

## **Questions You Should Ask Your Health Insurance Agent about Disability Insurance**

### **Q. What benefit amount do I qualify for based on my current my income?**

- A. Your benefit amount is based on a percentage of your income. Typically this will be in the 60% range of adjusted gross income and can be a tax-free benefit.

### **Q. What is the elimination (waiting) period? What is the difference in cost by shortening or lengthening that period?**

- A. The elimination period refers to the length of time you must be disabled before benefits begin. It can be 30, 60, 90, 180 or 365 days. The longer the elimination period, the lower the cost will be. One point to keep in mind is that individual DI policies usually pay the claimant at the end of each month – so if you have a 90-day elimination period, you will not receive your first claim check until the 120<sup>th</sup> day (or around this time).

### **Q. What is the benefit period?**

- A. The benefit period refers to the length of time that the benefit is paid once you have satisfied the elimination period and are on claim. Policies commonly pay for two, five or 10 years and to age 65, 66 or 67. Obviously, the longer the benefit period, the higher the cost will be.

### **Q. Does my benefit coordinate with other insurance benefits (such as workers comp or Social Security)?**

- A. Many individual policies do not coordinate with workers compensation or Social Security. These policies are generally offered to mostly white-collar-type occupations and more highly compensated individuals. In other occupations, and in most group disability insurance, there may be coordination with other disability benefits. This has the positive effect of lowering premiums.

**Q. What is the definition of disability in the contract? Does this definition change after a period of time?**

A. The definition of disability is one of the most important elements in the policy. Definitions vary from each disability company, and sometimes even within the same company. There are definitions that cover specific job duties, any job duties, or loss of income only. Consequently, it is essential that you seek the advice of a professional DI advisor to guide you through the variations and the potential positive and negative features.

**Q. Do I need to be totally disabled to receive a benefit, or does my policy contain a partial benefit provision?**

A. Many of the quality individual disability policies on the market today provide for Residual, or partial, disability benefits. Sometimes this feature is included in the policy; in others, it is added by rider. In both instances, the plans provide that a proportionate benefit is paid based on a percentage of your loss of income. For example, a 50% loss of income during a partial disability would result in a benefit of 50% of your regular monthly benefit. The residual-type benefit is usually paid to age 65 as long as the insured continues to sustain an income loss.

**Q. What optional benefits are available to me?**

A. Many companies offer an array of options that can be added to the policy. Each of these additional features will have its own cost. This approach offers great flexibility in designing a plan to suit your particular needs. Some of the optional features are the aforementioned residual rider, an own-occupation rider (enhances the definition of disability in the policy), a non-cancelable rider (provides for level premiums during the duration of the policy), a future purchase option rider (guarantees your right to purchase additional amount of protection without evidence of medical insurability) and cost of living rider (designed to protect your benefit from the erosion of inflation).

**Q. What is the rating of the carrier?**

A. There are various rating agencies that are independent and that assign ratings to insurance companies based on an in-depth study of their operations and financial stability. Some of the more widely known agencies are A.M. Best, Standard & Poor's, Fitch and Moody's. The rating is typically assigned in the form of letters, e.g., AAA or A+. Each company's website will have a link to its ratings. Financially sound companies are an important factor in deciding the company with which you chose to do business.

**Q. What is the reputation of the carrier as it relates to paying claims?**

A. Since this is a subjective question, we recommend checking with your state Department of Insurance for the complaint record of a particular company you are considering. Most Departments of Insurance keep records of this type and it is considered public information.

**Q. What occupational classification have I been placed into? Can this change if I change occupations?**

A. The nature of the work you do is a critical factor in determining the premium you will pay for your policy. Those engaged in manual labor will pay higher premiums for each unit of coverage than those in professional careers and administrative-type work. Each company maintains an occupational manual into which they have listed many different occupations. Based on this listing, an occupation code will be assigned to that individual and the subsequent rate will be determined accordingly. Once an individual policy is issued, the company cannot change the classification. If you move to a less risk-oriented occupation, you can apply for a classification change and, possibly, a reduction in premium.

**Q. How long will it take to get a policy issued?**

A. The length of time for the issue of a policy will vary depending on the number and nature of additional requirements for that particular case. Companies may wish to acquire medical records for previous medical issues and sometimes this process can take many weeks. Generally, you can expect a disability policy to be issued within four to six weeks.

**Q. What exclusions are in my policy?**

A. Exclusions in disability policies are those situations or events under which the policy will not pay a claim, and are usually few in number. Most often the exclusions apply to disabilities arising as a result of a crime, self-inflicted injuries, war or military action. Be sure to check any DI proposal for these exclusions so you are fully informed as to what is not covered.