

Disability Insurance Purchasing and Claims

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PURCHASING DISABILITY INSURANCE

1. Buy the maximum coverage allowed for your income.

This amount will vary based on whether you pay the premiums with pre- or post-tax dollars but significant practical and legal advantages attach if you pay the premiums yourself and buy an individual policy that will be portable even if you change employment. Group coverage may also be available, but is not a substitute for an individual policy.

2. Secure lifetime benefits for both sickness and accident disabilities, if available, and seek the maximum term of coverage for occupational, rather than "any occupation," coverage.

You will pay more for such definitions, but if you become disabled it will ease the path to payment. Top-of-the-line occupational disability definitions should provide coverage even if you are still able to function in one or more significant duties of your employment, so long as there are one or more you cannot continue. If the policy refers only to the "material and substantial duties" of your occupation, ask your agent which of these options is meant and confirm the answer in writing.

3. Be careful with "residual" or "partial" disability definitions.

These definitions pay benefits only when your disability results in a loss of income. Claims submitted under these policies often degenerate into complex accounting disputes. You might consider declining such coverages (if they are optional) if you are able to secure acceptable occupational disability coverage.

4. Purchase and exercise optional coverages allowing you to buy additional insurance on policy anniversaries without evidence of insurability ("Future Increase Options" or "Additional Purchase Options").

Depending on the policy, these may, or may not, require proof of higher income as the option is exercised.

5. Purchase coverages (usually optional) that provide cost of living adjustments in benefits once they become payable ("Cost of Living Adjustments").

These will duplicate the escalation of monthly benefits found in government programs like social security and prevent long-term benefits from becoming insufficient over time.

6. The financial strength of the insurer is important, but...

It may not be as important as advantageous policy provisions. Insurers that leave the disability business will continue the administration of their policies through other insurers or professional administrators, and the original policy terms will control. You may already have a policy, of course, and be contemplating a claim under your policy.

SUBMITTING A CLAIM

1. Check your policy carefully as you submit a claim...

And consult with a professional concerning its terms if you have any questions. You may find that what you were told about scope of coverage when you bought it is news to the representative handling your claim.

2. File promptly after becoming disabled.

Sometimes you may not realize the extent of a sickness or disease, but delaying a claim can prejudice your interests and is a red flag to an insurer. Remember too that disability policies insure the occupation you are in when your disability begins, so making personal adjustments to compensate for your inabilities may be grounds for denial if your claim is delayed and the insurer evaluates your duties as of the date of claim.

3. Converse with your claims representative politely, and answer their questions...

But do not become involved in lengthy or introspective discussions. Under no circumstances should you lose your temper or use abusive or foul language.

4. Plan on being a star in the insurer's video.

Investigators can follow you for days to take a few seconds of videotape, and seldom invest time or videotape recording evidence of your incapacities.

5. Independent Medical Exams (IMEs) and Functional Capacity Exams (FCEs) may sometimes result in affirmations of your disability.

However, they also cost the insurer money, and claims which seem obvious are usually reviewed by in-house medical staff without incurring the expense of outside exams. It follows that these exams, particularly FCEs, are likely to adopt a skeptical view of your claim. You may want to request mutual agreement on the examiner's identity, and/or bring a video camera so that the exam may later be evaluated by others. Secure permission for such a step in advance, but do not hesitate to be firm if you encounter initial resistance. Most courts allow such steps.

6. When describing your occupation on claims for occupational disability, do not include your administrative duties unless they constitute a significant portion of your actual work week and generate income.

Insurers can deny claims if you are performing even minor administrative duties if they consider that these duties constitute one of your occupations. Make certain you provide full explanations of your duties and inabilities, and feel free to add additional detail if necessary.

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