

## Group Long Term Disability (LTD) is NOT Enough

If you have Group LTD Insurance through your employer, an insurance company or your Broker-Dealer you may think you have adequate coverage. **This is a common mistake.** Group LTD products do NOT provide the most comprehensive definitions of disability, have offsets that allow them to reduce or eliminate benefit payments during periods of legitimate disability, and may leave you underinsured. Below are some of the most common problems with Group LTD.

1. Most Group LTD programs reduce your benefit by any income you receive while disabled. This includes Workers Compensation, Social Security, any commissions or fees you or your business receive from any source while disabled, and/or any profit that comes out of your insurance practice.

Example:

- You have Group LTD coverage equal to 60% of your contract earnings with an insurance company or Broker-Dealer, to a maximum benefit of \$10,000 per month.
- Your gross revenue is \$30,000 per month before the deduction of expenses.
- Your net profit, after the deduction of business expenses, is \$14,000 per month.
- You are totally disabled and you or your business continues to receive \$20,000 per month of gross revenue.

The Group LTD benefit will be reduced by either all of the \$20,000 per month or some percentage of the \$20,000 per month (this varies by company but is not less than 50% of income received) which reduces your benefit to zero. Since your overhead doesn't go down just because you are disabled, the \$10,000 reduction in revenue comes directly off your profit. So, you are totally disabled, your income has been reduced from \$14,000 per month to \$4,000 per month and you don't collect any Group LTD benefits.

2. Many Group LTD plans **cap their benefits**. As a result, the high income earners have less than 60% of their income insured.

Example: If the maximum benefit you can collect under your Group LTD plan is \$6,000 per month, any insured earning more than \$10,000 per month **has less than 60% of their income insured**. For instance, an insured earning \$20,000 per month is only insured for **30%** of their income ( $\$6,000/\$20,000 = 30\%$ ).

3. The definitions of disability contained in Group LTD policies are typically **more restrictive than those in Individual Disability policies**. This means that they may pay less benefit under the same claims scenario than an Individual Disability Income policy, and in some cases no benefit at all.

Examples:

- Benefits for mental and nervous disorders, **which include stress related disabilities**, may be limited to 24 months unless you are institutionalized. The term “stress related condition” means a physical condition that is caused by stress (i.e. chronic headaches and sleep deprivation, hypertension, etc.)
  - The definition of total disability may only consider you totally disabled from your occupation for a limited period (typically 2 or 5 years) and then only pay total disability benefits if you are disabled from “any occupation.”
  - Rehabilitation may be mandatory. This means if the insurance company feels you can be rehabilitated into any occupation, you have to agree to the rehabilitation or they don’t have to pay you.
  - Benefits may be limited to 24 months for self-reported symptoms. Self-reported symptoms mean the manifestations of a condition(s) that is/are reported to a doctor and are **not verifiable using tests, procedures, or clinical examinations**. Self-reported symptoms include, but are not limited to, chronic fatigue sickness, environmental sickness, musculoskeletal or connective tissue injury, headaches, pain, fatigue, stiffness, soreness, ringing in ears, dizziness, numbness, and loss of energy.
4. No matter how much your Group LTD benefits are, they will only replace a percentage of your income and will not be adequate to continue retirement savings during periods of total disability. When you reach age 65 and your Disability Income benefits stop, **your retirement accounts may be inadequate to support you and your spouse.**

*Does this mean you should cancel your Group LTD policy?*

**Absolutely NOT! However, you should supplement your Group LTD with an individual policy.**

The strength of Group LTD plans is their low price. Furthermore, in organizations where Group LTD has been purchased for all employees, you don’t have the option of opting out of the Group LTD plan. So, the smartest and most economical thing to do is supplement your Group Disability benefits with an Individual Disability policy.

The Principal Life Disability Program can be used to **supplement** your Group LTD as follows:

- The **Disability Income** policy will allow you to insure up to 100% of your income if you are catastrophically disabled (Catastrophic Disability Rider not available in CT) and provides the most comprehensive definitions of disability (none of the restrictions listed above are contained in the Principal Life disability policy). Benefits are not reduced by Workers Compensation or Social Security, renewal income, commissions or fees payable to you or your business, during any period you are totally disabled.

- The **DI Retirement Security** policy insures that retirement savings continue during periods of total disability. This coverage is available in addition to the maximum Disability Income benefit you qualify for.
- The **Overhead Expense** policy pays the fixed overhead of your office if you are disabled. Rent, staff salaries, loan payments for equipment, etc. don't go away simply because you are disabled. If you are a partner in a firm, the policy covers your share of the fixed overhead.

Disability Specialists, Inc. (DSI) is the plan administrator. Take the time to talk to a DSI Advisor about your current coverage. You will be given an honest assessment of your existing coverage and not "pressured" to buy additional coverage. You can communicate with DSI by phone or email.

For a personalized premium quote and a complete summary of the program offering (including the actual policy definitions, details of the MGI qualification requirements and underwriting rules) return to the home page and click on the **Request a Quote** button or call Disability Specialists, Inc. (DSI) at (888) 279-8348 (7:00 am – 4:00 pm Mountain Time).