

# Disability Insurance Optional Riders<sup>1</sup> to Consider



When it comes to disability insurance (DI), it is natural for clients to want to own the Cadillac of policies. However, these policies may be unaffordable for the average client. Optional riders are an alternative that can help keep premiums affordable. Ideally, premiums should be 2-3% of income. Here is a brief description of some of our more popular optional riders. Keep in mind all disability insurance riders have an additional cost and may not be offered by all carriers.

## ■ Residual/Partial Disability Rider

This rider allows your client to receive some benefit even if he or she is partially disabled (vs. totally disabled). With most carriers, the amount of benefit paid out is directly proportionate to the percentage of income lost as a result of their partial disability. A simple example of this would be if your client's doctor said they could only work 20 hours per week (vs. 40), resulting in a loss of income of 50%, so the client would then receive 50% of the benefit. A residual rider helps to take the 'all-or-nothing' scenario (totally disabled or nothing) out of the equation.

## ■ Own Occupation Rider

Occasionally the client being protected in his or her own occupation through the entirety of the benefit period will already be built into the policy (often the case with the white-collar carriers). With that being said, to add 'Own Occupation/Regular Occupation' riders to these white-collared carriers' policies may only be fruitful if the client thought that he or she would want to work in another occupation upon becoming disabled. This rider would allow him or her to still receive full benefit if disabled from the substantial and material duties of his or her current occupation and chose to do something else (with different duties). If the client thought he or she would likely not return to work by choice in another field or are already in his or her 50s, this rider may not be needed if the client is looking to save on premium.

With the blue-collar carriers, this rider may be something to consider. The base policy will protect the client in his or her occupation for two years (without the rider). After two years, if there is a possibility the client could return to work doing something related to his or her experience and training, the carrier would ask the client to do so (if that were even a possibility). By adding this rider (and assuming the client is still unable to perform the substantial and material duties of his or her occupation), the client would not be asked to seek other employment related to his or her experience and training.

## ■ Future Purchase Rider

A future purchase rider allows your client to purchase more disability insurance coverage in the future by only showing updated financials and not having to go through a medical exam again. Your client's health, age, future earnings, and interest in increasing his or her benefit are factors to consider with a future purchase rider.

## ■ COLA (Cost of Living Adjustment/Inflation) Rider

One of the biggest misconceptions is that the COLA rider will increase the client's benefit over the years while he or she is working. Although that is the case with other types of insurance, this is not the case with DI. With DI, COLA would only kick in after the client has become disabled – then it would increase the client's benefit (usually around 3%) one time a year during the time of disability. Although this rider should be a consideration for a younger client, you may want to consider leaving this off for an older client or any client taking a two year or five year benefit period. For example, if a client in his or her 30s became disabled (and remained disabled for more than a few years), it would certainly help to have a COLA rider that can increase his or her benefit to keep up with the economy's inflation for the next 30 years. However if a client is already in his or her late 40s or 50s (or taking a shorter benefit period policy), the cost of this rider may not be worth the return the client would receive from it.



## Optional Riders – Carrier Quick Links

(Please note that the carrier information below is from August 2015 and is subject to change. Products and optional riders may vary by state.)

[Assurity](#)

[Principal](#)

[MetLife](#)

[The Standard](#)

[Mutual of Omaha](#)

**Contact GAgency at today to find out which optional riders you should consider for your disability client.**

**Raleigh 800-283-8376**

<sup>1</sup>Policy riders are available at an additional cost and may not be available for all products. Terms and conditions apply.

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