

Unemployment insurance you can buy (in advance)

By Dan Kadlec

LAURA LEONARD, A MEDICAL WORKER, HAD SEEN HUNDREDS of co-workers lose their jobs to technology advances at Wake Forest Baptist Medical Center in Winston-Salem, N.C. So when her bank offered a wage-insurance policy that, for \$21 a month, promised to back up as much as half her salary, it seemed a small price to pay for peace of mind. Last June, her decision to buy paid off. The 56-year-old's job was among the latest batch eliminated. She credits the policy—which kicked in to supplement government-provided unemployment—with saving her home. Now she's at work again and has re-upped on her policy. "Is anybody's job safe these days?" Leonard asks.

It's a fair question. The economy is expanding, and unemployment is near an eight-year low. Yet job cuts jumped 24% last year to a five-year high, reports outplacement firm Challenger, Gray & Christmas. Millions of Americans lose their jobs every year to automation, outsourcing and changes in skill sets required of today's workers.

Leonard is among only a small handful with private wage insurance—and it isn't just the insurance industry that wants to change that. In his State of the Union address in January, President Obama called for wage insurance that would pay benefits to Americans forced into lower-paying jobs. "That's the way we make the new economy work better for everybody," he said. Yale economist Robert Shiller says "livelihood insurance" would benefit the economy by providing a safety net for those who would like to be more entrepreneurial.

GOVERNMENT-SPONSORED WAGE INSURANCE exists and has bipartisan support. But the coverage is restricted to those over 50 who lose their jobs to foreign workers. Leonard's private policy, backed by Cincinnati-based Great American Insurance Group, has no such limits. The product is called IncomeAssure, and it appears to be the rare, if not only, private insurance policy on the market that supplements state unemployment benefits. "For a lot of people, state benefits aren't enough to cover basic living costs, much less credit cards and other things," says David Sterling, CEO of SterlingRisk, which administers the policies. "We get you to 50% of pay, which

is a reasonable amount for covering living expenses."

Coverage is available on incomes up to \$250,000. The typical policy on \$105,000 of income costs about \$1,000 a year, Sterling says. You are not eligible for benefits until six months after purchasing the policy. A couple thousand policies are in force, and the underwriters have paid out over \$1 million since the insurance was first offered five years ago.

DOES PRIVATE WAGE INSURANCE make sense for you? Income disruptions are increasingly a fact of life. Over a two-year period, half of all households with a 401(k) plan experience an economic shock, mainly job loss, according to the New School's Schwartz Center for Economic Policy Analysis. More than half of those households comprise moderate and high earners, who fit the typical profile of people buying private wage insurance. "Recent history is littered with folks who never expected to lose their job but did," says David Ferron, product-management director at Great American.

No one wants another bill to pay. And many don't have sufficient life, personal-liability, long-term-care or disability coverage. But for some, wage coverage will make sense. You pay more if you are in a state like Mississippi or an industry like construction with high unemployment rates. The policy may be less important in a state like Massachusetts, where state unemployment benefits are relatively generous.

And then there's the fact that private wage insurance is not a long-term solution; benefits run out after 24 weeks, relatively scant in a time of long-term joblessness. But in Leonard's case it was just enough time. □



32%

Share of job eliminations last year resulting from corporate restructuring; the second most common cause of job loss was the decline in oil prices, which accounted for 18% of all job cuts in 2015

SOURCE: CHALLENGER, GRAY & CHRISTMAS

How private wage insurance works

While still rare, private wage insurance provides workers who lose their jobs with additional compensation. The idea is getting a second look as the U.S. economy changes.



If you lose your job, you first file with the state. Unemployment benefits are designed to cover 50% of pay ...



... But because benefits are capped at \$240 to \$700 a week, depending on the state, many workers receive far less.



IncomeAssure guarantees it will get you to 50% of pay by kicking in the difference for a period of 24 weeks.