

## Six Tips for Finding Individual and Group Disability Insurance in Cincinnati, OH.



What if you or a key employee in your business unexpectedly got sick or injured and couldn't work? What would happen next?

- Would you plan to continue paying that employee?
- If so, what would be your arrangement for doing so?
- Where would the funds come from?
- How long could you afford to keep paying him or her?

On a more personal level, what if a serious disability happened to you?

- How would you continue paying your regular bills?
- How would you continue meeting your obligations to support loved ones and family?
- How would you avoid becoming a burden to those closest to you?

Unfortunately, sometimes people really do get sick or injured.

It can happen to anyone at just about any time. It may be against our nature to believe it could ever happen to us.

But, the reality is it can.

Sometimes people site the following sources of income as a means holding their lives together in the event of a long term sickness or injury.

- **Savings.** These funds are usually saved for a different reason such as retirement or education. Even if you saved 10% of your income every year for 10 years, you could deplete this amount in just one year.
- **Spouse's earnings.** Most people rely on both incomes to afford their standard of living. If your spouse isn't working, would the event of a serious disability be the right time for your spouse to return to work?
- **Social Security.** It may pay eventually, but don't count on it. You must be unable to do any job. Fewer than half of claimants receive anything. It can also take a year or more to get benefits. Even when it does pay, Social Security usually replaces only a low percentage of total earnings.
- **Self-Employed Business.** For most, not a likely solution for more than a few months. Imagine what would happen to your business if you took an unplanned six month or two-year vacation?

The good news is there is a more reliable way to help protect yourself and the people who depend on you from the consequences of a debilitating disability.

### **The answer is disability insurance.**

In exchange for a premium and - assuming an underwriting review and acceptance of the risk – some insurers offer coverage designed to replace portions of a person's income for a predetermined period in order to offset the impact of becoming seriously disabled.

Disability insurance can be complicated and more difficult to get a handle on than other more straightforward types of coverage like life insurance.

The good news is, we're here to help!

Our agency has been assisting businesses and individuals with their insurance needs for nearly three decades. We put together this guide to help you become better informed on some of the key ins and outs of considering disability insurance.

**Below are SIX TIPS for finding individual and group disability insurance to meet your needs in Cincinnati, OH.**

## **Tip 1: Know the TWO major pathways to buying disability insurance.**

To find the policy that best fits your needs, it is important to know that there are two major policy “categories” for disability insurance. These categories relate directly to the pathways through which these policies are purchased.

Specifically, policies may be purchased on an “individual” basis, or they may be purchased through an “employer” at work.

### **Pathway 1: Individual Disability Insurance**

Individual disability insurance policies are generally purchased on a standalone basis by individual persons. Policies are either issued or declined and coverage parameters determined based on “individual” underwriting.

The decision to issue a policy, apply a “table” rate for premiums, amend various contractual elements, and/or issue a particular monthly coverage amount will generally be determined by specifics relating to the circumstances of the individual seeking coverage.

Factors that can come into play are things like an applicant’s occupation, income, health history, avocations (i.e. hobbies – especially dangerous ones like flying, skydiving, scuba diving, etc.) as well as behavioral considerations like smoking, legal history, or driving record.

Individual policies can be the most cost-effective and comprehensive of all disability policies. However, they can also be much more difficult to qualify for especially when compared to employer based disability plans.

### **Pathway 2: Employer Based Disability Insurance**

Employer based disability insurance is simply coverage that is made available through an employer.

There are essentially *three* types of employer based plans.

1. Employer paid for (in part or in whole) “group disability insurance.”
2. Employee payroll deducted voluntary (100% of premium paid by employees) “group disability insurance.”
3. Employee payroll deducted voluntary (100% of premium paid by employees) “individual disability insurance.”

When an employer pays either a part or the whole premium for disability insurance, rates are often reduced and underwriting can be easier. Benefit amounts may be determined as a percentage of each employee’s earned income or be offered as a fixed (i.e. weekly or monthly) benefit amount.

“Employee payroll deducted voluntary” disability insurance may cover a person only while they continue working for their current employer. This is the “group” variety of voluntary coverage. Or, with some plans, the employee may have the option to keep and continue his or her policy as an individual upon leaving the employer. This is the “individual” variety of voluntary coverage.

With all three types of employer based disability insurance coverage, underwriting is generally easier than with individual coverage.

In some cases, due to income, health, occupational, or other factors, particular individuals would not be able to qualify for disability insurance if they sought it on their own.

By merely opening the door – to even 100% employee paid voluntary disability plans – an employer can provide invaluable access to coverage for certain employees who would not otherwise be able to obtain it.

To learn more about how to add voluntary benefits at your company *without* increasing your costs, visit our agency website at this link,

<https://www.mccarthystevenot.com/voluntary-benefits/>

## **Tip 2: Understand “Benefit” and “Waiting” Periods.**

Disability insurance has two significant considerations that relate to when benefits start and when benefits stop. These are “waiting periods” and “benefit periods.”

### **Waiting Periods**

Disability insurance plans generally specify a “waiting period” which determines how long a person must be disabled before benefits begin. For example, a particular policy might have a “90 day waiting period.” This means a covered individual would not qualify to receive benefits until he or she has been disabled for a minimum of 90 days. Usually, the first benefit check will arrive 30 days after the waiting period has been fully met.

In general, the longer the waiting period, the less expensive the coverage.

### **Benefit Periods**

A “benefit period” refers to how long an individual would receive benefits under the contract. An example of this would be a “two year benefit period.” With such a benefit period, the policy would pay the specified monthly income amount to the insured for a maximum of two years.

