

# Benefits Insights

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## Accidental Death and Dismemberment Insurance

When accidents happen, their life-altering or fatal consequences can be devastating not only for the individuals involved but also for their families and employers. In such an event, financial protection becomes paramount. Accidental death and dismemberment (AD&D) insurance can offer a safety net for employees and their loved ones in the face of unforeseen accidents involving death and dismemberment.

As part of providing comprehensive employee benefits packages, employers should understand AD&D insurance and its benefits and drawbacks. This article explains AD&D insurance and highlights key considerations for employers.

### AD&D Insurance Overview

Unlike life insurance, which typically covers death from any cause, AD&D insurance provides financial benefits to employees or their beneficiaries in the event of accidental death, serious injury or dismemberment resulting from accidents. Here are some key components of this insurance:

- **Accident coverage**—AD&D insurance typically covers a wide range of accidents resulting in death, the loss of a limb, or the use of specific body parts or functions, including but not limited to car accidents, falls, exposure to the elements, drowning and accidents involving heavy equipment. Keep in mind that AD&D insurance doesn't cover death or injury caused by participation in a sporting event, certain recreational activities (e.g., skydiving, bungee jumping and car racing), suicide or attempted suicide. Also, while death by sudden illnesses (e.g., heart attack and stroke) are unexpected, they aren't considered accidents. In general, coverage varies depending on the policy terms and conditions.
- **Death benefit**—If an employee covered by AD&D insurance dies due to a covered accident, the policy

pays out a lump sum to the designated beneficiary. This benefit helps support the deceased employee's family financially, covering funeral expenses, outstanding debts and ongoing living expenses.

- **Dismemberment benefit**—In cases where an employee suffers a covered accident resulting in the loss of a limb or the loss of sight, speech or hearing, the policy provides a benefit payment. This benefit assists the employee in adapting to their new circumstances by covering medical expenses, rehabilitation costs and other related expenses.

Many employers provide AD&D insurance at no cost to employees. If an employee is not satisfied with the level provided by their employer, they can typically purchase additional AD&D coverage through the group plan.

### Pros of Offering AD&D Insurance

Like any benefit decision, employers need to weigh the benefits of providing AD&D insurance against the costs. As such, consider the following employer benefits for offering AD&D insurance:

- **Employee well-being**—AD&D insurance provides employees with a sense of security, knowing that they and their families are financially protected in the event of a serious accident. This safety net can improve overall well-being and mental health, helping reduce stress and anxiety related to financial uncertainties.



- **Talent attraction and retention**—In a competitive job market, offering comprehensive benefits like AD&D insurance can be a key differentiator for employers. It demonstrates a commitment to employee welfare beyond salary and can attract top talent who are seeking organizations that prioritize workers' holistic needs. Additionally, providing AD&D insurance can help retain valuable employees by fostering loyalty and job satisfaction.
- **Employee financial wellness**—In the unfortunate event of an accident resulting in death or serious injury, AD&D insurance provides a financial safety net for employees and their families. The lump-sum benefit payout can cover immediate expenses such as funeral costs, medical bills and ongoing living expenses, helping alleviate some financial burdens during a challenging time.
- **Employee peace of mind**—Accidents happen, and AD&D insurance can offer employees peace of mind, knowing they're covered. This feeling can translate into improved job performance and morale, as employees can focus on their work without worrying about the financial implications of potential accidents.

Regardless of the plan arrangement chosen, employee education is key. Employers should make sure that benefits enrollment information is clear and that education materials explain the difference between AD&D and life insurance so employees understand their coverage.

### Cons of Offering AD&D Insurance

As with any employee benefits, there are potential disadvantages as well for employers. Consider the following drawbacks of offering AD&D insurance to employees:

- **Cost considerations**—AD&D insurance premiums can add to the overall cost of providing employee benefits, potentially impacting the company's budget and bottom line. Premiums for AD&D insurance can vary based on factors such as the size of the workforce, the level of coverage provided and the industry's risk profile.
- **Employee perception or utilization**—Some employees may view AD&D insurance as unnecessary or less valuable than other benefits,

such as health insurance or retirement plans, potentially leading to lower appreciation or utilization of the accident coverage.

- **Limited and complex coverage**—AD&D insurance typically covers accidents only. It may have exclusions or limitations on specific types of accidents or injuries, leaving gaps in coverage that employees may not fully understand. Also, understanding the terms, conditions and exclusions of AD&D insurance policies can be challenging for employees, leading to further confusion if they're unclear about their coverage.
- **Potential for claims disputes**—In some cases, disagreements between employees or beneficiaries and the insurance provider regarding claim eligibility or benefit payouts may lead to disputes and potential legal complications.

Overall, while offering AD&D insurance provides significant benefits for both employers and employees, employers must carefully weigh the pros and cons to determine whether it aligns with their organizational goals, budget constraints and workforce needs.

### Summary

AD&D insurance can provide financial protection to employees and their families in the event of unforeseen accidents. By understanding the key components and considerations of AD&D insurance, employers can make informed benefits decisions that benefit their workforce and organization.

Contact us for more employee benefits resources.