



Disability Income Insurance- Policy Considerations

Imagine what would happen if your ability to earn income were to suddenly disappear. What would your life be like? Even though your income would abruptly stop, your living expenses would continue. The mortgage and car payments would be due—missing several payments could result in foreclosure or repossession. You and your family would still have to eat, use electricity, heat your home, etc. How would you cope?

The best way to protect yourself from the financial harm that a disability can cause may be to purchase **disability income insurance**. Disability income insurance is designed to replace lost income in the event that a disabling illness or injury prevents you from working. It can make an enormous difference at a time when you should be focused on your health and recovery, not on how your bills are going to be paid.

Key Policy Features

When selecting an individual disability income policy, the following coverage areas are important to check:

- **Definition of disability** Policy definitions can vary. Does the policy define disability as the inability to perform your own job or any job? Select a policy that will pay benefits when you are unable to work in your occupation or one appropriate for your education and experience.
- **Extent of coverage** Are benefits available for total or for partial disability? Are full benefits paid for loss of sight, speech, hearing, or use of limbs whether or not you are able to work? Does the policy cover both accidents and illness?
- **Amount of monthly benefit** What percentage of income will the benefit replace? Most insurers limit benefits from all sources to 70% or 80% of net monthly income.
- **Waiting period** Will benefits begin 30, 60, or 90 days, or even six months, after the onset of the disability? The longer the waiting period, the lower your premiums will be.
- **Duration of benefits** Are benefits payable for one, two, or five years, to age 65, or for a lifetime? Most people need a benefit period that covers their working years—at least to age 65 or normal retirement age.
- **Inflation rider** Does the policy offer a cost-of-living adjustment? This important rider should always be considered, because as the cost of living continuously increases you will want your benefit to keep pace with inflation.
- **Renewability** Is the policy non-cancelable, guaranteed renewable, or conditionally renewable? A non-cancelable policy will continue in force at the same premiums and benefits, as long as you pay timely premiums; a guaranteed renewable policy will be automatically renewed for an entire class of policyholders, but the premiums may be increased; optionally or conditionally renewable policies are extended each anniversary or premium due date if the company decides to do so.
- **Waiver of premiums** How long must you be disabled before premiums are waived? Under most policies, you won't have to pay any more premiums after you have been disabled for 90 days.
- **Option to buy more coverage** Can coverage be increased without further evidence of insurability?

Early and thorough disability insurance planning can help ensure you have the coverage you need before you need it.