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SHOPPING FOR DISABILITY INSURANCE*

About one out of three people between the ages of 30 and 65 will be disabled for more than 90 days according to insurance industry statistics. What would be the result if you were out of work for over three months? Would you be able to hang on to your car? Your home? Your way of life?

The prospect of being disabled is not one many of us care to contemplate. But to those between 30 and 50, it is more probable than death. Yet, more people between the ages of 30 and 50 have more life insurance than disability insurance. Many consumer economists feel that people generally need to have more disability insurance and possibly reduce life insurance premiums by term insurance of altering amounts of coverage according to their family obligations.

Amounts Needed

One question is how much coverage is desirable. The calculations are rather similar to figuring out how much life insurance is needed. You need to figure out your annual living expenses including housing, food, clothing, transportation, education, medical, personal care, and your regular living expenses. After totalling them, you need to subtract your annual expected income such as a mate's after tax income, dividends, interest income, rent, annuities, and other income. Subtracting this expense figure from the income figure should give you an annual disability income needed. (A rule of thumb measure is if you can cover 60 to 70% of your current income, you are probably well covered.)

Be cautious of thinking that the company or group disability covers all your cost. Check with the personnel office. Does the program cover you for disability that is non-work related? Some plans are for short-term coverage only. Other benefits may not have kept up with changes in salaries and living expenses. Some firms in trying to trim costs may not be offering disability insurance as an employee benefit. In any case, be certain of your coverage.

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For coverage under workman's compensation, you may want to see your personnel office, your union or professional association, or the Industrial Commission of Virginia, P.O. Box 1794, Richmond, VA 23214 or call (804) 257-8600.

Social Security, if you are covered, is a potential benefactor. However, Social Security is more for long-term (over 6 months), more serious disabilities, and/or death. Social Security's benefits for a family of four in 1983 under the disability section reportedly averaged around \$870 monthly.

Shopping for Disability Insurance

Having established your annual disability income needs and subtracting employee and Social Security annual benefits, you know about how big a policy is needed. Generally, insurers do not care to insure you for more than one-half to one-third of your regular income as they do not want an incentive for nonreturn to work.

You want to buy a non-cancellable policy which offers you protection to age 65. You also want to analyze how they define disabled--do you have to be 100% disabled or do they pay off if you are 50% disabled? Does it pay off if you are unable to do any type of work or when you are unable to perform the type of work you currently do? You should also be aware of what is considered to be totally and permanently disabled, known as the presumptive disability clause.

For what time must you be off work before benefits can be collected? (Costs are generally less if you have a longer waiting period. Often, employers, accumulated leave, or your own savings can handle the first six weeks.)

You need to know what the policy costs. You may find that you cannot have all the coverage you prefer. You may need to adjust your protection according to the other disability insurance available to you from the employer, state, or Social Security. It may be necessary to protect only the major wage earner and only against long-term disabilities.

You need an insurance firm that is well known and reliable. (Be cautious of jargonish firm titles which may make a play on words like patriotism, trust, etc.) Your local librarian probably can help you research the company in Best's Insurance Report or other references.

However, as with any service that is difficult to ascertain, you need to invest your time and do your spadework. Check out the company with the Better Business Bureau and the Virginia Office of Consumer Affairs (1-800-552-9963). Ask for the names of three consumers who have collected on their insurance. Then, ask these three consumers not only what happened but what would they do if they were buying disability insurance again. Talk with your financial advisors and your local extension home economists for their advice.

Remember, what you are trying to do is to protect yourself from the big costs that you cannot reasonably handle with your present consumer management program.

DISABILITY INSURANCE

COMPANIES*

	A	B	C	D

Payment of Benefits

Benefits keep pace with salary increases
 Payment for rehabilitation program
 Level of income paid
 Upper dollar limit on total benefits over a lifetime
 Proration clause

Coverage

Definition of disability
 Consideration of pregnancy as sickness disability
 Extent of coverage
 Non-cancellable policy
 Waiting period between disability and payment of benefits**
 Levels of protection
 Guarantee of renewability
 Wife insurance provision
 Partial and complete disability
 Sickness and accidental injuries
 Presumptive disability clause

Other Considerations

Price/cost***
 Quality of company representative
 Reputation as identified by Virginia Office of Consumer Affairs
 Reputation as identified by Better Business Bureau
 Reputation as identified by other customers

*Put into categories of (VS)--very satisfactory, (S)--Satisfactory, (R)--Satisfactory with certain reservations, (T)--not satisfactory, and (NA)--not available.

**Include actual days also

***Include actual costs also

