Disability Income Insurance:
Short-Term &
Long-Term Policies

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INSURANCE ADMINISTRATION

This presentation does not provide legal advice. You should discuss specific questions with your trusted financial advisor or insurance producer.
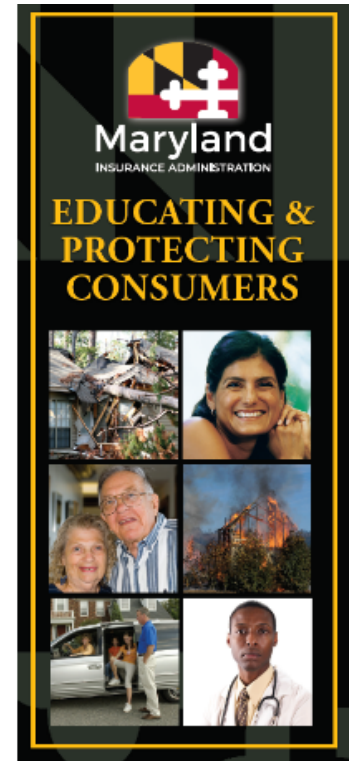
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What is the Maryland Insurance Administration

The Maryland Insurance Administration (MIA) is the state agency that regulates insurance in Maryland. The MIA:

- Licenses insurers and insurance producers (agents or brokers).

- Examines the business practices of licensees to ensure compliance.

- Monitors solvency of insurers.

- Reviews/approves insurance policy forms. Reviews insurance rates to ensure rates are not inadequate, excessive or unfairly discriminatory.

- Investigates consumer and provider complaints and allegations of fraud.

Video: How the MIA can help

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Introduction to Disability Income Insurance

For most adult Marylanders, income from our jobs is critical to maintaining our standard of living. We use our income from work for our rent or mortgage payments, utilities, groceries, auto expenses, savings for college and retirement, as well as many other expenses.

Short-term and long-term disability insurance offers protection for lost wages in many situations when you get sick or are injured and cannot work. While most disability insurance policies will not cover 100% of your lost income, it can provide some help with your expenses while you are unable to work.

What is a Disability?

Many policies define disability/disabled as, an employee is disabled if, because of injury or sickness:

- He or she is unable to perform the material duties of his or her regular occupation, or solely due to injury or sickness, he or she is unable to earn more than 80% of his or her income; and
- After disability benefits have been payable for at least 12 months, he or she is unable to perform the material duties of any occupation for which he or she may reasonably become qualified based on education, training or experience, or solely due to injury or sickness, he or she is unable to earn more than 80% of his or her income.

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What is a Disability?

Many people think of severe injuries or a catastrophic health condition as the leading cause of disabilities, but disabilities are more commonly the result of less severe injuries and common conditions such as heart disease, back pain, arthritis, mental health conditions and digestive disorders.

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What about Workers' Compensation?

Most Maryland workers understand that if they are injured on the job, or experience an illness caused by their job, that they may be covered for lost wages by Workers' Compensation.

Workers' Compensation coverage provides coverage when the illness or injury happened at work, or was a result of work activities. However, most disabilities do not occur at work, and consequently, most are not covered by Workers' Compensation.

More details about Workers' Compensation in Maryland can be found at:

Workers' Compensation Commission

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Disability Insurance Policies

Short-term and long-term disability insurance provides partial income replacement if you get too sick or injured to work. Most disability insurance policies pay you a percentage of your income if you get sick with a serious illness or experience an injury that prevents you from doing your job. Some cover you in the short term immediately after an incident, while others pay you if your injury lasts for an extended period.

Usually short-term disability policies cover you for up to six-months, and long-term disability policies begin after you have been disabled for six months or more.

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Disability Insurance Policies

In general, a short-term disability insurance policy helps you immediately after an incident or illness, and a long-term disability policy helps provide financial protection for disabilities that can last for years. However, disability insurance benefit plans can vary widely, and it's important to read and understand the policy you purchase.

You must continue to meet the definition of disabled as outlined in your policy. Most policies require periodic updates from your providers to support that you are still disabled.

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Disability Insurance – Common Terms

Extent of disability – some policies may require you to be totally disabled – others may pay a partial amount for a **partial disability**.

Disabilities covered – this is the list of accidents or illnesses covered by the specific policy you purchased.

The **Amount of Benefits** is generally a percentage of the income you earn. Make sure you understand how other disability payments, like Social Security Disability, can affect this amount.

Disability Insurance – Common Terms

These policies typically have a waiting period before your benefits begin – called an **Elimination Period**.

The **Waiver of Premium** is what exempts you from paying premiums after you've been disabled.

Own Occupation or Any Occupation – how an insurer determines whether benefits are payable based on the job duties you can perform or if you can perform any work .

Short-Term Disability Insurance

- Insurance that replaces a portion of an employee's income in the event of a disability.

- Each year, approx. 5% of American workers experience a short-term disability.

- Short-term disability policies generally pay benefits for short periods of time – typically three months, six months, or one year, after a brief waiting (elimination) period.

5%

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Short-Term Disability Insurance

- Benefit payments typically starts within two weeks of a qualifying illness or injury (the elimination period)

- Short-term disability insurance usually replaces 40-70 percent of a policyholders income

Short-Term Disability Insurance

In order to qualify for disability benefits from an employer, an insurance company, or the government, a beneficiary's disability must meet the definition of disability as defined in their policy, and be confirmed by a physician.

