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COMMON GAPS IN DISABILITY INSURANCE: WHY DISABILITY INSURANCE IS SO IMPORTANT FOR MANUFACTURING

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Disability insurance can be even more important for manufacturing companies than other employers. Manufacturing organizations typically have an older population with long tenure and employees historically suffer with chronic conditions. Employees usually experience higher than average musculoskeletal incidence and absenteeism due to the nature and repetitive motion of their jobs. Many manufacturing employees have only worked in their trade, which may result in difficulty finding other employment if he/she becomes permanently disabled from their occupation. Finding the right disability insurance carrier partner can help manufacturing companies develop a stay at work and return to work program that can assist with decreasing incidence of disability and increasing productivity.

Disability carriers can help employers develop a rehabilitation and return to work assistance plan that may include, but is not limited to, the following benefits:

- Adaptive equipment or job accommodations to allow employees to work
- Vocational evaluation to determine how disability may impact employment options
- Job placement services
- Resume preparation
- Job seeking skills training
- Education and retraining expenses for a new occupation

Despite current job growth in the U.S., manufacturing positions are no longer part of the job recovery (as opposed to two years ago), according to U.S. News. Manufacturing employers continue to reduce number of workers as they struggle to maintain their payroll balance. As manufacturing companies struggle, it is critically important to ensure that employees have the necessary resources and programs offered to them to improve their overall well-being. By offering effective wellness and return to work programs and education and training, manufacturing companies would likely reduce disability-related injuries/illnesses that directly impact productivity, quality of products, and costly medical expenses.

Employers in every industry that provide long term disability insurance for their employees are helping set a good foundation for protecting income and assets in the event of an accident or illness. Unfortunately, employers and consultants often check the box that the coverage is provided without taking a critical look at determining if key employees are well served by the protection offered.

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When audits are performed, results often show surprising gaps between employee needs and the available group benefits. Manufacturers can unknowingly have plans that provide insufficient coverage for most employees and result in reverse discrimination for highly compensated employees.

Several contractual provisions can prevent long term disability benefits from providing the desired replacement of income. including the following:

Taxability of Benefits: Many manufacturers like to offer free benefits, but disability insurance is a benefit that can be more advantageous if the employee pays the premium with after-tax dollars, because it results in a tax-free benefit. If premiums are paid by the employer, benefits received by the employee are generally taxable income.

Consultants can work with manufacturers to design a plan that results in a higher replacement of income. Areas to be reviewed can include increasing plan maximums, modifying contribution methods, and supplementing group coverage with individual disability insurance.

Definition of Covered Earnings: Basic long term disability policies generally cover base salary only. For many high earners, a large portion of their total compensation comes in the form of bonuses, commissions, or other incentive pay. Other employees may rely on over-time pay as a crucial part of their compensation. These employees would face a substantial income gap if they became disabled and couldn't work.

Plan designs can be modified to cover total compensation and supplemented with individual disability insurance. The goal should always be to get employees closer to their regular take-home pay. Disability can negatively impact other important benefits, such as retirement plans.

Provisions that should be considered include retirement contributions. Retirement plans are one of the most valued benefits a manufacturer can provide. Few people realize that if an employee becomes too sick or injured to work, neither the employer nor employee can make contributions to their retirement plan because the employee is not actively at work. When contributions stop, retirement security ends.

Plans can be designed to replace contributions made to a defined contribution plan during a disability. While eligible for benefits, a monthly benefit insuring up to 100 percent of retirement contributions, including any employer matching contributions, can be paid into a trust established by the employee, thus helping mitigate the risk of lost retirement earnings.

Brokers, consultants, and employers tend to spend most of their time and energy on strategies to reduce an employer's medical costs because the expense is such a big part of a company's budget. Working with an experienced benefits consultant to identify creative solutions, an employer can provide a benefit that makes a real difference to employees if disability strikes.

By considering strategies similar to the items outlined above, employees can focus on how to get back to work instead of how to provide for their family, and manufacturers can rest assured that their workforce is as productive as possible. Peace of mind is a win-win for everyone.