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## The Insurance Coverage You May Be Losing

Most workers get disability coverage through employers. But now companies are cutting back.

By [ANNAMARIA ANDRIOTIS](#)

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**N** likes to think about the possibility of becoming disabled and unable to work -- and for the most part, employers have made it easy to ignore, picking up the tab for disability insurance so workers don't have to. But now that companies are cutting back on the coverage, a growing number of workers will face new risks and new expenses.

Unlike home or auto insurance, the vast majority of people with disability insurance

get it through their employer. Few even pay for it -- it's considered a perk on the order of corporate gym discounts. But now, as benefits costs rise for companies across the board, they're cutting back on the coverage or raising employees' costs for it. Currently, 76% of employers pay the full premium for salaried employees' short-term disability insurance -- which typically replaces income for about six months but can run up to two years -- down from 81% in 2007, according to human-resources consultant Mercer.

Companies are also trimming the benefits of the disability policies they offer. A growing number of employers have cut benefits from covering 60% of salary to covering 50%, says Edward Kaplan, national health practice leader at the Segal Company, a benefits and compensation consulting firm. And fewer are keeping pace with salary increases, which means a disabled employee might actually receive only 50% of his 2008 salary.

For employees, the results are potentially grim. The odds of becoming disabled and unable to work are daunting. A healthy 35-year-old has about a 21% chance of becoming disabled for three months or longer during his career, according to the Council for Disability Awareness. And the average age of disabled-worker beneficiaries is around 53, according to the Social Security Administration. But in spite of the odds, most people don't know what disability insurance is or covers, says Aaron Schindler, a certified financial planner at the New York-based Wealth Advisory Group. "They would typically only know about it if it's offered at a job." In fact, of the policies purchased in 2010, around 90% came through employers.

Analysts say this is only the beginning of a series of cuts to disability coverage that could mirror shrinking health insurance benefits in recent years. "I don't think there are any ifs, ands or buts about it," says David Harvey, an associate at the International Foundation of Employee Benefit Plans, which provides employee-benefits training and education. "I don't see any costs of these programs abating or stabilizing anytime in the near term."

In the companies' defense, says Steven Weisbart, senior vice president and chief economist at the Insurance Information Institute, they're facing rising benefits costs, especially for health care. But rather than passing along the full share of growing health insurance premiums, some companies are asking employees to pay

a larger share of their disability coverage, he says. Employers are "asking only for a little bit here, a little bit there, rather than saying your health insurance will double," he says. Also, as U.S. companies face more competition from overseas markets where labor costs are significantly lower, they're looking for new ways to slash costs, says Kaplan.

To make up for the cutbacks, employees typically have two imperfect options: Buy more coverage through their employers, or buy an individual policy. About 18% of companies offer what's called a "buy up" option, which lets employees buy additional coverage. It's cheaper than buying an individual policy, but the coverage may not be as broad, says Scott Simmonds, an independent insurance consultant, who doesn't sell insurance, in Saco, Maine. Policies cover different kinds of "disability," and some group coverage may kick in only if the employee can't perform a job that he's been trained for: A surgeon, for example, who can't do surgery but can work as a general practitioner might not be covered.

In contrast, individual policies can take effect when the policyholder can't perform his specific occupation. But at \$930 per year on average, according to industry-funded research firm Limra, they're more expensive than policies bought through an employer, and premiums vary widely. Older applicants will pay more, longer policies are more expensive, and people with high-risk jobs or hobbies, like fire-fighters or skydivers, will also face higher premiums.

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