Disability Income And Related Insurance

Disability income insurance is a broad and complex topic. This section will introduce you to some of its basic principles. You will learn about the conditions under which a person can qualify for disability benefits, the specifics of individual and group disability underwriting, and the benefits that are available through the Social Security and Workers Compensation programs. With disability insurance, the key is to understand what injuries qualify for benefits, how much the payments will be, and how long they will last.

TERMS TO KNOW

Benefit period — a period of time during which benefits are paid under the policy
Capital sum — a portion of the principal sum of a health insurance policy; paid for accidental dismemberment or loss of sight in one eye
Earned income — salary, wages, or commissions; but not income from investments, unemployment benefits, and similar sources of income
Overinsurance — insurance that exceeds in amount the actual value of the person or property insured or insurance in a greater amount than the insured can afford
Principal sum — the amount of coverage paid for an accidental death under a health insurance policy
Tax deductible — a qualified expense that may reduce the amount of income subject to taxation
Taxable — subject to taxation
Total disability — inability of the insured to perform any occupation for which he or she is reasonably suited by reason of education, training or experience
Waiver — relinquishment of a right or interest

A. Qualifying For Disability Benefits

One major risk that individuals face in their lifetime is the possibility that they will become totally disabled and be unable to perform work duties for a period of time. Recent statistics show that there is a 30% chance of a 25-year-old being disabled for more than 90 days prior to age 65. It is far less likely that the same 25-year-old will suffer a premature death prior to age 65.

For most people who are unable to go to work, employment income would terminate after a brief period of time. Consequently, most people would be forced to turn to personal savings to pay normal living expenses such as food, rent and utilities. A question to ask is how long a person can survive without any income.

Disability income insurance is designed to replace lost income in the event of this contingency, and is a vital component of a comprehensive insurance program. It may be purchased individually or through an employer on a group basis.

Disability income benefits are limited to a percentage of earned income. The insurer wants a claimant to have a financial incentive to return to work. A person becomes eligible for regular disability benefits when they meet the insurance company's definition of disability due to either a sickness or an injury. This definition of disability does vary from company to company. It is important for the applicant and the producer to be fully aware of this important benefit trigger.

1. Inability to Perform Duties

For the first **24 months** after a loss, the term "total disability" will be defined as the inability of the insured to perform all the duties of his regular occupation. After these 24 months, total disability will be defined as the inability of the insured to perform all the duties of any occupation for which he or she is suited.

Such total disability may not be based solely on the ability of an individual to

- Perform "any occupation whatsoever" or "any occupational duty" or
- Engage in any training or rehabilitation program.

The definition of total disability may require regular care by a physician, and that the disability be continuous for a specified time period.

Own Occupation

An *own occupation* policy will provide benefits when the insured is unable to perform any duties of their own occupation because of sickness or accident.

This definition is usually limited to the first 24 months after a loss. It allows insureds (claimants) to receive benefits if, because of disablement, they cannot perform the duties of their normal occupation even though they might be able to earn income from a different occupation. After 24 months, if the insured is still unable to perform the duties of their own occupation, the definition of disability narrows to mean the inability to perform **any occupation** for which the insured is reasonably suited by education, training, or experience. This is a dramatic reduction in the insurer's liability because it is very likely that claimants can find something they can do for financial gain. The “own occ” definition is generally used for highly trained, skilled occupations such as surgeons, trial attorneys, etc.

Any Occupation

A policy that has an "any occupation" provision will only provide benefits when the insured is unable to perform any of the duties of the occupation for which they are suited by reason of education, training, or experience. "Own occupation" is the more liberal definition and therefore provides a better benefit for the insured.

Although some companies still utilize the two-tier approach by combining both definitions in a single disability income policy, from an underwriting standpoint, it is much easier for an insurance company to justify the "any occupation" definition when agreeing to issue a policy.

Know This! Considering a disabled insured is able to perform some duties of the occupation, coverage under the "any occupation" policy is more likely to be denied than under the "own occupation" policy.

2. Presumptive Disability

Presumptive Disability is a provision that is found in most disability income policies which specifies the conditions that will automatically qualify the insured for full disability benefits. Some disability policies provide a benefit when people simply meet certain qualifications, regardless of their ability to work. The presumptive disability benefit provides a benefit for dismemberment (the loss of use of any two limbs), total and permanent blindness, or loss of speech or hearing. Some policies require actual severance of limbs rather than loss of use.

