

2011 LONG-TERM DISABILITY CLAIMS REVIEW

The 2011 Council for Disability Awareness Long-Term Disability Claims Review

Since 2005, the Council for Disability Awareness (CDA) has conducted a proprietary annual review of long-term disability claims among the U.S. working population. The 2011 CDA Long-Term Disability Claims Review summarizes quantitative and qualitative long-term disability insurance claims data from 2010 gathered from the annual CDA member Long-Term Disability Claims Survey. The report identifies continuing or emerging trends for the purposes of education, evaluation and use by interested audiences. Also included is selected worker disability data from the Social Security Disability Insurance (SSDI) program. Fourteen CDA member companies, representing roughly 75% of the commercial disability insurance marketplace, participated in the 2011 survey.

About the Council for Disability Awareness (CDA)

The Council for Disability Awareness (CDA) is a non-profit organization dedicated to helping the American workforce become aware of the likelihood of disability and its financial consequences. The CDA engages in communications, research and educational activities that provide information and helpful resources to wage earners, their families, the media, employers and others who are concerned about disability and the impact it can have on wage earners and their families.

Comments? Suggestions?

Contact us at www.disabilitycanhappen.org.



CDA Survey Findings: Summary of Key Findings from Proprietary CDA Member Company Data

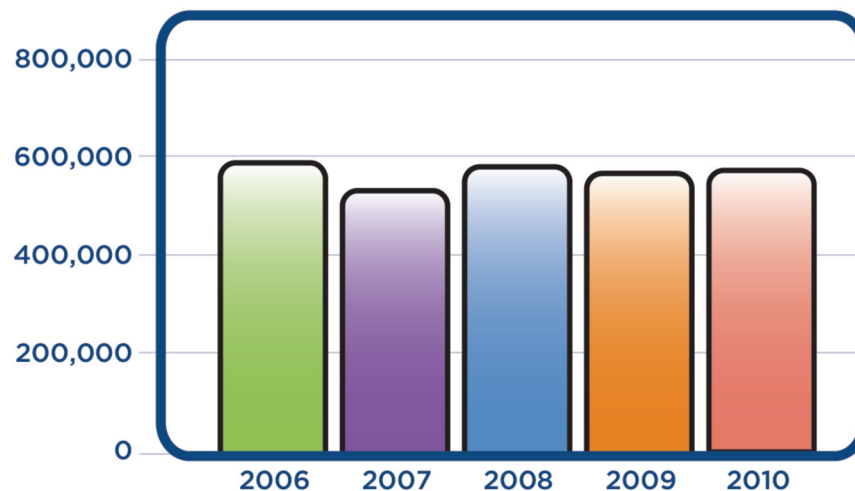
- **\$8.3 billion** in long-term disability insurance claim payments were made in 2010 by CDA member companies that participated in this year's study. This represents a 1% increase over payments made in 2009.
- **Impact of the economic downturn on disability claims:** 56% of participating companies reported increased claim incidence from 2009 to 2010, and most suggested the increase was impacted by the recession. By comparison, in the 2009 data, only 18% of participating companies reported increased claim incidence, 71% reported incidence to be flat and 11% reported decreased incidence.
- **Impact of the economic downturn on employers providing group long-term disability programs:** Participating companies reported 0.6% fewer employers offering group long-term disability insurance programs in 2010 compared to the prior year.
- **Impact of the economic downturn on insured lives:** Participating companies reported insured lives declined by 0.8% from 2009 to 2010, reflecting job loss in the broader economy, decreased worker participation in existing plans and fewer employers providing traditional group long-term disability programs in 2010.
- **Impact of the economic downturn on worker financial security and confidence:** Ongoing economic weakness continues to weigh heavily on U.S. workers. The economic recovery has been erratic and unemployment remains stubbornly high. Wage earners are holding onto jobs if they can, savings rates in 2010 exceeded 5% and consumer debt is decreasing rapidly. A looming sense of economic vulnerability has elevated worker recognition of financial risk and the importance of taking personal responsibility for planning for the potential of an income-limiting disability.
- **The Social Security Disability Insurance (SSDI) program** continues to face challenges. New disability benefit applications, new disability awards and the total number of disabled workers currently receiving SSDI payments continue to escalate rapidly, while the growth in covered workers remains modest.

Other CDA Survey Findings

- **587,000** disabled individuals received long-term disability insurance payments from CDA member companies that participated in the 2010 study, representing a slight (0.3%) increase over 2009.

