

## Disability Insurance Awareness Month 2017

### Campaign Factsheet

#### The Income Protection Issue: A Primer

Disability Insurance is insurance for your income.

It replaces a portion of your income if you are unable to work due to an illness or injury. Most people need to work in order to make ends meet, and couldn't withstand even a short-term loss of their income. Unfortunately, too many American workers leave their incomes unprotected.

[More than half of the American workforce](#) has no private disability insurance. This leaves them vulnerable to the financial consequences of an illness or injury that prevents them from earning an income. Without insurance, even those who experience a [short-term illness or injury](#) can quickly run out of money without a backup plan to replace their lost income.

More than two-thirds have no long-term disability insurance, and are forced to rely on government programs, primarily Social Security Disability Insurance, if they experience a long-term loss of income. The benefits provided by these programs are inadequate for most earners to continue to meet their financial obligations and maintain their standard of living.

Short- and long-term disability insurance help working Americans protect themselves against this risk and alleviate the financial consequences. [Disability insurance](#) and other income protection insurance products can be obtained through employer-sponsored benefits or purchased individually. Most workers who have disability insurance obtained it in the workplace.

#### May is Disability Insurance Awareness Month

Each year, insurers, adjacent businesses, agents, brokers, employers and industry organizations come together to remind the American public about the risk of income interruption, the consequences of being unprepared, and the importance and value of disability insurance.

This year, The CDA campaign highlights a simple truth when it comes to disability insurance: When you buy it, you are insuring yourself – your skills, experience, and ability to work. The campaign focuses on working adults under 40, recognizing when people start out in adulthood they are particularly vulnerable to a period of lost income.

Since most people with disability insurance obtained it at work, The Council for Disability Awareness is concurrently organizing a campaign aimed at small and medium employers, entitled "Disability Insurance: A Benefit for All." The campaign focuses on why employers should offer disability insurance benefits to their employees.

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## The State of Disability Protection in America

- **One-in-four of today's 20 year olds** will become disabled before reaching age 67.<sup>2</sup>
- Only **33 percent of private sector workers** have access to [long-term disability benefits](#) through their employer, and 40 percent have access to short-term disability benefits.<sup>3</sup>
- **Workers who are considered "full-time" are more likely to be covered**—50 percent for short-term disability, and 44 percent for long-term disability.<sup>3</sup>
- **Employees of small companies are much less likely to be covered.** At companies with fewer than 100 workers, 29 percent have access to STD, 23 percent have access to LTD.<sup>3</sup>
- **Part-time workers are much less likely to have income protection** than full-time workers. Only about one in seven part-time workers have access to employer sponsored [short-term disability](#).<sup>3</sup> Only 5 percent of part-time workers have access to employer sponsored long-term disability.<sup>3</sup> Twenty-six million Americans are considered part-time workers.<sup>4</sup>
- **Most people who have disability insurance obtained it through their employer.** Our 2014 [America's Income Protection Picture](#) study found that around 75 percent of people with disability insurance obtained it in the workplace.<sup>5</sup> Other studies find the percentage to be even higher. Overall, we estimate that less than one in ten American workers owns a disability insurance policy they obtained outside the workplace.
- **Over two million people a year** apply for Social Security Disability Insurance (SSDI) benefits, and **over 700,000 are approved**.<sup>1</sup>
- **Almost nine million American disabled workers currently receive SSDI benefits.**<sup>2</sup> Most have no other source of income.
- **Social Security Disability Insurance (SSDI) benefits average \$1,171 a month**<sup>2</sup> – which is just above the 2017 federal poverty line for an individual.<sup>6</sup>
- **SSDI replaces less than half of the income of anyone earning over \$30,000 a year.**<sup>2</sup> Roughly 75 percent of full-time workers in America earn more than this threshold<sup>7</sup>, and are therefore at risk of severe income loss if they experience a disability.
- **SSDI is difficult to qualify for.** The application process can take months or even years, and applications are generally only approved for disabilities expected to last a year or more.

## Disability Insurance: Frequently Asked Questions

### Who Needs Disability Insurance?

Anyone who depends on a regular paycheck to meet their financial needs and obligations.



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## What does Disability Insurance do?

Disability insurance...

- Protects your investment in your education / career training
- Protects your current lifestyle
- Protects the assets that your income pays for (house, car, living essentials)
- Protects your future life goals and plans
- Protects your dependents
- Protects your retirement
- Protects your kids' education

## What Can Cause a Disability Claim?

There are generally four types of scenarios that can cause a disability claim:

- Happy times : Starting a family and having a new baby.
- Inconvenient times: Injury while playing sports.
- Life taking its toll: Back pain, depression, or other mental disorders.
- Major accidents or life-changing diagnoses: Such as diabetes or cancer.

The most common cause of [short-term disability claims](#) is generally a happy one: Pregnancy. Most short-term disability plans provide for six weeks of benefits for a routine pregnancy. Injuries and joint disorders are also a major cause.

The most common causes of [long-term disability claims](#) are back problems, other joint and soft tissue pain, cancer, heart disease, and mental health. For more information about the causes of disability claims, [read our blog post](#) or our [2014 Long Term Disability Claims Review](#).

## What Are the Solutions?

- For most working people, [disability insurance](#) is the only realistic long-term source of replacement income.** Depending on their savings and obligations, some people can withstand a short-term disability without income protection insurance—but most cannot. A recent study by the Federal Reserve found that 46 percent of Americans could not handle a \$400 emergency.<sup>7</sup>
- Employers can offer employer-paid income protection benefits for relatively little cost,** especially when compared to the cost of health insurance and retirement benefits. Government studies show that providing disability benefits costs an average of 11 cents per hour of payroll.<sup>8</sup>
- Employers can offer income protection benefits that are fully paid for by the employee.** This provides employees with choice, and is generally more affordable for the



employee than purchasing individually, but does not add to employers' benefits costs. When voluntary coverage is offered, benefits education is critical. Insurers, brokers, and employers must work together to ensure employees understand the importance of income protection.

- **Employer group plans can be tailored in many different ways**, but most replace 50-60 percent of the employee's salary. In some cases, the employer can pay a certain percentage, and also provide the employee the option to pay for additional coverage.
- **Employees who have employer-sponsored protection may still need more** than their group plan provides. Individual insurance can be coupled with group plans in order to provide the adequate amount of coverage.
- **Working consumers can also consider insurance products like [Critical Illness Insurance](#) and [Accident Insurance](#)**. While this coverage is more limited, it is an affordable way to provide some income protection.
- **Financial advisors, insurance agents and others providing financial advice must make sure to discuss [income protection](#) with their clients**. Without their incomes, most people could not accomplish any of their financial goals. Unless an individual does not need their income, no financial plan is complete until income protection is included.
- **Financial writers must remember to include disability insurance** when discussing how to create a solid financial foundation.

America's income protection gap is a serious concern for businesses, for the public as a whole, and most importantly—for those individuals and families who are uninsured.

The Council for Disability Awareness calls on everyone during Disability Insurance Awareness Month to help us educate working people about the importance of income protection to their financial security.

#### Sources

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3. Bureau of Labor Statistics, Employee Benefits Survey, March 2016
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5. Council for Disability Awareness, America's Income Protection Picture, 2014
6. Department of Health and Human Services, 2017 Federal Poverty Guidelines, January 2017
7. Bureau of Labor Statistics, Weekly Earnings of Wage and Salary Workers, Fourth Quarter 2016
8. U.S. Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2015, published May 2016
9. Bureau of Labor Statistics, Employer Costs for Employee Compensation, September 2016

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