

## Individual Disability Insurance

# Disability Insurance Statistics

Individual Disability Insurance from Principal Life Insurance Company helps clients protect their most valuable asset - their ability to work and earn an income. The following statistics support and describe the need for disability insurance protection.

The statistics were gathered from credible third-party sources. Any materials that are created using the statistics (with the full source clearly identified) must be compliance approved by Principal Life.

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### Need for Protection

*A disability can happen to anyone...at any time.*

- In the last 10 minutes, 490 Americans became disabled.  
- National Safety Council®, Injury Facts® 2010 Ed.
- In 2008, there were 2.1 million disabling injuries caused by a motor vehicle accident; there were 39,000 fatal motor vehicle accidents.  
- National Safety Council®, Injury Facts® 2010 Ed.
- In the U.S., a disabling injury occurs every 1 second, a fatal injury occurs every 4 minutes.  
- National Safety Council®, Injury Facts® 2010 Ed.
- In the home a fatal injury occurs every 12 minutes and a disabling injury every 3 seconds.  
- National Safety Council®, Injury Facts® 2008 Ed.
- There is a death caused by a motor vehicle crash every 12 minutes; there is a disabling injury every 13 seconds.  
- National Safety Council®, Injury Facts® 2008 Ed.
- At age 40, the average worker faces only a 14 percent chance of dying before age 65 but a 21 percent chance of being disabled for 90 days or more.  
- Insurance Information Institute, [www.iii.org](http://www.iii.org) November, 2005
- The probability of a white-collar worker becoming disabled for 90 days or longer between the ages of 35 and 65 is 27% for men and 31% for women.  
- Millman, sponsored by Life and Health Insurance Foundation for Education (LIFE), "The Real Risk of Disability in the United States", 2007 (<http://www.lifehappens.org/pdf/Real-Risk-of-Disability-paper-FINAL.pdf>)
- 43% of all people age 40 will have a long-term disability event prior to age 65.  
- JHA Disability Fact Book, 2008
- 51.2 million Americans have some level of disability. They represent 18% of the population.  
- U.S. Census Bureau, July, 2006
- The number of disabled workers in America has risen by 35% since 2000.  
- Social Security Administration, 2007
- Almost 3 in 10 workers entering the workforce today will become disabled before retirement.  
- Social Security Administration, Fact Sheet, January 31, 2007
- In 2007, the employment rate of working-age people with disabilities in the U.S. was 36.9%.  
- U.S. Census Bureau, American Community Survey, 2007

- A new Harvard University report reveals that **62 percent of all personal bankruptcies** filed in the U.S. in 2007 were due to an inability to pay for medical expenses.  
- June 4, 2009. *The American Journal of Medicine*
- Unfortunately, most Americans have little understanding of the likelihood of experiencing a disability. A recent CDA survey of workers found:
  - 90 percent underestimate their own chances of becoming disabled.
  - 85 percent express little or no concern that they might suffer a disability lasting three months or longer.
  - 56 percent do not realize that the chances of becoming disabled have risen over the past five years.  
- Council for Disability Awareness, 2007 Disability Awareness Survey

## Retirement Protection and American Savings Patterns

*Most Americans can't afford to become disabled.*

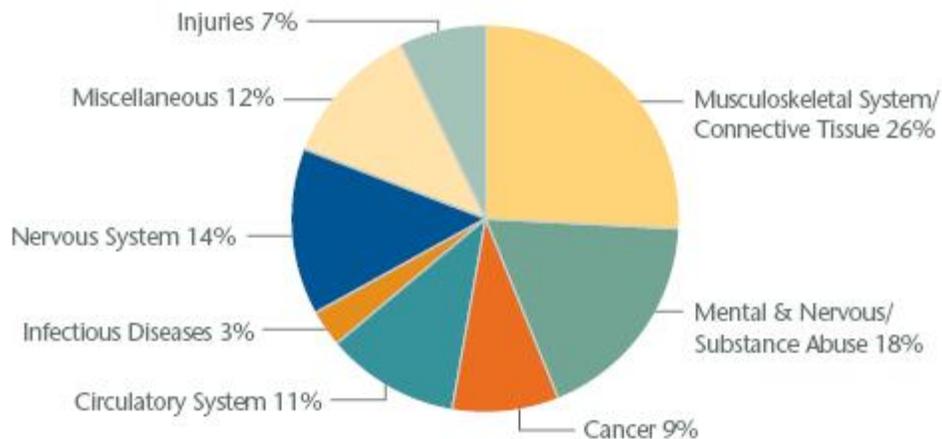
- In 2007, the median income of households that include any working-age people with disabilities in the U.S. was \$38,400.  
- U.S. Census Bureau, American Community Survey, 2007
- Over 70% of working Americans do not have enough savings to meet short-term emergencies.  
- National Investment Watch Survey, A.G. Edwards Inc., 2004
- Over 50% of the workforce has no private pension coverage and a third have no retirement savings.  
- Social Security Administration, Fact Sheet 2007
- 71% of American employees live from paycheck to paycheck.  
- American Payroll Association, "Getting Paid in America" Survey, 2008
- Only 40% of adult Americans have separate emergency savings funds.  
- National survey commissioned by the Consumer Federation of America (CFA) and carried out by Opinion Research Corporation, February 2007
- More than 35% of workers with 401(k) or IRA plans have not thought about or don't know what would happen to their contributions if they were unable to earn an income for a period of time.  
- Council for Disability Awareness, 2007 Disability Survey

