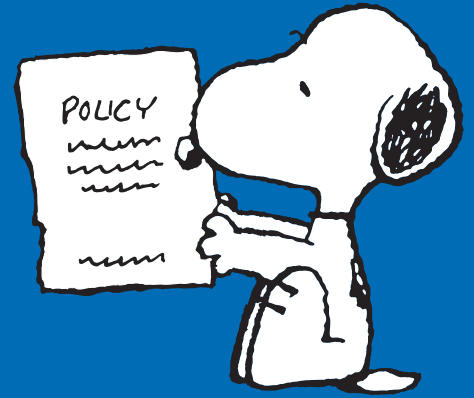


Disability Income Insurance

Information on disability income and coverage



MetLife[®]

LIFE ADVICE[®]

Most people insure their material possessions—their homes and cars, for example. But many of these same people don't insure what is probably their most valuable asset — their ability to work and earn income. If you become sick or are injured and can't work, will you be able to pay your bills and maintain your standard of living? If you depend on your income to pay the bills, you need to seriously consider buying disability income insurance. Disability income insurance can help you pay your bills by replacing a portion of your income. It can help you maintain your current lifestyle, and help protect you and your family from going into serious debt.

Compliments of:



Rebecca Barker
Financial Advisor
CA Insurance License # 0F73098
260 Madison Avenue, 10th Floor
New York, NY 10016
646-227-5105
rbarker@metlife.com

Table of Contents

Individual Disability Income Insurance	2
Employer-Provided Disability Income Insurance	3
Frequently Asked Questions	4
For More Information	8

Your chances of being disabled at some time during your working career are probably higher than you think. According to the Social Security Administration's *Disability Benefits* brochure, "Studies show that a 20-year-old worker has a 3-in-10 chance of becoming disabled before reaching retirement age" (SSA Publication No. 05-10029: www.ssa.gov/dibplan/index.htm). Of course, the chances that any one individual will be disabled before retirement depends on many factors, including age, general health, and occupation.

This brochure contains information that will help you evaluate your need for disability insurance and learn about the types of disability coverage. You'll also get some tips about shopping for disability insurance coverage.

Individual Disability Income Insurance

Individual disability income insurance pays you benefits if you can't work because you're sick or injured. Some individual policies pay partial benefits if you can only work part-time due to sickness or injury. Individual policies specify how much you will be paid, how soon after you are disabled payment will begin, and when payment will end. Policies generally provide replacement of 50 to 70 percent of income. The length of time for which you may receive benefits can depend on whether accident or illness caused the disability. Monthly benefits are payable for a fixed period set forth in the policy, e.g. 2 years, 5 years, to age 65, or for the rest of your life, while disability continues. Benefits begin following a waiting period, which is the period between the time you become disabled and the time your benefit payments begin. Waiting periods can range from one week to a year or even two years. In general, the longer the waiting period the lower the cost of the policy.

If you purchase an individual disability income insurance policy for yourself, and pay premiums with after-tax dollars, the benefits you receive are generally tax free.

Two features that may be part of disability income policies are important for you to understand: noncancelable protection and guaranteed renewable protection. An insurer cannot cancel or refuse to renew either type of policy, as long as premiums (i.e., price of insurance protection for a specified period) are paid on time. These features differ, though, in important ways.

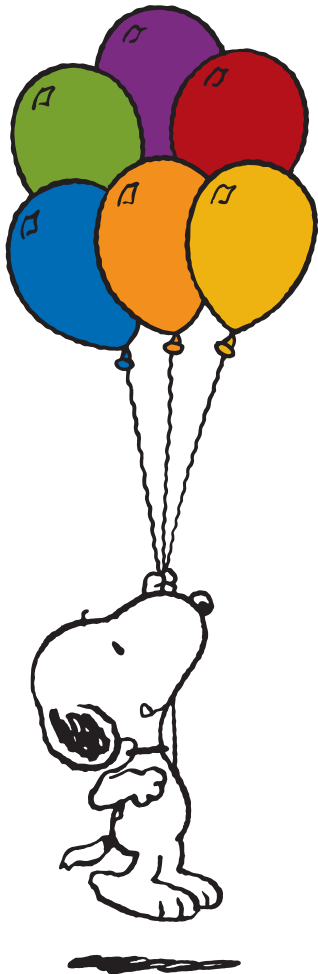
- **Noncancelable.** The policy's premium can never be raised above the amount shown in the policy, and benefits may not be reduced—as long as premiums are paid on time.
- **Guaranteed renewable.** You have the right to renew the policy with the same benefits, but the insurer can increase your premiums—as long as they are increased for all other policyholders in the same class (i.e., having the same characteristics).

Initial premiums for guaranteed renewable policies may be lower than for noncancelable policies, but the guaranteed renewable premiums can go up over time. Less expensive policies that may not offer a noncancelable or guaranteed renewable option are sometimes available.

Riders on Individual Disability Insurance Policies

Most insurers offer several optional benefits (called riders) to enhance disability income coverage. Common riders include:

Cost of Living Adjustments. COLA provides for an annual increase in benefits (generally after you have been disabled for a year), usually based on a Consumer Price Index or a predetermined percentage. This helps your benefits keep pace with inflation, and is particularly important if you are disabled for a long time.



Life Advice®

MetLife Consumer Education Center

This Life Advice® brochure about Disability Income Insurance was produced by the MetLife Consumer Education Center and reviewed by The Insurance Information Institute.

Future Purchase Option (Guaranteed Insurability Option). This rider allows you to purchase additional disability income insurance as your income increases, without providing proof of medical insurability. Even if you develop a condition that would normally prevent you from obtaining additional coverage after you purchase your original policy, you could still increase your benefits.

Residual Benefit. This pays you a portion of your monthly disability benefit if you have a drop in income due to a disability (e.g., if you are working part time). In most cases you need to satisfy a minimum percentage loss in earnings (e.g., a 20 percent loss) to qualify.

Social Security Rider. If you are disabled, these riders pay you additional benefits if you are not able to receive Social Security disability benefits because of the Social Security Administration's definition of disability. Usually, an individual disability policy with this rider will pay after the waiting period for the policy and during the five-month period (sometimes up to a year) while you are waiting for Social Security to kick in. If Social Security denies your claim, this rider will continue to pay benefits for the duration of the benefit period. Before purchasing a rider to your policy, ask yourself if you would be able to pay for the benefits provided by this rider out of your own pocket.



Employer-Provided Disability Income Insurance

Many employers offer disability income insurance as part of their employee benefits program. If your employer pays the premium, you will pay tax on any disability benefits you receive. If you purchase disability income insurance yourself, and pay for it out of your own pocket with after-tax dollars, the benefits you receive are generally tax free. This distinction is important to consider. If you have employer-provided disability insurance, you may want to supplement it with an individual policy. In some states (NY, NJ, RI, CA, PR), employers may be required to provide disability income insurance.

Short-Term Disability

Short-term disability benefits are often included as part of an employee benefits package. Short-term disability plans replace income for the early period of a disability. In general, the plans provide benefits that range from as little as two weeks up to two years. Plans often have a waiting period, sometimes called an elimination period. The waiting period is the period of time, after you become disabled until your benefits begin.

Short-term disability waiting periods are usually 0 to 14 days. For example, if you have short-term disability coverage with a 14-day waiting period, and a disability keeps you from working for three weeks, you will receive benefits for the third week of your disability, but not for weeks one and two. Those two weeks are the waiting period, during which benefits are not paid.

Long-Term Disability Insurance

As with short-term disability plans, your employer may provide long-term disability coverage. Benefits help replace income for an extended period, often five years or until the disabled person turns 65. Plans with longer benefit periods are more expensive. These plans can have different waiting periods, typically 60, 90, 180, or 365 days.

Frequently Asked Questions

The following are some common questions about disability income insurance.

When Am I Considered Disabled?

The definition of disability will vary depending on the terms of your own individual policy and/or your employer's plan. Some policies and plans pay when you're unable to perform the duties of your own occupation, while others pay only if you're unable to perform in *any* job suitable for you based on your training, education and experience. Some policies and plans may use an own-occupation definition for a period of time (e.g., two or three years), after which an any-occupation definition is applied. Other policies and plans require that you not be gainfully employed while you're collecting benefits.