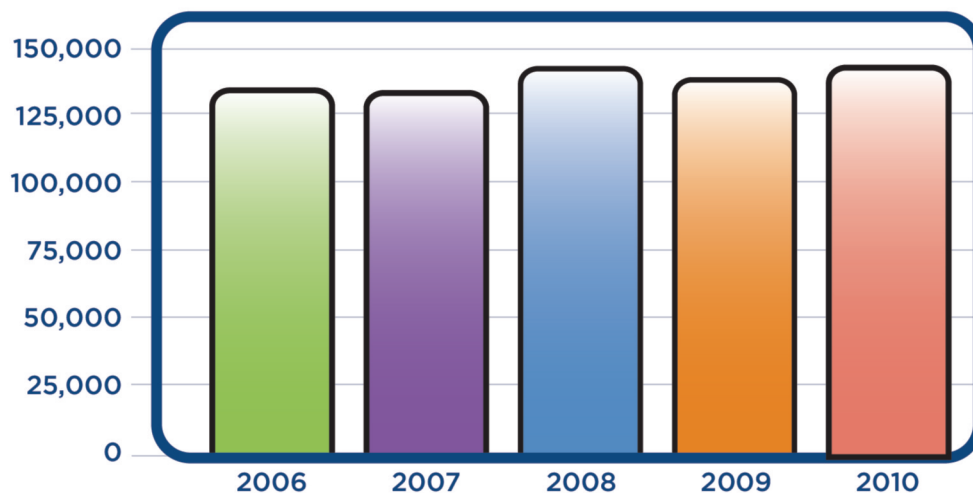
The number of disabled individuals receiving long-term disability insurance payments from CDA member companies increased slightly in 2010.

Number Receiving Disability Payments



139,000 new disabled individuals were approved for long-term disability insurance benefits by reporting CDA member companies in 2010, an increase of 2.6% over 2009.

Number of New Claimants Approved



Source: 2011 CDA Long-Term Disability Claims Review.

- **More than 95%** of reported CDA member company disability claims were not work-related in 2010.
- **72% of individuals** receiving long-term disability insurance from CDA member companies in 2010 also qualified for Social Security Disability Insurance (SSDI) payments, compared to 68% of private long-term disability insurance claimants who also qualified for SSDI in 2009.

Causes of Disability Claims

The CDA Long-Term Disability Claims Review examines and reports causes of long-term disability claims—including causes of new claims approved during the current year as well as existing disability claims that were approved in prior years but remain ongoing.

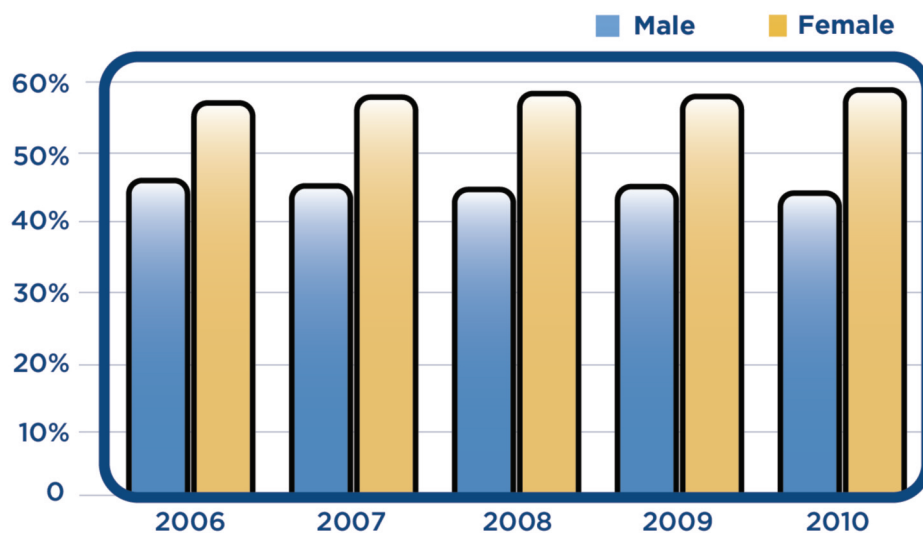
Some Key Findings about the Causes of Long-Term Disability Claims

- Diseases of the musculoskeletal system and connective tissue continued to be the leading cause of new disability claims approved during 2010. Nearly three in ten new disability claims were caused by musculoskeletal system and connective tissue disorders. The percentage of new disability claims caused by musculoskeletal impairments increased in 2010.
- Cancer claims were lower as a percentage of new disability claims in 2010, although cancer remains the second leading cause of new disability claims and the fourth leading cause of ongoing claims.
- New disability claims caused by injuries trended down in 2010 for the second year in a row. This may be related to lifestyle changes, possibly related to the economy.