Short-term disability insurance can be very expensive to purchase as an individual policy, but group plans are typically less expensive than individual plans. Many employers offer a short-term disability group plan as a company-paid or partial company-paid benefit to all employees.

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Short-Term Disability Insurance

To trigger your benefits from a short-term disability insurance policy, you generally submit a claim to your insurer that includes information about your condition from your healthcare provider. Under the terms of most policies, the benefits are paid directly to you without limitation on how you can use that money.

While employees can qualify for time off to care for a sick relative under the Family and Medical Leave Act (FMLA), short-term disability policies will not provide benefits if the employee is not the one with the injury or illness.

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Long-Term Disability Insurance

- Long-term disability policies generally kick in after at least a 6 months period of meeting the policy definition of disabled.

- Many employers offer a group long-term disability insurance policy as a job benefit.

- Many work in tandem with a short-term disability (STD) plan. In some cases when the STD plans ends, Long-term disability (LTD) benefits may begin. Without an STD policy in place, there may be a three to six months waiting period.
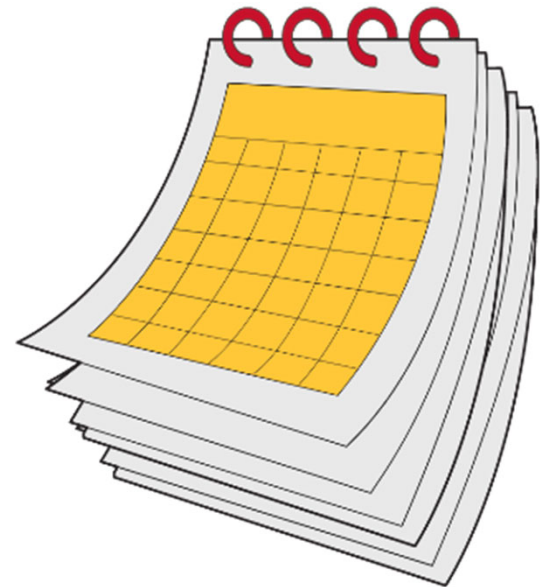
Long-Term Disability Insurance

- Long-term disability insurance (LTD) policies generally pay benefits for a duration of time longer than a year, as long as you continue to meet the definition of disability as defined in your policy. Some LTD benefits continue to a certain age, such as 65, and some LTD plans pay benefits for a defined period of time, such as 5 or 10 years, and some continue as long as you meet the insurer's definition of disability.

- LTD plans typically covers 60-80 percent of lost wages.

![Maryland Insurance Administration logo]

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Long-Term Disability Income Insurance

- Qualifying for LTD benefits can often be different than with a STD policy. With an STD policy, benefits are generally awarded when the policyholder is unable to do their job. Sometimes LTD benefits are awarded only if an employee is unable to do any job. It's important to read and understand disability insurance policies.

- In most cases, if and when an employee or policyholder qualifies for another form of income replacement, such as SSDI, the LTD policy may request reimbursement for benefits paid.

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Where does SSDI fit in?

Social Security Disability Insurance (SSDI) is a federal program for individuals who suffer from disabilities that prevent them from working for at least one year. If you qualify for SSDI, the income provided currently averages about $14,000 a year.

Being awarded SSDI benefits can take months or years. It's important to understand what your own benefits would be if you qualified for the program and how any disability policy you own or are considering purchasing works if you are awarded SSDI benefits.

SSDI Information: 800-772-1213
Frequently Asked Questions https://faq.ssa.gov/en-US
Social Security Administration https://www.ssa.gov/

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Where does SSDI fit in?

Disability policies, at a minimum, help you bridge the gap between work and qualifying for SSDI benefits.

Questions about SSDI?

Frequently Asked Questions about SSDI https://faq.ssa.gov/en-US

Social Security Administration https://www.ssa.gov/

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In Conclusion

We generally can not anticipate if or when we'll be diagnosed with an illness or an injury that will leave us unable to work at our jobs. It's important to have a plan in place for what you will do if you can not work, and short-term and long-term disability insurance is often an important part of that plan.

Resources

- **Division of Rehabilitation Services (DORS)**
  Phone: 410-554-9442 or 888-554-0334 toll free
  Email: dors@maryland.gov

- **Employed Individuals With Disabilities (EID)**
  Phone: 877-463-3464 OR 410-767-6500

- **Developmental Disabilities Administration**
  Phone: (410) 456-7837
  Email: anthony.jackson@maryland.gov

- **Workers' Compensation Commission**
  Phone: (410) 864-5100 or 800-492-0479
  Maryland Relay Dial 711 or 800-735-2258
  Email: info@wcc.state.md.us

- **Social Security Administration**
  Phone: 800-772-1213 toll free
  Frequently Asked Questions about SSDI
  https://faq.ssa.gov/en-US
  Social Security Administration
  https://www.ssa.gov

- **American Job Centers**
  Employment of training help:
  Phone: 1-877-US2-JOBS (1-877-872-5627)
  TTY: 1-877-889-5627
  CareerOneStop help:
  info@CareerOneStop.org

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Contact Information

Maryland Insurance Administration
📞 **800-492-6116 | 410-468-2000 |** 800-735-2258 (TTY)
🌐 **insurance.maryland.gov**

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Questions?