

## ▶ ACCIDENT INSURANCE

Helping employees cope with out-of-pocket non-medical and medical expenses stemming from accidental injuries



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## EXECUTIVE SUMMARY

Millions of working Americans struggle each year to manage the out-of-pocket non-medical and medical expenses associated with unforeseen health events.<sup>1</sup> Their financial challenge has been exacerbated by the increased popularity of high-deductible health plans in the workplace and the embrace by some employers of a defined contribution model for health care benefits. Now, to assist their employees, many employers have begun to offer an increasingly broad array of voluntary benefits programs that can complement traditional medical insurance offerings.

One such voluntary benefit, accident insurance, can help employees cope with the out-of-pocket non-medical and medical expenses, or lost wages, stemming from accidental injuries. Neither a medical insurance product nor a substitute for it, accident insurance is designed to complement an employee's existing medical and disability insurance benefits.

For employers, accident insurance offers a low-cost way to deliver a more robust benefits package to employees. It also may help smooth the transition to high-deductible health plans. For employees, it can provide cash to pay for a portion of out-of-pocket injury-related expenses, including some not typically covered by medical insurance, such as transportation and home modifications. Or it may be used to offset a portion of lost wages.

Although accident insurance is one of the fastest-growing voluntary employee benefits—nearly a third of U.S. employers offered it as of 2010, up from 19% in 2002<sup>2</sup>—more education about the product is needed, both for employers and employees. About a third of employers who do not offer it, for example, say they are still not very aware of the product or its benefits.<sup>3</sup>

This report identifies the various types of accident insurance available in the marketplace, examines the trends driving the need for the product, outlines the benefits it offers to employers and employees, and describes best practices for employers that may want to implement an accident insurance program.

<sup>1</sup> The Henry J. Kaiser Family Foundation, "Medical Debt Among People with Health Insurance," January 2014. <sup>2</sup> LIMRA, "Weathering the Storm," 2011, page 6. <sup>3</sup> LIMRA, "Weathering the Storm," 2011, page 7.

## ACCIDENT INSURANCE: AN INTRODUCTION

Developments in the health care market have created a growing financial gap for millions of working Americans, a gap often exacerbated by the out-of-pocket non-medical and medical expenses they can incur in association with an unforeseen health event. To help employees bridge the gap, employers increasingly are offering voluntary benefits programs, such as accident insurance.

### Accident Insurance

- ▶ Provides a payment to claimants to help cover out-of-pocket non-medical and medical expenses related to accidents that have caused them direct physical harm.
- ▶ Generally covers accidental injuries such as broken bones and eye injuries, although employers may have the flexibility to customize which types of accidents they want to cover.
- ▶ Is not a medical insurance product. Accident insurance is intended as a complement to medical and disability insurance, not as a substitute. There typically is no coordination of benefits with medical insurance.

## THE GROWING FINANCIAL GAP

For millions of working Americans, the gap between the expenses covered by their medical insurance plan and their actual annual health care expenses—including related non-medical and medical out-of-pocket expenses—is widening. Multiple factors are driving the trend, led by medical expenses that are increasing faster than the rate of inflation and a push by employers to shift more health care costs and responsibilities to employees in the wake of health care reform.

### Health care costs and the benefits landscape

From 1965 through 2010, the nation's spending on health care grew at an average annual rate of 4.5%.<sup>4</sup> Although the average annual rate of growth slowed to 1.3% from 2010 to 2013,<sup>5</sup> the Centers for Medicare & Medicaid Services projects that health care expenditures will soon begin accelerating again, growing at an annual rate of 5.8% from 2012 through 2022.<sup>6</sup> That would be well ahead of inflation, which is expected to average just 2.1% during the same period.<sup>7</sup>

Against this backdrop, and worried about the long-term implications of health care reform, employers have been seeking to shift more of the cost and responsibility for health care onto employees. One popular approach has been to increase the use of high-deductible health plans (HDHPs), which feature higher maximum out-of-pocket contribution levels for employees than traditional plans. Fifty-five percent of participants in HDHPs have aggregate, annual out-of-pocket family maximums of \$7,000 or more,<sup>8</sup> for example, and 12% have no annual out-of-pocket maximums at all.<sup>9</sup>

<sup>4</sup> The White House, "Trends in Health Care Cost Growth and the Role of the Affordable Care Act," 2013, page 4. <sup>5</sup> The White House, "Trends in Health Care Cost Growth and the Role of the Affordable Care Act," 2013, page 4. <sup>6</sup> Centers for Medicare & Medicaid Services, Office of the Actuary, "National Health Expenditure Projections 2012–2022," 2013. <sup>7</sup> Department of Labor (2011); Congressional Budget Office, "An Update to the Budget and Economic Outlook: Fiscal Years 2012 to 2022," page 33. <sup>8</sup> The Kaiser Family Foundation, "Employer Health Benefits 2013 Annual Survey," page 129. <sup>9</sup> The Kaiser Family Foundation, "Employer Health Benefits 2013 Annual Survey," page 126.