3. Requirement to Be Under Physician Care

Most disability income policies require that the insured be under the care of a physician and possibly confined to the house in order to receive benefits.

4. Probationary Period

Probationary period is another type of waiting period that is imposed under some disability income policies. It does not replace the elimination period, but is in addition to it. The probationary period is a waiting period, often 10 to 30 days, from the policy issue date during which benefits will not be paid for illness-related disabilities. The probationary period applies to only sickness, not accidents or injury. The purpose for the probationary period is to reduce the chances of adverse selection against the insurer. This helps the insurer guard against those individuals who would purchase a disability income policy shortly after developing a disease or other health condition that warrants immediate attention.

Know This! Probationary periods apply to sickness, not accidents or injury.

B. Individual Disability Income Insurance

An **individual disability income** policy is applied for and paid for by the individual rather than through the employer as for group disability income. Individual Disability Income premiums are paid with after-tax dollars, and benefits are not income taxable.

1. Pennsylvania Minimum Benefit Standards

In Pennsylvania, disability income protection coverage must provide that period payments – payable after **age 62,** and reduced solely on the basis of age – are at least **50%** of the amounts payable before **age 62**. The coverage also must contain an elimination period no greater than the following:

- **90 days** in the case of coverage providing a benefit of **1 year** or less;
- **180 days** in the case of coverage providing a benefit of more than **1 year** but less than **2 years**; and
- **365 days** in all other cases during the continuance of disability resulting from sickness or injury.

Such policies must also have a maximum period of time for which it is payable, during disability, of at least **6 months**. Coverage will not require a loss from accidental injury to commence within less than **30 days** following the date of an accident.

2. Basic Total Disability Plan

A **total disability** plan protects the family or an individual against the economic loss that comes with the total disability of the wage earner.

Income Benefits (Monthly Indemnity)

Most often, benefits are paid monthly, but could be paid weekly in some policies. The amount of the benefit is stated in the policy and is usually limited to a percentage of one's income at the time of application to prevent overinsurance.

Elimination and Benefit Periods

Elimination period is a waiting period that is imposed on the insured from the onset of disability until benefit payments commence. It is a *deductible measured in days, instead of dollars*. The purpose of the elimination period is to eliminate coverage for short-term disabilities in which the insured will be able to return to work in a relatively short period of time. The elimination periods found in most policies range from 30 days to 180 days. Just as a higher deductible amount results in lower premiums for medical expense insurance, a longer elimination period translates into a lower premium for disability income insurance. An important consideration in selecting the elimination period is that payments are made in arrears. Therefore, if the insured selects a 90-day elimination period, the insured will be eligible for benefits on the 91st day, but payments will not begin until the 121st day. The insured must determine how long he or she can go without benefit payments following disability in selecting the duration of the elimination period.

Know This! The elimination period is a "time" deductible, designed to eliminate coverage for short-term disabilities, and reduce the filing of excessive claims.

In Pennsylvania, when a policy provides total disability and partial disability benefits, the policy is allowed to have only **one elimination period**.

Benefit period refers to the length of time over which the monthly disability benefit payments will last for each disability after the elimination period has been satisfied. Most policies offer benefit periods of 1 year, 2 years, 5 years, and to age 65. Some plans offer lifetime benefits. The longer the benefit period, the higher the premium will be.

Injury vs. Sickness

Often, the insurance company will allow the insured to have different benefit periods for injury and sickness. *For example,* the insured could apply for benefit periods of 5 years for sickness, but to age 65 for accident.

Injury is defined using either the accidental bodily injury definition, or the accidental means definition. *Accidental bodily injury* means the damage to the body is unexpected and unintended. *Accidental means* indicates that the cause of the accident must be unexpected and unintended. A policy that uses the accidental bodily injury definition will provide broader coverage than a policy that uses the accidental means definition.

Sickness or illness is defined as either a sickness or disease contracted after the policy has been in force at least 30 days; or a sickness or disease that first manifests itself after the policy is in force.

Recurrent Disability

Recurrent Disability is generally expressed in a policy provision that specifies the period of time (usually within 3-6 months), during which the recurrence of an injury or illness will be considered as a continuation of a prior period of disability. The significance of this feature is that recurrence of a disabling condition will not be considered to be a new period of disability so that the insured is not subjected to another elimination period.

Hospital Confinement Benefit (HCB)

A hospitalization confinement benefit may be added for the payment of an additional premium. It pays supplemental income benefits during the time the insured is hospitalized. Benefits are typically written to provide a specific dollar amount with a policy maximum.

