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Ouch! Don't forget disability insurance Broken leg? Bad back? A disability policy keeps your finances above water if you can't work.

May 6, 2002: 2:44 PM EDT

By Annelena Lobb, CNN/Money Staff Writer

NEW YORK (CNN/Money) - Buying disability insurance probably ranks low on your financial to-do list. After all, if you're young and healthy and you work at a desk job, what are the odds you're going to need it?

Well, you might not think of a broken bone, a problem pregnancy or an anxiety condition as disabling, but all of them could keep you out of work. About 30 percent of Americans age 35 to 65 will suffer a disability lasting at least 90 days sometime during their careers, according to the [Health Insurance Association of America](#).

Should you ever need the protection a disability policy can offer, you'll be glad you took financial precautions. Without coverage, an unexpected disability can easily drive you into serious debt.

"Unless you're independently wealthy, you need insurance if you stand a chance to lose your income because of a disability," said David Woods, president of the [Life and Health Insurance Foundation for Education](#).

Getting the right policy isn't easy. Prices vary widely, and only a handful of the big insurers even offer disability policies, said Steve Crawford, a spokesman for [Guardian Disability Brokerage](#).

Do you need it?

"Most people say, I don't need disability coverage -- I've already got it through work," said Crawford. But most company-issued disability insurance only provides you with 60 percent of your salary and sets a monthly maximum of \$5,000 to \$10,000, which can be even less than 60 percent of a highly compensated employee's salary.

But here's the problem: Those benefits are also fully taxable, which means you're actually getting a lot less than 60 percent of what you're used to.

"You could easily find yourself trying to survive on about 40 percent of your salary -- or less, if you're a high wage earner -- if you don't buy a supplemental policy," Crawford said.

And Social Security probably won't cover you, either -- Social Security disability benefits are one of the most difficult benefits to qualify for, Crawford said. "You have to be completely disabled for at least a year, with no hope of recovery," he said. "Even when you meet those requirements, you're unlikely to receive more than

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\$2,000 a month."

Shopping for policies that make the grade

Look for company strength. The first question you need to ask is whether the insurance company you're eyeing is financially sound, said Crawford.

"There are maybe six major insurance companies left that still offer disability insurance," he said. "There are lots of smaller companies that offer disability insurance, but you should check their financial statements. Make sure they look like they'll be able to pay out claims as time goes by."

To check insurance company ratings, check moodys.com, standardandpoors.com or ambest.com.

Aim for a non-cancelable contract. Next on your checklist is renewability, or whether your policy's terms are subject to change over time. There are three options: a non-cancelable and guaranteed renewable policy, a guaranteed renewable policy, and a conditionally renewable policy.

Experts say the non-cancelable contract, especially if price is not an issue, is by far the best of the three. That's because it locks in your rates and benefits. The insurance company can't make changes unless you request them.

A guaranteed renewable policy is less desirable. After you invest in a policy, your insurer doesn't have the right to drop you, said Susan Baker, manager of DI sales and marketing for [Berkshire Life Insurance](#), but they reserve the right to raise prices for specific reasons.

"All the companies that are writing guaranteed renewable contracts used to write non-cancelable contracts," said Crawford. "They often say the two are the same, but they're not. There's a reason why they're leaving themselves the back door open."

Finally, avoid conditionally renewable policies. An insurer can put any condition on them or raise rates at any time.

Look for a broad definition of "total disability." The most consumer-friendly definition of total disability is "own-occupation disability." If you are disabled and cannot perform the principal duties of the job you currently have, you get paid your disability benefit even if you can do some other tasks.

"Even if they become disabled, most people want to keep working," said Crawford. "The neat thing about own-occupation coverage is that you're not penalized for working at the flower shop down the street, even if you can't yet go back to your full-time job."

The most conservative definition of total disability is "any-occupation disability." Under this definition you do not get a benefit unless you are completely unemployed and unable to do any work.

Many companies, of course, will define "disability" in shades of gray between own-occupation and any-occupation disability. And some disability insurance products will give you own-occupation coverage for a specified period, then move you to a modified plan, increasingly contingent on whether you can produce any income.

Buy residual or partial disability coverage. A third of [Northwestern Mutual](#)'s claims are for partial disability coverage, said Meridee Maynard, vice president of disability income products at the company.

Insurers pay partial disability benefits if you can only work at your job for a reduced period of time. After an accident, for example, someone might leave work entirely for six months, then work on a reduced schedule for the next year. If working part-time meant the person lost a percentage of his income, partial disability coverage would kick in and pay a proportionate benefit.

Get the appropriate riders. If you have disability coverage, you may not use it for decades -- if ever -- and \$3,000 a month in ten years will buy you considerably less than it does now. You might want to buy a rider that adjusts your policy for inflation, particularly if you're in your 20s and 30s, said Baker.

Another option to consider is what Baker terms a "future purchase option" -- it allows you to buy more coverage as your salary rises or your business expands. This is especially good for people just starting their careers.

Putting a price tag on your policy

Crawford tells clients that disability insurance premiums will typically cost between 1 percent and 3 percent of annual income. Prices will vary according to several main factors, including your age, gender, health history and occupation.

Another factor affecting your premiums is the policy's elimination period. That's a specified length of time -- people usually choose 90 days -- from the onset date of disability. When that time is up, the company starts paying your benefits. You can choose an elimination period as short as 30 days or as long as 720 days. Generally, the longer your elimination period is, the cheaper your premium.

You'll also have to choose a benefit period, or the length of time the insurer will pay you benefits. Most companies let you choose between benefits lasting two years, five years, all the way to age 65, to age 67, or for the rest of your life. Most people choose the age-65 option, as Social Security kicks in thereafter. The longer your benefit period, the more expensive your policy will be.

When they price your policy, each insurer categorizes you according to its own set of occupation classes, ranking systems that sort different jobs according to their likelihood of filing a claim. The more likely your occupation is to result in disability, the more expensive your coverage will be.

And if you work at a job that requires intense manual labor, like construction work, it's likely you'll be unable to get coverage at one of the big disability insurers, Crawford said.

"You'll have to go to a smaller insurer. They won't make you necessarily pay more for coverage, but you'll get a stripped-down contract, without any bells and whistles," he said. ■

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