The HDHP trend seems unlikely to change anytime soon. Fifty-four percent of employers agree that controlling costs for company-provided health care benefits is one of their top priorities, and their number one priority relating to employee benefits.<sup>10</sup> As a result, 49% now say they are extremely or very likely to make an HDHP their only medical insurance option.<sup>11</sup>

To further control their health care costs, some employers also are embracing a defined contribution model for health care benefits.<sup>12</sup> Under this approach, employers give employees a lump sum of money to spend on their benefits and allow employees to decide which benefits they wish to fund, which may result in higher expenses for some employees.

## Income and expenses

Many American workers are ill-prepared to meet higher out-of-pocket non-medical and medical expenses. Sixty-six percent say it would be very or somewhat difficult to meet their current financial obligations if their next paycheck were delayed for just one week.<sup>13</sup> And 52% of households say they have less than \$10,000 in liquid assets available for use in an emergency.<sup>14</sup>

The costs and expenses workers face when confronted with an accidental injury fall into three categories: medical and non-medical expenses and lost wages.

- ▶ **Medical expenses** are typically covered at least in part by medical insurance, but often not until employees have paid deductibles and copays out of their own pockets. Employees also shoulder the cost, in many cases, of other out-of-pocket medical expenses including medicines, medical equipment, and out-of-network visits to medical professionals.
- ▶ **Non-medical expenses** are almost always the responsibility of the employee. They include items such as travel to appointments, home accommodations, caregiving, and housekeeping.
- ▶ **Lost wages** are a sometimes overlooked cost of illness or injury. Lost wages can be an issue not only for the employees directly impacted by illness or injury, but also for family members who are providing care for them.



52% of households say they have less than \$10,000 in liquid assets available for use in an emergency.<sup>14</sup>

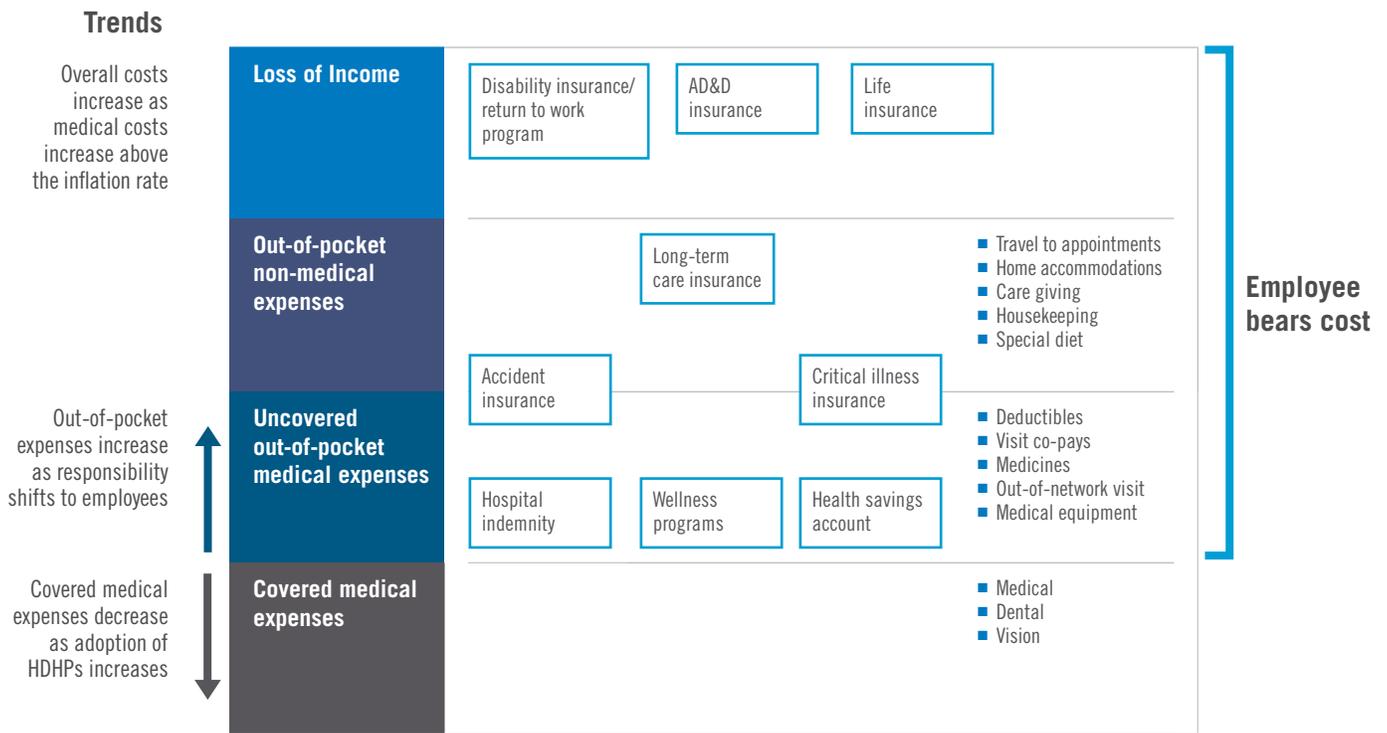
<sup>10</sup> Prudential Financial and CFO Research Services, “Managing Financial Risk in Retirement and Benefits Programs,” July 2014. <sup>11</sup> Prudential Financial, “Health Care Reform: Full Steam Ahead,” the first in a series of five research briefs derived from Prudential’s “Eighth Annual Study of Employee Benefits: Today & Beyond,” 2014, page 2. <sup>12</sup> Prudential Financial, “Group Benefits and the Defined Contribution Model,” the second in a series of five research briefs derived from Prudential’s “Eighth Annual Study of Employee Benefits: Today & Beyond,” 2014. <sup>13</sup> American Payroll Association, “Getting Paid in America Survey,” 2014. <sup>14</sup> Prudential, Financial Wellness Survey, 2014.