Lifetime Extension Rider

A lifetime extension rider is a provision in a disability income policy that extends benefits for the lifetime of the insured if the disability is caused by injury, as opposed to sickness.

Continuing Coverage after Age 65

Typically, disability income policies are **renewable** until the insured's age 65. The continuation of coverage rider provides that the insured can renew the policy after age 65 as long as they are actively and gainfully working full-time.

Waiver of Premium Feature

Waiver of premium is usually included in a basic disability income policy. This benefit allows the insured, when disabled, to forego paying the premiums once the insured qualifies for benefits. Premiums that were paid by the insured during the elimination period are usually refunded once the insured qualifies to begin receiving benefits.

3. Coordination with Social Insurance and Workers Compensation Benefits

In order to avoid overinsurance, the insurance companies have several options to work with Social Security benefits.

Additional Monthly Benefit (AMB)

Some insurance companies offer the **Additional Monthly Benefit** rider for approximately the same amount as what the Social Security would pay. The benefit only is provided for one year. It is then anticipated that Social Security benefits would commence at the end of one year.

Social Insurance Supplement (SIS)

The insurance company may offer a **Social Insurance Supplement rider** (note: this is a rider, and not a separate plan), which will pay a benefit in the approximate amount that Social Security would pay, but if Social Security does in fact pay, the Social Insurance Supplement benefit is reduced dollar for dollar by the Social Security benefit payment.

Social Insurance Supplement (SIS) riders are used to supplement or replace benefits that might be payable under Social Security Disability. These provide for the payment of income benefits generally in 3 different situations:

1. When the insured is eligible for Social Security benefits but before the benefits begin (There is a usually a 5-month waiting period for Social Security benefits, with the payment of benefits beginning on the 6th month);
2. If the insured has been denied coverage under Social Security (Roughly 75% of the people who apply for Social Security benefits are denied coverage because of their rigid definition of "total disability"); or
3. When the amount payable under Social Security is less than the amount payable under the rider. (In this case, only the difference will be paid.)

These riders can also be used to replace or supplement benefits payable under other social insurance programs, such as Workers Compensation.

Occupational vs. Nonoccupational Coverage

Health insurance, including disability insurance, can be written on an **occupational** or a **nonoccupational** basis. *Occupational* coverage provides benefits for illness, injury or disability resulting from accidents or sicknesses that occur *on or off* the job. *Nonoccupational* coverage, on the other hand, only covers claims that result from accidents or sicknesses occurring *off* the job. While many individual health policies are written on an occupational or nonoccupational basis, most group plans are nonoccupational only. It is assumed that accidents or injuries occurring on the job will be covered by Workers Compensation coverage.

Know This! Policies written on an occupational basis cover accidents or sicknesses that occur on or off the job. When written on a nonoccupational basis, policies cover claims that result solely from accidents or sicknesses occurring off the job.

4. At-work Benefits

Insurance companies provide some benefits to help insureds that have been disabled get back to work.

Partial Disability Benefit

Partial disability is often defined as the inability to perform one or more of the regular duties of one's own occupation or the inability to work on a full-time basis, which results in a decrease in the individual's income. The purpose of the partial disability benefit is to cover a partial loss of income when the insured is disabled to the point of being able to report to work, but not being able to perform all of the regular duties of the job. The **partial disability benefit** is typically 50% of the total disability benefit, and is limited to a certain period of time, as noted in the policy.

The benefits paid on a partial disability policy are paid in a flat amount, or a residual amount.

Know This! Partial disability covers a partial loss of income for disabled insureds who are unable to perform some, but not all, of their regular job duties.

Residual Disability Benefit

Residual disability is the type of disability income policy that provides benefits for loss of income when a person returns to work after a total disability, but is still not able to work as long or at the same level he/she worked before becoming disabled. Many companies have replaced partial disability with residual disability. Residual disability will help pay for loss of earnings. If the person can only work part-time or at a lesser paying position, residual disability will make up the difference between their present earnings and what they were **earning prior** to disability.

Know This! Residual disability is calculated as a percentage, determined by current earnings and earnings prior to disablement.

5. Other Provisions Affecting Income Benefits

Insurance companies offer other riders, which can affect the income benefit in the disability income policy.

