
Sources of Disability Insurance

Disability insurance is designed to replace a portion of the income you can lose if you are too sick or injured to work. There are two main sources of disability insurance: private disability insurance programs and government-sponsored disability insurance programs.

Private Disability Insurance Programs

There are two primary sources of private disability insurance:

The individual purchases the policy directly from an insurance company. The terms and benefits of the policy can vary widely.

Group plans are typically purchased through your employer and generally offer a low-cost alternative to individual coverage. The terms and coverage will vary.

Government-Sponsored Disability Insurance Programs

At the federal level, there are two primary programs offering disability insurance. Both are administered by the Social Security Administration.

Social Security Disability Insurance (SSDI) pays benefits to qualified individuals under the age of 65 regardless of current income. Benefits are based upon your Social Security earnings history.

Social Security Supplemental Security Income (SSI) pays benefits to qualified individuals who are either over 65, blind or disabled, and with limited income. Benefits are not related to the individual's record of Social Security earnings.

The Department of Defense and Veterans Administration offer military service members and veterans disability compensation for service-related health problems. In addition, federal employees covered under the Federal Employees Retirement System (FERS) are eligible for benefits if they have at least 18 months of service, and are unable to perform their job because of injury or disease.

All states and the District of Columbia have workers' compensation laws that provide disability compensation to employed individuals who get sick, become injured, or who are killed on the job. Although most workers are covered, states laws vary dramatically as to who is excluded and to the amount of benefits paid.

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A Word of Caution

Neither of these programs offered through Social Security covers partial disability and both have a strict definition of what it means to be disabled. In fact, in 2012, only 35% of initial claims for Social Security disability benefits were accepted.¹

¹ Annual Statistical Report on the Social Security Disability Insurance Program, 2014, November 2015. Table 61, Medical decisions at the initial adjudicative level, by year of application and program, all decisions.