HR Q&A Employee Benefits

Courtesy of Meridian Benefits Consulting

Q How does long-term disability work?

A There is no federal requirement for employers to provide or offer long-term disability insurance to their employees. However, some states have laws concerning this coverage. Employers who choose to provide coverage have flexibility in determining how generous the long-term disability plan will be. Employers can set the amount of disability payments and length of time employees may receive payments under its plan.

If an employee becomes disabled outside of work, they are not eligible for workers' compensation. Long-term disability insurance provides disabled employees with a portion of their regular income after short-term disability coverage is exhausted. The inability to work combined with having higher medical costs can be financially devastating; the pay provided by long-term disability coverage can lessen the financial burden.

Long-term disability plans can either be funded by the employer, the employee or both. The company determines how much coverage to elect. The average plan covers 50 to 70 percent of an employee's regular income per month. Benefits are typically provided for five to 10 years; however, it is not uncommon for benefits to be provided until the employee reaches the age of 65.

Employers should research multiple long-term disability plans in order to determine what type of plan will work best for its company and employees. Companies should compare their plans with others in the industry to assist with benchmarking.

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