

Short-Term Disability (STD) and Long-Term Disability (LTD) Coverage

Why Employers Need to Offer Disability Coverage:

- In an environment in which the labor force is shrinking and becoming more diverse, employers need a well-rounded benefit package to attract and retain top talent, and stay competitive
- Americans are not prepared financially for the loss of income from a disabling event. Employers need to ensure workers are able to return to work without outside distractions after a disabling event
- Baby boomers are growing older, and the incidence of disability increases with age
- In most cases, disability insurance is only available through employer sponsored programs, and social programs no longer ensure a financially secure future

Why Employees Need Disability Coverage:

- Disability insurance provides income to you and your family in the event you are not able to work for a period of time
- Studies have shown up to 50% of bankruptcies are caused by medical events due to high medical bills combined with a loss of income
- Medical insurance does not cover any expense other than medical bills. 76% of “medical” bankruptcies had medical insurance at onset of medical event
- Workers compensation does not cover any accident that does not occur at work
- Due to advances in medicine, cancer, heart attack, and stroke are more likely to disable than cause death before the age of 65

Group Vs. Voluntary

- Group
 - Employer pays the premiums, i.e. employees may not contribute to cost
 - Generally least expensive because the risk of loss to carrier is spread across a larger population
 - A single bill is sent to the employer that covers all eligible employees
- Voluntary
 - Employee pays some portion, up to 100%, of premiums

- Each employee pays a different amount. Rates are based on age and income level
- Billing will show amounts for each individual, and will be sent to the employer

Disability Definitions

•*Elimination Period*-The amount of time before benefits begin. This is typically different for accidents and sickness. For example, a 1/8 policy will begin paying benefits on day 1 for accidents, and will begin paying benefits on day 8 for sicknesses. Some carriers might call this a 0/7 policy

•*Benefit Amount*-The amount paid to an employee if they become disabled. This is usually expressed as a weekly or monthly amount, is based on a % of the employees' income, and has a maximum amount payable. 60% is the typical amount paid for both STD and LTD policies

•*Benefit Period*-The maximum amount of time benefits will be paid. STD policies typically have benefit periods of 13, 26, or 52 weeks. LTD policies have various benefit periods. Two typical benefit periods are "to age 65", and 5 years

•*Pre-Existing Exclusion*-Time frame during which benefits are not payable for conditions that existed before insurance was purchased. For example, if a person broke their leg prior to purchasing a policy that had a 12 month pre-existing exclusion, they would need to wait 12 months before being able to claim benefits for their broken leg

Funding Options

•100% Employer Paid-Applies to group policies. Benefits are taxable to employees

•100% Employee Paid-Applies to voluntary policies. If deductions are taken after-tax, benefits are tax free to employees

•Partial Employer Paid-Also available for voluntary policies. Employers fund a specified amount for each employee. If provided as taxable income, then deducted post-tax, benefits will be tax free to employees