

Disability Insurance: What You Need to Know

Disability Insurance is not the same as workers' compensation. In the case of disability insurance, the injury or illness does not have to be the result of a workplace incident or exposure. There are two types of disability insurance available to individuals: short-term and long-term. Short-term will typically replace a portion of the policyholder's salary from three to six months following the disability. Long-term will generally begin six months after the disability and can last a few years or even until retirement age.

Comparing Disability Policies

When considering long-term disability policy options, here are several definitions and benefits you should carefully compare to determine the best coverage for your future needs.

- **Definition of Disability** - The definition of disability will vary from policy to policy. Some may pay benefits if you are unable to perform the duties of your occupation, while others may require that your disability keep you from performing the tasks of any gainful employment.
- **Extent of Disability** - Some policies may require you be totally disabled before it pays benefits, while others may pay a limited amount or for a limited time if your injury limits you to performing only part of your job - often called partially disabled.
- **Disabilities Covered** - The list of covered accidents or illnesses considered disabilities under the policy will vary. Some policies will only cover disability arising from accident and not illness.
- **Residual Benefit(s)** - This coverage fills in a gap in income if you are partially disabled and your income is reduced because you cannot perform all the responsibilities of your job. This may be included in your policy or can be added as a rider.
- **Amount of Benefits** - A typical disability policy benefit is approximately 60 percent of earned income pre-disability. Benefits are generally based on your income at the time the policy is purchased. The percentage benefit can be affected by other sources of disability support such as Social Security disability payments, employer long-term disability insurance, etc.
- **Waiting Period** - Sometimes referred to as an elimination period. Generally, you have a choice of how long you think you can wait to receive your benefit after the onset of disability. Policies with longer waiting periods generally have lower premiums. It is common to have to wait up to thirty days after this period to receive your first benefit payment.
- **Length of Coverage** - You will generally have an option of benefit terms ranging from one year to retirement age. Choosing a shorter time period likely will make a premium lower, but also means that benefits could run out while you are still disabled.
- **Inflation Protection** - Not all policies will take inflation into consideration when calculating your benefit payout. A cost-of-living adjustment (COLA) may be an option for an additional premium. This rider can increase benefit payouts by a specific percentage, generally between 4-10 percent, each year. Also, since your benefit payment will not increase automatically as your income rises, it may also be possible to purchase additional coverage to keep up with annual raises or promotions.
- **Waiver of Premium** - This waiver exempts you from paying premiums after you've been disabled for 90 days until your disability ends. It is typically included in a policy.



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