

Are you protecting your most valuable asset?

Russ Heil, Principal Life Financial Representative

Your ability to work and earn a living is your most valuable asset. Most of your income is earned income. When you stop working, your income stops. When protecting your most valuable asset, you should ask yourself, "How long could I live on my savings if my income stopped this very second?" It's shocking that people in the richest nation in the world are often within six weeks of personal bankruptcy.

Your chances of becoming disabled are high. If you're currently between the ages of 25 and 45, your chances of becoming disabled for at least 90 days are greater than one in three (Table 1). Statistics show the longer the disability, the less likely it is that the person will return to work.

The logical solution is to buy some form of disability income protection coverage through your insurance agent. Like most forms of insurance, disability income has its own language. To make sure you choose the kind and amount of coverage you need, here are some suggestions to consider when shopping for disability income policies.

Mr Heil is a Financial Representative of Principal Life Insurance Company. Principal Life is a member of the Principal Financial Group, Des Moines, IA 50392. Disability Income Insurance has limitations and exclusions. For costs and complete details of coverage, contact Wisconsin Medical Society Insurance and Financial Services, Inc., at 866.442.3810.

Guaranteed Renewable and Non-Cancelable

Consider buying a policy that is guaranteed to be renewable and can only be canceled if you fail to pay the premiums. You purchase insurance to make sure you get a specific result. Always buy quality coverage from a reputable carrier. Also, with a non-cancelable policy, premium rates cannot be raised at any time for as long as you own the policy. Your rates will never go up!

Definitions

When you buy disability coverage, you are actually buying the insurance company's definition of disability. There are three basic definitions:

Presumptive Disability: If your sickness or injury results in the loss of your eyesight, power of speech, hearing, use of both hands, both feet or one hand and one foot, then most insurance companies will consider you totally disabled. Not only that, but many companies will waive the elimination period and you could start receiving your benefits immediately.

Occupational Disability: You'll want to avoid insurance policies that have an "any occupation" definition. If the policy pays only if the insured is unable to perform any occupation that reasonably fits, then his/her chances of getting paid are small. You want a disability policy that considers you disabled if you cannot do the substantial and

material duties of your regular occupation.

Partial, Residual, and Income Loss: You hurt your back because you fall off a chair changing a light bulb or you lose time from work for a stress-related illness. In these situations, it's likely you would not be totally disabled. Look for a policy that will pay a proportional benefit if you have a partial or residual loss of income. Many definitions of disability are concerned with your ability to work part-time and do all of your regular duties; or coming to work full-time and only being able to do part of your regular duties.

You need to be thorough in reviewing any clauses. To resolve this confusion, several major insurance companies have adopted loss of income provisions. These basically say that if your sickness or injury causes you to lose 20% of your income, you're considered disabled. These companies generally agree that if your income loss is 75% or more, you're totally disabled.

Once you find a satisfactory definition of disability, look for other provisions that fit your needs. Some questions you may want to ask are:

How Long Should My Disability Benefits Last?

This depends on your age, income, and cash position. Usually the shortest benefit period is two years.

Table 1. The Probability of at Least One Long-Term Disability* Out of a Group of People†

Age	1	2	3	4
27	42.1%	66.5%	80.6%	88.8%
32	40.7%	64.8%	79.1%	87.6%
37	38.9%	62.7%	77.2%	86.1%
42	36.3%	59.5%	74.3%	83.6%
47	32.6%	54.6%	69.4%	79.4%
52	27.3%	47.1%	61.6%	72.1%
57	19.7%	35.6%	48.3%	58.5%

* Disability lasting 90 days or longer before age 65.

†1985 Commissioners Individual Disability Table B - Equally Weighted 30 Day Elimination Period.

Other plans pay for five years or to age 65. Many people purchase coverage that lasts until age 65. If you can't afford age 65 coverage, buy the longest benefit period you can afford. Many companies will allow you to upgrade coverage if your health is good.

How Long Must I Wait to Receive Benefits?

Companies have various elimination periods—the period of time after you're sick or injured before benefits begin to accrue. The elimination period can be as short as 30 days or as long as one year. The shorter the elimination period, the more expensive your policy will be. Many people choose either a 90- or 180-day elimination period. Your elimination period should consider your savings and your assets.

How Does My Disability Policy Meet Inflation?

Quality disability insurance companies offer cost of living agreement (COLA) riders. These riders increase your monthly disability benefit during disability to help keep pace with inflation, based on the Consumer Price Index-Urban (CPI-U). Companies offer a wide variety of COLA riders. Some are fixed rates, while others are based on the CPI-U. Some are calculated on a simple basis, others on a compound basis. Determining which you buy should be based on your age, your income, and your length of time to retirement.

What Else Should I Look For?

Most high-quality policies contain a rehabilitation clause. No matter

how good your disability policy may be, it is not a substitute for your ability to work and earn a living. Insurance companies are interested in getting you back to work, and will often help you get rehabilitated. Some policies limit the amount of money paid for rehabilitation and some are based on a mutual agreement. Make sure you read the fine print and understand the insurance company's responsibilities and yours.

You should find a knowledgeable insurance agent, especially one who specializes in your profession. He or she should know and understand professional disability product lines from all of the major companies and available association coverages.

Don't be afraid to ask for sample policies. Make sure you read them. In insurance, only what is in the policy applies. Like other financial products and services, review and update your disability plan annually.

Remember, insuring your income could be the most important thing you ever do. Even though a disability may leave you unable to earn an income, purchasing a disability income policy helps protect your ability to meet your financial obligations.

Wisconsin Medical Journal

The mission of the *Wisconsin Medical Journal* is to provide a vehicle for professional communication and continuing education of Wisconsin physicians.

The *Wisconsin Medical Journal* (ISSN 1098-1861) is the official publication of the Wisconsin Medical Society and is devoted to the interests of the medical profession and health care in Wisconsin. The managing editor is responsible for overseeing the production, business operation and contents of the *Wisconsin Medical Journal*. The editorial board, chaired by the medical editor, solicits and peer reviews all scientific articles; it does not screen public health, socioeconomic or organizational articles. Although letters to the editor are reviewed by the medical editor, all signed expressions of opinion belong to the author(s) for which neither the *Wisconsin Medical Journal* nor the Society take responsibility. The *Wisconsin Medical Journal* is indexed in Index Medicus, Hospital Literature Index and Cambridge Scientific Abstracts.

For reprints of this article, contact the *Wisconsin Medical Journal* at 866.442.3800 or e-mail wmj@wismed.org.

© 2005 Wisconsin Medical Society