Cost of Living Adjustment (COLA) Rider

The purchasing power of disability benefits can be eroded by inflation. The cost of living adjustment (COLA) rider will help protect against inflation. Under this rider the insured's monthly benefit will be increased automatically, once claim payments have begun. Generally, the first increase would be at the end of one year to be followed by annual increases for as long as the insured remains on the claim. Some of these riders provide for compound interest adjustments while others provide simple interest adjustments.

Future Increase Option (FIO) Rider

Guaranteed Insurability Rider, also referred to as the *Future Increase Option*, allows an insured to increase the benefit level to a specific predetermined amount at certain times or on certain occasions *without proof of insurability*. The times when the benefit may be increased are generally at ages 25, 28, 31, 34, 37 and 40. An increase may also be taken at one's marriage or the birth of a child. In order to exercise this rider, the insured must qualify from an income standpoint to prevent overinsurance.

Relation of Earnings to Insurance

The **relation of earnings to insurance** provision allows the insurance company to limit the insured's benefits to their average income over the last 24 months. If the total monthly amount of loss-of-time benefits promised under all valid coverages exceeds the monthly earnings of the insured at the time of disability, or the average monthly earnings for the previous **2 years** (whichever is greater), the insurer will only be liable for a proportionate amount of benefits. If necessary, the benefits are reduced on a pro-rata basis.

Change of Occupation

The change of occupation rider provides for a benefit or premium reduction if the insured changes his/her occupation. If the insured changes to a more hazardous occupation and then has a disability claim, the insurance company will calculate how much disability benefit that the premium would have purchased at the insured's more hazardous occupation. If, on the other hand, the insured changed to a less hazardous occupation, the insured can request a premium reduction.

6. Cash Benefits

Accidental Death and Dismemberment

A disability policy may contain an Accidental Death and Dismemberment rider which pays for accidental losses only, and is thus considered a pure form of accident insurance. The **principal sum** is paid for accidental death or loss of both hands, both feet, or both eyes. This amount is usually equal the amount of coverage under the insurance contract, or the face amount. In case of accidental dismemberment (loss of one hand or one foot) or loss of sight in one eye, a **percentage** of that principal sum will be paid by the policy, also referred to as the **capital sum**. The amount of the benefit will vary according to the severity of the injury.

For example, the policy will usually pay the full principal for the loss of sight in both eyes, or two or more limbs; however, it may only pay 50% for the loss of one hand or one foot. In addition, some policies will pay double or triple indemnity, meaning the policy will pay twice or three times the face amount in the event of accidental death. Most policies will pay the accidental death benefit as long as the death is caused by the accident and occurs within a specific time, such as 60-90 days.

Know This! Principal sum = maximum payment for accidental death;
capital sum = percentage of principal sum for accidental injury.

Rehabilitation Benefit

If the insured has been totally disabled, it is possible that rehabilitation will be necessary to help get the insured back to work, either in their old occupation or in another occupation. The rehabilitation benefit will cover a portion of the cost for the insured to enroll in a formal retraining program that will help the insured to return to work. This benefit usually offers a specified sum (several times of the monthly indemnity) to cover costs not paid by other insurance.

Medical Reimbursement Benefit (Nondisabling Injury)

This benefit provides for the payment of medical expenses incurred due to an accidental bodily injury when the insured is not disabled.

7. Refund Provisions

Some insurance companies offer an incentive for low claim usage by offering a refund under the proper conditions.

Return of Premium

The return of premium rider provides a refund of a percentage of premiums at certain times. *For example*, at the end of the tenth year, the insurance company may offer to refund 80% of the excess of premiums paid over claims.

Cash Surrender Value

The cash surrender rider creates a cash value of around 70% of the premiums paid in excess of claims. This cash value is often only available to the owner at the termination of the contract.

8. Exclusions

Generally, disability income policies do not cover losses arising from war, military service, intentionally self-inflicted injuries, overseas residence, or injuries suffered while committing or attempting to commit a felony.

C. Unique Aspects Of Individual Disability Underwriting

Underwriting for disability income is unique due to the type of risk that is involved.

1. Occupational Considerations

In disability income policies, the **insured's occupation** is a critical underwriting factor. The more hazardous the applicant's occupation, the higher the premium the insurance company will charge. Professionals like attorneys and doctors pay the lowest premiums and get the superior definitions of disability. More hazardous occupations, like construction workers, pay higher premiums and receive poorer definitions of disability because of a greater risk of disability.