# ONE WAY TO BRIDGE THE FINANCIAL GAP: VOLUNTARY BENEFITS

To help employees manage their out-of-pocket non-medical and medical expenses and/or replace a portion of lost wages, some employers have begun to offer a broader portfolio of benefits, often making them available on a voluntary basis. (see Exhibit 1)

While there is no single voluntary benefit that can fill the financial gap completely, all can contribute toward a solution. Voluntary benefits allow employees to increase their insurance coverage, generally at a group rate, and to customize that coverage to their needs and concerns at various stages of their lives. Some benefits, like accident insurance, may appeal to employees who are younger and/or have children at home, for example, while critical illness insurance and long-term care insurance may appeal to older employees.

**Exhibit 1: Bridging the Financial Gap Associated with a Significant Medical Event**



Voluntary benefits allow employees to increase their insurance coverage and to customize that coverage at various stages of their lives.

## IMPACT OF ACCIDENTS ON FINANCIAL AND PHYSICAL WELL-BEING

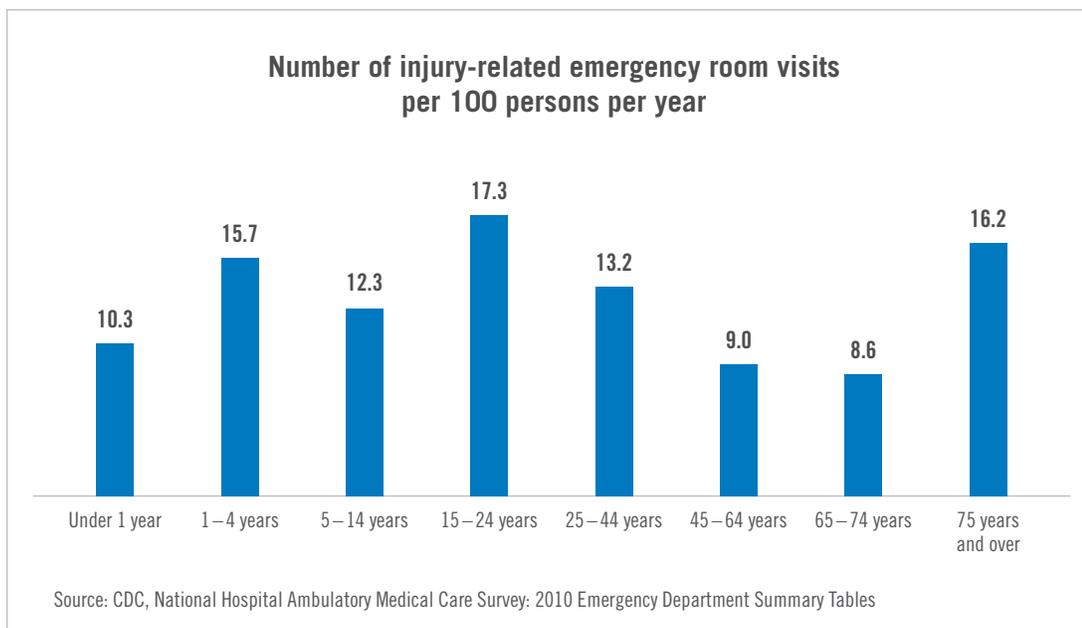
For employees charged with meeting a higher portion of their own health care costs, serious accidents aren't just significant medical events but also can be significant financial events—and surprisingly commonplace. U.S. emergency rooms logged nearly 38 million injury-related visits in 2010, or one for every eight Americans.<sup>15</sup> The most prevalent reasons were falls (20% of visits) and motor vehicle accidents (10% of all visits).<sup>16</sup>

Even common activities are frequent causes of accidents. About 540,000 bicyclists visited the emergency room with biking-related injuries in 2010,<sup>17</sup> for example, and more than 200,000 children visit hospital emergency rooms annually as a result of playground injuries.<sup>18</sup>

The expenses associated with treating accident-related injuries can be significant, too. To cite just one example, the average cost to treat a broken leg, including X-rays, setting the bone, and putting the leg in a cast, exceeds \$10,000.<sup>19</sup> Individuals hurt in accidents also can incur other expenses that are not directly related to medical care, such as the cost of traveling to appointments, making accommodations in the home, and housekeeping.