- New disability claims resulting from complications of pregnancy and childbirth also were down in 2010, and now cause about 5% of new long-term disability claims.
- New long-term disability claims caused by infections and parasitic diseases, while a small percentage of the total, more than doubled from 1.2% (approximately 1,700 claims) in 2009 to 2.7% (approximately 3,900 claims) in 2010.
- The number of disabling mental disorders increased from 2009 to 2010.
- The most common causes of existing long-term disability claims in 2010 included: diseases of the musculoskeletal system and connective tissue (30.1% of all existing claims), diseases of the nervous system and sense organs (13.4%), diseases of the circulatory system (12.7%) and cancer (8.4%).

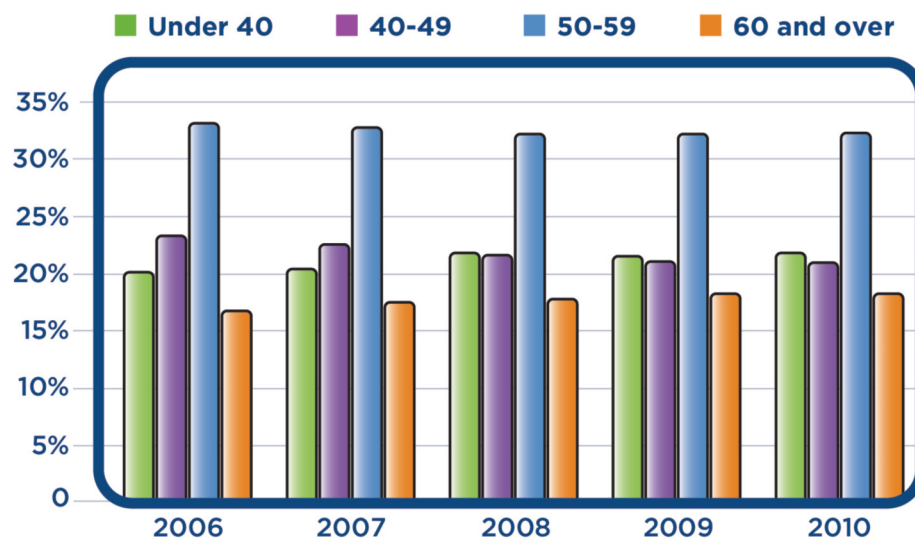
Percent of New Long-Term Disability Claims by Gender

The percentage of female claimants has been increasing.



Percent of New Long-Term Disability Claims by Age

The percentage of claims from employees who are under age 40 or over age 60 has been trending upward.



Source: 2011 CDA Long-Term Disability Claims Review.

2011 CDA Long-Term Disability Claims Survey Disability Claims by Diagnosis

See appendix for a description and examples of each diagnosis.

Claim Diagnosis Category	% of New and Existing LTD Claims			
	2009		2010	
	New*	Existing*	New*	Existing*
Musculoskeletal/Connective Tissue	26.9	30.1	27.5	30.1
Nervous System-Related	6.9	13.4	6.9	13.4
Cardiovascular/Circulatory	9.1	13.0	9.1	12.7
Cancer and Neoplasms	15.4	8.3	14.6	8.4
Injuries and Poisoning	11.0	7.7	10.3	7.8
Mental Disorders	8.3	7.6	9.1	7.7
Symptoms, Signs and Ill-Defined	3.7	3.0	3.0	3.0
Respiratory System	2.3	2.8	2.3	3.0
Infections and Parasitic Diseases	1.2	2.3	2.7	2.8
Endocrine, Nutritional and Metabolic Diseases, and Immunity Disorders	1.3	2.4	1.3	2.3
Digestive System	2.5	2.2	2.5	2.2
Genitourinary System	2.0	2.0	2.0	2.0
Complications of Pregnancy, Childbirth and the Puerperium	5.6	1.1	5.1	1.4
Skin and Subcutaneous Tissue	0.8	0.9	0.8	0.9
Congenital Anomalies	0.4	0.9	0.6	0.8
Blood and Blood-Forming Organs	0.2	0.1	0.2	0.2
Other	2.4	2.2	2.0	1.3
Total:	100%	100%	100%	100%

*"New" claims are those approved in the survey year; "existing" claims are ongoing but were approved in prior years. Source: 2011 CDA Long-Term Disability Claims Review.