2. Benefit Limits

Disability Income policies are **valued contracts** (or stated amount contracts). The amount of benefit that the insurance company will issue is based upon the applicant's net *earned income.* Most companies will set a maximum percentage of the applicant's earned income, such as 65% for higher incomes or 85% for lower incomes, that the company will pay in benefits to prevent malingering and overutilization. Others use a *flat-amount method*, in which a policy specifies a flat amount that will be paid.

While the amount of disability income coverage benefit may vary from company to company, the following basic principles must apply to all of them:

- The benefit must be large enough to allow the insured to maintain a lifestyle similar to that prior to the disability, and
- The benefit may not exceed the amount earned by the insured prior to the disability.

3. Policy Issuance Alternatives

If the underwriter feels that an applicant is too great of a risk, the applicant could be declined. However, if the risk is more than standard but less than a decline, the underwriter could offer the policy on a rated-up basis or issue the contract with an exclusion rider. If the policy is rated up, the premium will be increased. If a policy contains an exclusion rider, then the loss related to that exclusion would not be covered.

D. Group Disability Income Insurance

Disability income insurance is not only available in individual policies but also in group benefit packages provided by employers. Disability benefit payments that are attributed to employee contributions are not taxable, but benefits payments that are attributed to employer contributions are taxable to the employee. The premium is deductible to the employer.

1. Group vs. Individual Plans

Group plans differ from individual plans in a variety of ways. Listed below are the most common differences between group and individual disability plans:

- *Group plans* usually specify the benefits based on a percentage of the worker's income, while *individual policies* usually specify a flat amount.
- *Short-term group plans* usually provide maximum benefit periods of 13 to 52 weeks (with 26 weeks being the most common), with weekly benefits of 50% to 100% of the individual's income. *Individual short-term plans* have maximum benefit periods of 6 months to 2 years. Short-term plans are not renewable.
- *Group long-term plans* provide maximum benefit periods of more than 2 years, with monthly benefits usually limited to 60% of the individual's income.

- *Group disability plans* also have minimum participation requirements. Usually, the employee must have worked for 30 to 90 days before becoming eligible for coverage.
- *Group plans* usually make benefits supplemental to any benefits received under workers compensation.
- Some *group disability* plans limit coverage to only nonoccupational disabilities.

Know This! Group disability plan benefits are based on a percentage of the worker's income; individual policies specify a flat amount.

2. Short-term Disability (STD)

It is not uncommon for an employer to provide **short-term disability** benefits for all of the company's employees. The elimination period could be as short as 0 days and the benefit period not longer than 2 years, but the benefit period could be 6 months or 1 year.

3. Long-term Disability (LTD)

Group **long-term disability** plans are often reserved for management employees. The elimination period will usually coincide with the benefit period of the short-term disability plan. The benefit period may be to age 65. Lower-wage employees are usually limited to 66 and 2/3 % of monthly wage, while higher-wage employees are limited to 50% of monthly wage.

E. Business Disability Insurance

Just as an individual purchases disability income insurance to protect his/her ability to earn a living, a business purchases **business disability insurance** on its key employees to protect it from loss when the employee becomes disabled.

1. Key Person Disability

Key person disability is purchased by the employer on the life of a key employee. The key person's economic value to the business is determined in terms of the potential loss of business income which could occur as well as the expense of hiring and training a replacement for the key person. **The contract is owned by the business, the premium is paid by the business, and the business is the beneficiary.** The person is the insured, and the business must have the key person's consent to be insured in writing.

Know This! In key person disability insurance, the business is the contract owner, premium payor, and the beneficiary.

2. Disability Buy-sell Policy

A **buy-sell agreement** is a legal agreement prepared by an attorney. The buy-sell agreement specifies how the business will pass between owners when one of the owners dies or becomes disabled. It is common for the business to purchase insurance to provide the cash to accomplish the buyout when the owner either dies or becomes disabled. The policies that fund buy-sell agreements generally have an extremely long elimination period, possibly one or two years. Generally, these policies funding buy-sell agreements also provide a large lump-sum benefit to buy out the business rather than monthly benefits.

3. Business Overhead Expense Policy

Business overhead expense (BOE) insurance is a unique type of policy that is sold to small business owners who must continue to meet overhead expenses, such as rent, utilities, employee salaries, installment purchases, or leased equipment, following a disability. The business overhead expense policy reimburses the business owner for the actual overhead expenses that are incurred while the business owner is totally disabled. This policy does not reimburse the business owner for their salary, compensation, or other form of income that is lost as a result of disability. There is usually an elimination period of 15 to 30 days and benefit payments are usually limited to one or two years. The benefits are usually limited to covered expenses incurred or the maximum monthly benefit stated in the policy. The premiums paid for BOE insurance are tax deductible to the business as a business expense. However, the benefits received are taxable to the business as received.