The need to protect against the impact of accident-related costs may be most relevant for younger employees, especially those with children. (see Exhibit 2) Forty percent of injury-related emergency room visits in 2010 were made by children and young adults, including 21% by those under age 15 and 19% by those between the ages of 15 and 24.<sup>20</sup>

### Exhibit 2: Injury-Related Emergency Room Visits by Age



<sup>15</sup> CDC, "National Hospital Ambulatory Medical Care Survey: 2010 Emergency Department Summary Tables." <sup>16</sup> CDC, "National Hospital Ambulatory Medical Care Survey: 2010 Emergency Department Summary Tables." <sup>17</sup> National Safety Council, "Safe Bicycling Safety Facts and Tips," [http://www.nsc.org/news\\_resources/Resources/Pages/SafeBicycling.aspx](http://www.nsc.org/news_resources/Resources/Pages/SafeBicycling.aspx) (accessed June 1, 2014). <sup>18</sup> National Safety Council, "Playground Safety Facts and Tips," [http://www.nsc.org/news\\_resources/Resources/Pages/PlaygroundSafety.aspx](http://www.nsc.org/news_resources/Resources/Pages/PlaygroundSafety.aspx) (accessed June 1, 2014). <sup>19</sup> Healthcare Leadership Council, "Who me? Why now?" <http://www.getcoverednow.org/moreinfo.html> (accessed June 1, 2014). <sup>20</sup> CDC, "National Hospital Ambulatory Medical Care Survey: 2010 Emergency Department Summary Tables."

## THE IMPORTANCE OF ACCIDENT INSURANCE

Although accidents prompt tens of millions of visits to hospital emergency departments each year,<sup>21</sup> the likelihood of any one individual having a serious accident in a given year is low. That makes accident risk a strong “insurance value,” meaning it can be insured at an affordable cost.

Accident insurance helps to address the financial consequences of an accidental injury by providing a payment to claimants that they can use to cover some of their out-of-pocket non-medical and medical expenses or to replace a portion of their lost wages. Accidental injury refers to physical harm or damage to the body that is the direct result of an accident, while an accident itself is defined as an act or event that is unforeseen, definite as to time and place, and not a sickness.

Accident insurance generally pays a lump sum benefit in the event of trauma such as a broken bone or an eye injury, although employers often have the flexibility to customize which types of accidents their plans will cover. In addition, employers may be able to decide the level of payment for each type of claim.

Although accident insurance is not comprehensive medical insurance that covers medical expenses, it is intended as a complement to, rather than a substitute for, medical and disability insurance. There is no coordination of benefits with medical insurance. However, some insurers allow employers to integrate their accident insurance and stand-alone accidental death & dismemberment (AD&D) policies. This can make insurance coverage seamless for employees.

## TYPES OF ACCIDENT INSURANCE

Accident insurance plans generally fall into one of two broad categories, traditional or incident-based:

**Traditional treatment-based plans** pay benefits based on the occurrence of an accidental injury and the type of treatment or procedure required to repair an injury. This can require that employees submit multiple claims stemming from a single accident. If an employee falls at home and fractures her hip, for example, she will typically be required to submit documented claims for each treatment or procedure she receives, including transportation to the hospital via ambulance, her visit to the emergency room, her stay in the hospital, and each physical therapy session she receives after discharge from the hospital.

**Incident-based plans** pay benefits based upon the incidence and type of injury. This can simplify the claims process by reducing the number of claims that must be submitted. In the case of the fractured hip described above, for example, the employee might be required to submit evidence only for the fracture itself and for her hospital stay. (see Exhibit 3)

### Customization options

Employers typically have several customization options when choosing and structuring a voluntary accident insurance program for their employees (see Exhibit 3):

**Funding.** Employers can choose to pay for the benefit and offer it to all employees, make the benefit voluntary and have those employees who enroll pay the premiums, or share the cost of the premiums with employees.

**Coverage tiers.** Employers can allow employees to choose coverage based on a tiered system: employee only, employee plus spouse, or employee plus family. Employees with children may prefer family coverage, as children may be more prone to accidents.

**Types of accidents covered, and level of benefits.** As noted earlier, employers also may choose which types of accidents to cover, and the level of payment for each type of claim.

<sup>21</sup> Centers for Disease Control and Prevention, “National Hospital Ambulatory Medical Care Survey: 2010 Emergency Department Summary Tables,” Tables 14 and 17.

