



Know Your Benefits

Understanding the Importance of Disability Insurance

One in 4 working adults will become disabled before reaching retirement age, according to data from the Social Security Administration (SSA). Unfortunately, many workers are unprepared to lose their income or unable to afford unexpected medical expenses. Income or job loss due to illness or injury can be devastating for you and your family.

Disability benefits can be vital if you experience a qualifying disability or illness, and often offer a much-needed safety net that allows you to pay bills and provide for your family when you're unable to work.

What Are Disability Benefits?

Disability benefits provide guaranteed income or job protection when you're unable to work due to serious illness or injury. The illness or injury can be either temporary or permanent, and it does not need to be work-related to qualify for disability benefits. Some of the most common causes of disability for U.S. workers include chronic illness, pregnancy, anxiety and depression.

While disability benefits are often voluntary, your employer may be required to participate in federal or state-mandated disability benefits programs.

Why Is Disability Insurance So Important?

The risk of disability is greater than most employees realize. When you become disabled and lose time at work, your

source of income can be eliminated. In addition to lost income, you're most likely faced with an increase in medical expenses to address your disabling injury or illness. Rising medical costs related to treating chronic conditions, disabilities and serious injuries make disability insurance more critical than ever.

Types of Disability Insurance

Disability benefits can take many forms. While STD and LTD insurance are the most common, long-term care insurance, critical illness insurance and paid leave programs are also types of disability benefits. Understanding the different types of disability benefits—and their value—can help you evaluate and determine which disability insurance meets your needs and offers you adequate protection.

Short-term Disability Insurance

STD is a type of disability coverage that can help you remain financially stable should you become injured or ill and cannot work. Usually, STD coverage begins within one to 15 days of the event causing your disability or illness. This coverage allows you to continue to receive pay at a fixed weekly amount or a set percentage of your income, typically 40% to 70% of your base pay.

In most circumstances, an STD insurance policy is paid either fully or partially by your employer, and usually lasts for about 10 to 26 weeks, although policies vary. When STD coverage ends, LTD coverage typically takes effect.



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Long-term Disability Insurance

LTD is a type of disability insurance coverage that pays you a set percentage of your regular income after a specified waiting period. For example, if you're covered under STD as well, your LTD insurance would start once the STD insurance policy is exhausted, typically after three to six months. While you generally receive 60% to 80% of your base pay, some LTD insurance plans offer more limited income replacement benefits.

LTD insurance protects you in the event you become disabled for a prolonged period prior to retirement. LTD benefits requirements tend to be more rigorous than STD because you must demonstrate you're unable to perform any job, not just the job you were working prior to your illness or injury. LTD policies are often offered through employers as part of a standard benefits package.

The length of LTD plans varies; some may be limited to a period between two and 10 years, while other plans continue paying out until age 65.

Long-term Care Insurance

Long-term care insurance provides you with coverage to treat chronic illnesses and disabilities outside of a hospital when you can no longer care for yourself. These policies cover services such as home health care, nursing home care, hospice care, assisted living facilities care and respite care. Long-term care insurance can help you safeguard your financial future.

Critical Illness Insurance

Critical illness insurance provides you with a fixed lump-sum payment after being diagnosed with an illness that's covered under your policy. These policies may cover conditions such as kidney disease, stroke, heart attack and cancer. Payments are made directly to you and can be used to cover deductibles, co-payments, household expenses and other costs. Typically, you are responsible for paying the premium for critical illness insurance.

State and Federal Disability Benefits

In some instances, you may be entitled to disability benefits under state or federal law. For example, the Federal and Medical Leave Act provides eligible employees of covered

employers with up to 12 weeks of unpaid, job-protected leave for certain family and medical reasons. Under the Americans with Disabilities Act, employers must consider providing disabled employees with reasonable accommodations. Leave from work may be an accommodation as long as it's reasonable and doesn't create an undue hardship for the employer. Additionally, if you experience a work-related injury and illness resulting in a disability, you may be entitled to workers' compensation benefits. Such benefits are mandated in most states and provide you with wage replacement and medical benefits. The SSA also provides disability benefits to workers as long as their disability will last for at least 12 months.

Several states have enacted their own leave-related laws, many of which provide you with job-protected leave if you are injured or become disabled.

What Is Supplemental Disability Insurance?

Traditional medical insurance typically doesn't cover every expense related to an injury or illness. Bills and expenses can continue to add up, especially if you have to stop working and lose your income. Additionally, the policy offered by your employer may not be enough to cover your financial needs in the event of a disability or injury. Supplemental insurance is additional coverage that can help you pay for whatever expenses may not be covered by your medical plan or employer's disability policy.

If you decide that coverage offered through your employer-sponsored group plan does not adequately meet your personal needs, you should contact an independent agent or carrier to inquire about individual disability insurance coverage.

If you have more questions about our disability insurance benefits, please make an appointment with HR.