 percent of employees](#) are looking towards their employers for more help in financial security through the employer's benefits package¹



Group Income Protection Plans(LTD)

- Covering all employees
- 40-66 2/3% of monthly salary
- Cost based on Rate

Rate-Group Pricing

- Based off of a Rate
 - Risk
 - Earnings
 - Maximum Benefit
- Rate x Covered Earnings: Monthly Premium
 - Total Payroll=\$500,000
 - Covered Earnings = \$250,000
 - Rate(.065) x \$250,000= 1000-Monthly Premium



Group Income Protection Plans(LTD)

- Covering all employees
- 40-66 2/3% of monthly salary
- Cost based on Rate
- 2-3 Year Terms
 - Experience
- Great Foundation!



Group Income Protection Plans

- 100% Participation
 - Employer-Funded-Business Expense/Taxable Benefit to Employee
 - Gross-up-Taxable Income/Non-Taxable Benefit to Employee
- Voluntary-30% Participation
 - Education/Awareness



Special Features

- Employee Assistance Program
- Workplace Modification/Rehabilitation



Group Income Protection Plans

Advantages

- Great Foundational Benefit
- Cost-effective
- Available to everyone!

Limitations

- Rigid Contract
- Covered Income %
- Not Portable
- One size fits all

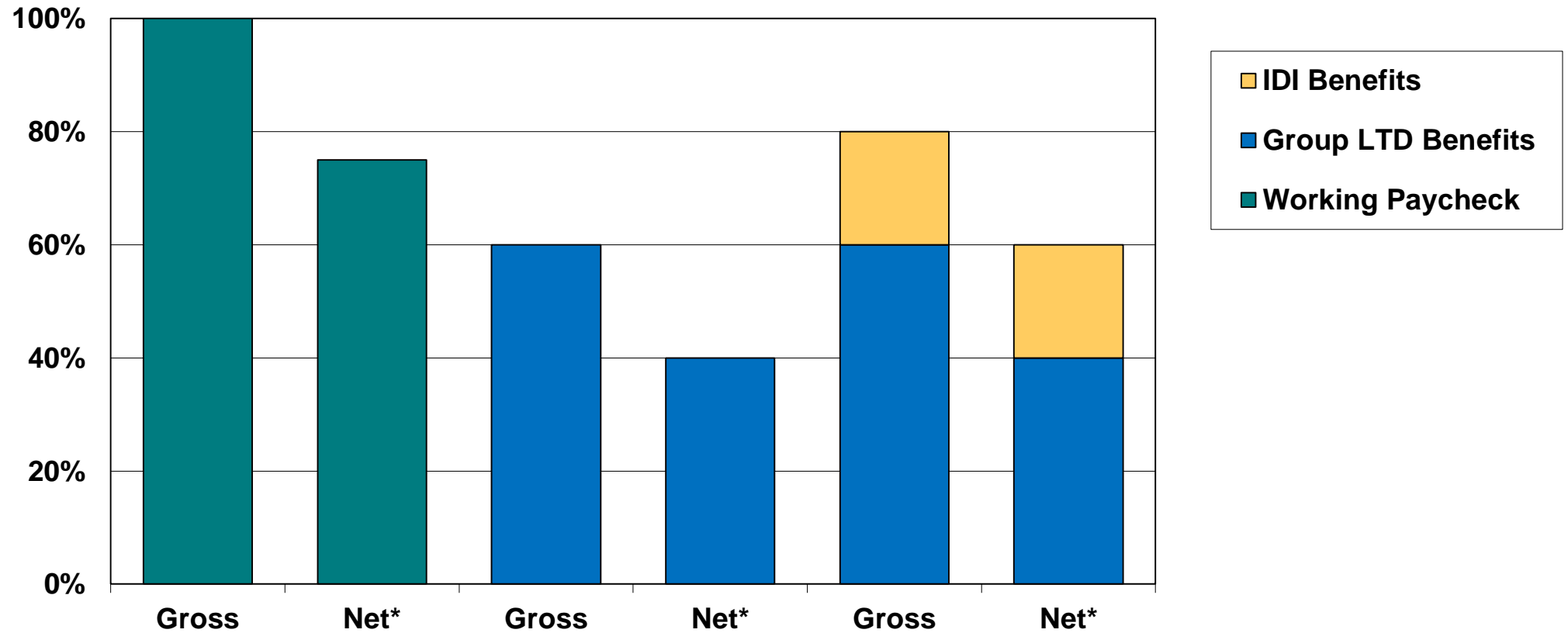


Individual Income Protections Plans

- Available to anyone w/ underwriting(voluntary)
- Multi-life discount
- Often will insure up to 75%-80% of monthly income
- Covers all forms of income
- Great Supplement to group coverage!