### Exhibit 3: Customizing Accident Insurance Features to Meet Employers' Needs

Customizable Features	Explanation	Considerations
<b>Incident- or treatment-based claims</b>	Benefit based incidence and type of injury (e.g., broken leg) or on the type of treatment or procedure required to repair that injury (e.g., ambulance, x-ray, physical therapy)	<ul style="list-style-type: none"> <li>■ Administrative staffing available</li> <li>■ Employee propensity to file claims</li> </ul>
<b>Covered accidents</b>	Types of injuries or treatments covered	<ul style="list-style-type: none"> <li>■ Employee demographics</li> </ul>
<b>AD&amp;D component</b>	Potential to integrate with employer's accidental death & dismemberment policy	<ul style="list-style-type: none"> <li>■ Potential overlap or gaps with current plan offerings</li> </ul>
<b>Level of claim payments</b>	Amount of lump sum payment for each condition	<ul style="list-style-type: none"> <li>■ Employee demographics</li> </ul>
<b>Funding method</b>	Premiums paid by employer, employee, or both	<ul style="list-style-type: none"> <li>■ Funds available to contribute</li> </ul>

#### Additional customizable features:

- **Spouse and child coverage**—Ability to cover family members
- **Hospital stay benefit**—Ability to include benefits based on duration of hospital stay
- **Multiple plan design**—Ability to offer multiple choices during enrollment so employees may elect a higher or lower benefit amount based on needs
- **Portability**—Ability to maintain coverage after employment ends

## BENEFITS OF ACCIDENT INSURANCE FOR EMPLOYEES

Accident insurance provides a host of benefits for employees:

**Financial assistance.** Accident insurance can help employees financially by providing cash to pay a portion of out-of-pocket injury-related expenses, both non-medical and medical, that are not covered by their medical insurance plan or other coverages.

**Financial flexibility.** Unlike medical insurance, some accident insurance plans give employees the flexibility to use their cash benefit for any type of expense, such as transportation or home modifications, or even to replace lost wages.

**Simplicity and convenience.** Having accident insurance available through the workplace allows for easy enrollment and the convenience of payroll deduction for premium payment. Moreover, employees can rely on the product research conducted by their employer, and potentially benefit from group pricing.

**Easy claim submission.** With incident-based accident insurance, employees benefit from the ease and convenience of submitting minimal documentation for claims approval.

## BENEFITS OF ACCIDENT INSURANCE FOR EMPLOYERS

Like employees, employers also enjoy multiple benefits when they make accident insurance available in the workplace.

**A more robust benefits package.** Offering voluntary accident insurance paid for by employees allows employers to provide a more robust benefits package that can improve employees' satisfaction with their jobs. According to a report prepared by CFO Research in collaboration with Prudential Financial, 77% of finance executives agree that employee benefits are critical to attracting and retaining talent, and 70% say offering more voluntary benefits is a cost-effective way to increase employee satisfaction with benefits.<sup>22</sup> This jibes with what employees themselves are saying, too. A growing percentage of employees—71% as of 2014—say the availability of voluntary benefits increases the value of their company's overall benefits program, up from 63% in 2012.<sup>23</sup> And 43% of employees say they are interested in having their employer offer more voluntary benefits, up from 34% in 2012.<sup>24</sup> The more benefits offered, the easier it is for employees to customize coverage to their own needs.

**A smoother transition to high-deductible health plans.** Employers replacing traditional medical insurance with an HDHP may find the transition more readily accepted by employees if it is accompanied by an offer of a voluntary accident insurance plan.

**Potential for improved productivity.** Employees under financial pressure may be less productive than those who are not. Twenty-four percent of workers say personal financial issues are a distraction at work, and 39% say they spend three hours or more each week thinking about or dealing with issues related to their personal finances.<sup>25</sup> By helping to alleviate financial pressure, accident insurance may free employees to work more efficiently on the job.

**Minimal costs.** When premiums for voluntary accident insurance are paid by employees, as is often the case, accident insurance programs allow employers to help employees at little or no cost to the organization. Accident insurance plans do not impose much of a burden on the employer's staff, either, because claims are generally administered by the insurance provider.



43% of employees say they are interested in having their employer offer more voluntary benefits, up from 34% in 2012.<sup>24</sup>

