



# Disability Insurance

Disability insurance (also known as “income protection insurance”) provides a monthly benefit if you are unable to work due to injury or illness, and you meet the policy terms.

## Benefit period

The benefit period is the maximum period you are covered for if you have a disability that prevents you from returning to work for an extended period of time. The most common benefit periods are 2 years, 5 years, to age 60 and to age 65.

## Wait period

The wait period is the length of time you will have to wait before you are entitled to a benefit. These are commonly 14, 30 or 90 days.

The wait period depends entirely on your circumstances: how long you would continue to receive income if you were unable to work, how long you could manage financially without income, etc.

Most disability insurance claims are paid in arrears. This means, if you have a 30 day wait period, you may not be entitled to your first benefit payment until 60 days after you cease working.

## “Indemnity” or “Agreed Value” policy?

Under an Indemnity policy, the benefit is usually the lesser of:

- (a) the monthly sum insured; or
- (b) a specified percentage (usually 75%) of your pre-disability income.

An insurer will generally consider your pre-disability income to be the income earned in the period before making a claim (usually the 12 months immediately before the claim. Evidence of income is required when you make a claim.

Under an Agreed Value policy, the benefit level is agreed upon when you buy the policy. Evidence of income is required when you apply for the policy, not when you make a claim (there can be exceptions to this rule for claims where you are able to return to work part-time and are entitled to a partial disability benefit).

Most disability insurance policies, whether they are Indemnity or Agreed Value, offset any on-going income you receive or are entitled to receive, including ACC benefits.

## What to do:

1. Read your policy and be aware of what type of cover you have.
2. If you need to make a claim, provide all necessary documents as soon as possible

## Policy definitions

Disability insurance policies are relatively complex products and definitions can vary considerably between companies. It is important that you understand the “total disability” and “partial disability” definitions in the policy and the circumstances in which benefits will be payable.

“Total Disability” usually means that, because of illness or injury, you are totally unable to either perform your own occupation, or any occupation for which you have the training, education or experience.

“Partial Disability” usually means that you can only work a limited number of hours in your own or any other occupation, and there may be a requirement to be earning under a certain percentage of your pre-disability earnings.

## Making a claim under a disability policy

When you make a claim, you must provide your insurer with all of the information it needs to assess the claim, including financial and medical information. You may also be obliged to provide ongoing financial information and undergo further medical tests.

Insurers normally require a lot of information when a claim is made and, because this often has to come from third parties such as employers, accountants and doctors, there can be delays in obtaining it. For that reason, the sooner you notify the insurer of a claim and complete any required forms, the less time the insurer will take to make payment.