In general, the longer the benefit period, the more expensive the coverage.

### **Tip 3: Short-Term Versus Long-Term Disability Insurance**

Some disability insurance policies are designed to cover disability over a “short-term” period of time versus others that provide coverage for “long-term” period of time.

#### **Short-Term Disability Insurance**

This type of policy provides coverage for short-term disabilities. Waiting periods for this kind of policy is typically expressed in terms such as, “1 day, 8 day.” The “1” day refers to a disability resulting from an accident. The “8” day refers to disability resulting from a sickness. After the waiting period is met, benefits begin.

Short-term disability policies are usually provided through employers and are very inexpensive compared to other types of disability insurance. They also have shorter benefit periods such as up to a maximum of six months.

#### **Long-Term Disability Insurance**

This type of policy provides coverage for long-term disabilities. Waiting periods for long term disability policies may range from 30, 60, 90, 180 days to up to a full year. Benefit periods for long term disability insurance policies can range from as little as two years to retirement age depending on the contract.

To provide more complete overall coverage, companies may offer coordinating short-term and long-term disability insurance coverage to employees at the same time.

### **Tip 4: Know the Impact of Income on Benefit Amounts**

Disability insurance coverage - beyond the parameters of waiting periods and total benefit periods – can be influenced by the amount of income that is being replaced. Here again, there are two major formulas that can be applied to determine total benefit amounts.

#### **Formula 1: Fixed Benefit Amount**

In this scenario – particularly with group disability insurance plans – an insurer may offer a fixed benefit amount to insureds participating in the program. For example, a policy may offer a fixed \$1,000 a month benefit to all employees. In the case of a long-term disability policy, the policy might specify, “After 90 days waiting period, the policy will pay a benefit amount of \$1,000/month for a maximum benefit period of two years.”

For short-term disability insurance policies, fixed benefit amount parameters are frequently expressed in terms of weeks. For example, “After a 1 day, 8 day waiting period the policy will pay a benefit amount of \$300/week for a maximum benefit period of 12 weeks.”

## **Formula 2: Percentage of Income Benefit**

In this instance, a policy might specify that a percentage of an individual's income be replaced as the benefit amount.

With some policies the benefit amount will be "set" initially based on the insured's income at the time of application. As an example, a person making \$100,000/year may be offered a disability policy covering 66% income replacement. In such case, the policy might be issued stipulating, "After 180 days waiting period, the policy will pay a \$6,600/month benefit amount for a maximum benefit period of until age 65."

## **Tip 5: Understand the Tax Consequences of Disability Insurance\***

It is important to be aware that benefits paid from a disability insurance policy may be considered taxable or not depending on the circumstances.

In general, if premiums are paid for your disability insurance with pre-tax dollars (say through a business), benefits will typically be taxable. If premiums for your disability insurance are paid with after tax dollars, benefits will generally not be taxable.

Consult with your tax advisor to better understand the tax consequences of disability insurance in your specific situation.

*\*Note: we are not tax advisors at our agency, nor do we provide tax advice!*

## **Tip 6: Set Up a Salary Continuation Agreement\*\***

To head off future misunderstandings in the event that a business partner or key employee were to become disabled, establishing a written salary-continuation agreement can be a big help.

To view a "Sample Salary Continuation Agreement", visit our agency website at the following link, <https://www.mccarthystevenot.com/wp-content/uploads/2015/05/Sample-Salary-Continuation-Agreement.pdf>

Most companies find it cost effective to fund the financial obligations of a salary-continuation agreement with either group or individual disability insurance. Be sure to consult with your legal advisor to nail down the details of any salary continuation agreement you decide to put in place.

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## **Bonus Tip! Use an agent or go direct?**

Most disability insurance providers include the cost of a broker or agent in premiums. In some cases, approaching a company directly may still mean you'll pay the agent cost, but without gaining the benefit of an outside broker.

Some insurers refer the disability insurance inquiries they receive to external brokers regardless because they do not employ direct sales staff to market such products.

A responsive agent can be very helpful when it comes to shopping for alternatives, dealing with administrative concerns, and helping with applications and claim service.

Agents generally have access to special web portals, dedicated account reps, and other resources to help you get the most out of your plan.

It only seems fair, if you have to pay for the help of an agent - you should get that help!

**We hope you found this guide helpful!**

If you need help with disability insurance in Cincinnati, OH feel free to reach out to us. There is no charge for us to answer your questions, and we only get paid if you end up choosing to purchase a policy.

With all the challenges in insurance today, there is no need to go it alone!

**If you have questions, need quotes, or need help with service on your current group disability insurance, contact us by completing and returning the form below.**

Best,



Ted Stevenot  
Partner

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PS. I don't know if it's happened to you, but many businesses have had their insurance renewals moved to December or January. This makes reviewing alternatives at year end more of a challenge because of the log-jam it creates with insurers.

**Don't wait until your renewal to review your options! Complete the attached quote request form, and we can start looking into possibilities for your business right away.**

# Preliminary Disability Insurance Quote Request Form\*

Contact Name: \_\_\_\_\_ Email: \_\_\_\_\_

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

## Employee Census (Attach additional pages, if needed.)

Employee Age	Employee M/F (Circle)	Employee Age	Employee M/F (Circle)
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F
	M/F		M/F



*Serving Cincinnati Businesses Since 1991*

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\*Underwriting, regulatory, and agency guidelines apply. McCarthy Stevenot Agency, Inc., is a licensed life and health insurance agency in the state of Ohio. Rev 5/18.