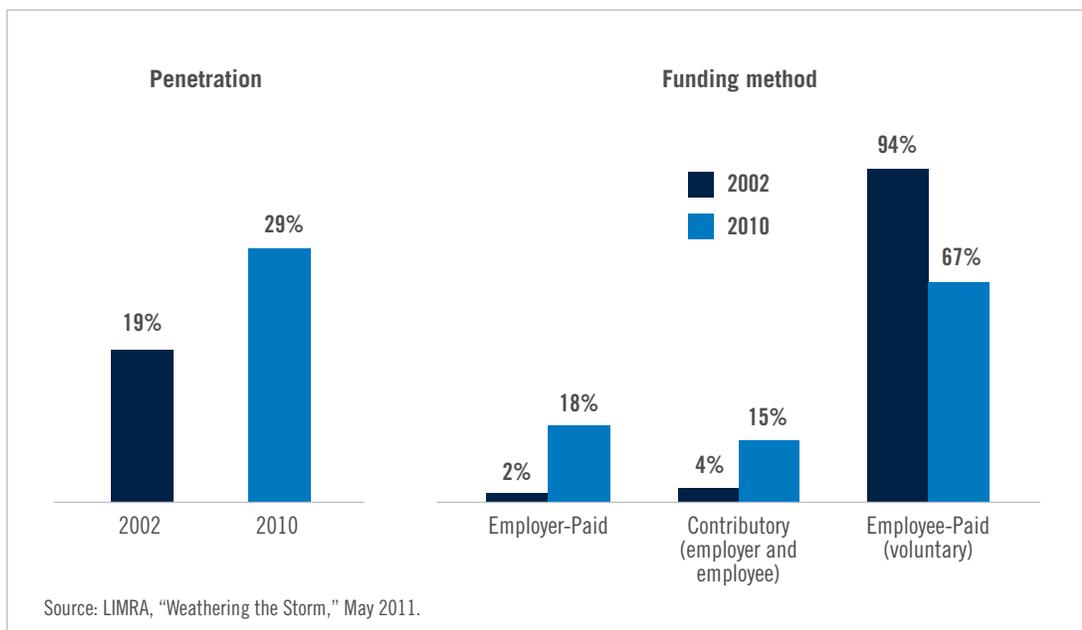
<sup>22</sup> Prudential Financial and CFO Research Services, "Managing Financial Risk in Retirement and Benefits Programs," July 2014. <sup>23</sup> Prudential Group Insurance, "Eighth Annual Study of Employee Benefits: Today and Beyond," 2014, page 25. <sup>24</sup> Prudential Group Insurance, "Eighth Annual Study of Employee Benefits: Today and Beyond," 2014, page 25. <sup>25</sup> PricewaterhouseCoopers, "Employee Financial Wellness Survey," 2014, page 11.

## GROWING MOMENTUM FOR ACCIDENT INSURANCE, BUT A NEED FOR MORE EDUCATION

Accident insurance is one of the fastest-growing voluntary employee benefits. As shown in Exhibit 4, nearly a third of U.S. employers—29%—offered accident insurance plans in 2010, up from 19% in 2002.<sup>26</sup> In 2013, total premiums paid for accident insurance grew by 17%, or nearly twice as fast as the 9% growth rate for voluntary product premiums overall.<sup>27</sup>

Nearly all the accident plans offered in 2002 were structured as a voluntary benefit, with employees responsible for paying their own premiums. But from 2002 to 2010, increasing numbers of employers began paying for the plans themselves, or sharing the cost with employees under a “contributory benefit” model. (see Exhibit 4) This suggests that employers were seeing real value in the product. In fact, employers that offer accident insurance say their top reasons for making it available are employee interest, affordability, clear need for the product, and a desire to help employees cope with the cost of covering their medical insurance deductibles.<sup>28</sup>

**Exhibit 4: Trend Toward Employers’ Support for Accident Insurance**



Insurance brokers anticipate that the use of accident insurance will continue to grow. Thirty percent say they expect the adoption of accident insurance as a voluntary product to increase among their clients,<sup>29</sup> spurred in part by the growing embrace of the defined contribution benefits model. And approximately two-thirds say they believe employers would be especially interested in packaging accident insurance with high-deductible health plans.<sup>30</sup>

<sup>26</sup> LIMRA, “Weathering the Storm,” 2011, page 6. <sup>27</sup> LIMRA, “U.S. Worksite Sales, Fourth Quarter 2013.” <sup>28</sup> LIMRA market research sponsored by Prudential Group Insurance, 2013. <sup>29</sup> Prudential Group Insurance, “Eighth Annual Study of Employee Benefits: Today & Beyond,” (topline), 2014. <sup>30</sup> LIMRA market research sponsored by Prudential Group Insurance (summary), 2013.

Employee usage of accident insurance has been relatively constant. A small sample of employers offering accident insurance as a voluntary product reported that 27% of their employees were enrolled in it in 2010, up from 25% in 2006.<sup>31</sup>

More recently, in a 2014 survey that asked how they would spend \$100 across their available benefits in a defined contribution benefits model, employees said they would allocate \$75 to traditional health, dental, and vision coverage; \$5 to accident insurance; and the remaining \$20 to life, disability, AD&D, or critical illness insurance.<sup>32</sup>

In focus groups, younger and more active employees typically have a more favorable impression of accident insurance than older employees. Many of the younger and more active workers say they have had a personal experience with accidents that resonated with them, meaning they have incurred out-of-pocket costs associated with accidents and appreciate the assistance that accident insurance coverage provides.<sup>33</sup>

## Exhibit 5: Employee Perspectives on Accident Insurance

It does offer peace of mind. Accidents actually do happen...to be incapacitated because of an injury and then have the threat of work and your disability running out... I broke my knee and was out of work for 21/2 months. It's peace of mind which actually can help weather the storm in the right cases.

...Accident insurance, to me, is built more for family... I have boys, and this stuff is constant.

