

PMAA'S MEMBER BENEFIT PROGRAM SPOTLIGHT

SERVICES AND PROGRAMS AVAILABLE TO OUR MEMBERS

The Importance of Life and Disability Insurance

by Clyde Villa

NATIONAL INSURANCE SERVICES

PMAA Life, SHORT AND LONG TERM Disability Insurance



A robust employee benefits package is an important part of attracting and retaining good workers. By offering a variety of coverages, it shows the employee how much the employer cares about them and their livelihood. It also provides the employee with peace of mind, knowing that their assets and loved ones are protected should an unexpected event happen.

PROTECT EMPLOYEES AND THEIR LOVED ONES WITH LIFE INSURANCE

Having adequate life insurance provides a strong foundation to an employee's financial plan. Many employees have a spouse, children, and others who may be financially dependent upon them. Life insurance benefits can help families pay for funeral expenses, medical bills, debt, as well as provide an income for their family if the employee is no longer there to support them.

Having life insurance can give peace of mind to the employee, as well as provide a measure of security for those they love.

Most people know that those with a family and/or a mortgage need life insurance. However, many believe that unmarried young people who have no dependents or mortgage do not need life insurance. The reality is that when people die young, the surviving family may be unprepared for the shock.

Life insurance coverage may ease tension during that time by helping with unexpected expenses.

When an employee elects life insurance coverage, they designate a loved one as their beneficiary. They will be the one to receive the life insurance benefits after the employee is gone. The payment is usually received in one lump sum and can be used by the family to pay for whatever they need.

Disability Insurance is PAYCHECK PROTECTION

No one ever plans to fall off a ladder, suffer a heart attack, or be diagnosed with cancer but these things happen. Are your employees protected if they suddenly become disabled and are unable to work?

Offering disability insurance is one way employers can show their employees that they care about them and their livelihood. Disability insurance is paycheck protection. This benefit can be especially beneficial to those employees who live paycheck-to-paycheck and lack emergency funds.

For them, suffering a disability could cause severe financial hardships like bankruptcy or a mortgage foreclosure.

There are two types of disability insurance: short term and long term.

Short term disability insurance will cover an employee if they experience a disabling illness, injury, or accident that leaves them unable to work for a short period of time (typically a few weeks).

For example, a short term disability policy could pay a weekly benefit if an employee was out of work due to pregnancy or a back injury.

Long term disability insurance typically kicks in when short term disability insurance ends, providing benefits for illness or injuries that have longer recovery periods. For example, a long term disability policy could pay a monthly benefit if an employee was out of work for a long time, recovering from a bad car accident or open heart surgery.

The monthly benefit is based upon a percentage of the employee's income, and benefits are received after an initial waiting period is satisfied. Benefits can be used to help an employee pay their mortgage, utilities, college tuition, medical insurance payments, etc.

Many employees may think they don't need disability insurance, but the risk of a long term disability during their career is greater than their risk of premature death.

Most people would never think of going without life insurance protection

for their families, but many neglect to insure their paycheck.¹ Just over 1 in 4 20-year-olds will experience a long term disability before they retire.² And employees have a 1 in 8 chance of becoming disabled for five years or more during their career.³

Disability can be more disastrous financially than death. When an employee is disabled, they lose their earning power, yet they still have living and medical care costs not covered by health insurance.⁴ Many believe that the majority of disability claims are work-related but that's untrue. Most disabilities are caused by conditions such as musculoskeletal disorders, cancer, back injuries, mental health issues, and heart attack or stroke.⁵

Some people think that if they were to become disabled and unable to work, that Social Security, Unemployment Compensation, Health Insurance, or Workers Compensation would take care of them and pay their expenses.

That is rarely the case.

Health insurance only covers medical services and prescriptions. It does not replace income or make a house payment. Workers' Compensation provides benefits only if a disability is a result of an on-the-job accident, injury, or occupational disease. However, most disabilities are not job-related.⁶

Unemployment compensation is only for those who are physically and mentally able to work. And with Social Security Disability Insurance, only 36% of workers who apply for Social Security are approved the first time.⁷

So disability insurance is good financial protection for employees to have. Life and disability insurance can help employers show their employees how much they care. Employers should consider offering these coverages if they do not already.



When an employee is disabled, they lose their earning power, yet they still have living and medical care costs not covered by health insurance.

There are many employer-paid and voluntary options available. If you already offer coverage, consider offering voluntary options for those employees seeking more coverage.

⁶ Council for Disability Awareness, www.disabilitycanhappen.org/wp-content/uploads/2019/05/DIAM2019_Facts.pdf

⁷ <https://www.ssdr.com/5-72.html>

RESOURCES

¹ Guide to Disability Income Insurance, America's Health Insurance Plans, 2013.

² <https://disabilitycanhappen.org/diam>

³ www.protectyoubetter.org/Research-Center/Disability-Insurance.aspx

⁴ https://www.affordableinsuranceprotection.com/odds_of_disability

⁵ Council for Disability Awareness, www.disabilitycanhappen.org/wp-content/uploads/2019/05/DIAM2019_Facts.pdf

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