

Disability Insurance Glossary

Benefit level and period

Disability policies usually pay up to 40% to two-thirds of your pre-disability earnings at the time of purchase for a specified period of time. That period may run from one to five years, until age 65, or in some cases, for life.

Definition of disability

Some policies pay if you're unable to perform the duties of your own occupation; others pay only if you can't work at any occupation for which you're reasonably qualified. In addition, some policies pay only for disabilities arising from an accident.

Disability

The inability, due to illness or accident, to perform all or some portion of one's occupation, resulting in a loss of income. Disability periods are often classified as short-term (lasting up to six months) or long-term (six months or longer).

Disability insurance

Insurance that pays the policyholder a percentage of his/her income for a set period of time, if the person is unable to work due to a disabling injury or illness. Generally, benefits for disability insurance are provided for the disabled person in the form of monthly payments.

Elimination period

The waiting period, known as an elimination period, before benefits kick in. It's typically 30 days, 90 days or six months after a disability occurs. You can select the waiting period when you buy your policy. Opting for a longer waiting period will save money.

Extent of disability

Some policies pay only if you are totally disabled. Others cover partial disability for a limited time, but only when it follows a period of total disability for the same cause.

Guaranteed renewable

One of two major types of disability policies. It means your policy can't be cancelled as long as the premiums are paid. Premiums can be raised for an entire class of policyholders but not for reasons related to your individual circumstances. See non-cancelable for information about the other major type of disability policy.

Inflation protection

A cost-of-living adjustment to a policy that increases by a specified percentage after each year of disability. Though an expensive add-on, this option can be vital to maintaining your standard of living if you're out of work for a long period of time.

Long-term disability insurance (LTD)

Typically provides income payments that continue for many months, years, up to age 65, or until the insured person is able to return to work.

Non-cancelable

The other major type of disability policy. These policies can never be cancelled as long as premiums are paid, and premiums are guaranteed not to increase. See guaranteed renewable for information about the other major type of disability policy.

Short term disability insurance (STD)

Provides a benefit for a short-term disability or the first part of a long-term disability. These policies typically provide benefits for 13, 26, or 52 weeks.