

## Law and Money

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### The Dirt on Disability Insurance

By Sheri Rehwoldt, Contributing Writer

John E. T. Taylor, a financial planner with Greenville Financial Group, became a disability insurance convert nearly a decade ago when a client -- a female attorney in a small partnership -- was involved in a freak accident that left her with permanent mental and physical disabilities.

During a business flight, an item dislodged from an overhead storage bin, striking her on the head. "She had purchased a \$1,000/month disability policy thinking she'd never need it," says Taylor. "I'm a big believer in disability insurance, particularly if you're a single woman."

While a similar accident may never befall you, statistics say that a 40-year-old woman has a 45 percent probability of becoming disabled for a substantial period during her life. And as most accidents happen off the job, you can't count on worker's compensation. There is always Social Security - which defines disability as a medically determinable physical or mental impairment expected to last at least a year - but it can take four months before Social Security makes a decision regarding your benefits claim. And seven out of 10 applicants are initially denied coverage.

"And the Social Security benefits won't be much," says Steve Dewberry, a 15-year agent with Nationwide Insurance in Wilmington. "Your best bet is to take advantage of a group disability policy through your employer, if it's offered. You'll get 100 percent of those dollars, so you'll probably be okay."

A group policy may be enough because you'll most likely receive 60 percent of your salary, offset by the work-related expenses you'll no longer incur.

Dewberry is one of only three agents listed under the Disability heading of the Insurance Guide of Wilmington's Verizon Yellow Pages, and the only Nationwide agent (of the 42 in New Castle County) to market his expertise with disability policies there. "Disability insurance is much more expensive than life insurance, and it's labor intensive to acquire - for both agent and buyer," he



#### Online-only article

[Do I Need Disability Insurance?](#)

#### For more information

Local and national resources that can help with disability insurance planning.

#### Larry Kaufman

Financial Planner  
 Kaufman Financial Services, Inc.  
 4001 Kennett Pike,  
 Suite 222,  
 Greenville, Del.  
 (302) 658-1111  
[Lkaufman@Kaufmanfinsvcs.com](mailto:Lkaufman@Kaufmanfinsvcs.com)

#### John E. T. Taylor

Financial Planner  
 RHU (Registered Health Underwriter)  
 Greenville Financial Group 4001  
 Kennett Pike, Suite 222,  
 Greenville, Del. (302) 658-5800  
[Jtaylor@greenvillefinancial.com](mailto:Jtaylor@greenvillefinancial.com)

#### Steve Dewberry

Agent  
 Nationwide Insurance  
 5700 Kirkwood Hwy.,  
 Wilmington, Del.  
 (302) 995-9550  
[dewbers@nationwide.com](mailto:dewbers@nationwide.com)

#### Larry Schneider

Owner  
 Disability Insurance Resource Center  
 Reston, VA,

says. "But it's very important. The big market for disability insurance right now is from consultants, those downsized from DuPont, for example."

I was curious to see if I could qualify for a policy as a freelance writer working from home, as I'm young and healthy, and my work environment is largely risk-free. I was surprised to learn that I can't - primarily because the industry doesn't consider me a full-time employee. But as a salaried writer with a local magazine or newspaper, securing a policy would have been easy. Assuming my salary was \$3,000/month, I could have purchased a policy paying \$2,050/month until the age of 65 for the bargain price of only \$168 per month (yikes!).

### We're at a Disadvantage

"Females have been hit hard with the introduction of sex distinct rates, resulting in premiums that are approximately 30 percent higher than males," explains Larry Schneider, owner of Disability Insurance Resource Center in Reston, Va. "If women are part of a group policy (one offered by an employer) they're going to get the same rates as men, all things being equal. But for an individual policy they're going to pay more."

Why? Because the insurance companies perceive us as having more working parts than our male counterparts - and we happen to live longer. "Women are also more aware of their health, and they make routine visits to their doctors," says Schneider. "So when they get disabled, they do so more frequently and longer."

So for self-employed women wanting disability insurance, it may take some hoop jumping to get policies that fill their individual needs. Schneider suggests that ideal candidates meet the following criteria:

- Work full-time (30 hours minimum per week).
- Earn at least \$20,000 annually from salaried employment.
- Be in good health - especially mental health. If a woman is in counseling and taking medication, she's normally declined, says Schneider. "It's because mental/nervous payouts are 30 percent of current claims, so the industry gets kind of paranoid when they see mental illness."
- Not be part of a new business start up, due to their high failure rate.
- Live within the continental U.S., as processing claims can be difficult.
- Work outside of the home - the mindset is that if you work at home and break your leg you can still hobble to the computer, but if you work elsewhere, it would be much more difficult to get yourself there.

"There are so many more factors in a disability insurance policy than a life insurance policy," says Schneider. "They look at your financials, your job duties and your health." And there may be a third party taking blood samples, EKG's, etc. But once approved, and if you purchase a noncancelable and guaranteed renewable policy, it can't be taken from you unless you stop paying the premiums.

### So Which is Better?

(800) 551-6211 [www.di-resource-center.com](http://www.di-resource-center.com)

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If you only can budget for one type of insurance -- life or disability -- which is the better choice?

InsWeb ([www.insweb.com](http://www.insweb.com)), an online service that lets you compare auto, life and health insurance quotes, suggests that disability income insurance is more critical because the "probability of a young worker suffering a major disability is as much as six (or more) times the probability of dying; [and] the multiple is still two or more higher even at higher working ages."

Another helpful site is Insurance InLinea ([www.inlinea.com](http://www.inlinea.com)), which explains in simple terms what a disability policy can do for you.

Lee Horzempa, 55, a single social worker and recent California transplant is happy to have the finances for both. "It's hard to say which I'd choose," she says. "They're both really important."

When she moved to Delaware last September, Horzempa realized that Delaware differs from California in many ways - Delaware doesn't have a state disability program, for one. "California does, and they take the money directly from your paycheck. I'm not sure most people knew they even had it," she says. "When I was walking on the ice and snow this past winter, I realized I could break a leg and be out of work." She is in the process of securing a disability policy with Nationwide agent Steve Dewberry, as her new employer, a small agency, offers limited benefits.

"People are programmed to buy life insurance. But you have a much greater chance of being disabled. If you had life insurance and were disabled, you'd have to drop it because you wouldn't be able to pay the premiums," says Schneider. "Disability insurance is the cornerstone of all financial planning."

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