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# Voluntary benefits 101

A starter guide for small business employers





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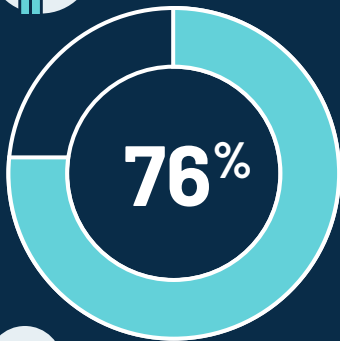
# Introduction

As we continue to navigate a tight labor market, small businesses cite difficulty in attracting and retaining a qualified workforce. During this crucial time, it's imperative that small business employers evaluate their compensation and benefits packages to remain competitive.

In the last year, 3/4 of small businesses reported that they will offer the same or enhanced/improved benefits packages. Increased benefits packages offer peace of mind as employees are more aware of how vulnerable their health is, as well as the health of their families. And given the pandemic's impact and shaky economy, they're more conscious of how important health benefits and financial protection are if they get sick and can't work. So it makes sense that 66% of employees are spending more time reviewing their benefit options, according to our recent survey.<sup>1</sup>

Voluntary benefits can go a long way in boosting retention and attracting skilled workers. The sheer versatility and flexibility of voluntary benefits offer employers a powerful and effective way to address their workers' needs at minimal or no cost. And for small businesses who are competing with larger companies with deeper pockets for salaries, they can help level the playing field for workers.

The Voluntary Benefits 101 guide for small business provides practical information without the jargon or complicated details. This guide walks you through the primary types of voluntary and complimentary benefits, and the biggest advantages they bring to businesses. It also includes sections on common myths, frequently asked questions and how to choose a benefits partner.



**In our 2021 survey, 76% of small businesses said they will offer the same or add at least one benefit in this year.**

[\*Small Business Benefits and Enrollment Guide\*](#)



## HOW THEY HELP

Voluntary benefits help cushion the financial impact of high out-of-pocket expenses, such as:



Deductibles, co-insurance, co-pays



Lost wages or savings



Household bills



Travel expenses

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# Voluntary benefits in a nutshell

Voluntary benefits help pay for out-of-pocket expenses that major medical and other insurance don't cover. Also called supplemental benefits, voluntary benefits are used to meet a diverse range of needs. Examples include paying for out-of-pocket medical expenses, household bills and travel expenses, as well as replacing missed wages. Many employees like that benefits such as disability, accident and hospital are paid directly to them, so they can use them where they are needed.

The beauty of voluntary benefits is they can be customized for the specific needs of a business and their employees, catering to certain vocations, stages of life, location and lifestyles. Another advantage is that payment options are flexible. This means that benefits can be offered as 100% employee-paid, without adding to your bottom line. They can also be offered as a shared expense between the employer and worker as well as fully employer-funded.

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# Popular benefits at a glance

There are eight primary types of voluntary benefits. Together, they can help employers build a comprehensive benefits package that will keep workers happy and attract skilled workers without adding to the bottom line.

1

## Life

Life insurance pays out a lump sum to help provide financial protection for an employee's family members in the event of the employee's death. Coverage can be updated to reflect changes in life such as getting married, buying a home or having a child. Most plans offer spouse and child coverage, as well. There are two types of life insurance, term life and whole life.

- **Term life:** Provides financial protection for employees for their high-demand working years, typically in 10-, 20- or 30-year terms.
- **Whole life:** Provides financial protection for employees during their working and retirement years with permanent coverage at rates that remain consistent for life. Often includes cash value.

2

## Disability

Disability insurance replaces a percentage of an employee's income if they become disabled as a result of a covered injury or sickness, to help them continue to pay their bills while they're out of work. Generally, length of disability coverage can vary from 3-12 months (for short-term disability) to 1 or more years (for long-term disability).

### STATES OFFERING PAID MEDICAL LEAVE (PML)

If your workplace is located in a state that offers PML, it may not be enough to replace your employees' lost wages to carry them through their full recovery time. Colonial Life offers flexible disability plans in many states that supplement PML that help fill gaps in financial protection.





