

# Facts about disability insurance



A consumer's most important asset is his or her income. Over a 40-year career, an individual who earns an average of \$52,000 a year would receive more than \$2 million in income.

The Social Security Administration estimates that just over 1 in 4 of today's 20 year-olds will become disabled before reaching age 67.<sup>1</sup> Disability can be caused by a wide range of illnesses or injuries. It can mean several weeks of missed work for surgery, months away after a serious injury, or a year or more for a chronic illness.



Two-thirds of private sector American workers are not covered by employer-sponsored disability insurance against loss of income due to illness or injury.<sup>2</sup> For those covered by long-term disability insurance, benefits typically replace 60% of an employee's salary.<sup>3</sup> Short-term disability benefits may begin almost immediately after the disabled employee leaves work.

## The need

### Working without a net

- More than three-quarters (77%) of workers think that missing work for at least three months because of injury or illness would create a financial hardship, while half think it would cause a "great hardship."<sup>4</sup>
- Half of all households are "financially fragile," having great difficulty raising \$2,000 within a month, if needed.<sup>5</sup>



## The gap

### One nation, underinsured

- 68% of private sector workers do not have long-term disability insurance as part of their employee benefits package.<sup>2</sup>
- More than half (52%) say they know "not very much" or "nothing at all" about disability insurance.<sup>4</sup>
- Sick leave and family leave as provided by the federal Family and Medical Leave Act will allow for some time off. But the time available is limited and this leave is frequently without pay.



## The illusion of adequate resources

### Beyond the basics

The most widespread income protections — workers' compensation, Social Security Disability Insurance, and personal savings — are useful but insufficient:

- Three times as many disabling injuries occur off-the-job as on-the-job and are therefore not covered by workers' compensation.<sup>6</sup>
- The average Social Security Disability Insurance benefit is \$1,100 a month, and is reserved for eligible disabilities expected to last for at least a year or result in death.<sup>7</sup>
- Nearly all households (90%) say that they would suffer financial hardship if they were disabled and unable to work for a year.<sup>4</sup>

## The misunderstanding about disability

- Most workers underestimate the extent to which employees lose work because of illness and injury.<sup>4</sup>
- Most fail to understand that illnesses, not injuries, are by far the most important reason for this lost work.<sup>4</sup>

**90% of disability benefit claims paid are for common illnesses or health conditions.<sup>8</sup>**

- The most common reasons for disability leave include muscle/bone disorders, cancer, childbirth, heart attacks, strokes and nervous system disorders.<sup>9</sup>
- Once an individual has been disabled for 90 days, the average length of disability is two years.<sup>10</sup>

## Closing the gap

The Bureau of Labor Statistics reports that 38% of private sector workers have access to employer-provided short-term disability insurance, and 32% are offered long-term disability insurance.<sup>2</sup> Today, more than 600,000 disabled workers receive in excess of \$8 billion in long-term disability benefits annually through employer-sponsored disability coverage.<sup>8</sup>

In an economic analysis conducted in 2011, Charles River Associates concluded that **access to disability insurance in the workplaces saves as many as 575,000 families a year from slipping into poverty, saving the government and taxpayers up to \$4.5 billion per year in public assistance costs.**<sup>11</sup>

Increasing the availability of income protection benefits is a critical step in creating a safety net for American workers. The Consumer Federation of America (CFA) and Unum are working together to increase the awareness of the need for employer-sponsored income protection benefits and to make these valuable benefits more accessible to working Americans.

## Affordability & value

- Employer-sponsored group disability insurance costs about \$10 to \$30 per employee per month, or \$120 to \$360 a year.

**\$30 per month**  
**x 12 months**  

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**\$360 per year**



**9 out of 10 workers think all employers should offer disability insurance.<sup>4</sup>**

- Nearly 9 out of 10 workers think it is “personally important” for them to have this coverage.<sup>4</sup>
- 56% of employees said they would pay all of \$30 monthly premiums to gain protection.<sup>4</sup>

Increasing the availability of income protection benefits is a critical step in creating a financial safety net for American workers.

1 Social Security Administration, Basic Facts, April 4, 2012, <http://www.ssa.gov/pressoffice/basicfact.htm>

2 Bureau of Labor Statistics, National Compensation Survey, March 2011, <http://www.bls.gov/ncs/ebs/benefits/2011/ownership/private/table12a.htm>

3 Bureau of Labor Statistics, Program Perspectives, Vol. 3, Issue 2, February 2011, [http://www.bls.gov/opub/perspectives/program\\_perspectives\\_vol3\\_issue2.pdf](http://www.bls.gov/opub/perspectives/program_perspectives_vol3_issue2.pdf)

4 Consumer Federation of America and Unum, “Employee Knowledge and Attitudes About Employer-Provided Disability Insurance,” Opinion Research Corporation survey of 1,191 full-time or part-time adult employees conducted March-April 2012, published April 30, 2012.

5 Lusardi, Annamarie, et. al. “Financially Fragile Households: Evidence and Implications,” National Bureau of Economic Research Working Paper 17072, May 2011.

6 National Safety Council, “Promoting Off-the-Job Safety: It Makes Sense!” May 2010, based on “Injury Facts,” 2011 edition, [http://www.nsc.org/safety\\_work/otjsafety/resources/Documents/Promoting\\_OTJ\\_Safety\\_2011ed.ppt](http://www.nsc.org/safety_work/otjsafety/resources/Documents/Promoting_OTJ_Safety_2011ed.ppt)

7 Social Security Administration, 2012 Disability Red Book, <http://www.socialsecurity.gov/redbook/eng/definedisability.htm>, and Monthly Statistical Snapshot, March 2012, [http://www.ssa.gov/policy/docs/quickfacts/stat\\_snapshot/](http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/)

8 The 2011 Council for Disability Awareness Long-Term Disability Claims review, [http://disabilitycanhappen.org/research/CDA\\_LTD\\_Claims\\_Survey\\_2011.asp](http://disabilitycanhappen.org/research/CDA_LTD_Claims_Survey_2011.asp)

9 The 2011 Council for Disability Awareness Long-Term Disability Claims review and Unum internal data

10 Society of Actuaries. (1987). Commissioners Group Disability Table.

11 Charles River Associates (2011). Financial Security for Working Americans: An Economic Analysis of Insurance Products in Workplace Benefits Programs. [http://forms.unum.com/StreamPDF.aspx?strURL=/FMS\\_113983-1.pdf](http://forms.unum.com/StreamPDF.aspx?strURL=/FMS_113983-1.pdf)

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**Consumer Federation of America**

The Consumer Federation of America is a non-profit association of some 280 national, state, and local pro-consumer organizations founded in 1968 to promote the consumer interest through research, education and advocacy.