Individual Income Protection Plans

Employee Example





Pricing

- State-filed
 - Gender
 - Smoker Status
 - Age
- Guarantee Renewable and Noncancelable
- Own Occupation



Special Features

- Family Care Benefit
- Critical Illness Benefit
- Return of Premium
- Retirement Funding Benefit
- Student Loan Rider



Individual Income Protection Plans

Advantages

- Strongest coverage
- Pricing stability
- Portable

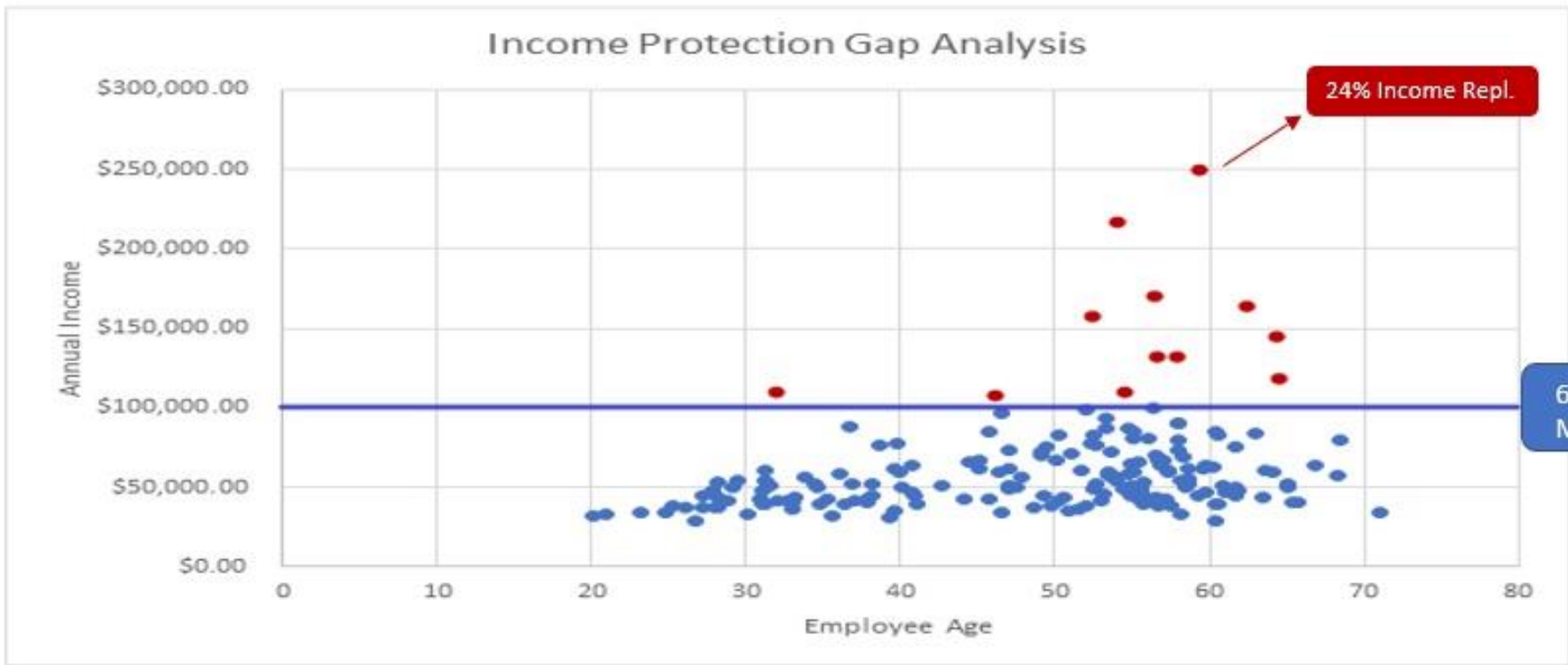
Limitations

- Underwriting
- More expensive
- Lack of awareness

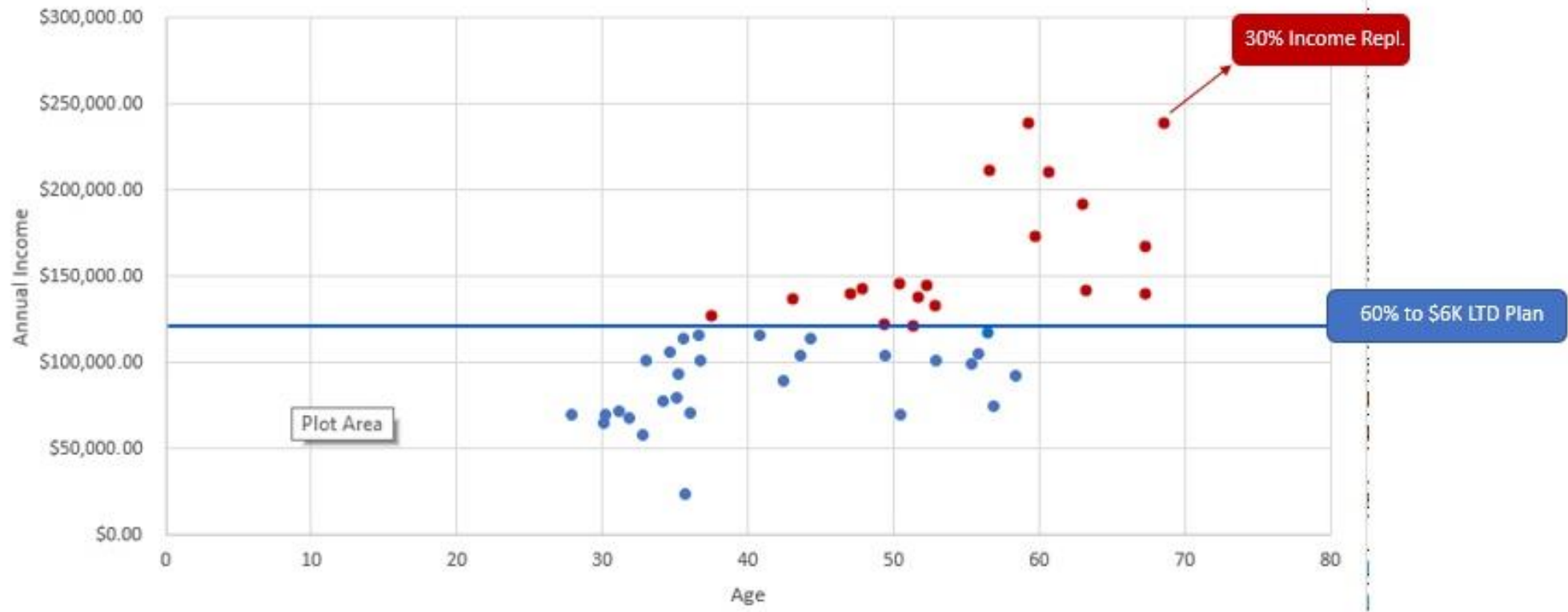
Multi-life or Executive Individual Plans

- Aimed at highly compensated, executives, key personnel
- 7+ lives
- Strong Individual Policy/No Underwriting
- Noncancelable
- Employer-paid/Executive Benefit
- Best of both worlds!

Income Protection Gap Analysis



Income Protection Gap Analysis





Three Solutions

- Do Nothing
 - Recruiting and Retainment issues
 - Key Person goes out on claim
- Raise the Group Coverage Maximum
 - Higher rate
 - More Underwriter scrutiny and less stability
- Create a Multi-life Executive IDI plan
 - Transfer risk to a noncancelable platform
 - Take care of your key people



Multi-life or Executive Individual Plans

Advantages

- Strongest coverage
- Pricing stability
- Portable
- No Underwriting
- Discounts

Limitations

- Employer-paid
- 10+ Lives
- Lack of awareness



Special Features

- Family Care Benefit
- Critical Illness Benefit
- Return of Premium
- Retirement Funding Benefit



Covid-19





Questions?