

## **Accident Insurance**

### *Why Employers Need to Offer Accident Coverage:*

- In an environment in which the labor force is shrinking and becoming more diverse, employers need a well-rounded benefit package to attract and retain top talent, and stay competitive.
- Accident policies are generally pre-tax eligible when offered voluntarily to employees. Employers receive both the good will associated with a more comprehensive benefit package and tax savings from employee deductions.
- Americans are not prepared financially for the out-of-pocket expenses caused by an accident. Employers need to ensure workers are able to return to work without outside distractions caused by financial hardship after an accident.
- Most medical plans now have deductibles and coinsurance for which employees are responsible. Those obligations alone can create a hardship.

### *Why Employees Need Accident Coverage:*

- Accidents happen. There are more than 100 million injury-related visits to emergency departments, and other medical facilities in the United States every year. Source: U.S. Department of Health and Human Services-2004
- Treating a serious injury almost always requires paying out-of-pocket expenses for things such as deductibles, co-pays, coinsurance, travel, childcare and home care.
- Workers compensation does not cover any accident that does not occur at work
- As medical costs escalate and major medical plans continue to increase cost sharing to employees, supplemental insurance becomes more important to maintain an adequate level of protection.

## **Accident Definitions and Policy Features**

- *Coordination of Benefits*-Coordination of benefits refers to the practice of two or more insurance policies splitting portions of a claim. Accident policies do not coordinate with any other insurance. This means as the policyholder you will receive full benefits due without any reduction in the accident benefits or your major medical benefits.

- *Health Supplement*-An accident policy is defined as a health supplement. This allows the absence of a coordination of benefit clause (as discussed above). It also results in benefit checks being sent directly to the policyholder as opposed to the doctor or hospital.
- *Indemnity*- Health supplements generally pay benefits on an indemnity basis. This means that claim dollar amounts are based on a benefit schedule rather than the actual charges for services. Dollar amounts are fixed, and benefit checks generally go directly to you to be spent as you see fit. See your product brochure for specific benefit schedules.
- *Portability*-Most accident policies are fully portable. This means that even though an employee may purchase a policy at the workplace, they can maintain the coverage if they leave employment. There is generally no premium increase to the policyholder.
- *Pre-Tax Deduction*-Accident policies are generally eligible for pre-tax deductions. The premiums are deducted from your pay before the taxes are calculated and deducted. This results in a savings of approximately 25% of your premium.

### **Funding Options**

- *100% Employer Paid*-This is generally handled through a benefit bank. The employer provides an amount equal to the premium for the employee to purchase the policy. With pre-tax deductions the dollars spend further for the employee and avoid FICA taxes for the employer.
- *100% Employee Paid*-Accident policies can be offered at no cost to employers with generally very low participation requirements. Every dollar spent pre-tax will create savings for the employer.
- *Partial Employer Paid*-An employer may also fund a flat dollar amount to a benefit bank. An employee can offset their premium cost or choose between multiple benefit options to apply the benefit bank dollars.