### 3 Accident

Accident insurance plans can help offset the unexpected medical expenses that may result from a covered accidental injury. Typically, they cover some of the costs related to initial care, surgery, transportation and lodging, as well as follow-up care.

### 4 Cancer

Cancer insurance offers benefits to assist with out-of-pocket costs for a cancer diagnosis that may not be covered by major medical. Coverage includes expenses related to inpatient or outpatient treatment, surgery, travel and recovery care. Some plans may also cover annual cancer screenings to promote prevention and early diagnosis.

### 5 Critical Illness

Critical illness insurance provides a benefit for an employee diagnosed with a covered critical illness, such as heart attack, stroke, coronary artery bypass surgery, end-stage renal failure or major organ transplant – among others. A lump-sum benefit is typically paid directly to the employee to cover costs related to their illness.

- **Infectious disease rider:** Supplements critical illness plans that cover multiple diseases including COVID-19.

### 6 Hospital Indemnity

Hospital indemnity insurance, also known as hospital confinement, provides a lump-sum benefit to help with out-of-pocket costs related to a hospital stay. This may include outpatient surgery, diagnostic tests, doctor's appointments and emergency room visits.

### 7 Dental

Dental insurance can provide benefits for both routine and more expensive dental procedures that are not covered by most health insurance plans. They typically include cleaning, fillings, sealants, tooth removal, crowns and dentures – and may also provide benefits for regular dental appointments.

### 8 Vision

Regular eye exams help maintain healthy vision and are the first line of defense in detecting more serious conditions, such as glaucoma, high blood pressure and diabetes. Vision insurance typically helps pay for eye exams, glasses and contact lenses. They may also offer discounts on treatments such as laser eye surgery or eyecare accessories.

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# Complimentary benefits and services

Many carriers offer a variety of free services and resources (as part of their voluntary benefits plan) that employees can tap into as additional benefits. Enhancing your benefits package with complimentary services provides another opportunity to support your workers' diverse needs and save money. Below is an overview of services that are popular with workers.

## Financial education

Financial counseling helps employees manage their finances. From retirement planning to student loan debt to tax advice, financial counseling helps employees enjoy life now and plan for the lives they want in the future.

## Identity theft protection

Identity theft protection often includes monitoring public records and alerting the employee to any fraudulent use of their personal details, including attempted loans and credit applications. It also covers the cost of repairing the person's credit history, but usually doesn't cover any financial loss.

## Employee Assistance Program

An Employee Assistance Program (EAP) offers 24/7 advice and support to workers struggling with a range of work and life concerns. It also provides access to qualified experts including mental health, financial, legal and career.

## Wellness cards

Wellness cards offer discounts on health- and wellness-related expenses, which may include prescription drugs, preventive screening, gym memberships and other wellness services.

**70%** Nearly 70% of employers reported that communication about their benefits and wellbeing programs is their top priority for benefits.<sup>2</sup>



Nearly 50% of employees said mental health wellness programs are more important than before the pandemic.<sup>4</sup>



## Telehealth

Telehealth provides convenient 24/7 access to doctors through a secure phone app for common ailments for employees and their families. Telehealth can be a huge help for parents especially, saving time in trips to the pediatrician's office or to Urgent Care or ER after hours.

## Health advocate services

Health advocate services are like having a nurse in the immediate family. Workers can talk to health care experts to get assistance in identifying health care providers, reviewing medical bills and insurance coverage for accuracy and answering any questions about their care.

## Student loan assistance

Student loan assistance provides tools, resources and guidance to employees that help them reassess and pay down their debt faster and more easily.

## Legal services

Legal services offer employees access to qualified attorneys at a discount. Coverage usually includes common personal legal matters, including family, vehicle, real estate, civil lawsuits and wills.



3/4

Three-fourths of employees said their employer has a responsibility to make sure their workers are mentally, physically and financially well.<sup>4</sup>

60%

Over 60% of employees would be interested in EAPs, employee discount programs, legal services and identity theft services if their employer offered them.<sup>4</sup>

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# How businesses and employees benefit

Voluntary benefits offer several advantages that strengthen the business, as well as support their employees' coverage needs.