## Causes of Disability

*Illnesses generally cause disabilities, not accidents.*

- 90% of disabilities are caused by illnesses.  
- JHA Disability Fact Book, 2008 Edition
- Over 85% of disabling accidents and illnesses are not work related.  
- National Safety Council®, Injury Facts® 2008 Ed.
- While many people think that disabilities are typically caused by freak accidents, the majority of long-term absences are actually due to illnesses, such as cancer and heart disease.  
- Life and Health Insurance Foundation for Education November, 2005
- For insured men and women in their prime working years (30-59), the medical conditions causing the most disabilities are cardiovascular problems, musculoskeletal conditions and cancer. One notable exception is the impact of pregnancy on female disability risk. Among women ages 30-39, disabilities due to pregnancy (mostly complications of pregnancy) are the most prominent claim type.  
- Millman, sponsored by Life and Health Insurance Foundation for Education (LIFE), "The Real Risk of Disability in the United States", 2007 (<http://www.lifehappens.org/pdf/Real-Risk-of-Disability-paper-FINAL.pdf>)
- Stroke is a leading cause of serious long-term disability.  
- Centers for Disease Control and Prevention, 2007

- Common causes of individual disability insurance claims are:



Source: Principal Life Disability insurance claims incurred as of March 2009. The above is for illustration purposes only and is not intended as an inclusive representation of all claims.

## Disability Duration

*An average disability may last longer than you think.*

- The average duration of a long-term disability is 30 months.  
- JHA Disability Fact Book, 2006
- Nearly 1 in 5 Americans will become disabled for 1 year or more before the age of 65.  
- Life and Health Insurance Foundation for Education. November 2005
- Three out of 10 workers between the ages of 25 and 65 will experience an accident or illness that keeps them out of work for 3 months or longer.  
- Social Security Administration, Fact Sheet, January 31, 2007
- Nearly 1 in 3 Americans ages 35-65 will become disabled for more than 90 days  
- 2005 Field Guide to Estate Planning, Business Planning & Employee Benefits, by Donald Cady

## Disability Costs

*Indirect and direct costs of a disability take financial tolls on everyone.*

- One work-related disabling injury costs an employer on average \$48,000.  
- National Safety Council®, Injury Facts® 2010 Ed.
- >Off-the-job injuries to workers cost the nation at least \$253.3 billion and 225 million days of production time in 2008.  
- National Safety Council®, Injury Facts® 2010 Ed.
- The average disability absence results in payments of \$3,800, while lost productivity costs on average over \$22,800.  
- Integrated Benefits Institute, IBI News September 8th, 2006
- Employers spend 4.1% of payroll on unscheduled absences.  
- Marsh/Mercer Health & Benefits, "Health, Productivity and Absence Management Programs", 2006 Survey report

- In 2006, unscheduled absence cost some large employers an estimated \$850,000 per year in direct payroll.  
- CCH and Harris Interactive, "2006 CCH Unscheduled Absence Survey," October 2006
- Disabling injuries and illnesses account for 55% of employee absences.  
- JHA 2005 Absence Management Survey, "Big-picture benefits: Integrating FMLA and disability claims data helps reduce absenteeism," by Chris Silva, September 2006
- Just 10% of disability cases account for more than half the total medical and disability costs.  
- Integrated Benefits Institute, IBI News September 8th, 2008

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## Misconceptions

*Common back-up plans to loss of income may not be an option.*

- Nearly three-fourths of disabling injuries in 2008 are not work related, and therefore not covered by workers' compensation.  
- National Safety Council®, Injury Facts® 2010 Ed.
- Less than half - 35% - of the 2.8 million workers who applied for Social Security Disability Insurance (SSDI) benefits in 2009 were approved.  
- Social Security Online, disabled worker beneficiary statistics (<http://www.ssa.gov/OACT/STATS/dibStat.html>)
- The average monthly SSDI benefit is \$1,064.  
- Social Security Administration, Monthly Statistical Snapshot, December 2009 ([http://www.ssa.gov/policy/docs/quickfacts/stat\\_snapshot/](http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/))
- In 2007, the percentage of working-age people with disabilities receiving SSDI payments in the US was 17.1%.  
- U.S. Census Bureau, American Community Survey, 2007
- Over 6.8 million workers are receiving SSDI benefits, almost half are under age 50. This represents only 13% of the over 51 million Americans classified as disabled.  
- Social Security Administration, Fact Sheet 2007

