Why Your Staff Needs Short- and Long-Term Disability Coverage

No one plans on becoming disabled and missing work, but it can happen. An illness or an accident could cause one of your employees to be unable to work for months, or even years.

While their health insurance will cover their medical expenses, it won't cover the cost of living while they recover.

Only 30% of American workers in private industry currently have access to employer-sponsored long-term disability insurance coverage, according to the U.S. Bureau of Labor Statistics.

That means most workers — and their families — do not have adequate protection against one of the most significant financial risks that they face.

That's why you should be offering your employees voluntary short-term and long-term disability insurance.

These policies provide income replacement to enable employees who are disabled to pay bills, including mortgages and college expenses, and to maintain an accustomed standard of living.

Disability insurance replaces a percentage of pre-disability income if an employee is unable to work due to illness or injury.

Employers may offer short-term disability coverage, long-term disability coverage, or integrate both short- and long-term coverage. Here's what they cover:

- **Short-term disability policies:** These policies have a waiting period of zero to 14 days, with a maximum benefit period of no longer than two years.
- **Long-term disability policies:** These policies have a waiting period of several weeks to several months, with a maximum benefit period ranging from a few years to the rest of your life.

Disability policies have two different protection features that are important to understand:

Non-cancelable – This means the policy cannot be canceled by the insurance company, except for non-payment of premiums. This gives your employees the right to renew the policy every year without an increase in the premium or a reduction in benefits.

Guaranteed renewable – This gives your employees the right to renew the policy with the same benefits and not have the policy canceled by the company. However, the insurer has the right to increase the premiums as long as it does so for all other policyholders in the same rating class as your employee.

Other options

In addition to the traditional disability policies, there are several options that you can also offer as part of the voluntary benefit package:

- **Additional purchase options:** The insurer gives your employees the right to buy additional insurance at a later time.
- **Coordination of benefits:** The amount of benefits your employees receive from the insurance company is dependent on other benefits they may receive because of their disability. The policy specifies a target amount they will receive from all the policies combined, so this policy will make up the difference not paid by other policies.
- **Cost of living adjustment (COLA):** The COLA increases disability benefits over time based on the increased cost of living measured by the Consumer Price Index. Your employees will pay a higher premium if they select the COLA.
- **Residual or partial disability rider:** This provision allows your employees to return to work part-time, collect part of their salary and receive a partial disability payment if they are still partially disabled.
- **Return of premium:** This provision requires the insurer to refund part of the premium if no claims are made for a specific period of time declared in the policy.
- **Waiver of premium provision**: This clause means that your employees do not have to pay premiums on the policy after they are disabled for 90 days.

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