Voluntary Insurance
What Businesses Need to Know
Although voluntary benefits have been available for decades, in recent years they have grown steadily and even aggressively as human resources (HR) decision makers and consumers have taken more notice of them.

In 2009, voluntary benefit sales were up 3.3% to $5.397 billion, according to Eastbridge Consulting Group’s 2010 U.S. WorkSite Report. Although health care reform does not apply to voluntary insurance, the legislation may fuel more growth in the sector as plan sponsors respond to consumer need and attempt to enhance benefit packages without adding employer expense.

What Are Voluntary Benefits?

Broadly speaking, voluntary benefits are additional benefits or products that can be added to a worker’s benefit package and can be either core or ancillary in nature. Voluntary benefits are typically individual insurance policies that are employee-paid and which workers may opt to apply for during enrollment periods.

There are two groups of voluntary benefits: insurance and noninsurance products. Voluntary insurance policies enhance and complement an existing benefits package at no direct cost to the employer while helping employees improve health care coverage and prepare for the unexpected occurrences of life.

Insurance policies can include:

- **Life insurance**—Ranging from term life to whole life policies, life insurance takes care of beneficiaries’ immediate and future financial needs following the plan participant’s death.
- **Critical illness**—A policy that provides a single cash benefit to policyholders if they are diagnosed or treated for critical illnesses such as heart attack, stroke, coma or paralysis
- **Short-term disability**—A policy that pays benefits (i.e., a monthly amount that is a percentage of the policyholder’s gross income) for a period of time while the policyholder is disabled
- **Accident**—A policy that allows policyholders to stay ahead of medical and out-of-pocket expenses that can add up quickly after an accidental injury. When a covered accident occurs, cash benefits are paid directly to the policyholder (unless otherwise specified).

Interest in providing voluntary benefits—often, benefits with premiums offered at a group rate but paid by employees—has grown. The author suggests what to look for in a provider.
• **Dental**—A variety of policies that help workers pay for dental services, including additional care such as x-rays, sealants and emergency oral evaluations.

Traditionally, voluntary insurance is viewed as coverage that exceeds an employee’s core benefits package. However, as the cost of health care continues to rise and legislation is enacted, some companies are cutting back on core health care coverage and adding voluntary insurance as a cost-effective supplement to core benefits. Eastbridge Consulting Group finds that more than half of employers now offer at least one voluntary benefit, and in companies with more than 100 employees, that figure jumps to 70%.

Noninsurance voluntary products are also available and remain a popular way for businesses to bolster benefits offerings. Some of the most popular include:

• **Legal services products**: Most employees will require legal assistance at some point in their lives, and these plans cover a wide range of legal needs including will and estate planning, personal disputes, purchasing a home, etc.

• **Debt or financial counseling**: Struggles with money and finances can cause great anxiety and stress among workers, resulting in lost productivity. Many companies are offering voluntary benefits to help workers cope with financial burdens or challenges.

• **Concierge services**: Aimed at helping workers balance work and home, these services are typically employer-paid benefits and offer workers help in accomplishing personal tasks and errands.

• **Pet insurance**: Another option to help ease employee stress or anxiety, pet insurance can provide financial peace of mind. While voluntary programs have advantages—possible cost savings and employee goodwill—plan sponsors can experience challenges if plans are not implemented effectively. Organizations need to invest the time and resources to truly understand their workers’ preferences, needs and interest in voluntary benefits; otherwise, they may face low participation rates or a lack of appreciation for voluntary policies overall. By engaging the right provider, implementing employee focus groups or surveys, and ensuring that workers understand voluntary benefits and how they work, companies can reap rewards rather than disappointments.

### What to Look for in a Provider

Selecting a voluntary benefits provider requires a fair amount of due diligence. While each plan sponsor is unique and has its own set of criteria and needs, there are several “must haves” a human resource (HR) decision maker should look for in the potential provider.

### TABLE >>

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<thead>
<tr>
<th>Group</th>
<th>Individual</th>
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<tbody>
<tr>
<td>Typically less expensive rates</td>
<td>Usually fixed premiums, locked at issue age</td>
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<tr>
<td>Customizable</td>
<td>Portable</td>
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<tr>
<td>More enrollment options, electronic or group meetings</td>
<td>Generally guaranteed renewable</td>
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<tr>
<td>Simpler underwriting process</td>
<td>In-person enrollment more likely</td>
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#### Financial Stability and Long-Term Experience

Trusting a provider with the task of insuring the well-being and future of workers requires a great deal of confidence in the company’s reputation and financial standing. Plan sponsors should consider the history of the provider: How long has the company been in business? Is it consistently ranked among peers as a reputable leader in the industry? How many clients and policyholders does the company service?

