



# Group accident coverage

## Expense-based vs. scheduled benefit policies

Group accident insurance can help provide peace of mind to employees by paying a benefit that can be used toward treatment or other expenses after a qualifying accidental injury.

An accidental injury can be a traumatic event. And for many employees, the cost of treatment can make a bad situation even worse. Out-of-pocket costs for hospital stays, doctor visits, X-rays and physical therapy add up fast, and taking time off work can affect take-home pay.

Group accident insurance is a relatively simple and affordable employee benefit that can help relieve some of the financial pressure after an unexpected injury.

In this issue of the Inside Track, we'll look at why groups should consider adding accident coverage to their employee benefits package and the advantages and drawbacks of two different policy types—expense-based and scheduled benefit.

25% 

OF ADULTS SKIPPED MEDICAL CARE BECAUSE THEY COULD NOT AFFORD THE COST.<sup>1</sup>

### Why offer accident coverage?

Many employees lack the savings needed to pay for out-of-pocket costs relating to an accidental injury. In fact, 12% of Americans said they wouldn't be able to pay their current month's bills if they were presented with an unexpected \$400 bill. And twenty-five percent of adults skipped medical care because they were unable to afford it.<sup>1</sup> Accident insurance can help provide peace of mind to employees by paying a benefit that can be used toward treatment or other expenses (unless covered by workers' compensation or similar laws) after a qualifying accidental injury. It can be especially helpful for employees with high-deductible medical plans because the benefits can help insureds cover medical costs before the deductible is met.

### Scheduled accident insurance

Scheduled accident insurance is similar to many fixed-indemnity insurance products that you may be familiar with. Following a qualifying injury, benefits are paid according to an itemized schedule of pre-approved claim amounts. For example, a broken arm could result in a \$2,000 claim payment, plus additional payments for X-rays and treatment. A hospital admission could pay an initial \$1,000 benefit, followed by additional per-day benefits. The schedule covers a wide range of conditions and the dollar amount paid depends on the type and severity of the injury, from minor to catastrophic.

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Most policies pay benefits directly to the insured, which means coverage does not coordinate with major medical insurance—and the payments can be used for any expense the insured chooses, whether for medical expenses, childcare, income replacement or other incidentals.

Here’s an example of how benefits could be paid with a scheduled accident insurance policy if an insured fell down the stairs and broke his leg.

Treatment/services	Scheduled accident coverage pays
Emergency room visit	\$200
X-ray	\$50
Treatment for leg fracture	\$2,500
Five physical therapy sessions (\$50 per visit)	\$250
<b>Total</b>	<b>\$3,000</b>

### Expense-based accident insurance

Like scheduled accident insurance, expense-based coverage pays benefits following the diagnosis of a qualifying injury. But instead of following a schedule of payments, these policies pay for all covered costs up to a per-accident and/or annual maximum.

For example, assume a group accident plan has a per-accident limit of \$2,500. If an insured is in an accident and breaks his leg, resulting in \$3,000 in eligible expenses, the plan will pay the full benefit amount of \$2,500. The insured is then responsible for the remaining \$500 as shown in example 1. If the amount of covered expenses is less than the per-accident benefit, the coverage will pay all eligible expenses as shown in example 2.

EXAMPLE 1 Eligible incurred expenses	
Emergency room	\$700
X-ray and lab tests	\$500
Diagnostic testing (MRI)	\$800
Physician fees	\$300
Physical therapy	\$700
<b>Total expenses</b>	<b>\$3,000</b>
<b>Benefits paid = \$2,500</b>	
<b>Out-of-pocket costs = \$500</b>	

EXAMPLE 2 Eligible incurred expenses	
Urgent care	\$310
Lab tests	\$235
X-rays	\$280
Physician fees	\$120
Chiropractic services	\$510
<b>Total expenses</b>	<b>\$1,455</b>
<b>Benefits paid = \$1,455</b>	
<b>Out-of-pocket costs = \$0</b>	

Similar to scheduled policies, expense-based coverage does not usually coordinate with major medical insurance. This gives insureds the flexibility to use these dollars for any number of things, like paying major medical coinsurance, copays, deductibles or other costs that come up following an accidental injury.

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## The right coverage for your business

Many factors determine which type of group accident coverage is right for your business. Here are some things to consider:

- **Scheduled coverage** has more specific definitions for qualifying injuries and their resulting benefits. For example, an ankle injury would receive a smaller benefit for a severe sprain than for a fracture, despite having similar diagnosis and treatment expenses. However, scheduled coverage will typically offer greater benefits for larger, more catastrophic injuries than expense-based coverage.
- **Expense-based coverage** may be better for supplementing a high-deductible major medical plan. The per-occurrence maximum can be established to help employees pay for their actual coverage needs until the deductible is met. However, with smaller benefits overall, the expense-based plan may not be as helpful for catastrophic accidents.

## Rounding out a benefits package

Even with robust major medical plans, families may spend thousands of dollars on deductibles before their benefits begin. Accident insurance can help cover some of the costs of health care and other expenses when insureds need it most.

While accidents can happen to anyone, group accident insurance can be an especially reassuring product for families who lead busy, active lives. Travel, sports and other activities can lead to expensive injuries with bills that escalate quickly. Group accident insurance can provide additional peace of mind to help employees with unexpected costs.

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**Talk with your group benefits professional to find out which type of accident coverage is right for your employees.**



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<sup>1</sup> Report on the Economic Well-Being of U.S. Households in 2019, <https://www.federalreserve.gov/publications/files/2019-report-economic-well-being-us-households-202005.pdf>. May 2020.

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