## Advantages for the business

### BIG IMPACT AT LITTLE TO NO COST

Providing valuable coverage at affordable rates can have a big impact on employees' lives. What's more, employers can offer voluntary benefits (for example, 100% employee-paid) without adding costs to their bottom line.

### HELP CONTROL RISING HEALTH INSURANCE PREMIUMS

Rising costs of health insurance premiums have contributed to the growing trend of high-deductible health plans. Offering a combination of affordable voluntary benefits can help employees pay the upfront costs of the higher deductibles, co-insurance and other out-of-pocket costly medical procedures.

### ATTRACT AND RETAIN SKILLED TALENT

In a very tight labor market, offering a range of voluntary benefits is one of the most effective ways to increase retention and recruit top talent. For small businesses who are competing against larger companies with deeper pockets for salaries, voluntary benefits can help level the playing field.

Employers looking for smart ways to boost their retention levels should take a close look at a variety of voluntary benefits to add to their existing plan.



### KEY REASONS EMPLOYERS OFFER VOLUNTARY BENEFITS<sup>2</sup>

- 1 Enrich existing benefit plans
- 2 Support overall wellbeing
- 3 Attract new employees
- 4 Support employee financial wellbeing

66%

66% of employees who said they're satisfied with their benefits were more likely to stay with their employer, according to our survey.<sup>1</sup>

## Advantages for employees

### CONFIDENCE IN THE BENEFITS PROVIDED

Many employees struggle to find time to research and understand their benefit options. With employer-sponsored voluntary benefits, workers know the carrier and benefits have been vetted.

Getting expert advice from a benefits counselor and other educational resources also helps boost confidence and helps workers make informed decisions about all of their major medical and voluntary benefits. Hand in hand with educating workers is providing them with easy, convenient enrollment methods.

### FLEXIBLE BENEFITS OPTIONS

The versatility and range of options empower employees to choose voluntary benefits that fit their needs, with the ability to adjust coverage as their needs change over time. Additionally, if an employer decides to pay for a basic policy, such as life insurance, the worker could choose to supplement that plan with additional coverage.

Another option for many voluntary benefits is portability, meaning employees can continue their coverage if they change jobs and pay their premiums.

### FILL GAPS IN MAJOR MEDICAL BENEFITS


Voluntary benefits such as disability, accident, hospital indemnity and critical illness can help cushion the financial impact of out-of-pocket expenses such as deductibles, co-insurance and travel expenses that aren't covered by their major medical plan. And disability coverage can help employees pay the bills while they're recovering.

And because most voluntary benefits are paid directly to the employee, the benefit can be used for the expenses that are needed the most.


### VALUABLE PROTECTION AT AFFORDABLE RATES

Voluntary benefits through the employer are frequently offered at affordable rates that workers wouldn't be able to find on the individual market. And since the premiums for many voluntary benefits are eligible to be paid with pre-tax dollars and payroll deductions, this makes it easy and convenient for employees to save money.

What's more, several types of voluntary benefits such as disability, accident, critical illness and hospital indemnity are typically paid directly to the employees.

A man in a red plaid shirt is working on a bicycle in a shop. He is looking up at the bike, which is hanging from the ceiling. The shop is filled with various bicycles and parts.

Colonial Life  
has 6,300 benefit  
counselors nationwide,  
including Spanish-speaking  
counselors.<sup>3</sup>

A decorative graphic consisting of a series of parallel diagonal lines, arranged in a semi-circular shape.

About half of workers said they planned to add a new benefit they weren't enrolled in previously, due to the pandemic.<sup>1</sup>



## Benefits enrollment options at a glance

Five enrollment options that can be adapted to jobsite conditions and workers' needs.



**VIRTUAL** – Just like virtual conferencing, a benefits counselor meets with an employee in a 1-to-1 counseling session using secure virtual enrollment tools.



**IN PERSON** – A benefits counselor meets with an employee at the worksite in a 1-to-1 counseling session with appropriate safety protocols in place.



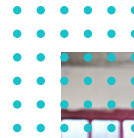
**TELEPHONIC** – Just like virtual conferencing, a benefits counselor meets with an employee in a 1-to-1 counseling session using secure virtual enrollment tools.



