



The Long Term Disability Claims Review: 2005

The Council for Disability Awareness conducted a general review of 2005 long term disability claims among the U.S. working population to determine continuing or emerging trends. *The Long Term Disability Claims Review: 2005* includes a survey of 2005 long term disability insurance claim data supplied by member companies of The Council for Disability Awareness and an analysis of the Social Security Disability Insurance Program 2005 Annual Statistical Supplement.

Summary of Conclusions

- *The number of U.S. workers experiencing a long term disability continues to grow at an increasing rate*
- *The causes of disabilities continue to change; many are related to personal behavior*
- *“Social insurance programs” are providing less financial security to disabled workers*
- *The financial consequences of suffering a long term disability are becoming more severe*

Conclusions and Observations

The number of U.S. workers experiencing a long term disability continues to grow at an increasing rate. Leading reasons for this growth include an aging workforce more susceptible to long term disability, new medical advances that continue to extend life and the general deterioration of the nation’s health.

- Since 2000, the number of U.S. workers covered by Social Security Disability Insurance (SSDI) has grown 6.5 % while the number of disabled workers has increased 29%.
- Workers applying for SSDI benefits have increased 60% since 2000.
- 1 of 3 young workers entering the workplace in 2005 will qualify for SSDI benefits before they reach retirement age.
- Workers today are 3 times more likely to suffer a long term disability than to die during their working years.

The causes of disability continue to change. Personal behavior and lifestyle choices are growing as contributing factors in the changing causes of long term disabilities.

- The most common cause of disability continues to be musculoskeletal, including back-related claims. Little improvement is expected in this area, particularly with an increasing rate of obesity among the general public.
- Cancer remains the fastest growing cause of serious disabilities.
- Cardiovascular and nervous-system related disabilities are declining, most likely due to improving medical technology.
- Accidents, on or off the job, account for fewer than 10% of all long term disabilities.

Fewer U.S. workers can rely on “social insurance programs” to provide adequate disability protection. For the large majority of American workers, the cornerstone of financial protection in the event that a serious disability prevents them from earning a living has been, and continues to be, Social Security Disability Insurance (SSDI) and workers’ compensation. However, as important as these “social insurance programs” are to most workers, there are growing “gaps” in the real and perceived protection they provide.

- The average monthly SSDI payment is \$938, replacing on average about 33% of current income.
- More than 1.3 million workers who applied for SSDI benefits in 2005 were denied coverage.
- Over 90% of disabling accidents and illnesses are not work related
- 32% of individuals receiving long term disability insurance benefits do not qualify for SSDI benefits; 95% are not eligible for workers’ compensation payments

The financial consequences of suffering from a long term disability are becoming more severe, particularly as more accountability for personal financial security shifts to the wage earner and his or her family.

- 2/3rds of American families live paycheck to paycheck, and 70% can afford to be without a paycheck for just one month or less
- The average household credit-card debt is at an all time high of \$9,300
- 1/3rd of all Americans have no retirement savings, and most are not eligible for a pension.
- Disability continues to be the leading cause of bankruptcies and mortgage foreclosures, causing nearly 50% of foreclosures, compared to 2% from death.
- Over 100 million workers do not have private disability income insurance.

2005 CDA Insurance Claim Survey Highlights

- In 2005, long term disability benefits paid by CDA member companies exceeded \$6.7 billion, a 7.8% increase over benefits paid in 2004.
- More than 481,000 individuals received long term disability insurance payments in 2005.
- An additional 138,000 individuals were approved for disability benefits, qualifying for annual payments estimated at \$1.8 billion.
- 32% of disabled individuals *do not qualify* for Social Security Disability Insurance benefits.
- 94.8% of all disability claims are *not work related*

- The primary causes of disability claims:
 - Musculoskeletal disorders continue as the leading cause of disability, accounting for 24% of new claims in 2005 and 27% of existing claims.
 - Cancer is the fastest growing cause of new disabilities, increasing from 9% of existing claims to 13% of new claims.
 - Cardiovascular related disabilities dropped from 14% of existing claims to under 9% of new disability claims.
 - Nervous system related claims also decreased from 11% of existing claims to 6% of new claims.
 - Injuries and accidents, the fourth leading cause of disability, increased from 5% of existing claims to 8% of new claims.

2005 Social Security Disability Insurance program highlights

- *148 million workers* were covered for SSDI; 1.5% more than 2004 and 6.5% more than 2000.
- *\$73.5 billion* were paid in disability benefits, a 9.2% increase over 2004 benefits and 56% more than disability benefits paid in 2000.
- *6,524,600 disabled workers received payments through SSDI in 2005*, an increase of 5.2% over 2004 and 29% more than the 5,042,300 disabled workers receiving payments in 2000.
- *832,200 new disabled workers* were approved for SSDI benefits, an increase of 4.4% over 2004 and 33.5% more than the 621,300 workers approved in 2000.
- *39%* of the *2.1 million workers* who applied for SSDI benefits were approved.
- The average monthly SSDI benefit is *\$938* and the average disabled worker's age is *50*.
- *9.2%* of all disabled workers receiving SSDI payments also qualified for workers' compensation

Survey participants included MetLife, Liberty Mutual Group, Mutual of Omaha, Hartford Life & Accident, Sun Life Financial, Lincoln Financial Group, Standard Insurance Company, UnumProvident, The Guardian, Principal Financial Group, Assurant Employee Benefits, and Berkshire Life. The participating CDA companies represent over 75% of the commercial disability insurance marketplace and provide long term disability insurance coverage to 29.5 million workers; 28 million who are covered through 191,000 employer-sponsored benefit plans and 1.5 million who are insured through individually purchased disability policies.

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