#### Range of Policies

The needs of a company’s workforce can change at a moment’s notice. Partnering with a voluntary provider with a broad product portfolio can offer peace of mind. As an organization grows and changes, the provider can meet changing needs because it offers a wide range of policies, such as disability, hospital confinement, cancer, accident and dental.

Consider choosing a provider that offers group versions of the individual policies, which can be more cost-effective for the organization as it grows in size. See the table for a brief listing of differences between group and individual insurance.
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Historically, group insurance policies may have been considered out of reach for smaller companies. Having too few employees limited the options of small businesses offering employees insurance policies under a group platform. This left individual policies as one of the only options for employers to provide to employees from a benefit standpoint.

Group plans tend to offer less expensive rates, which is important for all companies, but may be crucial for smaller businesses. Finding ways to offer competitive insurance benefits at lower costs to the employer is a goal for most companies in today’s environment.

With some providers lowering the minimum number of employees to 100, securing group insurance plans is now an attainable goal for many business owners. With voluntary group insurance platforms, employees can control how much or how little coverage they want, with no direct cost to the employer.

Group insurance options tend to make enrollment and use easier for both employers and employees. Many voluntary group platforms require only one application, rate set and underwriting structure, and employees can enroll online in many cases.

Although there are many reasons to offer group voluntary insurance, there are also drawbacks. For example, under a group plan individual policyholders receive a “certificate” rather than a “policy” of insurance, and many of the policy terms are negotiated by the group. The group (called the master policyholder) has the option to terminate the policy at any time, which means the individuals who hold certificates under the policy will lose their right to continue the group insurance coverage. While this doesn’t occur often, some companies choose to terminate the master policy as a result of an acquisition, merger or filing for bankruptcy.

Furthermore, although policies through group plans are voluntary, they are not always portable. Group plans may not be attractive to employees who plan to leave or retire from the company—another possible inhibitor for employees to join group plans. In some cases, if the company cannot maintain the maximum number needed to retain coverage, the entire case could be jeopardized.

Similar to group insurance platforms, individual voluntary insurance policies have pros and cons. They are available based on an individual’s or family’s needs, which may be especially helpful for individuals or families with preexisting or hereditary conditions, such as cancer. For individual policies, participants can enroll one on one and have the opportunity to speak with a professional for help selecting the coverage that is right for them.

Individual voluntary insurance policies are portable.

takeaways >>

- Consider a provider that offers group versions of individual policies. Some providers have lowered the minimum number of employees needed for group coverage to 100.
- Look for a provider with a range of policies, customizable enrollment processes and customer support.
- Try communicating different segments of the employee benefits program throughout the year, rather than all at one time.

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Employees own their policies and can take them with them should they leave their employer. This may be an important consideration for policyholders, because voluntary benefits offer coverage for any life stage or situation, including cash sums to help policyholders cover expenses due to hospitalization, unforeseen health events or hospital confinement.

Individual policies have fixed premiums as well as locked-in age premiums at issue. Individual insurance policies typically are not subject to increase without state insurance department approval.

For employers in some states, many individual voluntary benefits offer options that encourage employees to choose healthier lifestyles and preventive care such as mammograms or routine physicals.

One of the most important factors in implementing health benefits is weighing the options of cutting costs while maintaining benefits. Some major health insurance companies do not offer benefits for preventive care. Studies show that health care costs decrease, for both employee and employer, if preventive care is accessible. Benefits such as gym memberships or healthy lifestyle education can cut health costs through individuals making healthier choices.

Cost is where individual platforms may not measure up to their group platform counterparts. Individual plans tend to be more expensive for enrollment as well as premiums because there is no maximum number of participants required, so group savings are not passed on.

Although there is variety in the types of individual coverage that can be purchased, another disadvantage to individual policies is that plans are not easily customized.

It is always recommended to conduct thorough research when making a decision about insurance platforms. Cost benefits for both employee and employer, as well as which platform makes most sense for a company’s workforce, should be taken into consideration.

