

Long term disability insurance: An overview



The chances of becoming disabled in a lifetime are higher than most people think.

In fact, according to the Social Security Administration:

1 in 4 of today's 20-year-olds will become disabled before they reach the age of 67.¹



WHO RECEIVES LONG TERM DISABILITY BENEFITS?



54% of new disability claims approved in 2012 were for women.²

Of new beneficiaries approved during 2012, **43%** were younger than 50.²

The average group long-term disability claim lasts³



WHAT DO THESE BENEFITS PROVIDE/PROTECT?

A consumer's most important asset is his or her income and the financial implications of losing income — even for a short period of time — are significant.

In fact, **77%** of workers say that missing work for three months because of injury or illness would create a moderate or great financial hardship.⁴

According to beneficiaries, receiving long term disability benefit payments prevented:

- More than **50%** of long term disability customers from missing mortgage/rent payments, having to move out of their home or missing other bills.⁵
- **One-third** of long term disability customers from having to apply for government food programs and one-third from having to cut back on spending to the point of an uncomfortable lifestyle.⁵

"I would have been forced to declare bankruptcy. I would have probably lost my house and cars."

– Man in his 50s
(Long term disability beneficiary)

Disability insurance protects workers from severe financial challenges in the event that they are unable to work for extended periods of time due to a covered illness or injury.

Short term disability coverage provides income protection benefits when an individual is unable to work for a short period of time due to a covered illness or injury. Most short term disability plans provide benefits up to 13 or 26 weeks.⁶

Long term disability coverage may continue to pay benefits until an employee is able to return to work or reaches age 65. Long term disability insurance typically replaces 60% of an employee's salary⁷, either on its own or in combination with Social Security Disability Insurance benefits.

WHY ARE THESE BENEFITS IMPORTANT?

Recipients of long term disability payments reported not just financial, but also social, psychological and health-related benefits:

Nearly two-thirds of long term disability beneficiaries said that payments allowed them to focus on taking care of their health without worrying about their finances.⁵

88% agreed that their employer-sponsored disability benefits helped them maintain a healthy emotional outlook.⁵

68% said that their health would have been worse without disability payments.⁵

“Without the benefit payments there would have been home pressures. I would have felt dependent, where I don’t have control of my life, trapped, child-like.”

– Woman in her 40s
(Long term disability beneficiary)

WHEN & HOW CAN EMPLOYEES GET THESE BENEFITS?



2/3 of American workers do not have access to employer-provided disability income insurance.⁸



9 out of 10 workers think all employers should offer disability insurance.⁴



56% of employees said they would pay all of \$30 monthly premiums to gain disability income protection.⁴

85% of disability beneficiaries agreed that employers should automatically enroll new employees in disability insurance, allowing them to opt out of this coverage if they do not want it.⁵

And as many agreed that government should inform the public about the risk of becoming disabled and related costs.⁵

“I feel that it is important — for any and all employers — to offer this to their employees. One second can change your life. You can go hungry or lose your house. I think it is extremely important.”

– Woman in her 40s
(Long term disability beneficiary)

1 Social Security Administration, “Social Security Basic Facts” (Jul. 26, 2013; accessed Jul. 31, 2013), <http://www.ssa.gov/pressoffice/basicfact.htm>.

2 Council for Disability Awareness, *2013 Long Term Disability Claims Review* (2013).

3 Gen Re, U.S. *Group Disability Rate & Risk Management Survey* (2012) (based on claims closed in 2011.)

4 Consumer Federation of America and Unum, *Employee Knowledge and Attitudes about Employer-Provided Disability Insurance* (2012).

5 Consumer Federation of America and Unum, *Employer-Sponsored Disability Insurance: The Beneficiary’s Perspective* (2013).

6 Gen Re, *Disability Fact Book Seventh Edition*, (2013-2014).

7 Bureau of Labor Statistics, *Program Perspectives*, Vol. 3, Issue 2, February 2011, http://www.bls.gov/opub/perspectives/program_perspectives_vol3_issue2.pdf.

8 Bureau of Labor Statistics, “National Compensation Survey: Employee Benefits in the United States, March 2012” (accessed Oct. 29, 2012), <http://www.bls.gov/ncs/ebs/benefits/2012/ownership/private/table12a.pdf>.

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