

Member Advantage

by Karl Johnson

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Voluntary Payroll Deduction Programs: A Win-Win Situation for Employers and their Employees

Did you know that according to a report given in June of 2008 by the United States Department of Labor that total compensation (wages, salaries and benefits) for civilian workers averaged \$28.48 per hour worked? Wages and salaries, which averaged \$19.85, accounted for 69.7% of these cost, while benefits, which averaged \$8.84, accounted for the remaining 30.3%. These benefits include everything from group life and health coverage to annual bonuses, pension and profit-sharing plans, tuition reimbursement, paid vacation, holidays, medical leave — even free parking. Providing employees with these perks is like giving them a “second paycheck” for each actual paycheck they receive.

Unfortunately, that “second paycheck” goes unnoticed by most employees. Employers may be paying more and more each year, but the real value of those payments is not perceived by employees. Little wonder then, that employers are increasingly looking for ways to cut benefit costs. But there’s a slippery slope here: Employers still need to attract and retain valuable employees, and a good benefits package is key to that aim.

That is why Voluntary Payroll Deduction (VPD) programs are rapidly gaining in popularity among business owners. These programs —which enable employees to purchase individual life insurance through the convenience of payroll deduction — are helping employers supplement their benefit packages with no direct out-of-pocket cost to themselves except the cost of administration. Since the coverage offered under these plans is individual-employee-owned, it is also individual-employee-paid. Employers simply apply the administrative procedures they’re already using for other payroll deductions to enable their employees to create a disciplined, relatively painless insurance protection program. VPD programs can provide real value to employees for a number of reasons:

- **All employees can participate.** Unlike many individual life insurance plans, VPD programs often have fairly simplified underwriting requirements. As a result, they are offered to all active employees equally and voluntarily chosen or declined. The opportunity to apply for insurance is open to all, and the decision to apply is made individually by employees.
- **Employees like the ease and convenience.** The majority of employees view payroll deduction as a good way to obtain insurance. Since they don’t have to write out a check to pay, the buying experience is relatively painless; and because they don’t have to remember to pay, it’s easier as well.
- **These plans fill a definite need.** According to the most recent research from the Life Insurance Marketing Research Association (LIMRA), only 36% of workers had a life insurance policy through their employer, and while 60% of people have some coverage in total, face amounts—and, therefore, insurance protection—had declined. Additionally, many insureds have no dependent coverage, and 80 percent of employees can be expected to outlive the group term life insurance offered by their employers. The security of a life insurance policy that offers the opportunity for cash value accumulation can be the perfect solution for many of today’s workers.

- **Policies purchased under a VPD program are portable.** Employees own their own policies and can take the coverage with them if they leave their jobs for any reason. Of course, this is also true of any life coverage purchased through the plan on spouses, children and grandchildren.

For all of these reasons, VPD programs may greatly enhance the morale of employees even when there are few employee benefits. The employer is making insurance coverage conveniently available to employees at a competitive price.

So, what's the catch? Just one: employers should be prepared to allow their employees some small amount of time during the work day to meet with the insurance company's agents. This demonstrates the employer's commitment to the program, and gives the agent a chance to explain the features and benefits of the plan. It's also an opportunity for the agent to explain to the employee how the VPD plan supplements the existing company-provided package of employee benefits — that "hidden paycheck" that is all too real to the employer and all too unknown to the employee.

To find out more about offering VPD programs to your employees, or to learn more about what WBA Insurance Services ads to your membership call Karl O. Johnson, Chief Operating Officer of WBA Insurance Services at: (888) 678-3015 ext. 23 or email at: kjohnson@wisbuild.org.

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