F. Social Security Disability

Social Security, also referred to as **Old Age Survivors Disability Insurance** — OASDI, is a federal program enacted in 1935, which is designed to provide protection for eligible workers and their dependents against financial loss due to old age, disability, or death. With a few exceptions, almost all individuals are covered by Social Security. In some aspects, Social Security plays a role of federal life and health insurance, which is important to consider when determining an individual's needs for life insurance.

1. Qualification for Disability Benefits

Social Security uses the Quarter of Coverage (QC) system to determine whether or not an individual is qualified for Social Security benefits. The type and amount of benefits are determined by the amount of **credits** or **QCs** a worker has earned. Anyone working in jobs covered by Social Security or operating his/her own business may earn up to a maximum of 4 credits for each year of work.

The term **fully insured** refers to someone who has earned **40 quarters** of coverage (the equivalent of 10 years of work), and is therefore entitled to receive Social Security retirement, premium-free Medicare Part A, and survivor benefits. If an individual is entitled to premium-free Medicare Part A, they are automatically eligible for Medicare Part B, but must pay a monthly premium.

An individual can attain a **currently insured** status (or partially insured), and by that qualify for certain benefits if he or she has earned **6 credits** (or quarters of coverage) during the 13-quarter period *ending with the quarter in* *which the insured:*

- Dies;
- Becomes entitled to disability insurance benefits; or
- Becomes entitled to old-age insurance benefits.

For younger workers, the number of quarters required to qualify for the benefits differs by age according to a table established by Social Security.

2. Definition of Disability

Assuming that one qualifies for Social Security disability benefits by being *fully insured* or *partially insured*, one must then meet Social Security's definition of disability. **Disability**, under Social Security, is defined as the inability to engage in any substantially gainful activity by reason of a medically determinable physical or mental impairment that has lasted or is expected to last 12 months or result in an early death. **This definition is not as liberal as most definitions of disability found in policies marketed through insurance companies.**

3. Waiting Period

The waiting, or elimination period for Social Security disability benefits is **5 months**. Benefits begin at the beginning of the 6th month and are not retroactive to the beginning of the disability.

G. Chapter Recap

This chapter explained the key concepts and major types of disability income insurance, including group individual, group, and business disability policies. Let's recap the key features for each category:

DISABILITY INCOME	
Disability Income Insurance	• Replaces lost income in the event of disability • Insured must be unable to perform occupational duties • *Presumptive disability* – specifies condition that qualify insured for full disability benefits • *Recurrent disability* – specifies period of time during which the recurrence of an injury or illness will be considered a continuation of a prior disability • *Elimination period* – waiting period that lasts from the onset of disability until benefit payments starts • *Probationary period* – period after the policy starts during which benefits won' t be paid for illness-related disabilities • *Benefit period* – length of time monthly disability benefit payments last • *Benefit limitations* – maximum benefits an insurer is willing to accept for an individual risk; based on percentage of insured's past earnings

- *Social Insurance Supplement (SIS) or Social Security* Riders – supplement or replace benefits payable under Social Security Disability

Business Overhead Expense Policy	Reimburses small business owners for overhead expenses incurred while the business owner is totally disabled
Business Disability Buyout Policy	Specifies who will purchase a business partner's interest in case of disability
Key Person Disability	• Covers the potential loss of business income and the expense of hiring and training a replacement for a key person • Business owns the contract, pays the premium, and is the beneficiary
Group Disability	• Short-term disability (STD) - benefit period no longer than 2 years • Long-term disability (LTD): - Elimination period may last as long as the benefit period for STD - Benefit period may last until age 65 - Usually reserved for management employees

SOCIAL SECURITY BENEFITS

Basics	• OASDI - Old Age, Survivors, and Disability Insurance • Provides disability income benefits • Individual must meet proper insured status, definition of disability, and waiting period requirements
Qualifying for Disability Benefits	• Fully insured: 40 quarters of coverage (equivalent of 10 years of work • Currently insured: 6 credits during the 13-quarter period • 5-month waiting period • Benefits based on PIA

WORKERS COMPENSATION

Eligibility and Benefits	• Must work in an occupation covered by workers compensation • Benefits paid in response to work-related injuries • Fault or negligence is not a factor in payable benefits • Provides medical, income, death, and rehabilitation benefits