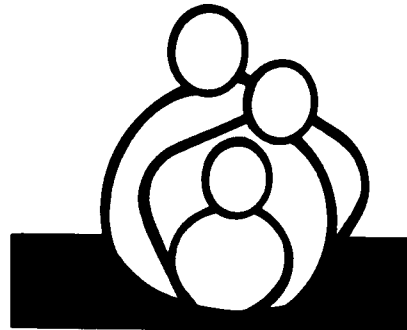
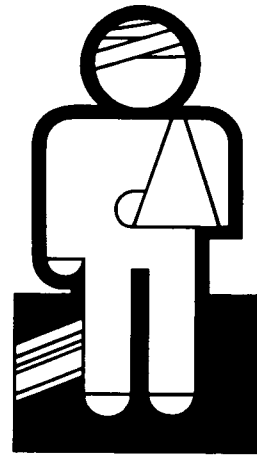
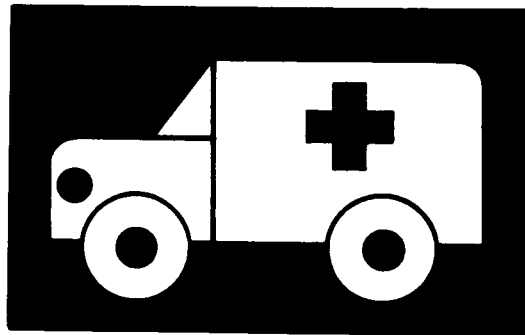


Disability Income Insurance



HE-663

Alabama Cooperative Extension System, Alabama A&M and Auburn Universities

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Disability Income Insurance

Disability is a serious risk many people never think about. Research shows a person is more likely to be disabled for one or more years than to die. For example, at age 47 disability is 3.4 times more likely than death. Odds are against recovery within a reasonable period. When a person's disability begins at age 42 and lasts for 12 months he has about a 62 percent chance of being disabled for 2 more years. He has a greater than 45 percent chance of remaining disabled for at least 5 more years.

Disability insurance provides you an income if you become sick or injured and unable to work. It protects your family from severe money problems if the wage earner becomes disabled and out of work for a long time.

Disability insurance usually comes in two forms. One type provides short-term benefits, usually up to 2 years. The other offers long-term benefits, usually for at least 5 years, but sometimes to age 65 or for life.

Disability benefits are limited to a percentage of your regular income. When provided on a group basis, the benefits are usually combined with benefits from Social Security and other public programs. The total level of coverage from these sources is set so it is not more than 70 to 80 percent of your salary. Individual disability income policies often provide a fixed dollar amount of coverage. This amount may be greater for those who are not covered by Social Security.

Most individual policies require that you be totally disabled before benefits begin. Benefits for partial disability are sometimes offered, but often only if a period of total disability for the same cause occurred first.

It's important for you to know how "total disability" is defined in the policy. Disability can be defined as being unable to perform:

- Your customary occupation (for example, as an accountant).
- Any related job (such as teaching accounting).
- Or any job at all (such as stuffing envelopes at home).

The best policy provides benefits when you cannot work at your regular job. Disability can also be interpreted as requiring total in-hospital or in-house care. A policy limiting benefits to persons confined in-house will not be useful to most people.

Disability income policies often have waiting periods before benefits begin, such as 14, 30, or 90 days. The longer the waiting period, the lower the premiums. If you can manage for a time without additional income, you can save on premiums by getting the longer waiting period. However, you need to know that your savings and your sick leave plan at work can carry you over for the 3 to 6 months.

To figure how much disability insurance you need, first find out about the benefits your employer provides. Ask how long after you become disabled you must wait before receiving benefits. Also, ask how long the benefits will continue during your disability. Ask for written information about the plan so you can see what disabilities are covered.

Think about other benefits you may be able to get, such as Social Security disability payments, or Workers' Compensation if your disability is work-related. Social Security benefits for permanent or indefinite disabilities may begin after the fifth month. After 24 months of benefits, you may qualify for Medicare, which helps pay your medical bills. Social Security may also provide certain benefits for your dependents.

Considering Social Security benefits is important in deciding your need for disability insurance. Call or write

the Social Security office listed in your telephone book to learn more about Social Security coverage for the disabled.

Also look at other income sources before deciding your need for disability insurance. These other sources include your savings, investments, Veterans Administration pension disability benefits, auto insurance, state vocational rehabilitation benefits, supplemental security income (for those with low-income and limited assets), civil service disability benefits (for government workers), or a spouse's earnings. If you should become disabled and these sources of income aren't enough support for your family, check into getting disability insurance. A reliable insurance agent can help you determine the amount of coverage that best meets your needs. Disability benefits are tax-free or subject to limited taxation under current law.

If you do need extra protection, get a policy that cannot be canceled. This means the company must renew the policy as long as you pay the premiums, no matter how poor your health might get. If the policy is guaranteed renewable, the company must renew, but can raise the premium for an entire class of policy holders. If the policy is optionally renewable, the company can refuse to renew an entire group of policies, including yours.

If you're a homemaker, check to see if the extra costs of your possible disability could be covered by family income. If not, check into disability income insurance. Not all companies sell disability coverage to homemakers.

Tips for Buying Disability Insurance

- Save 3 to 6 months' salary to carry you over in case of an emergency such as disability.
- Know the kind and amount of coverage you already have. Read the policy handbook and know what coverage and payment limits exist.
- Buy an insurance policy with broad coverage instead of one that narrowly defines disability.
 - Avoid double coverage.
 - Think about insurance benefits when you consider a job change.
- Get a policy that is guaranteed non-cancelable and renewable.

- Review your insurance coverage yearly to be sure it covers your family's current needs.
- Compare policies and premiums to be sure you're getting the most coverage for your insurance dollar.

Where To Get Help

Do you have questions about a group plan? If so, ask your employer, or your union or association officer. If your question is about an individual or family policy, talk with your insurance agent, or contact the insurance company directly. Always read the policy carefully. Know what you are buying.

If you have problems with a company licensed to do business in Alabama, you can get help from the State Commissioner of Insurance, 64 North Union St., Montgomery, AL 36130; telephone (334) 832-6140.

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For more information, call your county Extension office. Look in your telephone directory under your county's name to find the number.

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