

# Comparing Disability Insurance Policies

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This is the hardest post to write of [all the ones](#) I have done on disability insurance because I'm not a disability insurance agent. Because every policy is different, you are eternally comparing apples to oranges. Even the policies of the same company differ from year to year. The best thing to do is to get a copy of the current policy from every company you are considering, and look at them side by side, comparing the features you feel are most important.



Returns by Prosper Rating range  
**5.52 to 12.03%**  
\*Seasoned returns since July, 2009    Notes by Prospectus

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I get a lot of questions about group insurance policies. I saw a post recently on the Bogleheads forum from [David Goldenzweig](#) (an insurance agent who sells a lot of Guardian disability insurance policies to physicians) with a helpful chart. It's clearly a sales plug for Guardian, but demonstrates quite clearly the difference between a solid individual disability policy (of which Guardian is one of several good companies) and the typical group policy. Sorry about the small print (use control + to blow up the webpage in your browser).

Guardian ProVider Plus	Typical Group Long-Term Disability Policy
True "own occupation" definition for the full benefit period	Own occupation for 24 months, then any occupation or any gainful occupation
Specialty definition of disability for physicians	Generally has no specialty definition
No loss of earnings required for total disability	May require loss of earnings for total disability
Benefits are income-tax free	Benefits are taxable if deducted from paycheck on a pre-tax basis or employer-paid
Premiums are guaranteed not to increase	Premiums can be increased at any time and may increase every 3-5 years for age bands
Contract terms <b>cannot</b> be changed by Guardian	Contract terms <b>can</b> be changed at any time
Contract <b>cannot</b> be terminated by Guardian	Contract <b>can</b> be terminated by employer or insurance company at any time
Benefits <b>are not</b> offset for other income sources	Benefits <b>are</b> offset for other income sources
Pays benefits regardless of other income sources	Benefits may never exceed 100% of pre-disability monthly earnings
No limitation for mental/nervous disorders	24-month benefit maximum for mental/nervous disorders
Waiver of premium while totally or partially disabled	No waiver of premium
Waives premiums for 6 months after recovery from a disability	No waiver of premium
12-month waiver of premium for unemployment even after returning to work	Policy terminates when leaving employer
Policy <b>is</b> portable between jobs	Policy <b>is not</b> portable between jobs
Waives elimination period for recurrence of same disability within 12 months of recovery	Waives elimination period only for recurrence of same disability within 6 months of recovery
Waives elimination period for 5 years after recovery from a 6+ month disability	Waiver for recurring disabilities only as stated above
Waives elimination period for presumptive disabilities	Waiver for recurring disabilities only as stated above
Presumptive disability - pays full benefit even when working in your own job	No presumptive disability benefit
12x monthly benefit lump sum for suffering a "capital loss"	No extra benefit for suffering a capital loss
3% guaranteed annual cost of living adjustment	No cost of living adjustment
15% loss of income required for partial disabilities and <b>no loss</b> of time or duties	No benefits for partial disability
75% loss of income for partial disability deemed to be total disability	No benefits for partial disability
Recovery provision for lost income for the full benefit period	No recovery provision
Retirement contribution protection available	Does not cover retirement contributions
Total disability benefits <b>are not</b> based on current earnings	Total disability benefits <b>are</b> based on current earnings
Allows physician to certify no chance of recovery	Requires continuous physician care and certification of disability
Does not require financial documentation of income loss for total disability claims	Requires continuous financial documentation of earnings loss
210 day accumulation period to satisfy elimination period	Shorter accumulation period or days of disability must be consecutive
Not subject to ERISA laws	Subject to ERISA laws

I like this chart because it demonstrates just how many different features there are in disability policies. These suckers are COMPLICATED. And you get what you pay for. If the policy you're looking at costs less than ~ 2.5-5% of the income you're protecting, there's a reason. That doesn't mean you need the most expensive policy out there, but you ought to compare the one you're buying to the best possible one you can get and consciously decide which features you're going to jettison to save a few bucks. If your agent can't sell you policies from multiple companies, you're buying it from the wrong guy and you won't be getting the best possible advice.

[This guest post](#) discusses the pros and cons of one company over another.