



5 things about disability insurance you need to know

While disability insurance is a critical component of any financial planning strategy, it remains a misunderstood and underutilized product. Workers who become disabled and unable to work leave themselves and their loved ones susceptible to financial hardship without proper income protection. The reasons people forego disability insurance are varied, but the belief that they will never experience a disability or that Workers' Compensation or Social Security Disability Insurance will cover them if they do are often cited.

Evan Scarponi, vice president and chief claims officer at Prudential Group Insurance, hopes to demystify disability insurance and raise awareness about the product's importance so that workers and their families can help protect their paychecks and help avoid becoming derailed from their path to achieving financial wellness.

In honor of Disability Insurance Awareness Month, Scarponi shares five things you should know about disability insurance.

What is a disability?

A disability is commonly defined as an inability to perform the material and substantial duties of one's job coupled with a loss of income of at least 20% compared to pre-disability earnings. And while insurance policies can define disability in different ways, many companies require that these criteria be met in order for an individual to receive benefits.

What are the common injuries and illnesses that are covered?

There is a misconception that disability insurance only applies to physical illnesses and accident-related injuries, but its coverage is much broader than that. Pregnancy, orthopedic conditions that have a level of impairment, and cancer diagnoses can be considered disabilities. Behavioral health conditions can also be considered disabilities, as well.

In fact, the largest trend we've seen has been a rise in behavioral health disabilities. Prior to the pandemic, we were already anticipating that behavioral health conditions would be among the leading causes of disability by 2030. The pandemic exacerbated and accelerated this trend. We recently began offering the NeuroFlow® platform to eligible short-term disability claimants to help mitigate the myriad mental health challenges that accompany a disabling event. NeuroFlow provides access to self-service tools for stress management, relaxation and coping skills. We believe this offering will help improve disability outcomes for our claimants and help them return to work.

When someone feels like they need to use disability benefits, where do they go first? What should they expect?

Oftentimes, the employer is the best first point of contact; however, claimants can also file directly with their insurance carrier. Once a claim notification has been made, gathering information from the claimant and their physician, as well as their employer, is essential.

Claimants should be prepared to share the nature of their disability as well as their first date of absence from work. From there, the insurer will contact their physician to understand their treatment

plans and what is expected going forward.

Filing a disability claim can be overwhelming but it doesn't have to be complicated. We try to simplify the process for the claimant as much as we can and walk them through the process. It's important that we make everything as simple as possible so the individual can quickly receive a decision on whether their claim has been approved.

While receiving disability benefits, are there any tax or health insurance implications claimants should be aware of?

Yes. The taxability of disability benefits is generally tied to how premiums are paid for the coverage. For example, if the claimant has been paying 100% of the premiums on a post-tax basis, the disability benefits would generally be nontaxable. If the premiums are paid on a pre-tax basis and/or paid by the claimant's employer, the benefits would generally be taxable. There are, however, exceptions to these general rules, and claimants should consult with their own tax advisors on how taxes would impact their benefits.¹ Once receiving a disability benefit, tax withholding needs to be voluntarily elected by the individual.

Regarding health insurance, employers have varying policies as to how long health insurance benefits may continue during a period of disability and how premiums are paid. Individuals should consult with their employee benefits department or human resources representative to obtain additional details.

What is Prudential doing to make the disability claims process easier?

We recognize that filing a disability claim can be an emotional experience. Individuals are often dealing with the impact of an illness or injury and the anxiety that comes along with it, in addition to being worried about their paycheck. Our goal is to be as flexible as possible in meeting customer needs. We provide multiple channels for individuals to report their claim—via our website, over the phone or using traditional claim forms. Claimants can also sign up for electronic delivery of documents and two-way text capabilities. It's now possible for someone to file a claim entirely online.

Regardless of the individual's preferences, we start by educating people about the claims process and working on their behalf to gather the necessary details from their employer and treatment providers. We strive to make fast, accurate decisions and payments for approved claims, which has resulted in 75% of eligible short-term disability claims being paid within five business days and 90% being paid within 10 business days.

Over 50 million U.S. workers don't have disability income insurance.² We want to help change that so workers and families have the income protection they need to help safeguard their financial futures and the that comes from knowing they're prepared for life's unexpected curveballs.

¹The Prudential Insurance Company of America, and its affiliates and representatives, do not provide tax, accounting, or legal advice. Please consult your own attorney or accountant.

²Council for Disability Awareness. <https://disabilitycanhappen.org/disability-statistic>

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