CDA Survey Findings: Observations from CDA Member Company Responses to Qualitative Questions

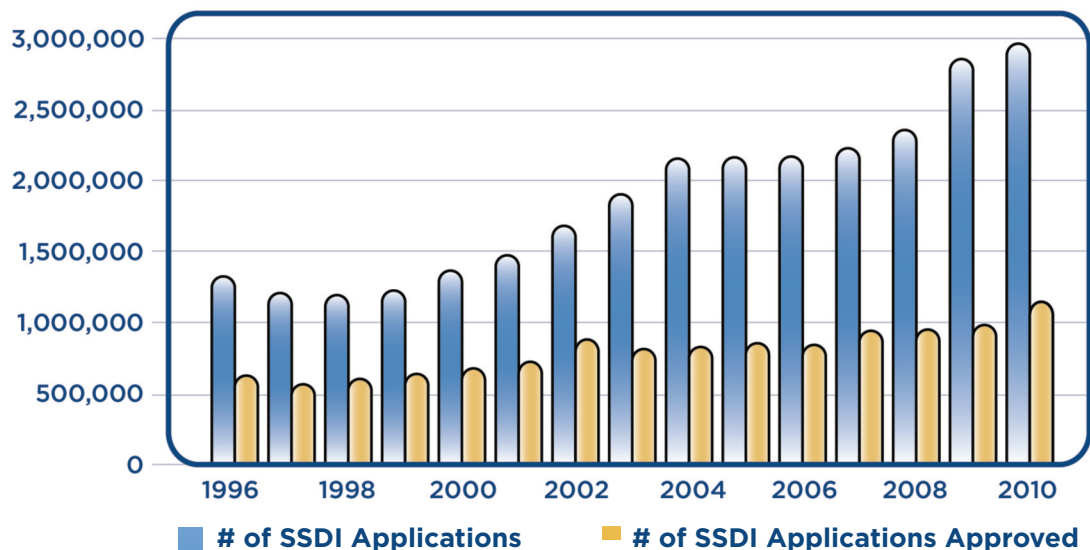
As part of the 2011 CDA Claims Survey, member company experts were asked a series of qualitative questions about past years' long-term disability insurance claim trends, and were asked for observations and predictions for the future. Here is how the experts responded:

- 56% of participating companies noted an increase in overall claim incidence in 2010, 25% reported incidence decreases and 19% noted new claim incidence rates were flat from 2009. Overall, new claim incidence trended up from 2009 when 71% of reporting companies reported no change in incidence from 2008.
- Most companies reported little or no change in the diagnoses causing new or existing claims.
- 25% of reporting companies noted increased long-term disability claims caused by mental and nervous disorders and 19% reported increased musculoskeletal diagnoses.
- Even though claim incidence is generally up, most participating companies said incidence remained better than what they expected given the severity of the recession and the continued uncertain economic climate. Some companies commented on a longer than normal lag between the onset of the recession and the eventual impact on disability claims.
- 47% of companies are reporting no change in claim termination rates, 13% report minimal increases and 40% report minimal decreases.
- Disability claims are lasting longer than in the past. Companies attribute this to several factors: the poor economic climate, the relatively greater severity and complexity of disabling conditions compared to those in the past, and the difficulty in returning qualified, willing claimants to work when few jobs are available for them to return to. The aging of the U.S. workforce may also be a factor.
- Predictions about the next 12 months were fairly evenly split. Roughly half of the participating companies expect to see no significant changes in claim trends in the year to come. The other companies are predicting a slight increase in disability claims, dependent to some degree on the pace of economic recovery and job growth. No companies are projecting material disability claim increases. (Notably, predictions for 2010 documented in last year's CDA Long-Term Disability Claims Report were generally quite accurate.)
- The most frequently mentioned concerns for the future were:
 - The pace of the economic recovery and job growth, and its impact on disability claims.
 - The residual impact of health care reform on health care occupations and the disability insurance marketplace.
 - The regulatory environment.
 - Availability of and development of disability claims professionals to fill future roles.

Social Security Disability Insurance (SSDI) 2010 Data and Trend Highlights

- **152 million** workers were covered for disability insurance under the SSDI program at the conclusion of 2010, a 0.7% increase over 2009.
- **Covered male workers (52% of total) outnumber covered females (48% of total)** although the covered female worker population continues to grow faster; the number of female workers grew 1% over 2009 compared to males at +0.4%.
- **8.2 million workers—over 5% of the U.S. workforce—were receiving SSDI benefits** at the conclusion of 2010.
- **The Social Security Administration paid \$115 billion to disabled workers in 2010**, up 5% from 2009.
- **The disabled worker population continues to steadily grow:** The number of disabled workers receiving SSDI claim payments increased by 5.3% from year end 2009 to year end 2010, continuing to outpace growth in the overall covered worker population. The aging population, growing female worker population and continued economic uncertainty are factors that impacted this growth.
- **Over 2.5 million workers in their 20s, 30s and 40s were receiving SSDI payments** at the end of 2010; this constitutes over 30% of all workers receiving SSDI payments.
- **Musculoskeletal and connective tissue disorders** such as back pain, degenerated disc, arthritis, osteoporosis and rheumatism are the most frequent diagnoses for new SSDI awards, followed by mental disorders, circulatory system disorders, cancers and tumors, and nervous system and sense organ disorders.
- **Notably, 54% of new SSDI awards** to workers under age 35 were for mental diagnoses.
- **New SSDI benefit applications increased in 2010:** Applications for SSDI benefits rose to 2.9 million in 2010, the most ever, reflecting a 4.2% increase over the previous record set in 2009. That increase was far below the 21.4% upward spike from 2008 to 2009, so the rate of increase in new applications slowed markedly in 2010.
- **New SSDI benefit awards in 2010 exceeded one million for the first time ever.** The 1,052,551 new awards in 2010 represented a 6.8% increase from 2009; this increase partially reflects the surge in new applications received during 2009.

