

WHAT IS IT?

Accidental Death and Dismemberment (AD&D) insurance protects employees against the financial impact of accidental death or dismemberment. The accidental death benefit is paid in addition to life insurance and is usually equal to the amount of basic life insurance benefit. The accidental dismemberment benefit is typically a percent of the accidental death benefit, based the severity of the dismemberment. An AD&D policy can be written in conjunction with the basic life insurance benefit or as a standalone policy. Spouse and dependent AD&D benefits are also available.

WHY OFFER IT?

- Financial security for employees and their families.
- Coverage does not require proof of insurability, allowing employees who are otherwise uninsurable to obtain coverage.
- According to the Centers for Disease Control and Prevention (CDC), accidental injury is the leading cause of death for people between the ages of 1 and 44. For all ages, it is the 5th leading cause of death in the United States.
- Substantial AD&D coverage can be purchased for relatively little premium.

WHAT TYPES OF EMPLOYERS OFFER IT?

All types of employers offer AD&D coverage.

WHAT SIZE EMPLOYERS OFFER IT?

Employers of all sizes offer AD&D coverage.

WHAT ARE THE CRITICAL UNDERWRITING OR PARTICIPATION REQUIREMENTS?

- AD&D can be integrated with life insurance benefits or structured as an independent plan.
- Benefits can be structured in flat amounts, multiples of salary, or increments (i.e., \$10,000).
- All coverage is guaranteed issue (does not require medical evidence of insurability).

WHAT'S NEW IN THIS AREA?

- Additional benefits include: Coma benefit, child-care assistance, education assistance, seatbelt/airbag bonus, repatriation of remains, bereavement counseling, travel assistance programs, special felonious assault and employee assistance programs.
- Common carrier deaths – deaths that occur on public transit – may be paid out at double the benefit.

HOW MUCH DOES IT COST?

- Monthly premiums are usually \$0.02 to \$0.03 per \$1,000 of covered benefit, regardless of the insured's age. For example the monthly cost of \$100,000 in benefit is usually \$2 - \$3. Premium rates are quoted per \$1,000 of benefit and are based on a number of factors such as the age, gender, and occupation of the employee population. The rates are much lower than basic life insurance rates.
- Rate guarantees will commonly be issued for two or three years to avoid cost increases.

PROS AND CONS

PROS

- AD&D pays in addition to any other insurance settlements.
- Employer provided AD&D coverage is a non-taxable benefit to employees.
- Low premiums provide a high level of coverage for little cost.
- Relatively easy to implement and administer.

CONS

- Benefits will only be paid under very specific conditions. The policy does not provide a benefit for death or loss resulting from natural causes.
- Exclusions may apply including suicide, war, certain aviation accidents, extreme hobbies such as sky-diving or bungee-jumping, and self-inflicted injury.
- Provides income protection for events that are often already covered through Workers Compensation or life insurance policies.
- Employer is responsible for coordinating beneficiary information and filing the beneficiary card.
- There may be a reduction of benefits (usually a percentage of the original benefit) depending on age.

NOTES

- AD&D benefits are paid based on the severity of the accident, illness or injury. The full principal sum will be paid for accidental loss of life. Partial or full payment results from loss of limb, paralysis, sight or hearing, depending on the applicable benefit schedule.
- Waiver of premium provision allows coverage to remain in force during total disability without requirement of continued premium payment.
- Portability riders may be added to allow employees to keep the insurance after terminating employment (subject to state availability).



This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization.