

Disability Coverage I'll Never Need It...Right?

by Dan Myers

Everyone's talking about healthcare coverage. Who has it? Who doesn't? How do we get it? How do we fund it? Employers, especially, may be overwhelmed by all the decisions that need to be considered and the many issues requiring discussion: rising costs, provider services, frequency of visits to the doctor, technology and the possibility of national healthcare. Given the complexity and scope of these issues, who has time to think about ancillary coverage? And what in the world is ancillary coverage, anyway?

Simply put, "ancillary" means "supplemental." In the insurance industry, ancillary benefits are those offered in addition to the insured's regular medical coverage, which assists in paying for doctor visits, hospital stays, surgeries, etc. Ancillary coverages include dental, disability, life and vision coverage, among others. Of these coverages, most employees are familiar with dental and vision benefits because they use them regularly, and many employees benefit from a basic life insurance policy provided for them by their employers. But some people aren't familiar with disability coverage and what it can mean for them. Unfortunately, they may be the ones who ultimately learn about disability coverage the hard way.

What is disability coverage?

There are basically two types of disability coverage — short-term and long-term — and the difference is essentially explained by the name. Short-term disability (STD) can help replace your salary if you are ill or injured (disabled) for a short period of time (usually 6 months or less). STD policies may have many variables, including the percentage of income that will be replaced and the specific period of time the replacement will

occur. Long-term disability (LTD) policies, obviously, address a longer term of illness or disability. These policies are generally more complex than STD policies and have more coverage variables to consider.

LTD Coverage

Let's focus on LTD coverage. Since most people have disability policies through their places of employment, we'll limit our discussion to employer-sponsored (that is, employer-paid) group LTD plans. Group LTD coverage has an advantage over individual coverage; it is normally provided at no cost to employees and

recovering from our injuries, it's not always possible to resume a "normal" life, which includes being able to return to work. This is where "learning the hard way" comes in. According to the Bureau of Labor Statistics, less than one-third of workers in private industry — and only 40% of managerial / professional workers — have LTD coverage. The problem is that no one plans on having an accident or becoming disabled. Workers often may convince themselves that they can get along without disability insurance, only to be laid low by an unexpected illness or injury. This failure to plan ahead may have devastating consequences.

The problem is that no one plans on having an accident or becoming disabled.

the coverage is guaranteed — there are no health questions and you can't be denied coverage.

Who needs it?

Due to advances in healthcare and technology, people in the United States are living longer and recovering more quickly from accidents, injuries and illnesses than they did in years past. But although we are living longer and

Here are some additional facts regarding loss due to disability that many people are not aware of:

- Nearly one-third of all Americans will suffer a serious disability between ages 35 and 65.
- 64% of disabilities occur off the job and, thus, aren't covered by workers' compensation.

- A new survey indicates that only 70% of workers could afford only one month's unpaid vacation (or less) before they would need to get back to work to pay their bills.
- 48% of all home foreclosures occur as the direct result of a disability.

Thoughts for employers

If you are an employer who does not offer a group long-term disability contract, you should consider these questions:

1. Does your employee handbook clarify sick leave benefits and leave of absence?
2. Would you make an exception for salary continuation in the event of a disability?

3. Would this exception for salary continuation apply to all employees or just key employees within your firm?
4. If you allow salary continuation, have you considered the additional cost of replacing a disabled employee's position?

A group long term disability plan can help provide answers to the aforementioned questions by providing replacement of typically 60%-70% of pre-disability income, after a period of, perhaps, 90 days of continuous disability. Group LTD policies can be fairly inexpensive — especially when you consider the peace of mind they can give — and provide the necessary protection to both employer and employee for one of our most valuable assets — our income.