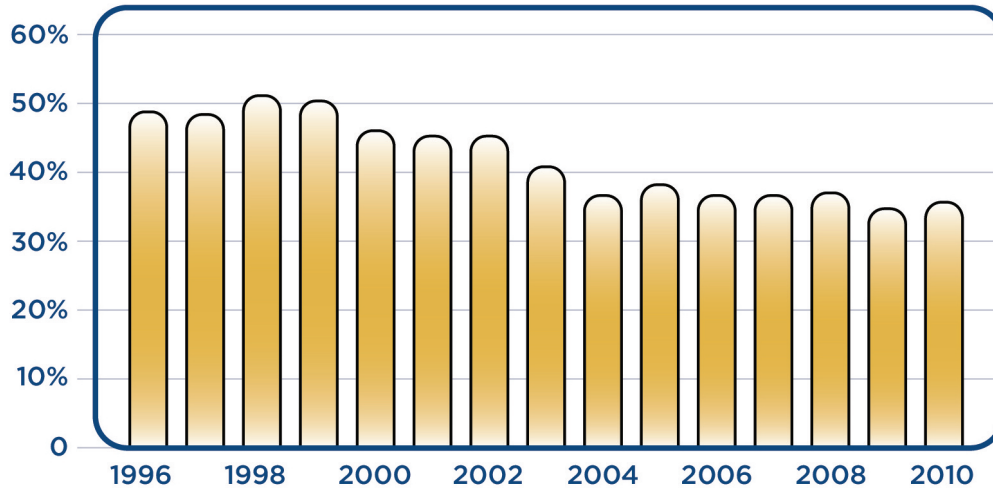
SSDI applications and awards continue to increase.



Source: U.S. Social Security Administration.

- **The ratio of new SSDI awards to applications received increased slightly in 2010** to 35.9%, up from 35% in 2009. This ratio remains near its 25-year low.

Ratio of SSDI Applications Approved as a Percent of Applications Received

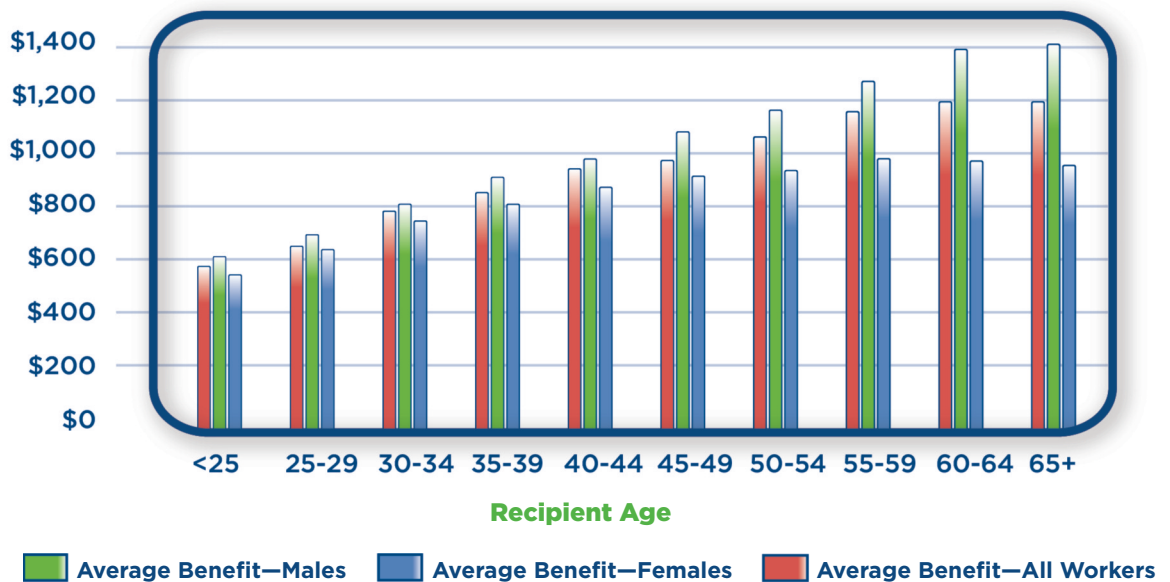


Source: U.S. Social Security Administration.