There are policies and plans that will pay you a portion of your monthly benefit if you have lost a part of your income due to a disability— usually referred to as a residual or partial disability benefit. Additionally, some policies and plans include a rehabilitation benefit that pays some or all of the cost of occupational rehabilitation approved by the insurer.

Keep in mind that many policies and plans will not cover disabilities caused by suicide attempts, drug abuse, war, or attempts to commit a crime. Pre-existing conditions are also frequently excluded.

When Will Benefits Start?

Benefits will begin to accrue shortly after the end of the waiting period. Most individual disability policies and group plans have a waiting period (e.g., 90 days, 180 days). When you choose individual disability coverage, consider how long you can manage without a paycheck. If you have significant savings, you may be willing to choose a longer waiting period. The longer the waiting period, the lower the premium. Under most group plans, generally the employer selects the waiting period.

How Long Will Benefits Be Paid?

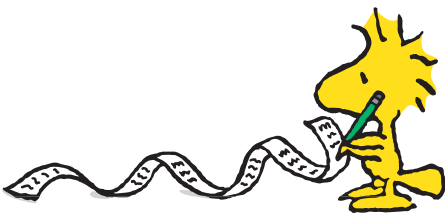
With individual disability income policies, you can select the maximum time your benefits will be paid, subject to the insurer's underwriting guidelines. With most group disability plans, the employer selects the maximum duration of benefits. The most frequently offered benefit periods are two years, five years, and to age 65. Policies with shorter benefit periods will have lower premiums.

How Much Disability Income Insurance Do I Need?

It's generally recommended that disability coverage be chosen to replace 60 to 70 percent of your total taxable earnings. If you purchase disability insurance with after-tax dollars, your benefits will usually be income tax free. If you have group disability insurance provided by your employer, however, benefits will generally be taxable.

Small business owners have special concerns and should consider obtaining professional advice about policy options that protect a business if the owner becomes disabled (e.g., overhead expense policies).

To estimate the benefit amount you would need if you became disabled, ask yourself how much monthly income would cover your living expenses. Would these expenses go up or down if you became disabled? These expenses must be carefully considered. Work-related expenses may go down. Medical expenses may increase. Education expenses may increase as you retrain. Some insurance policies may have premium waivers. By considering all these factors, you should be able to come up with an appropriate amount.



To get an estimate of how much disability income insurance you would need to maintain your current standard of living, complete the following steps using the “Disability Insurance Planning Worksheet” below.

- Complete the top section of the worksheet to estimate your **Average Monthly Expenses**.
- Complete the second section of the worksheet, **Estimated Monthly Disability Income**. Depending on your circumstances, you may not receive every kind of disability benefit listed in the worksheet. If you’re married, be sure to include your spouse’s actual or potential income.
- Subtract your estimated total disability income from your total average monthly expenses, and enter the figure in the bottom square. This figure is the maximum amount of disability benefits you need to purchase.

Disability Income Insurance Planning Worksheet	
Average Monthly Expenses	
Mortgage or rent	\$ <input type="text"/>
Property taxes	<input type="text"/>
Home insurance	<input type="text"/>
Car payments	<input type="text"/>
Car insurance	<input type="text"/>
Bank loans/credit cards	<input type="text"/>
Utilities (average)	<input type="text"/>
Food/clothing	<input type="text"/>
Medical expenses/health insurance	<input type="text"/>
Life insurance	<input type="text"/>
Monthly savings/investments	<input type="text"/>
Other (e.g., education)	<input type="text"/>
Total Average Monthly Expenses	<input type="text"/>
Estimated Monthly Disability Income	
Existing individual disability insurance monthly benefit	<input type="text"/>
Group disability insurance benefit	<input type="text"/>
Estimated monthly Social Security disability benefits	<input type="text"/>
Spouse’s Income (or potential income)	<input type="text"/>
Monthly unearned income (Interest, investment, rental income)	<input type="text"/>
Total: All Available Income	<input type="text"/>
Average monthly expenses minus all income = Amount of disability coverage needed.	\$ <input type="text"/>

What Additional Benefits are Available?

