

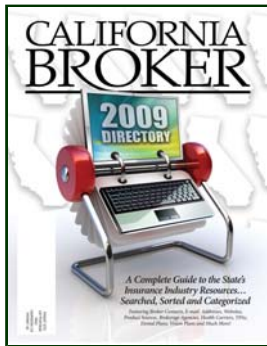
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Disability Can Help Employers & Employees Through Tough Times

by Fred Cook

To save money and preserve jobs in this economy, employers are putting a freeze on hiring, capping salary increases, and ending company matches to retirement plans. Many more may be considering cutting benefits. But, in troubled times like these, it may be more important than ever to offer a comprehensive benefit package featuring income protection disability insurance. Helping your clients understand why can benefit you and our clients.

Disability Is More Likely Than You Probably Think

Let's start with the likelihood of a disability occurring. Nearly one in seven people will become disabled for five years or more before age 65, according to the Society of Actuaries. Many people assume that freak accidents are generally responsible for disabilities, but back injuries and illnesses, such as cancer and heart disease, cause most long-term absences from work, according to a long-term disability claims review by the Council on Disability Awareness.

The average person's financial situation can quickly become very bleak without disability insurance. Seventy-one percent of American workers live from paycheck to paycheck, according to a 2008 survey by the American Payroll Assn.

Workers who do save a portion of their income are saving much less than they did in the past. In October 2008, the average American savings rate was 2.4% of disposable personal income, compared to 10.3% in 1985, according to a report by the Commerce Dept's Bureau of Economic Analysis.

Given those statistics, it's no surprise that 56% of American adults could not pay their bills or meet expenses if they became disabled and unable work for a year or longer, according to a 2007 study by the National Association of Insurance Commissioners. Unfortunately the average long-term absence from work, due to disability, lasts two and a half years, according to the Society of Actuaries. That's more than twice as long as the California SDI plan's maximum benefit duration of 52 weeks.

It can be far more economically devastating when a disability forces an employee off the job in a down economy. The resources that many people traditionally relied on may no longer be available including home equity, the sale of a home, savings, and investments. Only 40% of American adults have separate emergency savings funds, according to a national -survey commissioned by the Consumer Federation of America in February 2007.

A Serious Lack of Financial Resources

A large percentage of the American population does not have the income protection that disability insurance can provide. In fact, only 30% of workers in the private sector have long-term disability insurance, according to a 2007 fact sheet by the Social Security Administration. In addition, less than 50% of the workforce has private pension coverage and one third has no retirement savings. Simply put, most people can't afford to become disabled without some income protection.

Making disability insurance a part of their benefit package is one of the best things employers can do for their employees, particularly during uncertain economic times. Many employers assume that they would be able to continue paying employees who become disabled and cannot work. But, it's not likely that these employers could afford to do so for an extended period. Also, many employers in California assume that benefits from the state SDI plan will take care of disabled employees, but the plan has limited benefit amounts and duration, which can leave employees who are unable to work, at risk for severe financial consequences. Disability insurance can help remove the obligation employers may feel toward their employees by transferring the financial burden to an insurance carrier.

Some Good News

The good news to share with your clients is that group disability insurance is more affordable than most employers realize. The average cost of group long-term disability insurance is \$234 per employee per year, according to JHA's 2007 U.S. Group Disability Market Survey.

You may discover, while talking with your clients, that many of them understand the value of group disability insurance, but they don't think they can afford to provide the coverage for their employees. The truth is that options are available to enable these employers to provide coverage. More carriers are allowing employers to share the premium costs with employees or offer the coverage on a voluntary or 100% employee-paid, basis. That's an option that's gaining popularity. In fact, 64% of all employers offer at least one employee-paid product in their benefit portfolios, according to a 2006 Eastbridge study.

Employees are very open to purchasing benefits in the workplace on a voluntary basis. Sixty-one percent of employees rate voluntary products as very important or somewhat important. In addition, 51% of new voluntary products are being offered because employees expressed interest in purchasing them.

Voluntary Coverage Can Provide A Solution

Employee-paid disability insurance can be a flexible and affordable alternative for employers with tight budgets. The employer's cost is limited to administrative expenses since employees pay the premiums. At the same time, employees can generally purchase the benefit on a guaranteed issue basis at more affordable group rates through convenient payroll deduction.

Individual disability coverage can be hard to get and expensive to purchase. Employees generally spend less when they buy group voluntary coverage and they receive benefits tax-free when experiencing a qualifying disability. In addition, group voluntary insurance may be the only coverage available to employees who are ineligible to purchase individual insurance.

It's unclear what's ahead in these turbulent economic times. But you can help your clients understand how disability insurance can help them navigate the challenges of doing business under unprecedented financial circumstances.

Fred Cook is vice president of sales at Assurant Employee Benefits, which specializes in employee benefits and services, including long-term and short-term disability, life and accidental death and dismemberment insurance, dental coverage and disability reinsurance management services. Assurant Employee Benefits has group sales offices in Los Angeles, San Francisco, San Diego, Orange County, and Sacramento. Products and services marketed by Assurant Employee Benefits are underwritten by Union Security Insurance Company or an affiliated prepaid dental company.