**GROUP MEETINGS** – Employee attends a group meeting with their co-workers (in-person or virtually) as a lead up to 1-to-1 counseling or to make selections on the spot.



**ONLINE SELF-SERVICE** – Employee uses an online system such as a benefits portal or benefits website for enrollment.



For more information about benefits enrollment options, download [The smart guide to benefits enrollment](#).



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# Busting the myths – Why small businesses don't offer voluntary benefits

Many small business owners are simply unaware that they are able to offer their staff these types of benefits. They assume they are too expensive, too complicated or not needed. In fact, none of those are true.

## **Myth: Small business believe they can't afford to pay for voluntary benefits**

**TRUTH**

Voluntary benefits can be partially funded or even fully funded by the employee. This means businesses have complete control of how much they spend and what options they choose to add.

## **Myth: Not enough employees to qualify**

**TRUTH**

Depending on the benefits carrier and type of coverage, most businesses with fewer than 10 employees can qualify for many types of voluntary benefits. And some carriers don't have any minimum staffing requirements at all.

## **Myth: Administering a voluntary benefits plan is costly and time-consuming**

**TRUTH**

Many voluntary benefits can be paid with pre-tax income which can save employers and their workers money. Additionally, some carriers can provide technology, tools and educational services that can simplify benefits administration, so small business owners have more time to focus on running their business.

## **Myth: Employees don't value them**

**TRUTH**

While most employers believe employees value take-home pay over benefits, employees actually value non-medical insurance benefits and voluntary benefits more than employers realize.



To learn more about voluntary benefits for small business, download [The essential small business benefits guide.](#)



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## Frequently asked questions

Here are some of the most frequently asked questions from businesses and HR professionals about voluntary benefits.

### **Who can get voluntary benefits?**

#### **Who qualifies for voluntary benefits coverage?**

Employees, spouses and eligible dependent children and business owners are eligible. Part-time workers can also get coverage if they meet their employer's eligibility requirements such as minimum hours worked.

#### **Is there a minimum number of employees that must participate?**

Most carriers start with three eligible employees. But the minimum can vary depending on the carrier and specific benefit.

#### **If a worker has a pre-existing medical condition can they still get coverage?**

Several types of voluntary benefits offer guaranteed coverage – meaning workers can get coverage without answering medical questions. Some voluntary benefits may require health questions or have a pre-existing condition clause.

### **Administration and cost**

#### **How many hours will I need to spend on benefits administration?**

If you work with the right carrier, it will be quick and easy. Look for carriers that offer free online benefit admin tools to manage your employees' benefits and pay your invoices electronically.

#### **Can employees change their coverage throughout the year, or do they need to wait until annual enrollment?**

Employees can typically change their coverage throughout the year when they experience a qualifying life event, such as marriage, divorce, or death, as well as the birth or adoption of a child. Otherwise, employees can only make changes during annual enrollment. (If voluntary benefits are paid with post-tax income, coverage can be changed throughout the year without qualifying life events.)

#### **Can my employees really afford voluntary benefits?**

The versatility of voluntary benefits is designed to be affordable for a wide range of incomes. The cost of each coverage will vary depending on options and demographics.

#### **Can employees take their benefits with them if they leave the company?**

Many carriers offer voluntary benefits that are portable which means employees can take the coverage with them if they change jobs or retire and they continue to pay the premiums.

#### **Can employees pay for voluntary benefits with pre-tax deductions?**

Absolutely. Pre-tax deductions decrease the workers' income tax and the employer's FICA tax. When adding voluntary benefits, businesses should consult their accountant about tax savings.

## Health insurance & voluntary benefits

### Can voluntary benefits be offered if I don't offer health insurance?

Yes. But if your workers have insurance through a third party (for example, spouse's company, ACA exchange, Medicare) or they don't have it at all, they should understand that voluntary benefits aren't a replacement for major medical coverage.

### Will I need to modify my cafeteria plan if I am adding voluntary benefits?

If the voluntary benefits are paid with pre-tax income, the plan will need to be modified. If they are paid with post-tax dollars the plan won't need to be modified.

