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PERSONAL BUSINESS; The Big Risk That Few Workers Protect Against

By VIVIAN MARINO

WAYNE GOEHRING ran a successful cabinet refinishing business until about two years ago, when he began noticing strange sensations in his feet and hands. Multiple sclerosis was soon diagnosed.

Now he struggles both physically and financially. He has had to disband the Kitchen Tune-Up franchise he opened in 1989 in Bismarck, N.D., liquidate all financial assets and file for personal bankruptcy. His wife, Cindy, has gone to work in a bingo hall because the \$923 in monthly disability checks he receives from Social Security isn't enough to meet everyday expenses.

Mr. Goehring realizes now that he could have avoided such financial devastation had he maintained comprehensive disability coverage, which would have replaced a portion of his \$60,000 annual income. When he started his business, though, he felt healthy and strong, and thought that disability insurance was a waste of money.

"It was a crap shoot and I lost," said Mr. Goehring, 45, who is a former wrestling coach and the father of a college-age son and teenage daughter, and who now sometimes needs help getting out of chairs.

Insurance industry statistics show that the odds of suffering a debilitating injury or illness are far greater than dying during one's working years. Yet more people are likely to have life insurance than disability insurance -- roughly 70 percent versus 40 percent, according to the Health Industry Association of America. The association says that about 30 percent of people 35 to 65 will suffer a disability for at least 90 days, and that 8 million Americans have disabilities that limit their work.

"Most people think of life insurance long before they think of disability insurance, but, in fact, if you're a working adult and you do not have anyone who is financially dependent upon you, you may not really need it," said Larry Elkin, a financial planner in Hastings-on-Hudson, N.Y. "A disability, which cuts off the person's own income, can be devastating if a person does not have any other source of income."

Disability coverage for workers is becoming increasingly important as baby boomers, who make up a huge part of the work force, continue to age. Douglas Frantzen, a senior vice president for the UnumProvident Corporation, based in Portland, Me., and one of the nation's largest disability insurance providers, says the company has seen "double-digit sales growth in the last year or two," though he declined to provide specific numbers.

Many workers are covered to some extent by their employers -- nationally, roughly 40 percent of midsize and large companies and 20 percent of small employers provide long-term disability, according to the Bureau of Labor Statistics. (Laws vary from state to state; in New York and New Jersey, employers must provide at least a short-term policy -- up to 26 weeks of coverage.) And nearly all employers provide some short-term leave, often as paid sick days.

But that still leaves a large portion of workers without long-term coverage through their employers. And unless they buy their own policies, the growing numbers of consultants, freelancers and other independent workers also lack such insurance.

High-profile examples of famous athletes or entertainers struck down in their prime have helped hammer home the possibility of such an event. Among the headline-grabbers were the highway crash last month that left Derrick Thomas, a linebacker with the Kansas City Chiefs, paralyzed and the horse-riding accident in 1995 that left the actor Christopher Reeve a quadriplegic.

Mr. Reeve was recruited by HealthExtras Inc. of Rockville, Md., to help sell accident disability policies that pay out \$1 million for qualifying injuries. His face and words of advice appear on fliers placed in credit card bills from several banks, including Citibank. A spokesman for HealthExtras, Marshall Coleman, said Mr. Reeve had a four-year contract at \$1 million

a year, payable to the Christopher Reeve Paralysis Foundation in Springfield, N.J.

Long-term private disability policies typically provide monthly payments of 60 percent of a person's income at the time of the disability for an extended period, usually up to age 65. Many plans have caps on what is paid out, usually around \$5,000 a month. Mr. Elkin, the financial planner, says that the coverage is especially important for family breadwinners -- and that it should be for accidents and illnesses. Mr. Goehring had an accident policy, but none covering illness.

Disability insurance through an employer, worker's compensation and Social Security can help those who become disabled, but each has its shortcomings. Most employer plans typically last only up to six months, and coverage stops when employment ends. Worker's comp covers only those disabilities suffered on the job, and plans differ by state in benefits and eligibility. Social Security does not kick in until several months after a disability and carries numerous restrictions. And none of these may come close to paying 60 percent of lost income.

A TYPICAL income-replacement plan pays policyholders if they can no longer work in the field in which they were employed or trained, or makes up the difference if they no longer can earn as much as they did in that field. Less expensive plans consider people disabled only if they cannot engage in any occupation. Most financial advisers favor the former.

"If you are a neurosurgeon, a hand injury might make you disabled for purposes of your own occupation, but it won't disable you for the purpose of teaching surgery," Mr. Elkin said. "There's an enormous difference in definition and income."

Financial advisers also recommend policies that are "guaranteed renewable," which means that the insurance company cannot refuse to renew a policy and cannot change any terms except the premium cost. For an additional premium, a cost-of-living adjustment can be included.

To save money, Robert Hunter, director of insurance for the Consumer Federation of America, an advocacy group based in Washington, recommends that consumers buy policies with a longer waiting or "elimination" period, the minimum time a person must be disabled before collecting benefits. The shorter the period, the higher the cost. The average waiting period is 90 days, but some people may be able to extend that to a year or so by tapping into short-term benefits offered by employers or through emergency savings, he said.

Buying through a group plan can cost 30 percent to 50 percent less than than buying an individual policy, Mr. Frantzen said. If a company does not offer a long-term plan, employees can ask if a group can be formed for that purpose. Professional organizations, trade groups and unions also might offer group coverage, Mr. Hunter said.

UnumProvident said a 40-year-old man earning \$46,200 a year could expect to pay \$1,450.80 a year in premiums for an individual plan with a guaranteed renewable policy that kicks in after 90 days and covers his ability to perform his own occupation. With a six-month waiting period, the annual cost falls to \$1,357.29; if bought as part of a group plan, it drops to \$975.17.

Some insurance carriers have stopped offering individual policies because they are more costly to provide and difficult to underwrite. They focus instead on group plans. Others, burned by fraudulent claims, have imposed restrictions. UnumProvident redesigned its products in the mid-1990's and abandoned its most liberal offering.

Mr. Hunter said insurance agents typically did not push disability plans, because they have lower commissions than products like whole life insurance -- about 30 percent of the first year's premiums, versus about 50 percent.

Mr. Goehring wishes his agent had pushed for comprehensive disability coverage when he bought insurance years ago. "The thing is, you can't buy everything that is available," he said.

Photo: Wayne Goehring of Bismarck, N.D., has had to close his cabinetry business since developing multiple sclerosis. One of many workers who are not covered by disability insurance, he has had difficulty affording basic living expenses since becoming ill. (Jeffrey G. Olson for The New York Times) Chart: "Labor Troubles" Top five chronic conditions that kept workers from fully performing their jobs in 1996 (latest data available). Back disorder: 21.4% Heart disease: 10.9% Arthritis: 8.3% Respiratory disease: 5.6% Mental disorders: 4.9% (Source: UnumProvident)