



# Offering supplemental life and disability: How employers can help

## What are the most valuable benefits an employer can offer its workers?

After health insurance, life and disability insurance are arguably two of the most important — especially if they go beyond basic offerings to provide enough coverage to handle most any financial contingency related to injury or death. In short, such policies assure the policyholder his financial needs (and/or those of his loved ones) will continue to be met if he's unable to provide income in the future.

Aside from the solid financial protection offered by life and disability, it can also help alleviate the financial worries that cause severe stress to so many Americans. One [PwC survey](#) found that 53% of employed adults in the U.S. are stressed about their finances, and 49% of those distracted by finances at work spend three or more hours of work time each week thinking about or dealing with such issues.

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That suggests anything employers can do to keep employees from worrying about money could be a boon to company productivity. Further, providing insurance that wards off such woes could be a huge competitive advantage to companies vying to recruit and keep the best possible talent in this rapidly tightening labor market.

“It makes sense that financial wellness would make a big impact on our performance at work,” notes Ashley Feinstein Gerstley in [Forbes](#). “Employees today are under different financial stress than ever before — and in a market that’s ever-changing, the more information employees have, the better. Fortunately, many companies understand that investing in the financial wellness of their workforce can provide a measurable return on investment.”

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option of buying their own plans can go a long way toward alleviating future financial woes. Fortunately, employers can often leverage their group buying power to offer such supplemental insurance at favorable prices so employees need not spend more buying on the open market.

### Reality check: Basic healthcare doesn’t cover many emergencies

Many companies believe they’re positioning themselves as employers of choice by co-financing basic employee health insurance and offering minimal levels of life and disability insurance — or no life and disability at all. In fact, about 41% of U.S. employers fail to offer voluntary short-term disability insurance, according to the [Council for Disability Awareness](#), and 56% fail to offer voluntary long-term disability. In reality, however, employers are only hurting themselves by failing to provide their people options.





Because even basic health insurance can take a big bite out of employers' budgets, it's understandable that it's not offered across the board. Even when employers provide it these days, it's often the high-deductible version that requires workers to pay significant out-of-pocket costs before qualifying for any kind of reimbursement. As such, basic healthcare insurance leaves many consumers liable for major medical expenses; Americans borrowed a whopping \$88 billion to pay for health care last year, despite the 87% who are covered by health insurance, according to the [New York Times](#).

That said, even pricier, more comprehensive health insurance isn't designed to cover the extensive expenses incurred when an employee dies, is coping with the death of a family member or becomes unable to work because of injury or illness. A [2018 LIMRA study](#) found, for

example, that the loss of a family breadwinner would represent financial disaster for one in three consumers.

Neither are worker's compensation and Social Security disability benefits the financial remedies many Americans believe them to be. Worker's comp does cover illnesses and injuries that can be attributed to on-the-job factors. The problem is that most disabling injuries and illnesses are not work-related, according to [Freeadvice.com](#), and a full **90 percent** of disabilities are the result of illness. At the same time, Social Security disability can be both scant and difficult to secure. For example, legal advice website [Nolo.com](#) notes claimants can be denied if they earn too much income; if their work histories are inadequate; if their disability is deemed short-term or not severe enough; if they fail to follow prescribed therapies; if their disability is related to drug addiction or alcoholism or they've been convicted of a crime. In general, some **65-70 percent** of all initial claims are denied, according to the Social Security Disability Resource Center.

**So what's the answer?** Two viable solutions to the unanticipated costs associated with such catastrophes are supplemental life and disability policies. While employer-financed policies are sometimes viewed as the most cost-effective way of safeguarding employees against such trauma and worry, simply offering workers the option of buying supplementary plans can go a long way toward alleviating future financial woes among your staff.

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## Less-stressed employees are a win-win for all

Research increasingly suggests that employers and their workers both benefit when companies are proactive about supporting their workers' financial health. And the offering of supplementary insurance that can prevent financial catastrophe certainly falls under that umbrella.

In one report by [CFO Research and Prudential](#), more than 78% of U.S. financial executives surveyed agreed employers should help workers achieve financial wellness during their working years, citing the greatest benefits as higher employee satisfaction and increased retention. In a different [Prudential Report](#), 44% of employees said they worry about finances at work, 81% agreed that financial wellness programs would reduce their financial stress and 76% indicated being offered such programs would make them appreciate their employers more.

Financial worries have also been linked to physical health problems such as ulcers, digestive tract problems, migraines, headaches, anxiety, depression, heart attacks and muscle tension, according to the latter report. And that could easily translate into higher healthcare costs for employers.

“Unfortunately, stress resulting from financial challenges is often chronic,” writes Brett Whyse in [Forbes](#), citing American Psychological Association [research](#) that indicates 26% of Americans are stressed about money most of the time. “Unexpected expenses, the need to save for retirement and out-of-pocket health care expenses are major culprits. Employees with high financial stress are [twice as likely](#) to report poor health overall and are more than four times as likely to complain of headaches, depression or other ailments.”

