

What are the types of disability insurance?

There are two types of disability policies: Short-Term Disability (STD) and Long-Term Disability (LTD):

1. **Short-Term Disability policies (STD)**
They have a waiting period of 0 to 14 days with a maximum benefit period no longer than two years.
2. **Long-Term Disability policies (LTD)**
They 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. They are:

1. **Non-cancelable**
This means they cannot be cancelled by the insurance company, except for nonpayment of premiums. This gives you the right to renew the policy every year without an increase in the premium or a reduction in benefits.
2. **Guaranteed renewable**
This also gives you the right to renew the policy with the same benefits and not be cancelled by the company. However, your insurer has the right to increase your premiums as long as it does so for all other policyholders in the same rating class as you.

In addition to the traditional disability policies, there are several options you should consider when purchasing a policy:

- **Additional purchase options**
Your insurance company gives you the right to buy additional insurance at a later time.
- **Coordination of benefits**
The amount of benefits you receive from your insurance company are dependent on other benefits you receive because of your disability. Your policy specifies a target amount you 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 your disability benefits over time based on the increased cost of living measured by the Consumer Price Index. You will pay a higher premium if you select the COLA.

- **Residual or partial disability rider**
This provision allows you to return to work part-time, collect part of your salary and receive a partial disability payment if you are partially disabled.
- **Return of premium**
This provision requires the insurance company to refund part of your premium if no claims are made for a specific period of time declared in the policy.
- **Waiver of premium provision**
This clause means that you do not have to pay premiums on the policy after you're disabled for 90 days.

Source: *Insurance Information Institute, Inc. (www.iii.org)*