

Disability Insurance

A serious illness or injury can harm more than your health - it can have an impact on your ability to work and meet your living expenses.

While many individuals have life insurance, fewer have disability insurance – even though the chances of becoming disabled for six months or longer are much higher than premature death.

Long-term disability income insurance helps you pay living expenses while you are unable to work. With disability income insurance, you can avoid depleting your savings (or going into debt) because of a debilitating illness or injury.

Understanding Policies

Before purchasing an individual long-term disability income insurance policy, evaluate the benefits you may already be eligible to receive from your employer and the government. Other programs that may provide a source of disability income include state workers' compensation, veterans programs, and automobile insurance benefits for a disability from a car crash.

Not all individual disability income insurance policies are alike. Consider the following when comparing policies:

- Some policies pay benefits if you are unable to perform the duties of any occupation for which you are reasonably qualified by training, experience, and education. Other policies pay benefits if you are unable to perform the major duties of your own occupation. Many policies combine these features, providing "own occupation" coverage for an initial period, such as one or two years, and "any occupation" coverage after that.
- The amount of income you would receive when disabled varies by policy. However, benefits from all sources are usually limited to 70-80 percent of your monthly salary. Policies that pay 50-60 percent of salary are most common.
- Policies have either level premiums (intended to stay constant over the life of the policy) or premiums that increase as you age. If you plan to keep your policy in force long-term, a level premium policy may be appropriate. If you are uncertain about how long you will need the insurance, a policy with premiums that increase with age may be the better choice.



- The length of time that benefits can be received varies. Some policies pay benefits for a specified period of time, such as two or five years, while others pay benefits until age 65 or your retirement age under Social Security.
- Some policies require total disability before payment begins while other policies cover partial disability.
- Some policies pay "residual" benefits. These benefits make up for any loss of income if you are still able to work but your disability keeps you from performing all of your normal responsibilities.

Most individual policies are either non-cancellable or guaranteed renewable. With a non-cancellable policy, premiums can never be increased. Under a guaranteed renewable policy, premiums cannot be raised based on an individual's circumstances, but they can be increased for an entire class of policyholders.

Most insurance companies review an individual's medical and financial history and consider any other disability coverage that person has before issuing a policy. Based on this information, an insurer may offer limited or modified coverage.

A number of factors determine the cost of a disability policy, including your age, benefit amount and period, your current health, the extent of your disability, and your occupation (especially for high risk occupations).

Disability insurance can be one of the most complicated types of insurance you can buy. Be sure to take the time to completely understand your choices and benefits before signing.