

4 ways to cope if your employer drops disability insurance coverage

If you get sick and miss work for several months, don't be quick to assume that your employer provides enough disability coverage for you to get by.

In recent years, a growing number of businesses have been dropping disability insurance for workers, according to a study by the Council for Disability Awareness, a nonprofit organization. In 2009, the number of employers providing long-term disability insurance dropped 1.2 percent; in 2010, it dropped another 0.6 percent. In 2011, the figure rose just slightly.

What's causing the decline? An uncertain economy and rising health care costs may be two of the key factors, says Barry Lundquist, president of the Council for Disability Awareness.

Regardless of how much – or how little – disability coverage your employer offers, the danger of becoming disabled is real. “Everyone has a risk of becoming sick or losing their ability to work,” Lundquist says.

Who needs disability insurance

For those who depend on their income to pay bills or support a family, disability insurance can keep cash coming in and a roof over your head, says Larry Rosenthal, president of Rosenthal Wealth Management, a financial services company in Virginia. A policy will cover a certain percentage of your income and pay it to you during the time you're unable to work.

Workers can become disabled for a wide range of reasons, such as cancer, mental disorders, respiratory problems and pregnancy complications. Muscle, back and joint disorders account for more than one of every four long-term disabilities, according to a claims review released in 2012 by the Council for Disability Awareness.

About 36 million people have some form of disability, according to the U.S. Census Bureau. This represents 12 percent of the U.S. population.

How to get enough disability coverage

Here are four guidelines to make sure you, and your income, are protected:

1. Talk to your employer.

While the number of employers providing disability coverage for workers has dropped in recent years, you still may have disability insurance options through your company. Many employers are starting to offer this as voluntary coverage, Lundquist says. That means that you could choose to have disability coverage through your employer's health insurance plan by paying the premiums yourself.

Premium payments for disability insurance, whether paid for by the employer, employee or a combination of the two, range between \$10 and \$30 a month, according a report on disability insurance released by the nonprofit Consumer Federation of America in April 2012.

2. Consider buying it on your own.

If your employer does not offer disability insurance coverage, you can buy a policy on your own. If you become disabled, most individual plans pay between 40 percent and 65 percent of your income, according to the Life and Health Insurance Foundation for Education (LIFE). You can take the policy with you if you change jobs.

Rates for an individual disability insurance policy are all over the board, says Tony Steuer, director of financial literacy for United Policyholders, a nonprofit group that provides insurance information for consumers. The exact cost will depend on factors such as how long you want to receive benefits and the percentage of your income you want to receive. In general, the shorter the period of time you want to receive benefits, the lower your rate will be.

3. Look for gaps in coverage.

Even if you have some disability coverage through your employer, it may not be enough, Steuer says. For

instance, disability insurance offered through your employer usually doesn't cover bonuses or commissions. If a significant portion of your total income is based on bonuses or commissions, the amount of benefits you would receive through your employer's plan – should you become disabled – may not be enough to pay bills. To prevent this, you could take out an individual policy that would provide the extra coverage you're not receiving from your employer.

4. Don't count entirely on the government.

About 60 percent of applications for Social Security disability benefits initially are denied, according to LIFE. Even if you're able to receive Social Security benefits, the average monthly payment may be low. On average, those currently receiving this type of benefit collect \$1,063 a month, according to LIFE.