

# PRIVATE DISABILITY INSURANCE



Prepared by:

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## **PRIVATE DISABILITY INSURANCE**

### **What is private disability insurance?**

Private disability insurance protects employed persons who cannot work due to disability by paying them all or part of their salaries. Private disability insurance is offered by some employers as a benefit. Individuals also can buy private disability insurance policies on their own from insurance companies. This fact sheet contains general information about private disability insurance.

### **What is short-term disability insurance?**

Short-term disability insurance pays a percentage of your salary if you become temporarily disabled, meaning that you are unable to work for a short period of time due to sickness or injury or pregnancy. Short-term disability policies usually pay between  $\frac{1}{2}$  and  $\frac{2}{3}$  of your salary for between 13 and 26 weeks.

### **What is long-term disability insurance?**

If you have long-term disability coverage, you can continue to receive benefits after your short-term disability benefits expire if your disability continues (again, approximately  $\frac{1}{2}$  to  $\frac{2}{3}$  of your salary). Policies vary on the length of coverage, but usually long-term disability provides benefits until age 65 for physical disabilities (or as long as the disability continues), but only for two years for mental disabilities.

### **Must my employer offer disability insurance?**

No. An employer is not obligated to provide disability insurance as a benefit of an employment. You should check with your employer to see whether disability insurance is offered and, if so, whether it pays the premium (the cost of the insurance) in full or in part. You should review the terms, limitations, and exclusions in the policy to determine whether the coverage is adequate for your future needs. If not, you may consider purchasing a supplemental disability policy.

### **What if my employer does not offer disability insurance?**

If your employer does not offer disability insurance and you develop a disability, you may be able to collect Social Security Disability Insurance. You may also be entitled to leave time (but no financial payments) under the Family Medical Leave Act. If your employer does not offer disability insurance, you might consider purchasing an individual disability insurance policy on your own, depending on your needs.

### **What should I look for an individual disability policy?**

Policies can vary greatly and you should read the information to make sure the policy

you choose suits your needs. Some of the items you should focus on include: (1) the definition of “total disability” that will entitle you to benefits - Pennsylvania requires policies to pay benefits if you are unable to perform the duties of your normal occupation for only two years, but after that the policy may change to pay benefits only if you cannot perform a job for which you are reasonably suited by means of education, training; (2) the “elimination” or “qualifying” period, which refers to the period of time between the date the disability begins and the beginning of the benefit period; (3) availability of “residual” benefits, which make up the difference in income when you are able to work in a limited capacity which results in a lower income; (4) payment for “presumptive” disabilities (such as loss of sight, hearing, or use of limbs), even if you still may be able to work; (5) “benefit period,” which means the maximum amount of time you can collect benefits; (6) “benefit percentage,” which is the amount you will be paid and is usually a percentage of your income; (7) cost-of-living adjustments to increase benefits; (8) waiver of premiums so that you do not have to pay premiums if your disability lasts 90 days or longer; (9) mandatory rehabilitation, which allows for termination of benefits if you do not cooperate with a rehabilitation plan; (10) any limitations (such as limiting benefits for mental disabilities to two years) or exclusions (such as barring benefits for “pre-existing” conditions or disabilities caused by self-inflicted injuries); (11) any offsets against the benefits (such as SSDI or workers’ compensation); and, (12) survivor benefit, which is a lump sum payment to the insured’s survivors if the insured dies while receiving disability benefits.

### **Can an insurer refuse to issue a disability insurance policy?**

Yes. For example, the insurer can deny coverage to persons with pre-existing conditions. The insurer also can require a medical examination before issuing a policy. Once the insurer issues the policy, though, it generally is “non-cancelable” or “guaranteed renewable,” which means that the insurer cannot cancel coverage or raise your rates on an individual basis, but you should make certain that is the case.

### **How does private disability insurance differ from SSDI and workers’ compensation?**

Employees who develop a disability that prevents them from working may be eligible for Social Security Disability Insurance (SSDI), the amount of which is based on the amount of Social Security taxes you have paid. Private disability insurance does not bar you from collecting or reduce the amount of your SSDI benefits, but some private disability insurance policies require that you apply for SSDI benefits and, if you receive them, your disability insurance benefits will be offset by the amount of your SSDI. Workers’ comp is available when you are injured on the job. Some private disability insurance policies will deny or reduce benefits if workers’ comp is available.

### **What should I do if my disability insurance company denies my insurance claim?**

If your claim is denied, some policies require that you pursue administrative appeals (grievances) within certain deadlines. If your appeals are denied, you may file a private

lawsuit. In the case of employer-sponsored disability insurance plans, those claims might be governed by a federal statute (the Employee Retirement Income Security Act). Otherwise, the claims would be based on state law for breach of contract or bad faith insurance denial. To find an attorney experienced in this area of law, you may contact the Pennsylvania Lawyer Referral Service at 717-238-6715 or 800-692-7375.