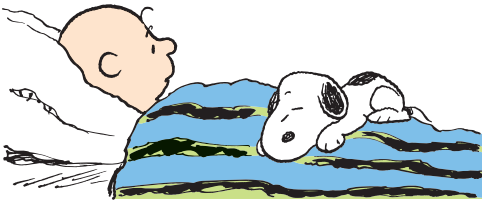
Social Security

Social Security disability benefits may be available to eligible individuals prior to age 65, depending on your income and how long you have been paying Social Security taxes. Generally, if you become disabled before reaching age 65 and you have a steady work history, you may qualify for monthly Social Security disability benefits. The payment may be equal to the amount you would get if you had reached age 62 at the time the disability occurred. Social Security disability benefits generally increase each year to keep pace with inflation.

According to current Social Security guidelines, if you become disabled and you've been receiving a reduced retirement benefit or other disability benefit, your disability benefit may be reduced. Social Security disability benefits will generally stop when you reach age 65, and retirement benefits will begin. (Disability benefits will also stop in other instances not discussed in this brochure.)

The Social Security Administration has very strict definitions of disability. You generally must be unable to engage in substantial gainful activity by reason of a physical or mental impairment that can be expected to result in death or last for at least 12 months. Social Security disability benefits are not intended for temporary conditions. You should also note that Social Security's disability rules are different from those of other government or private programs. So while you may qualify for disability benefits under another program, you are not automatically eligible for Social Security disability benefits. There is also a 5-month waiting period for benefits. If a disabled worker dies before making an appeal for benefits, the family can do so within three months of the worker's death. Benefit payments may be subject to federal income tax.

If you become disabled, call or visit your local Social Security office as soon as possible to determine your eligibility for this benefit, your spouse's eligibility, and that of any dependent children. You can also determine the amount of your entitlement and the formula used for determining this amount. Don't just report your disability; *file an application at your local Social Security office*. If the Social Security Administration turns you down, you can appeal. For more information, call the Social Security Administration toll-free at 800-772-1213. To expedite the application process, have a summary of where you've worked in the last 15 years and the kind of work you did.



How Can I Obtain Coverage?

There are several ways to obtain disability income coverage. Some companies provide their employees with group coverage; check with your benefits specialist where you work to find out if you have or are eligible for coverage. In addition, various associations (e.g., AARP) offer disability income benefits for members. You may also purchase an individual disability income policy yourself. Rates vary according to your age, health, occupation, and the policy features you choose. Here are some smart shopping tips with respect to an individual disability income insurance policy:

Compare policies from at least three different insurers. Compare price, the definition of disability, and whether the policy is noncancelable or guaranteed renewable.

Buy young. Insurance generally gets more expensive as you age. Also, as you get older, you may develop health problems that could preclude coverage.

Buy a noncancelable policy. If you have this type of policy, the company cannot change your premiums or cancel your coverage as long as you pay your premiums on time. In addition, if you purchase your policy at a younger age, you'll be able to lock in a lower premium.

Increase the waiting period. Longer waiting periods will reduce your premiums. Be sure you have enough savings to cover a longer waiting period and/or will receive extended sick pay through your employer. If you're trying to trim the cost of a policy, having benefits payable through age 65 is generally more important than a short waiting period.

Choose a financially strong insurer. Independent agencies such as Standard & Poor's and Moody's rate the financial health of insurance companies.

Shopping Checklist. Use this checklist to help you compare the features of three different individual disability income policies. It is designed to help you compare the features and benefits of three different disability policies. Also, don't overlook the obvious; read, understand and carefully compare each policy's definition of "disabled."

Shopping Checklist			
Policy A	_____		
Policy B	_____		
Policy C	_____		
	Policy		
	A	B	C
Is the Policy noncancelable, guaranteed renewable, or other?			
How long is the waiting period?			
What is the maximum benefit period?			
What is the maximum monthly benefit?			
Can I renew the policy after age 65 if I am still working full time?			
Am I covered for injury and sickness?			
Is there a rehabilitation benefit?			
Is there a Social Security rider?			
What is the premium?			
Are premiums waived during periods of disability?			

What if I Need to File a Claim?

You will need written proof of your disability to file a claim. Your insurer may also require medical records from your doctors concerning the details of your disability. Your insurer may also want you examined at their cost.

Your benefits will begin accumulating after you have been disabled for the predetermined waiting period. If you return to work before the waiting period is over, you most likely will receive no benefits. Note that premiums are usually waived during your disability.

