

More Attractive Disability Insurance Rates

Disability coverage replaces lost wages for people who are unable to work. In recent years, disability insurance was the industry's biggest eyesore. Due to suspicious payouts for claims of stress and nerves, companies that sold this coverage suffered major losses during the 1990s. After suspicion rose for these claims, an investigation by insurance commissioners in several different states began. The investigation showed that some of the nation's largest insurers delayed and blocked legitimate benefits payments. In addition to this, the insurers committed various other trust breaches. A series of lawsuits led to the end of many companies selling individual policies. Insurers that remained in the business had to raise their rates for new buyers and restrict underwriting rules, which made it much more difficult to obtain adequate coverage.

Disability insurance is regaining its reputation now. This means that it is easier today to find a policy than it has been in many years, which is the top reason why it is a good time to buy. Another reason why it is a good time to buy a policy is that insurers are showing more flexibility about who can obtain coverage. For example, if a person who is diagnosed with depression but it is controlled by medication, they may not be rejected now. In the past, those who started new businesses were not eligible for coverage for up to one or two years after the start of their business venture. Many insurers today take new business owners immediately if they can show proof of five years of successful employment with a business prior to beginning their own venture. In addition to this, they require that people stay in the same industry and show proof of business contracts for the immediate future.

How Much Is Needed?

To determine how much disability coverage is needed or whether it is best to add existing coverage, add monthly living expenses together. It is important to determine how much money is needed for living expenses if disability becomes a reality. Keep in mind that transportation costs may be lower or higher depending on whether a car is owned or not. Subtract any benefits from a workplace plan. Since workplace benefits end at about 60 percent of pretax income, employer group benefits are not nearly enough to live on. Although it is not possible to replace every dollar of current income, it is possible to find a policy that allows a disabled person to live comfortably. Discuss the different available policies with an agent to learn more about their details. Keep in mind that premiums vary with gender, age and occupation.

Choosing A Policy

The most comprehensive policy choices are own-occupation policies that offer benefits if members are unable to perform the substantial and material duties of their own occupations. This means that they receive benefits even if they can do other types of work. For example, a construction worker who becomes disabled would receive benefits even if he or she could perform office duties for lower pay. It is ideal for skilled professionals who are unable to perform the work they were trained to do but are physically able obtain lower-paying jobs that are related to their industry. Some policies have a modified version of own-occupation policies. To understand the differences, discuss them with an agent.

Coverage That Stays Current

One of the disadvantages of paying for any amount that is less than full coverage is receiving a

smaller amount each month if disability becomes a reality. Many disabled people regret not paying for full coverage because their income provides more flexibility with complete coverage. In addition to lost salary, there are retirement shortfalls to consider. These are the most overlooked aspect of such policies. One of the best solutions for this problem is purchasing a rider for the policy, which makes retirement savings contributions up to 401(k) maximums for the duration of the disability. To learn how much these policies will add each year, discuss personal details and options with an agent.