

## What Type of DI Policies Are Available?

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There are several types of disability policies that are available; they each have their own unique characteristics and pricing. Here are the most common:

**Guaranteed Renewable:** These policies contain provisions that guarantee that the policies will be renewed by the insuring company for the benefit period for which the policy has been issued. For example, a policy issued with a benefit period of "to age 65" will be renewed at least to age 65, provided the premiums are paid in a timely manner. This means that the insuring company can make no changes in the policy after issue and only the insured has the right to terminate the policy. The rates for these policies may be increased, but only if done so on all policies in that class within the state of residence. In other words, an individual may not be singled out for a rate increase. Some companies guarantee the rate for the first three years of the policy.

**Non-Cancelable:** The renewal provisions for this type of policy are very similar to the guaranteed-renewable policy, except that the premium for the non-can policy cannot be changed during the renewal period, which is typically "to age 65." Premiums for this type of policy will be higher than guaranteed-renewable policies.

**Optionally Renewable:** Rarely seen any more, these policies were made available quite a few years ago. They can be terminated by the issuing company and, while low in cost, should be avoided for the obvious reason of the vulnerability of the insured.

**Group Long- and Short-Term Disability Plans:** These are most frequently found in employer-employee business environments and, in many cases, are paid either in full or in part by the employer. The short-term plans are typically written with shorter elimination periods (such as seven, 15 or 30 days) and no more than a 13- or 26-week benefit period. The long-term plans are typically written with a 30-day or longer elimination period, and range from a two-year benefit period all the way "to age 65" (which is the most frequently seen benefit period). There are usually very few optional benefits available with these types of plans. In a growing number of circumstances, these plans can be voluntary, in which case the employee pays all or a large portion of the premium.

**Voluntary Job-Site Disability Plans:** The majority of these plans are offered through an employer but paid for by the employee. Typically, there is a short presentation and employee enrollment on the job site. The benefit periods are typically shorter in duration, although some plans are now offering longer benefit periods. While low in cost, benefit amounts are normally less than that offered through individual policies. As an economical alternative to other, higher-priced individual plans, these plans may be a good choice for hourly workers.

When considering which plan might be the best for you, we recommended you seek the advice of a qualified professional member of NAHU.