

# Demystifying Disability

## Definitions of Disability

A group assurance definition of disability indicates four important criteria to consider:

- The cause of the productivity problem
- The impact on the person's ability to work
- The scope of the disability cover
- The expected duration of the inability to work

Let's look at each criterion in isolation and then at how they come together in different definitions of disability.

## Key components

**Cause:** Productivity can be affected by many factors, e.g. personal problems, conflict with the supervisor, changes in work requirements or health problems. To be considered for disability benefits, the cause of a person's inability to work is injury or illness.

**Impact:** Most medical conditions respond well to treatment, allowing people to continue with their lives after a few weeks. To be considered for disability benefits, the health problem must have a significant impact on the person's ability to work, e.g. to attend work regularly, perform the necessary work tasks, work at acceptable production speed, interact with co-workers, etc.

**Scope:** The impact of the illness or injury is always first considered in terms of the requirements of the person's own job, i.e. being a boiler maker, administrator, sales consultant, etc. However, different insurance products provide different levels of cover. For example, standard monthly income cover uses the person's own occupation

as yardstick while lump sum cover, which is generally cheaper, provides protection only when one has become unable to perform any occupation. The scope of occupational cover is therefore also considered, e.g. are people covered when they become unable to do their own job with their current employer or when they are not able to do any job with any employer?

**Duration:** Lump sum cover requires that the condition causes a long-term (permanent) impact on productivity, while monthly income benefits cover any duration up to retirement age. To qualify for disability benefits, the duration of the person's inability to work needs to match the period indicated in the definition of disability.

## Basic definitions of disability

The four factors form the building blocks of all occupational disability definitions. For example to qualify for the lump sum disability benefit (LSDB), a person needs to be permanently (duration) unable to work (impact) in any occupation at any employer (scope) due to illness or injury (cause).

In comparison, standard monthly disability income cover (DI/PHI) uses the following components for the first two years: a person needs to be unable to work (impact) in his or her own occupation at any employer (scope) due to illness or injury (cause). Compared to the LSDB definition, permanence (duration) is not required and the scope is the person's own occupation rather than any occupation. After the initial payment period of 12 or 24 months, the scope changes to an alternative occupation at any employer, taking into consideration the specific person's age, education, training, work experience and potential for re-training.

The table below captures key aspects of the most frequently used definitions at a glance.

Cover	Cause	Impact	Scope	Duration
Lump sum disability (LSDB)	Illness or injury	Unable to work	Any occupation with any employer	Permanent disability
Standard disability income (PHI/DI) Initial period	Illness or injury	Unable to work	Own occupation with any employer	Temporary or permanent disability that lasts longer than the waiting period
Standard disability income (PHI/DI) Extended period	Illness or injury	Unable to work	An alternative occupation with any employer, taking age, education, work experience and potential re-training into consideration	Temporary or permanent disability

Using these four components enables one to analyse any definition of disability to get a clear idea of the cover. Look out for the next edition, which will focus on the definitions used in temporary disability products, managed disability approaches and to qualify for partial benefits.