[Accident insurance] is definitely... appealing to me because I bike a lot. My friend just got hit by a car biking... So absolutely, that's the kind of thing I think about.

Source: LIMRA, "Creating a Game Plan for Critical Illness and Accident Insurance: Focus Group Summary," 2012.

## OBSTACLES TO ADOPTION: AWARENESS

Despite the growing use of accident insurance, many employers are still not very aware of the product or its benefits. About a third of those that do not offer it say they are not very aware or not at all aware of it, and nearly 40% say they are only somewhat aware of it.<sup>34</sup> Moreover, some employers appear to have a misconception about who could benefit most from the product. Only 23% of employers think accident insurance is very or extremely important to younger employees—those under the age of 40—but 39% think it is very or extremely important to those over 40.<sup>35</sup>

Employees, too, have a low level of awareness of accident insurance and its benefits, especially younger employees.<sup>36</sup> And employees in general are confused about how accident insurance differs from accidental death & dismemberment, disability, and medical insurance policies. In fact, 21% of employees say they are not even sure if accident insurance is part of their employee benefit package.<sup>37</sup>

All this points to an opportunity for employers and the insurance industry to work together to educate employees about accident insurance and its benefits.

<sup>31</sup> LIMRA, "Weathering the Storm," 2011, page 6. <sup>32</sup> Prudential Group Insurance, "Group Benefits and the Defined Contribution Model," the second in a series of five research briefs derived from Prudential's "Eighth Annual Study of Employee Benefits: Today & Beyond," 2014, page 2. <sup>33</sup> LIMRA, "Creating a Game Plan for Critical Illness and Accident Insurance," (focus group summary), 2012, page 27. <sup>34</sup> LIMRA, "Weathering the Storm," 2011, page 7. <sup>35</sup> LIMRA, "Weathering the Storm," 2011, page 8. <sup>36</sup> LIMRA, "Creating a Game Plan for Critical Illness and Accident Insurance," (focus group summary), 2012, page 27. <sup>37</sup> Prudential Group Insurance, "Seventh Annual Study of Employee Benefits: Today & Beyond," 2013, page 27.

## BEST PRACTICES: WHAT EMPLOYERS NEED TO KNOW

This section discusses best practices for implementing an accident insurance program, and provides answers to common questions employers have about accident insurance.

### **Our employees do not understand what accident insurance is or why they need it.**

#### **How can we help?**

Employers can help employees appreciate the benefits of accident insurance by hosting or conducting educational programs for them. These programs should document the increasing need to protect against out-of-pocket expenses stemming from accidents, and the ways accident insurance can help bridge the gaps in their current benefits program to improve their financial well-being.

Hard data will help employees understand their increasing exposure. Employers can provide statistics on the chances of having an accident; the average cost of accident-related hospital stays and other medical services; the additional living expenses that may be incurred for services such as childcare, housecleaning, and travel; and the potential for lost income. Examples will reinforce the message.

Educational efforts also should clarify which expenses accident insurance is designed to protect against, and note that many may not be covered by medical or disability insurance. By emphasizing non-medical out-of-pocket expenses, employers can help employees distinguish accident insurance from other insurance products.

### **Does accident insurance coverage overlap with other coverages, such as accidental death & dismemberment (AD&D) insurance or disability insurance?**

Accident insurance is intended for a broad range of accidents. AD&D insurance generally starts where accident insurance coverage stops—when an accident causes death or dismemberment. However, many traditional accident insurance plans provide benefits that overlap with AD&D plans.

Employers can design their accident insurance plans so that they complement other benefits. For example, some plans allow employers to integrate their accident and AD&D offerings to make coverage seamless for employees. To hold down costs, employers also can eliminate accident insurance features that are redundant with other available benefit offerings, such as AD&D.

### **How complicated is accident insurance? Will it be cumbersome to employees and our staff?**

Simplicity is critical to making accident insurance appealing and understandable to employees. A simple product design lends itself to easy enrollment processing, streamlined claims management, and minimal administrative support. Newer incident-based plans that pay benefits based solely on the occurrence of injuries rather than treatments generally reduce the number of claims employees must make.

Employers can ease the administrative burden on their staff by partnering with a provider and leveraging the provider's existing enrollment processes and administrative and reporting capabilities.

### **How should we position accident insurance in our portfolio of benefits?**

Products such as accident insurance should be presented as primary or “core” benefits that protect against risks to which nearly all employees are exposed. Positioning accident insurance as a core benefit alongside medical, life, and disability insurance during enrollment will encourage employees to give it greater consideration, and allow employers to highlight how the various products differ and complement each other.

Compelling case studies can make the financial gap and its solutions real and relevant for employees.

## Can we customize an accident insurance plan to address the needs of our unique population? Also, if accident insurance may be more relevant for some employees than others, how can we emphasize it to the right segments of our employee population?

Employers can work with their provider to customize accident insurance features to balance affordability, simplicity, and employee needs. For example, employers that have a lot of employees with young children can make sure that accidents common among children are covered by their plan.