- **New SSDI awards exceeded terminations by 63%.** New disabled workers receiving benefits are exceeding SSDI beneficiaries who leave the rolls for any reason.
- **The SSDI disability rate increased during 2010:** 6.9 SSDI awards per 1,000 covered workers were approved in 2010, the highest rate in history. In 2009, 6.5 awards per 1,000 covered workers were granted.
- **40.2% of disabled men and 63.9% of disabled women in 2010 received SSDI benefits of less than \$1,000 per month;** only 3.9% of disabled workers received \$2,000 or more in SSDI monthly benefits.

Workers' Average Monthly SSDI Benefit by Recipient Age

The average SSDI monthly benefit at the end of 2010 was \$1,068. The average was \$1,191 for male recipients and \$931 for female recipients.



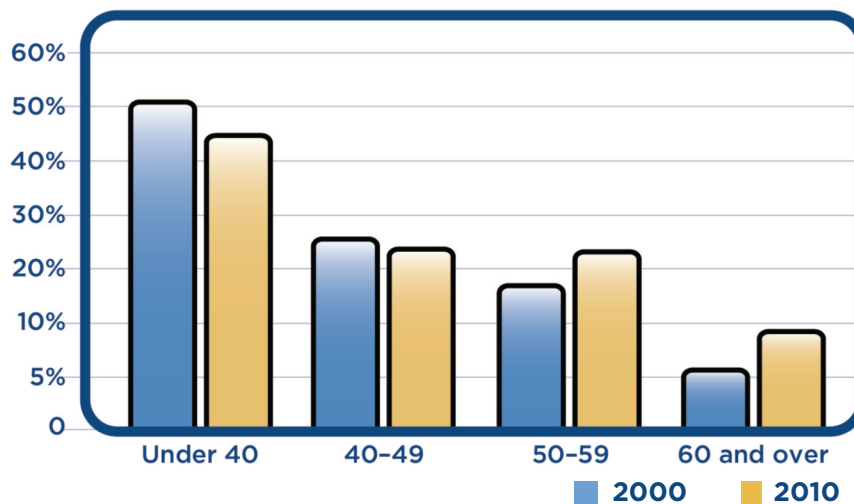
Source: U.S. Social Security Administration.

Long-Term Social Security Disability Insurance Trends

- **The 152 million covered workers in 2010 represents a 10% increase** over the 138 million workers covered a decade ago.
- **The population of female covered workers has grown faster** than males over the past decade; females grew by 14% compared to 8% growth in covered males.
- **The SSDI covered worker population has aged significantly:** In 2000, 23% of covered workers were age 50 and over; in 2010, 32% were 50 and over. The table below illustrates this trend.

Percentage of Covered Workers by Age

The covered workforce is aging.

