

What to Look for and Look Out for When Selecting Disability Insurance

ONTARIO, Calif., May 18 /PRNewswire/ -- Purchasing disability insurance can be tricky and expensive, says Frank N. Darras, the nation's leading disability and long-term care insurance lawyer. Policies vary greatly. While some are iron-clad and pay benefits when you need them, others have more holes than a pasta strainer.

-- Given the hefty price tag, you want to make sure you buy the right type of policy, says Darras. These are his tips to help you make informed choices:

-- Decide how much coverage you need. Do you spring for the maximum benefit or can you afford to live on a bit less?

-- Determine how long you can go without benefits. To save money on premiums, opt for a longer waiting period. Expect to pay a substantial premium for benefits that kick in within 30 or 60 days.

-- Obtain the longest benefit period possible -- at least until you reach age 65. While you might consider a five-year benefit cap to cut premiums, this is a risky gamble as your disability might last much longer.

-- Always look for "own-occupation" coverage. This pays benefits if a disability leaves you unable to perform your job, even if you can still work in another occupation.

-- Take a close look at the fine print on exclusions and restrictions, particularly if the premium seems too good to be true. Some policies have a two-year limit on mental illness and other conditions such as chronic pain, fibromyalgia or chronic fatigue syndrome. Many policies contain a fraud provision that allows the carrier to rescind your policy at the time of claim if they find a false statement on your application.

-- Look for noncancellable, guaranteed renewable coverage. This means your insurance company can't cancel your policy, increase your premiums, or change the contract language, as long as you pay premiums on time.

-- If you are young and expect to earn a lot, paying extra for COLA (cost-of-living adjustment) is money well spent. If you become disabled at 40, it will keep you ahead of inflation for the next 25 years. You should also consider future increase options, which allow you to increase coverage as you earn more money regardless of your health.

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