

# CAN'T WORK?

Disability insurance coverage is critical for small business owners and their key management personnel. If you have not placed any coverage in force yet, consider it as soon as you can afford it.

by Ed Wandtke

**A**s the green industry matures, one of the realities that all owners need to face is the physical impact of this stressful and seasonal business on their bodies.

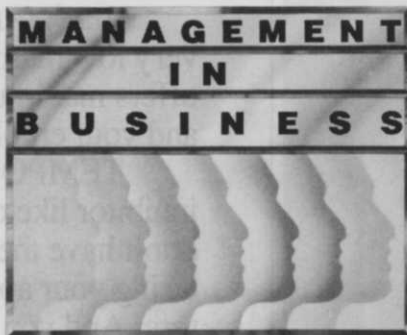
Various insurance coverages can protect you, your family and your business in the event a health problem prevents you or a key employee from working. One affordable coverage, disability income protection, can be very confusing to select and buy.

One of the principle reasons for buying disability insurance protection, according to current medical data, is that more than 70 percent of males and 40 percent of females between the ages of 35 and 65 will be disabled for a period of 90 days or more during these working years. If you are the owner or a key employee in your company, this could be devastating to your individual income. Buying some protection will afford you peace of mind.

Some of the buying decisions you must make are type of policy, waiting period, amount of coverage and benefit payment. A wide range of options should fit each policyholder's requirements. The following ideas should be helpful in discussing the type of disability policy that will fit your needs.

1. A key requirement is to be certain that the policy is non-cancellable and guaranteed renewable. You definitely do not want to find out that your policy will not be renewed just when you need it the most.

2. Do not buy an optionally-renewable policy since it can be cancelled on its anniversary date. This is not a very widely-sold policy, but if your premiums appear too low compared to other policies that you are evaluating, it may be because this clause is included.



vidual in a group plan as their age increases into the next five-year age bracket.

5. Do not assume that Social Security will protect your income if you become disabled. A recent report reveals that between 70 and 90 percent of the individual cases presented to Social Security for disability determination are rejected. In addition, it usually takes somewhere between 1½ and 2 years for

Social Security to process a claim that has been approved for disability benefits. Other federal and state plans provide some amount of disability coverage—such as workers' compensation—but have dollar and time period limitations on total benefits.

6. One of the many terms that you should have in your disability policy is "own occupation." This means that if you are unable to perform the job that you performed prior to the disability, you will continue to collect disability coverage even if you enter some other career.

7. Another coverage that you should have in your basic contract is "residual benefit." This is a benefit that will pay you disability in the event that you cannot continue to make an income level commensurate with the amount of disability insurance coverage at the time of the disability.

For example, if you earned \$100,000 before the disability but can earn only \$60,000 now, you would receive the difference—40 percent—of your disability insurance coverage amount. This benefit is especially helpful if there is the possibility that you would not seek employment in a field outside of the green industry.

After deciding whether you need this benefit for yourself, company or a key employee, the next issue to ad-

AGE	SEX	ELIMINATION PERIOD	FULL YEAR COVERAGE	FULL YEAR NO RESIDENTIAL
45	male	30 day	\$2800	\$2350
45	male	90 day	\$2300	\$2050
45	male	180 day	\$1930	\$1600
45	male	360 day	\$1760	\$1440

**TYPICAL PLAN**  
\$4000 per month  
Male non-smoker

3. Be certain that you have adequate cash reserves to financially survive the elimination (waiting) period before benefits are paid to you. If you have a 90-, 180- or 360-day waiting period, the amount of the insurance cost will be reduced about 35 percent per increase in the elimination period.

4. Do not rely on group disability insurance coverage today as your primary coverage. Group policies can be cancelled, the benefits reduced, or premiums increased based on the experience of the group. In addition, premiums will increase for each indi-

# STOPS GRUBS IN RECORD TIME.

## Lebanon DYLOX 5G

Get quick curative control with Lebanon Dylox 5G, the fast-acting granular insecticide that effectively eliminates surface and subsurface pests. In as little as 48 hours, Dylox is hard at work making history of white grubs and sod webworms—without leaving a long-term residual behind. All in a convenient, granular formulation for easy application to lawn and ornamental turf areas. From your source for premium quality Lebanon turf products.

**Lebanon**  
TURF PRODUCTS  
A division of Lebanon Chemical Corporation

800-233-0628

\*DYLOX is a Registered Trademark of Bayer AG, Germany.

Circle No. 118  
on Reader  
Inquiry Card

dress is its cost. The following are three ways to lower the cost to you if it is needed:

- Have an elimination period which is the longest you can live with—in terms of both cash reserves and insurance premiums. At one insurance company, a \$4,000-a-month plan on a male non-smoker is shown on page 48.

This table shows the annual premium savings that is available depending on the length of the elimination period. In addition, the elimination of the residual benefit does offer some additional savings for most individuals.

Another way to keep premiums low is to have the disability benefit stop at a fixed age such as 65. This may save you some money initially, but I recommend a lifetime disability policy as the better coverage to purchase.

If you and your company have three or more key executives that you may wish to offer this benefit to, some insurance companies offer a discount of between 10 and 15 percent for writing three policies at once.

Also, make sure you define the type of work that you would be covered for. The broader the definition, the higher the premium.

Often the policy will have its own definition of terms. Have the agent clearly explain and obtain written definition of key terms that you need to be concerned about. One definition of disability that is currently in most disability policies is: "the individual's ability to perform the substantial and material duties of his or her current occupation."

Other definitions of disability often take into consideration an individual's past education, work experience, training or other positions previously held. These definitions ignore the current earning and work level of the individual.

Some final tips:

- Be careful of the policy that seems to cover all of the terms that I have mentioned.

- Remember to act before an individual becomes disabled rather than after.

- Be certain that the policy you choose is annually renewed and guaranteed.

- Keep your coverage as broad as possible in defining your work type.

Stay healthy. But if you do need coverage, disability insurance can truly be a financial life-saver. **LM**

Ed Wandtke is a senior consultant with All-Green Management Associates in Columbus, Ohio. He focuses on operations and financial questions.