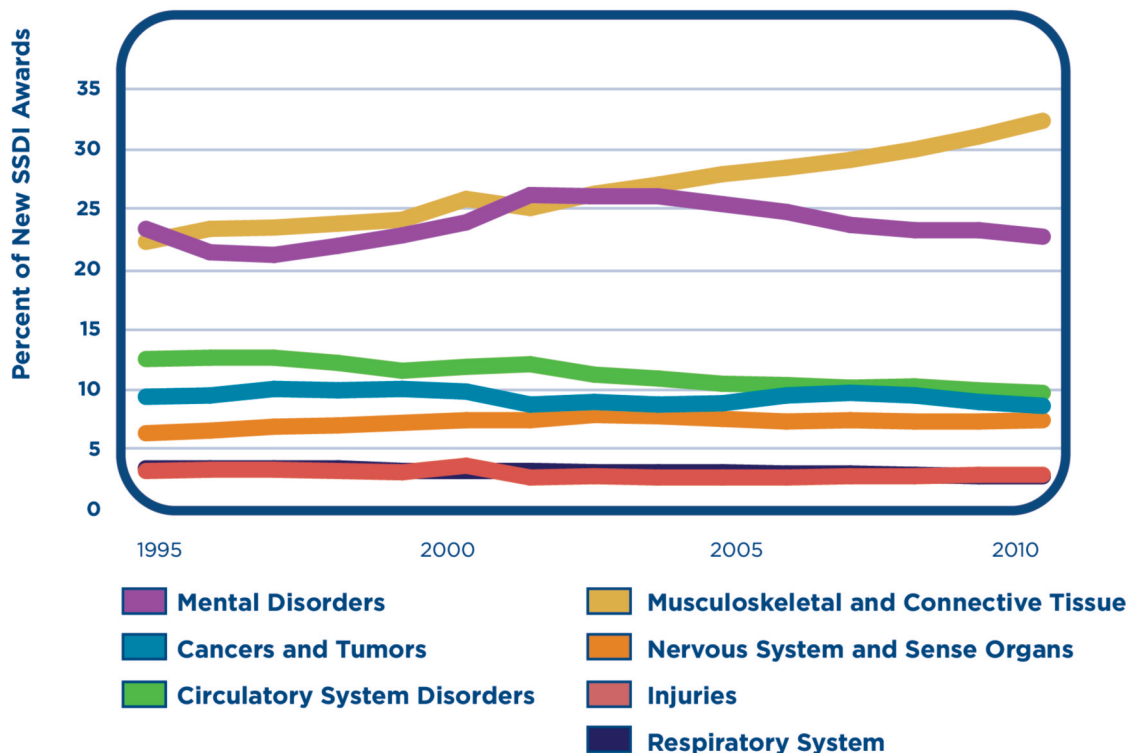


Source: 2011 CDA Long-Term Disability Claims Review.

- According to the Social Security Administration, the **percentage of applicants awarded benefits at the initial claims level averaged 27% from 2000 through 2009** (the last year for which this data has been published), ranging from a high of 35% to a low of 24%. This percentage has been trending downward; in 2009 it was 24%.
- Over the past 10 years, the number of **applications for new SSDI benefits more than doubled** from 1.3 million in 2000 to 2.9 million in 2010.
- **The 1,052,551 workers approved for SSDI payments in 2010 is 69% more** than the 621,650 workers approved in 2000. The 6.8% increase in new awards in 2010 reflected a lower growth rate than in 2008 and 2009, but higher than the growth rate from 2003 through 2007.
- **The number of disabled workers receiving SSDI claim payments grew by 63%** from 5 million to 8.2 million during the period 2000 to 2010.
- **The ratio of awards to applications has been trending downward** since the late '90s. The ratio was 47% in 2000 and 36% in 2010.

- **From 2000 to 2010, the number of women receiving SSDI payments increased by 78% compared to a 51% increase among males.** This is in part due to more women who have worked in covered employment long enough to qualify as well as to an increase in the rate of disability among covered female workers.
- **The overall rate of disability is increasing among both male and female workers;** in 2000, the ratio of disabled workers to covered workers was 3.7%; in 2010, that ratio was 5.4%. Factors behind this dramatic rise include the aging of the U.S. workforce and the poor economic conditions since the end of 2007.
- **The disability rate is increasing more rapidly for women than for men:** The overall rate of disability among female workers has grown much more rapidly than among male workers. The percentage of covered female workers receiving SSDI payments in 2010 (5.3%) was 56% higher than 10 years earlier (3.4% in 2000), while the percentage of covered male workers receiving SSDI payments grew by 38% during the same period, from 3.9% to 5.4%.
- **The \$115 billion paid in SSDI benefits in 2010 is more than twice** the \$50 billion of disability payments to beneficiaries in 2000.
- **New SSDI awards for musculoskeletal and connective tissue disorders have been increasing** over time, while awards for circulatory system disorders such as heart disease and stroke have been decreasing.
- **Injuries, typically perceived to cause many disabilities, represent less than 5%** of diagnoses for new SSDI awards.
- **Over the very long term, since 1960, circulatory and respiratory system diagnoses have been reduced by more than half** as a percentage of causes of all new SSDI claim awards. During the same time horizon, musculoskeletal and mental disorder-caused awards have more than doubled.

