Insuring Invincibility: Opening Up A Dialogue On Disability Insurance With Gen Xers And Millennials

http://www.insurancenewsnet.com/article.asp?neid=20080301110.26_16a0003c616ca8f1

<?xml version="1.0"?>Insuring invincibility: Opening up a dialogue on disability insurance with Gen Xers and Millennials Lydell C. Bridgeford

Let's be honest - most 20- and 30-something employees aren't thinking about being out of work on disability leave. Youth tends to create a sense of being invincible.

Yet three out of 10 workers between the ages of 25 and 65 will experience an accident or illness that keeps them out of work for three months or longer, reports the Council for Disability Awareness.

Seeing how more employers are educating baby boomers about long-term care insurance, experts say the same efforts must be made for younger workers regarding disability insurance.

For many employers, especially those with a large Gen X and Gen Y workforce, that means spending extra time during orientation and open enrollment explaining disability benefits and insurance.

It's key that workers under the age of 40 understand their short-term disability and long-term disability benefits so that they can obtain the proper level of disability insurance.

"It's incumbent upon employers to spend more time helping and educating young employees about how their disability program works," says Robert Taylor, president of CDA.

(Hear more from Taylor in a "Five Minutes With ..." podcast at http://ebn.podhoster.com.)

The Maine-based group, which represents disability insurance companies, focuses on raising public awareness of the growing realities and consequences of becoming disabled.

"Younger workers have to understand that disability is an event that is growing in likelihood in terms of the working population," he adds.

"Therefore, they need to incorporate disability financial planning into their overall financial planning," even if they think they probably won't become disabled.

Communicating with the invincible generation

Last year, during opening enrollment, Laura Smith, U.S. human resource director at Edelman, a public relations firm, sent an e-mail urging employees to look at their disability options.

At Edelman, a large percentage of the workforce is in their 20s and 30s, and the average employee age is 33.

The e-mail asked workers whether they could pay for their daily living expenses, health copays and deductibles, and contribute to their 401(k) plan, if they were out on disability due to: suffering a sports injury; being in a car accident that required surgery and long-term recovery; delivering a baby and time out for recuperation; or experiencing a serious illness, such as cancer, with time off for treatment and recovery.

The e-mail went on to say, "If the answer is no, then how will you protect your savings and income in the event of this type of disability?"

Smith says the e-mail was an experiment to gauge whether workers understood the financial implications of a disability.

Edelman, which employs about 3,000 workers, offers short-term and long-term disability benefits.

Employees pay into the short-term disability plan, and during the initial waiting period of 10 days, the company pays the employee's full salary for those two weeks.

Workers do not have to use any of their paid leave days.

The short-term disability plan then provides 80% of pay for disabilities and illness.

The long-term disability plan is employer-paid and provides about 70% of salary up to a maximum of $6,000 per month.

Shortly after sending out the e-mail, Smith says she received numerous replies from employees, saying, "You really made me think about this topic."

"Overall, our workers understand disability insurance, but what we struggle with is that most think that they don't need it," says Smith, who plans to develop more employee communication efforts similar to the content in the e-mail.

Meanwhile, when she talks with Millennials about disability insurance, she asks, "If you could not work, for whatever reasons, could you afford to pay your bills for three months?"

"Astoundingly, the answer I would get back from some is, No, but my parents would take care of me.' I then reply, Do you think that would put an unnecessary financial burden on your parents?'" she adds.

"Most would say it probably would, so then we would have a dialogue about disability insurance. I've learn to adopt the way I talk to the Millennials a little differently than I do the baby boomers."

Balancing disability insurance

"Younger workers take disability benefits for granted because it's typically an employer-provided benefit," says Kim Stattner, national practice leader for disability consulting at Hewitt Associates.

However, they may want to take the benefit more seriously as employers trim expenses by making some offerings completely employee-paid, looking to offset inflation in health care.

Stattner says disability coverage is one such example at many companies.

Many employers are considering whether they need to provide such a lucrative long-term disability benefit, scaling back on what they pay for and giving employees the ability to at least have base coverage.

So if workers want to buy up, then the policy can enhance the long-term disability benefit with employee contributions, explains Stattner.

Thus, explaining the value of disability benefits and the financial commitment it might carry to younger workers is all the more important for benefit managers at all companies to focus on.

Resources

For more information about how disability can affect your company and employees visit www.disabilitycanhappen.org.

Common myths, misperceptions about disability insurance

* "It's not going to happen to me." Unfortunately, 9 out of 10 workers grossly underestimate their chances of becoming disabled. The odds are three in 10 that a worker entering the workforce today will become disabled sometime before retiring. Plus, a disabling accident occurs every 2 seconds in the United States.

* "If I do become disabled, it won't last long." This myth is not surprising, since 85% of workers express little or no concern that they may suffer a disability over three months. While it's true many disabilities only last a few months, the average disability actually lasts 2.5 years.

* "I think I'm covered at work." Most large employers provide some form of sick pay and long-term disability benefits to employees. That's not the case among small employers. Few of them offer disability benefits. More employers are offering employees the opportunity to buy disability insurance at the workplace, but most employees don't opt to buy the coverage. Also, many employees mistakenly think their medical insurance covers lost wages, but it doesn't.

* "Workers' compensation should cover me in most situations." Over 90% of disabling accidents and illnesses are not work-related. Workers' compensation does not cover the vast majority of disabilities because they are not work-related.

Employees should be asking:

* What are my necessary monthly living expenses that would continue if my income stopped?

* Would my personal savings pay for my necessary monthly expenses for one month, three months, six months

or longer?

* Would my savings cover my out-of-pocket medical expenses?

* Am I participating in my employer's disability plan?

* When would it start? How much would it pay me and for how long?

* If I become disabled, could I cover my COBRA premiums, and what would happen to the contributions to my 401(k) plan?

Source: The Council for Disability Awareness

Visit http://ebn.podhoster.com to download Lydell Bridgeford's "Five Minutes With ..." podcast interview with CDA's Taylor.

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