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## Market Opportunity

*There is a need for disability insurance.*

- 43% of employees indicated protecting financial assets due to an unexpected event as a main concern.  
- The Principal Financial Well-Being IndexSM, 2009
- 66% of employees surveyed said good employee benefits encourage them to work harder and perform better; 62% said good benefits keep them working for their current employer.  
- The Principal Financial Well-Being IndexSM, 2009
- Fewer than one in three (29%) U.S. workers have private long-term disability coverage  
- National Compensation Survey, Bureau of Labor Statistics, 2006
- 70% of the private sector workforce has no long-term disability insurance.  
- Social Security Administration, Fact Sheet 2007
- Only 30% of American workers in private industry currently have access to employer-sponsored long-term disability insurance coverage.  
- National Compensation Survey: Employee Benefits in Private Industry in the United States, U.S. Department of Labor, Bureau of Labor Statistics, March 2006.
- The odds of selling a product to a new customer are 15 percent, while the odds of selling to an existing customer are 50 percent.  
- Raymond Adamson, Cross-Sell to Success, Advisor Today, March 2005

- The top reason producers are not selling IDI is because their clients do not ask about the product.  
*- LIMRA International, "Producer Perspectives on Individual Disability Insurance", 2009*

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## Education-Related

*There is a clear need for more information and education about solutions that are available to help during a disability.*

- From the CDA 2009 Worker Disability Planning and Preparedness Study:
  - Only one in three workers surveyed associate financial planning with protecting assets and income (38%), tax planning (33%), or saving for a home purchase (32%).
  - Nearly nine in ten workers surveyed believe that people should plan in their 20s or 30s in case an income limiting disability should occur (86%). Only half of all workers have actually planned for this possibility (50%), and only half have even discussed disability planning (46%).
  - When surveyed what is most valuable in helping them achieve long-term financial security, far more workers rank their ability to earn a living as number one (53%) than assets such as retirement savings (17%), other savings and investments (12%), their home (12%), medical insurance (5%), or personal possessions (1%).
  - The large majority of workers are concerned about how they would pay their living expenses if they were disabled (82%), yet most are not prepared if such a disability were to extend for any significant length of time. Seven in ten could cover their expenses for six months or less.
- 66% of executives surveyed believe that providing financial advice at the workplace is more important than it was a year ago  
*- Charles Schwab & Co. June 2009*
- 76% of employed baby boomers and 68% of employed Generation Y workers say that the employer is among the most reliable sources of information about benefits.  
*- Harris Interactive Survey 2008*
- Only 5% of baby boomers realize they have a 34% chance of becoming disabled during their working years.  
*- Harris Interactive/AHIP, Baby Boomers' Awareness of Disability Risks, February 2008*
- 45% of employees feel not at all knowledgeable about individually owned disability insurance.  
*- Principal Well-Being Index, 1QTR 2009*
- 14% of employees personally own a disability income insurance policy on themselves, a significant decrease from 1st quarter 2008 when 18% reported owning such a policy. Only 7% of employees' spouses own a disability income insurance policy.  
*- Principal Well-Being Index, 1QTR 2009*

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## Business-Related

*There is a need for disability insurance solutions for businesses.*

- The U.S. had six million small business employers in 2005, representing over 99 percent of the nation's employers.  
*- Small Business Administration Office of Advocacy, 2008.*
- In 2007, outstanding small business loans (under \$1 million) were valued at over \$684 billion for more than 24 million loans.  
*- Small Business Administration Office of Advocacy, 2008.*
- Half of business owners do not have any disability plans in place for either themselves or their key employees (50%).  
*- The Principal Financial Group Business Priorities Market Research, January 2009*

- Nearly three quarters of business owners indicated that they or their key employees are limited in the amount they are allowed to contribute to their qualified retirement plan (73%). Yet, very few business owners offer supplemental retirement plans (83% do not offer any plans) that can help overcome this limitation.

- *The Principal Financial Group Business Priorities Market Research, January 2009*

- About 43% of wealthy business owners (almost double the percentage of other affluent Americans questioned) said they would work to age 70 or later, but only one-third of these owners said they have written succession plans in place.

- *Private Wealth magazine, April-May 2008; survey by PNC Wealth Management, Philadelphia, PA*



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