

FAQ ON DISABILITY COVER

Q. What is disability insurance?

A. The purpose of disability insurance is to replace the lost income from work should you become disabled, and unable to work. The disability insurance policy will stipulate when you are eligible to begin receiving benefits. Usually, you must be unable to work for a specified amount of time before disability benefits begin to be paid to you. The amount of the payments, the duration of coverage, and a description of exactly what constitutes a disability are contained in the policy. The premium for the policy is determined by a number of factors, including: the amount of the income payments, the length of payments, exactly what constitutes a disability, and such personal risk factors as the state of health and type of employment of the insured.

Q. Who needs disability insurance?

A. Most people need to have some sort of disability insurance, which will provide them with money in case they can no longer work. When people without disability insurance become disabled, their income stops and their life savings are drained shortly thereafter.

There are, of course, some exceptions to this rule. For example, if you're married and both of you work, one of you may be able to skip disability coverage if the family could maintain its present lifestyle on the others paycheck.

You probably don't need disability insurance if you are a full-time homemaker or student, either.

Q. How much disability insurance do I need?

A. Determining how much disability insurance you need is relatively easy. You need enough coverage to provide you with sufficient income to live on until you either go back to work or other financial resources (such as Social Security disability payments) become available.

According to "Personal Finance for Dummies" (IDG Books Worldwide, Foster City, Calif.), "If you don't have much saved in the way of financial assets and you would want to continue with the lifestyle supported by your current income, get enough disability coverage to replace your entire take-home (after-tax) monthly income.

The benefits you purchase on a disability policy are quoted as dollars per month that you receive if disabled. So if your job provides you with a \$2,000-per-month income after payment of taxes, then you ask for a policy that provides a \$2,000-per-month benefit."

In addition to the monthly coverage amount, you also need to select the length of time you want to be able to collect benefits. You need a policy that will pay benefits until an age at which you become financially self-sufficient. For most people, that's around 65.

Q. Do I need disability insurance coverage even though I'm single?

A. Just about everyone needs disability insurance that will help pay their bills if they are injured or become too sick to work. Single people are especially vulnerable. According to "The New Century Family Money Book" (Dell Publishing), "Singles do not have the luxury of falling back on a spouse's income in the event of an under- or uninsured disability. Therefore, maintaining sufficient disability insurance is particularly crucial."

Most married couples also need disability insurance coverage, unless both spouses earn a relatively large amount of money and could still "get by" comfortably if one of those incomes suddenly disappeared.

Q. What features should I look for in disability insurance?

A. Here is some advice about the key areas to examine, from "Personal Finance Dummie\$" (IDG Books Worldwide Inc., Foster City, Calif.):

1. Definition of disability. An own-occupation disability policy provides benefit payments if you cannot perform the work you normally do. Others pay only if you are unable to do work for which you are "reasonably trained."

2. Noncancellable and guaranteed renewable. These features guarantee that your policy can't be canceled because of poor health. If you buy a policy that requires periodic physical exams, you can lose your coverage just when you are most likely to need it.

3. Insurer's financial stability. It's generally best to stick with companies that get top ratings from independent rating firms, although your state or another insurer may come to the rescue if your own insurer can't pay.

4. Waiting period. This is the lag time between the time a disability is incurred and the time payments start being made. The shorter the waiting period, the higher the premium.

5. Residual benefits. This option pays a partial benefit if you have a disability that prevents you from working full-time.

6. Cost-of-living adjustments. They help the benefit payment keep pace with inflation.

7. Future insurability. It allows you to buy additional coverage, regardless of your health. This option costs extra, and most people don't need it.

Q. How does any pre-existing medical condition effect my coverage?

A. If it is a condition that is likely to recur, the disability policy may have an exclusion for disabilities related to that condition