Not surprisingly, employees who struggle to maintain financial stability or to cope with overwhelming financial stress also tend to cost their employers in areas such as absenteeism, garnishments, payroll taxes and delayed retirement, according to a [report](#) by Financial Finesse.

“At the heart of any successful financial wellness program are the product solutions, tools, and support that enable employees to take concrete actions to improve their financial health,” reads the [Prudential report](#). “As a starting point, employers should evaluate their existing benefit programs and ensure employees can easily access their benefits, interact with tools and solutions and reach out for support if needed.”

## Peace of mind: The role of supplemental disability insurance

A voluntary short- or long-term disability policy is designed to help replace an employee's regular income when he's unable to work due to illnesses or injuries — factors such as major surgeries, cancer, back injuries, stroke or car accidents. It acts as paycheck insurance, helping the beneficiary pay his bills and cover daily living expenses so he can focus on healing and adapting to his new reality — without tapping into savings, taking out loans or otherwise stressing about how he and his family will continue to function financially.

"Your most valuable asset isn't your house, car or retirement account — it's the ability to make a living," writes Barbara Marquand at [Nerdwallet.com](https://nerdwallet.com).

Unlike workers' compensation, disability insurance provides coverage whether the illness or injury occurred in the workplace or not. Short-term disability typically provides coverage for a few months, up to two years, while the long-term disability provides coverage beyond this time to help with expenses for years — sometimes decades.

That can be crucial, since the odds of becoming disabled are higher than you might think. A Social Security Administration [assessment](#) conducted in 2017 indicates that more than 25% of Americans who reached age 20 that year would sustain some kind of disability over their lifetimes. Another [study](#) in 2019 determined that 78% of U.S. workers live paycheck to paycheck.

"When you're young and healthy imagining a situation where you can't physically work is difficult," observes Zina Kumok on [Moneyunder30.com](https://moneyunder30.com). "That's why so many people eventually find themselves in a situation where their income vanishes with nothing to replace it. That can lead to a downward spiral of debt, desperation and depression."

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That said, many employees fail to recognize the value of investing in such policies. Here are some ways employers can encourage better participation:

- Include comprehensive information in your employee handbook, explaining in clear language how disability insurance works, who pays for it, how long it's effective, how it affects taxes, etc.
- Use statistics to talk about the likelihood of needing disability insurance.
- Illustrate different scenarios in which it could change employees' lives for the better.
- Talk about the high value of the potential payout compared to the incremental expense of monthly premiums.

## Life goes on: What supplemental life insurance can do

Employers similarly have the option of using group buying power to offer voluntary supplemental life insurance for employees, their spouses and/or their children, often at favorable rates because risk is spread across an entire population. The vehicles that go beyond traditional life insurance policies to provide bigger payouts in the event of death are often

bought in multiples of the policyholder's salary, with costs automatically deducted from his payroll.

Such policies can represent major peace of mind for employees worried about health issues or longevity, since they often don't require the policyholder to undergo medical screening before being issued. As a result, they can be more expensive than life insurance policies that do require health screenings, since they cover a broad range of policyholders with a wider range of medical issues.

So how much life insurance is enough for your employees? That depends entirely on individual circumstances, though some would argue no price is too high for the security that comes from knowing families will be financially comfortable even if their major breadwinner dies. In general, factors to be considered when purchasing life insurance include the employee's age, savings level, portfolio of other insurance and years of income that could be lost. Among dependents, key criteria include age, education level, projected expenses, other income sources and other assets. Generally speaking, however, analysts recommend establishing enough life insurance to replace **five to 12 times** the policyholder's annual income.

"You need enough life insurance to cover all your debts and support your dependents," advises Amy Fontinelle on [Investopedia.com](https://www.investopedia.com). "'Enough' includes paying off your credit cards, car loans and mortgage, paying for your children's education and making sure your spouse will have the financial means to take care of him or herself and your children. In a time of grief, the last thing you want is to

leave your loved ones with another major life upheaval such as having to change jobs or schools because of financial strain."

Some steps you can take to encourage more employee enrollment include:

- Try to get past the stigma of talking about death. Many don't like to acknowledge the fact that 100% of us will die someday, but it's important to come to terms with that and take steps to protect our loved ones accordingly.
- Ask employees to consider the real-life financial consequences to their families if they died unexpectedly. Could their families handle everyday expenses? Mortgages and other debts? The medical and funeral bills they may have incurred? In one BenefitsPro [survey](#), only 41% of U.S. employees said their employees have a good understanding of the need for life insurance coverage.
- Discuss the benefits of buying life insurance as part of your group annual benefits renewal program. When you shop around for a trustworthy provider and share premium costs, the costs to employees are bound to be less expensive than they could find on the open market.

As an employer, offering your workers supplemental life and disability insurance can be an enormous step forward in protecting them from future financial hardship — not to mention the stress that comes from worrying about that hardship.

To fortify your company's position as a financial support system for its employees, talk to the specialists at Ochs about how to provide the best possible voluntary benefits.