If you find yourself unable to work someday, you'll need to concentrate all your energy on getting better. Disability insurance can help you do that by alleviating financial worries so you can focus on your health and your future.

For More Information

References

Nolo's Guide to Social Security Disability: Getting and Keeping Your Benefits

by David A. Morton, III

Published by Nolo

ISBN-10: 1413304109

Health Insurance Resources: A Guide for People with Chronic Disease and Disability

Published by Demos Medical

ISBN-10: 1932603344

Free Brochures

The quarterly Consumer Information Center Catalog lists more than 200 helpful federal publications. Obtain a free copy by calling 888-8-PUEBLO; on the Internet at www.pueblo.gsa.gov or by writing:

Consumer Information Catalog

Pueblo, CO 81009

Websites

www.disabilityresources.org

Disability Resources, inc. is a nonprofit organization established to promote and improve awareness, availability and accessibility of information that can help people with disabilities live, learn, love, work and play independently. They disseminate information about books, brochures, magazines, newsletters, videos, databases, government agencies, nonprofit organizations, telephone hotlines and online services that provide free, inexpensive, or hard-to-find information to help people with disabilities live independently.

www.nod.org

The goal of the National Organization on Disability is to expand participation and contribution of America's 54 million disabled citizens, by raising awareness through programs and information. This site provides links to community resources and to employers who recruit and assist disabled persons.

www.ssa.gov

The Social Security Administration site provides up-to-date information on all aspects of Social Security, including an explanation of disability benefits, and instructions for applying for disability benefits.



For information about other Life Advice topics, go to www.metlife.com/lifeadvice
To order up to three free Life Advice brochures, call **800-METLIFE (800-638-5433)**.

Discussion of taxes herein or related to this document is for general information purposes only and does not purport to be complete or cover every situation. Tax law is subject to interpretation and legislative change. Tax results and the appropriateness of any product for any specific taxpayer may vary depending on the facts and circumstances. You should consult with and rely on your own independent legal and tax advisers regarding yo

This brochure, as well as any recommended reading and reference materials mentioned, is for general informational purposes only. It is issued as a public service and is not a substitute for obtaining professional advice from a qualified person, firm or corporation. Consult the appropriate professional advisor for more complete and current information.

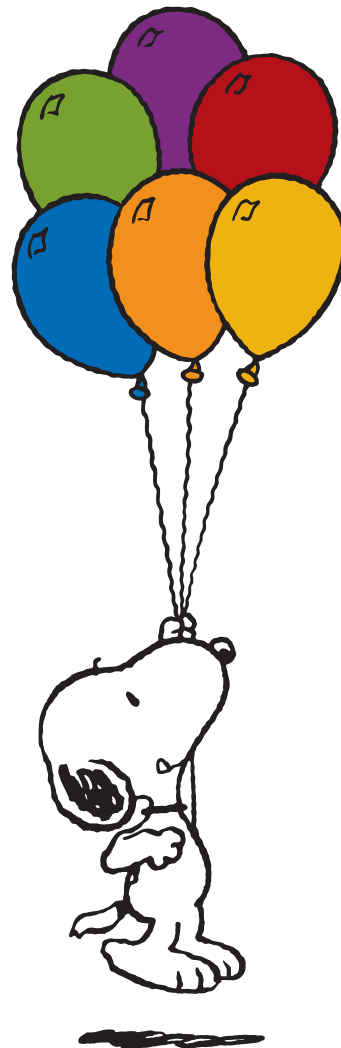
Text may be reproduced with written permission only. Reproduction of any graphical image, trademark or servicemark is prohibited.

Life Advice®

A free resource for consumers. If you would like more information or would like to obtain other *Life Advice* brochures, call:

1-800-METLIFE

Or contact your local MetLife representative.



MetLife®

Metropolitan Life Insurance Company

200 Park Avenue
New York, NY 10166
www.metlife.com

0510-9712 **ORDER NUMBER: LAI02 09/07**
© 2007 METLIFE, INC. L0605E306(exp0908)MLIC-LD
PEANUTS © United Feature Syndicate, Inc.

Life Advice®

MetLife Consumer Education Center