## Voluntary benefits in the COVID era

### Will voluntary benefits cover my employees if they get COVID?

While many carriers are covering COVID-19 in their existing coverage, you should check each type of insurance to make sure. Disability and hospital indemnity are good candidates for coverage.

Several Colonial Life voluntary benefits provide coverage on COVID-related claims, including disability and hospital indemnity.

For more [FAQs about voluntary benefits coverage and COVID-19](#).

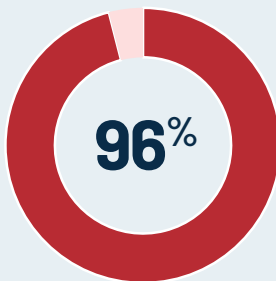
## Filing a claim, getting paid

### If my employees need to file a claim, how long will it take to get their money?

Select a carrier with a reputation for quick turnaround and easy electronic filing tools. This includes filing claims online or through a mobile app, access to customer service support and the ability to pay claims by direct deposit.

### Let's say my employee gets injured and is covered by both my company health insurance plan and the voluntary benefit – how does the voluntary benefit work?

Claims for voluntary benefits aren't coordinated with health insurance plans or other third-party insurance companies at all. This means any voluntary benefit paid to the employee is based only on the claim filed.



**96% of customers say Colonial Life made it easy to file a claim.**

*Colonial Life internal data, 2021.*



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# Choosing your voluntary benefits partner

When choosing a benefits partner, you want a carrier that will make it a priority to understand your business as well as your workers' health and financial needs. With this in mind, here are four key factors to look for when choosing your voluntary benefits provider:

## Focused on education and communication

Employees know when a provider is more interested in making commissions than in helping them make informed decisions. They want practical information about their health insurance and voluntary benefits that will fit their lives. Consider providers that are so focused on educating and communicating with your workers it's almost like having another HR professional on your team. They often offer free resources like customizable benefits websites, digital booklets, digital postcards and other resources.

## 1-to-1 benefits counseling for everyone

Consider a benefits partner that has the expertise and capability to provide 1-to-1 benefits counseling in multiple environments – whether it's in-person, telephonic or virtual conferencing. Remember, employees are sharing very personal information, so it's important they can relate to and trust their benefits counselors. Look for a carrier that has multilingual counselors available.



**Among workers who took advantage of benefits education and advice, 84% reported significantly higher understanding, and 76% reported higher satisfaction with their benefits.**

*Employee Benefit Research Institute and Greenwald & Associates, Workplace Wellness Surveys, 2021.*



To find out more about educating workers about benefits, download [The essential benefits education guide](#).

## Technology with a human touch

Great technology doesn't work without knowledgeable and compassionate people behind it. You want a carrier that provides your workers with a high level of service and compassion during enrollment and throughout the year. And you want a partner that can provide convenient tools for benefits administration.

Given the responsibilities and concerns workers are facing today, it's vital employers offer benefits that can meet their employees' diverse needs. The right benefits carrier can help provide a comprehensive benefits plan that makes it easy to support your employees' health and financial wellbeing.

## Convenient enrollment options

Some carriers limit enrollment options that employees can use at each business. But with all the different ways employees are learning and working today, a one-size-fits-all approach isn't good enough. Consider a carrier that offers each employee the ability to choose the enrollment method that is convenient and easy for them.



For more business resources,  
check out our  
[Employer Resource Center](#).

[Contact an agent about  
voluntary benefits.](#)



**The greater the breadth and depth  
of benefits you offer, the more  
engaged your employees will be.**

– Kaleb Unverfehrt,  
AVP of Enrollment Strategy at Colonial Life



1. Colonial Life, Employee Survey, company sponsored, 2021. 1,462 U.S. full-time employees responded to the survey in August 2021.
2. Willis Towers Watson, 2021 Emerging Trends in Health Care Survey: Voluntary Benefits and Services Industry, 2021.
3. Colonial Life internal data, 2020.
4. Employee Benefit Research Institute and Greenwald & Associates, 2021 Workplace Wellness Survey, 2021.

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