Overall, employers should take a holistic approach when communicating how their benefits can help employees in various stages of life. For example, accident insurance and critical illness insurance may be viewed as complementary, with accident insurance targeted to employees with young children and critical illness insurance to older employees. Eighty-eight percent of employees say they have an interest in receiving benefits communications that are tailored to their personal situations.<sup>38</sup>

In addition to targeting employees with customized education, employers should consider offering an integrated online enrollment system for all benefits, featuring automated tools such as needs estimators and educational videos. For employees who need more help, this system can be supported by customized enrollment support via telephone or online chat with licensed representatives who can answer product questions, conduct needs analyses, and provide personalized coverage recommendations.

Because different employees prefer different communications methods,<sup>39</sup> employers should reach out to them via a variety of channels, including email, home mailings, intranet sites, seminars, mobile apps, group meetings, and social media. While employers continue to have success with more traditional methods of communication, they are also reporting success with newer communications vehicles: 18% reported great or moderate success with video, CD-ROM, or DVD presentations in 2013, up from 4% in 2012. Similarly, 16% reported success with external social media networking in 2013, up from 2% in 2012.<sup>40</sup>



Eighty-eight percent of employees say they have an interest in receiving benefits communications that are tailored to their personal situations.<sup>38</sup>

## How should we fund an accident insurance benefit?

Funding options are broad. Some employers fund the entire benefit to mitigate the financial impact on employees who are already bearing more health care costs. Others fund a portion of the benefit, either for all employees or for only certain employees, such as those that select high-deductible health plans. Still others offer accident insurance as an employee-paid voluntary benefit—a low-cost way for employees to secure some protection against increasing out-of-pocket expenses, both non-medical and medical. Today more employers are helping employees pay for accident insurance than in the past; 33% in 2010, up from 6% in 2002. This indicates they may increasingly view it as a “core” protection benefit.<sup>41</sup>

<sup>38</sup> Prudential Group Insurance, “Fifth Annual Study of Benefits: Today & Beyond,” 2010, topline survey results. <sup>39</sup> Prudential Group Insurance, “Seventh Annual Study of Benefits: Today & Beyond,” 2012, topline survey results. <sup>40</sup> Prudential Group Insurance, “Eighth Annual Study of Employee Benefits: Today & Beyond,” 2014, page 32. <sup>41</sup> LIMRA, “Weathering the Storm,” 2011, page 9.

When deciding whether to offer accident insurance and how to fund it, employers should remember that accident insurance is generally used to complement medical insurance, and that it should be affordable to encourage adoption.

### **Should we partner with a provider to offer accident insurance, and if so, what factors should we consider when choosing a provider?**

Historically, accident insurance has been offered to employees directly from product providers (the individual model), but increasingly employers are offering accident insurance as a group benefit (the group model). Today there are nearly as many plans offered on a group platform as there are on an individual platform.<sup>42</sup>

Partnering with a provider to offer accident insurance as a group benefit allows employers to leverage the partner's experience with education, communications, marketing, and administration. It also provides a host of other advantages. Under the group model, employers can more easily customize the design of their offering; promote it as a core benefit alongside health, life, and disability insurance; potentially fund all or part of the premium; and enjoy a more holistic understanding of their employees' benefits coverage.

In many cases, adding accident insurance to the group benefits package also allows employers to leverage their group benefit provider's existing enrollment processes and tools, including turnkey enrollment campaigns and education, as well as their administrative and reporting capabilities. Group providers also may be able to customize marketing programs based on their understanding of each employee's participation across products.

Employers should engage with their providers on an ongoing basis, and provide them with participant data for analysis, so that providers can help identify underinsured segments of the workforce and tailor enrollment and educational campaigns to them.

## **CONCLUSION**

The financial gap created by the out-of-pocket non-medical and medical expenses associated with an unforeseen health event is a growing and important issue for working Americans, threatening their financial security and in some cases their ability to focus on their jobs. As employers shift more of the responsibility for health care costs to employees through the use of defined contribution benefits programs and high-deductible health plans, and employees are faced with out-of-pocket non-medical and medical expenses, employees could benefit from access to voluntary benefits programs, such as accident insurance, which can help them bridge a portion of the financial gap.

For employees, accident insurance helps provide financial assistance and peace of mind. For employers, it provides the ability to offer a more complete and holistic benefits package that make employees more appreciative of their jobs and less distracted by personal financial concerns.

While interest in accident insurance is building among employers and employees, neither group is broadly aware of the product or its benefits. Industry efforts to build awareness will further the goal of helping American workers close the financial gap that can be created by an unforeseen accident.

<sup>42</sup> Eastbridge Consulting, "Worksite Personal Injury Accident Products 2012," 2012, page 5.

**This Accident coverage is not comprehensive health insurance coverage (often referred to as “Major Medical Coverage”).**

**It does not satisfy the individual mandate of the Affordable Care Act. It does not meet the requirements of minimum essential coverage as defined by federal law.**

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