

Association Disability Coverage: Truth Or Consequences? By Allan Checkoway, RHU

Regrettably, people all too often discover the inadequacies of their disability insurance after they've become disabled, or uninsurable. This happens all too frequently with professionals covered by association LTD plans. Let's first look at some advantages of association plans . . .

Advantages of Association DI Plans

Low rates are initially offered to younger members. Rates are "banded", typically in five or ten year segments. Frequently there is a guaranteed continuity feature. Should the insurer ever cancel the plan for the entire association (or if the association itself withdraws their endorsement of the disability insurer), the insurer may allow conversion to a renewable policy available to the association members.

In this era of "fast foods", with a workforce that's "on the run", with the option of participating in an association sponsored Disability program there is the ease of applying for coverage through the mail. Now, let's evaluate the pitfalls of disability coverage offered by professional associations.

Disadvantages Of Association DI Plans

Coverage can be canceled on the entire association. A leading underwriter of association plans canceled over 300 association DI plans several years ago. Although most of the associations found another insurer, many members were left with reduced or no benefits whatsoever! A change of occupation or the termination of association membership can terminate coverage. (People do change jobs and they certainly do move.) Will you always be working at your current occupation and living in the same state?

**The "truth" of association
plans – beware of
the potential "consequences"**

Premium rates are not guaranteed, only projected. Rates are typically banded in five to ten year increments. Assuming the association projected premium rates don't ever change (a false assumption), calculate the projected cost to age 65, then divide by the number of years between current age and age 65. The total (non guaranteed) cost projected to age 65 will be very similar to the guaranteed fixed cost of an individual disability policy.

Association plans offer little flexibility in plan design. Individual disability policies offer a wide choice of optional benefits with a wide variety of elimination and benefit periods; dependent upon each individual's financial needs and personal preferences.

**Individual disability insurance
offers career protection &
the pride of ownership**

Professionals are urged to explore the contractual guarantees of individual disability contracts with monthly benefits insuring at least 60% to 70% of income. Association coverage might then be considered as a supplement but only to insure the items in the family budget that are considered nonessential. You are urged to establish a professional disability insurance program with guaranteed contractual provisions that you can count on throughout your entire working career.

Keep in mind that many group disability insurers are now offering self reported/subjective disability limitations. When added to standard mental & nervous disorder restrictions, the quality of group coverage is diminishing markedly. Isn't it predictable that we'll soon see these same restrictions in association programs?

The only solution is, if you're in good health, purchase an individual noncancellable disability contract. This will provide guaranteed coverage in your own occupation, with guaranteed level premium rates to age 65 and without the restrictive language of association or group LTD contracts.

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