Diagnostic Causes of New SSDI Awards



Appendix

Claim Diagnosis Category	Lay Language Description	Specific Examples
Diseases of the Musculoskeletal System and Connective Tissue	Muscle, Back and Joint Disorders	Arthritis, Herniated or Degenerated Disc, Back Pain, Spine/Joint Disorders, Cartilage Sprain, Tendonitis, Fibromyitis, Osteoporosis, Rheumatism, Scoliosis, Sciatica
Diseases of the Nervous System and Sense Organs	Spine and Nervous System-Related Disorders	Multiple Sclerosis, Epilepsy, Paralysis, Alzheimer's, Parkinson's Disease, Amyotrophic Lateral Sclerosis (ALS), Bell's Palsy, Guillain-Barré Syndrome, Eye Disorders including Diabetic Retinopathy and Macular Degeneration, Ear Disorders including Balance-Related Disorders like Ménière's Disease
Diseases of the Circulatory System	Cardiovascular and Circulatory Diseases	Hypertension, Heart Disease, Heart Attack, Stroke, Aneurysm, Coronary Artery Disease, Phlebitis
Cancer and Neoplasms	Cancer and Tumors	Breast Cancer, Prostate Cancer, Lymphoma, Hodgkin's Disease, Leukemia, Tumors
Injuries and Poisonings	Accidents, Injuries and Poisonings	Fractures, Sprains and Strains, Dislocations, Contusions, Burns, Poisoning, Allergic Reactions
Mental Disorders	Mental Illness and Behavioral Disorders	Depression, Schizophrenia, Drug/Alcohol/Substance Abuse, Bipolar Disorder, Anxiety, Obsessive-Compulsive Disorder
Diseases of the Respiratory System	Respiratory System Disorders	Influenza, Pneumonia, Asthma, Bronchitis, Emphysema, Pulmonary Fibrosis, Cystic Fibrosis, Chronic Obstructive Pulmonary Disorder (COPD)
Symptoms, Signs and Ill-Defined Conditions	Ill-Defined or Subjective Conditions	Headache, Insomnia, Coma, Chronic Fatigue Syndrome, Sleep Apnea, Seasonal Affective Disorder, Anorexia, other symptoms without a diagnosis
Infections and Parasitic Diseases	Infectious and Parasitic Diseases	Food Poisoning, HIV/AIDS, Hepatitis, Meningitis, Salmonella, Tuberculosis, Polio
Diseases of the Digestive System	Digestive System Disorders	Gastric Ulcers, Gastritis, Appendicitis, Hernia, Irritable Bowel Syndrome, Cirrhosis of the Liver, Crohn's Disease, Diverticulitis, Ulcerative Colitis, Dental Disorders, Temporomandibular Joint (TMJ) Disorders
Endocrine, Nutritional and Metabolic Diseases and Immunity Disorders	Nutritional, Metabolic, Regulatory and Immunity Disorders	Diabetes, Malnutrition, Obesity, Gout, Cystic Fibrosis, Thyroid Disorders
Diseases of the Genitourinary System	Genital and Waste Removal Disorders	Uterine Prolapse, Cervicitis, Menopausal Symptoms, Kidney and Bladder Disorders, Genital Organ Disorders, Kidney Failure, Enlarged Prostate, Prostatitis, Urinary Tract Infections, Endometriosis
Complications of Pregnancy, Childbirth and the Puerperium	Pregnancy and Complications of Pregnancy	Normal Delivery, Caesarean Section, Complications of Pregnancy, Toxemia, Ectopic Pregnancy, Pre-Term Complications
Diseases of the Skin and Subcutaneous Tissue	Skin Conditions and Disorders	Eczema, Dermatitis, Cellulitis, Psoriasis, Sebaceous Cyst
Congenital Anomalies	Inherited Conditions	Congenital Anomalies, Spina tend, Down's Syndrome, Inherited Heart Valve Malfunction
Diseases of the Blood and Blood-Forming Organs	Blood-Related Disorders	Anemia, Hemophilia, Sickle-Cell Disease, Diseases of the Spleen
Other	Other Disorders	Other disorders not captured in categories above

References

- The 2011 CDA Long-Term Disability Claims Survey*
- Social Security Administration Disability Insurance Fact Sheets and Actuarial Publications; www.socialsecurity.gov

*** 2011 survey participants included:**

Assurant Employee Benefits	Principal Financial Group
Guardian Life	Prudential
The Hartford	The Standard
Lincoln Financial Group	Sun Life Financial
MassMutual Financial Group	Union Central Life
MetLife	UnitedHealthcare
OneAmerica	Unum

The CDA member companies represent over 75% of the commercial disability insurance marketplace. Companies participating in this 2011 study provide long-term disability insurance coverage to 30 million workers, 28 million of whom are covered through nearly 200,000 employer-sponsored benefit plans and nearly two million of whom are insured through individually purchased disability policies. Twelve of the participating companies are among the leading group long-term disability companies, and seven are among the leading individual disability insurance companies. Berkshire Life reported under the Guardian name in the 2011 study.

CDA thanks the member companies named above for their contributions of proprietary data, which have made this survey possible.

Please note: *The companies participating in CDA claims studies may vary from year to year. Some companies may adjust prior years' data. For these reasons, year-over-year comparisons within each year's claims review are valid; however, comparing some data within the 2011 report to data in prior years' reports may not be valid. Please contact CDA for questions or clarifications.*