



# Voluntary Benefits: A Once-In-A-Generation Opportunity

BY BOB KLEIN

## Long-term disability insurance and the voluntary benefits marketplace

A recent LIMRA study found that one third of private employers are considering replacing their employer-paid benefits with voluntary benefits, giving workers the option to pay for group coverage at their own cost. The more informed workers are about the probability and financial risks of disability, the more effective choices they can make in this new workplace benefits environment. Just as workers need to learn the basics of retirement planning, they need to learn about benefits planning. It's the broker who can provide the education that can protect millions of workers against the financial risks of long-term disability.

Workers especially need education about the risks and protection options for long-term disability. As comedian Rodney Dangerfield might have said, long-term

disability gets no respect. That's because the risk of suffering a long-term disability falls near the bottom of workers' insurance priorities, and for many, disability protection isn't a priority at all, according to a new survey by Sun Life Financial of more than 2,000 U.S. workers.

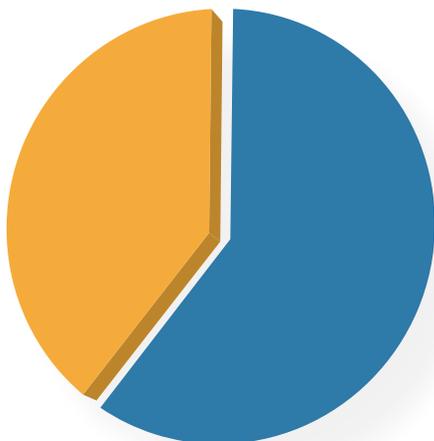
Yet nearly 40 percent of full-time workers surveyed by Sun Life say they would forego long-term disability coverage if they had to pay for it, even if their employer offered the most competitive rate. And when workers were asked to choose between paying to own either dental or long term disability insurance, more than half of respondents (57 percent) favored dental coverage, according to Sun Life Financial's survey. This is striking, since the financial loss from a one-year disability – one year's salary – far exceeds that of a dental care need, which typically averages \$600 annually.

Further, about 60 percent of surveyed

workers declined to buy group coverage when their employers offered them the option – despite the three in 10 risk that one member of a couple will suffer a disability lasting one year or more during their professional lifetime, according to Sun Life Financial estimates, and two in 10 for individuals.

It begs the question: If the risk is real, and the cost of group coverage is generally more competitive than what a worker could find through an individual carrier, and the underwriting guidelines are generally less stringent, why are so many workers declining to invest in voluntary coverage when it may be the most economical way to protect against financial loss in case of long-term disability?

Of those workers who declined to purchase group long-term disability insurance, over one-third (38 percent) fall into a mindset we call The Gamblers, people who think



# 40%

**SURVEYED WORKERS** would forego long-term disability insurance if they had to pay



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**INDIVIDUALS with disability**  
lasting 1 year or longer

their chance of suffering such a calamity doesn't warrant paying for coverage. A similar proportion of workers, The Moles, refuse to buy group coverage because they remain blind to disability's risks and solutions. Nearly one-fifth (19 percent), The Ostriches, decline to purchase coverage because they don't like thinking about the possibility of experiencing a disability.

Complacency may also explain why many workers don't invest in long-term disability insurance. More than half (53 percent) of surveyed workers believe that Social Security Disability Insurance (SSDI) will cover living expenses if their savings were to run out due to a disability. But according to the Social Security Administration, in 2011, the average wait time to obtain even a decision on a claims request lasted one year, and only 35 percent of claims received approval.

These findings underscore the

importance of worker education programs about long-term disability risks and protection options. Yet those programs must account for how and when workers want assistance. According to a 2011 Sun Life Financial survey, nearly 60 percent of workers spend less than 15 minutes reviewing long-term disability benefit information. Yet workers who spend at least 15 minutes reviewing their benefits information increase their benefits purchase rates by an average of 16 percent. And while benefits participation rises when workers receive live assistance to learn about benefits options, offering live assistance to enroll actually decreases participation, compared to online or hard copy enrollment systems.

According to the Bureau of Labor Statistics, 59 percent of full-time workers – 65 million people – lack access to long-term disability insurance through their

employers. This presents an extraordinary win-win-win opportunity. Workers with no coverage can gain access to cost-effective group insurance options, employers can enhance recruitment and retention without increasing overhead costs, and brokers can provide a key protection to the majority of full-time workers.

Brokers have a chance to educate millions of workers and hundreds of thousands of businesses about the financial risks of disability and prudent protection measures. That kind of chance may only present itself once in a generation. [in](#)

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**COUPLES with disability**  
lasting 1 year or longer