**Broad Spectrum of Enrollment Options**

Plan sponsors may want to avoid providers that offer only a one-size-fits-all enrollment option. Voluntary insurance providers should be able to deliver the enrollment approach that best suits a particular company. For example, many smaller organizations find it ideal to offer in-person enrollment sessions with benefits consultants or representatives from the provider. Other larger companies may require online enrollment platforms or call centers to help field-based employees located throughout the country.

**Verifiable Claims, Customer Support and Administration Processes**

A primary reason HR decision makers rely on voluntary providers is to ease the burden of administrative workloads that can come from adding benefits. Seek partners that can provide documented track records of their claims and billing processes. How fast do they process claims? Do they offer electronic billing and payment processes? Do they measure their customer service satisfaction levels?

**Value-Added Services**

There are many voluntary providers that not only meet these requirements, but also go beyond to deliver value-added services to clients. These can include an outsourced benefits communication program to help ensure that workers are knowledgeable and aware of benefit options prior to and during enrollment periods. Can the company offer best-in-class strategies or programs when it comes to benefits communication? Can it offer advice and guidance during and after enrollment?

**Implementing a Voluntary Benefits Program**

Once a provider has been chosen, a plan sponsor must make sure the plan options meet the needs of its workforce and are effectively rolled out to encourage participation.

First, workers should be surveyed to determine their inter-
est and need for supplemental insurance options. This not only helps the provider and plan sponsor craft a package that fits workers’ needs, but it also fosters buy-in from employees when they know they have helped shape their benefits package.

Based on the survey, the provider and sponsor will need to meet and gauge the level of interest in certain products and to project participation levels. This information is used to help determine if the company should consider group platforms for any broad product offerings, such as life insurance, dental or disability.

Once the product portfolio has been created, there are several steps to undertake in achieving a successful enrollment program:

• Choose an enrollment method in line with the company’s culture and employee population. For example, a construction company may be best-suited to an in-person, one-on-one enrollment, whereas a technology organization could be better aligned with an online enrollment platform. Take into consideration the location of the employee base: Are the bulk of employees desk-bound or field-based?

• Collaborate with the provider to create a detailed timeline and resolve to stick to deadlines. Identify roles and responsibilities both internally and with the provider. The project scope should include a mock enrollment training session to help troubleshoot any potential roadblocks or to identify enhancements that need to be made. It is equally important to review the results of the enrollment after the process is complete. This fosters open dialogue about future benefits to consider based on feedback or administrative processes that may need to be put in place.

• Perhaps the most important component of the implementation process is communication. According to a study conducted by Harris Interactive on behalf of Aflac, 41% of workers say a well-communicated benefits package would make them less likely to leave their jobs.¹ A communication strategy must be identified to educate, motivate and inform employees about benefits options and enrollment process milestones.

Too often, employers communicate their benefits programs to workers only one or two times a year, heaping on the information at open enrollment or when they are hired. Employees are already struggling to better understand even the basics of health care terms; expecting them to retain large amounts of benefits information at once is unrealistic and unfair.

Instead, sponsors should try communicating different segments of their employee benefits program throughout the year. This approach will improve the amount of information employees retain, as well as make open enrollment a smoother, easier process.

Be wary of relying on only one communication vehicle to reach employees. Too often, employees are inundated with mounds of enrollment material. Consider using a variety of methods, including e-mail, voice mail, online outlets, Web portal postings and in-person meetings with employees.

Voluntary benefits plans can provide HR managers with some leverage in the daily struggle to deliver a solid benefits package without overstepping cost constraints. They are growing in popularity because they can help enhance corporate benefits packages—at no direct cost to the employer—while helping to attract and retain employees. When choosing to offer voluntary benefits, plan sponsors should consider choosing a provider that offers a wide range of policies and products, as well as extensive services to help ease administrative burdens.

Endnote

¹. 2011 Aflac WorkForces Report.

Thomas R. Giddens is a senior vice president and director of sales at Aflac. He joined Aflac in 1983 as assistant vice president in the marketing department and also has worked as regional sales coordinator and state sales coordinator of Georgia-North, and Southeast Territory director. He serves as a board member for Aflac Credit Union, the Cobb County School Foundation and Children’s Healthcare of Atlanta Foundation. He holds a bachelor of science degree from Georgia Southern University.