

2010 LONG-TERM DISABILITY CLAIMS REVIEW

The 2010 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 purpose is to identify continuing or emerging trends, and to share them with interested audiences. The 2010 CDA Long-Term Disability Claims Review summarizes quantitative and qualitative long-term disability insurance claims data from the annual CDA member long-term disability claims survey. Also included is selected worker disability data from the Social Security Disability Insurance (SSDI) program. Sixteen CDA Member Companies, representing roughly 75% of the commercial disability insurance marketplace, participated in the 2010 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 growing 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

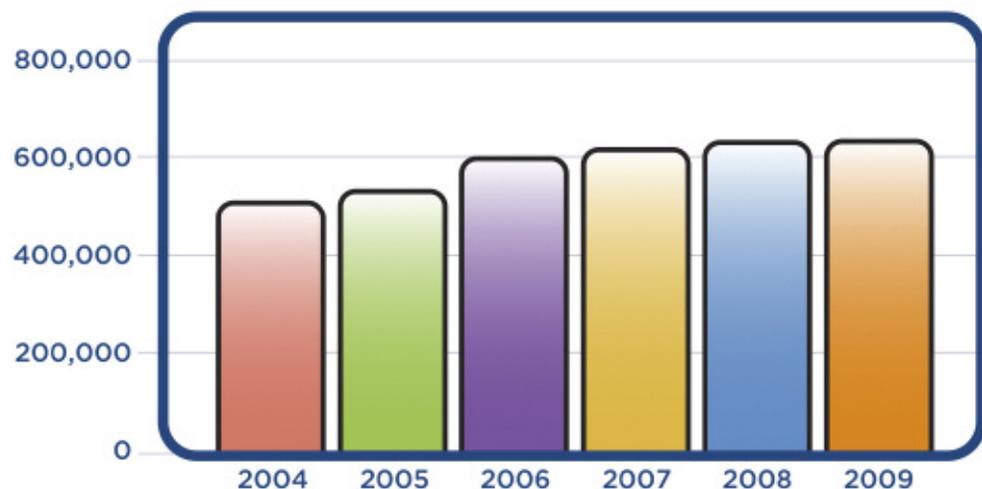
- **\$8.1 billion** in long-term disability insurance claim payments was paid to disabled individuals by CDA Member Companies in 2009, representing a 2.9% increase over 2008.
- **Impact of the economic downturn on disability claims:** Most reporting companies suggest they have observed little evidence that the recession has broadly impacted claims in any significant way. Most companies report little change in claim incidence or termination rates.
- **Impact of the economic downturn on insured lives:** Member Companies have reported insured lives declined by 2.2% from 2008 to 2009, reflecting job losses and layoffs in the broader economy and 1.2% fewer employers providing group long-term disability programs in 2009.
- **Impact of the economic downturn on worker psyche:** The economic downturn has had a prolonged effect on U.S. workers. Swollen unemployment rolls and media coverage of out-of-work Americans has helped raise awareness of the importance of every worker's income. Wage earners are holding onto jobs if they can, and savings rates increased in 2009 to over 4% for the first time in over a decade. A looming sense of economic vulnerability has elevated the importance of taking responsibility for planning for personal financial security. Eroded retirement accounts, continued economic volatility, news of home foreclosures and a stubbornly high unemployment rate have raised American workers' awareness of financial risk and made planning for an income-limiting disability more important than ever.
- **About 100 million workers** have no private disability insurance.

Other CDA Survey Findings

- **A record 627,000** disabled individuals received long-term disability insurance payments from CDA Member Companies in 2009, representing a slight increase over 2008.

Number Receiving Disability Payments

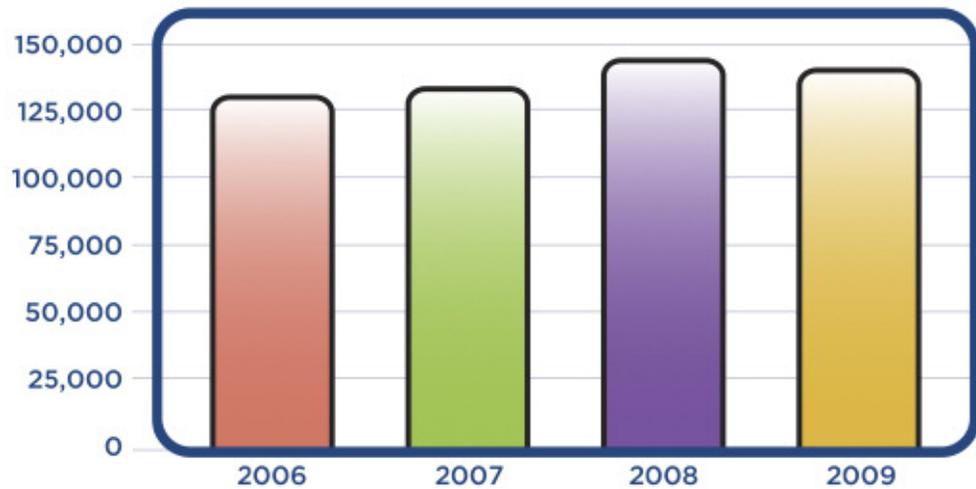
The number of disabled individuals receiving disability insurance payments from CDA Member Companies has increased in each of the years since CDA began keeping records in 2004.



Source: The 2010 CDA Long-Term Disability Claims Review.

141,000 new disabled individuals were approved by reporting CDA Member Companies for long-term disability insurance claim benefits in 2009, down 1% from 2008. The decrease reflects, in part, the fewer insured lives resulting from such economic conditions as the elevated unemployment rate.

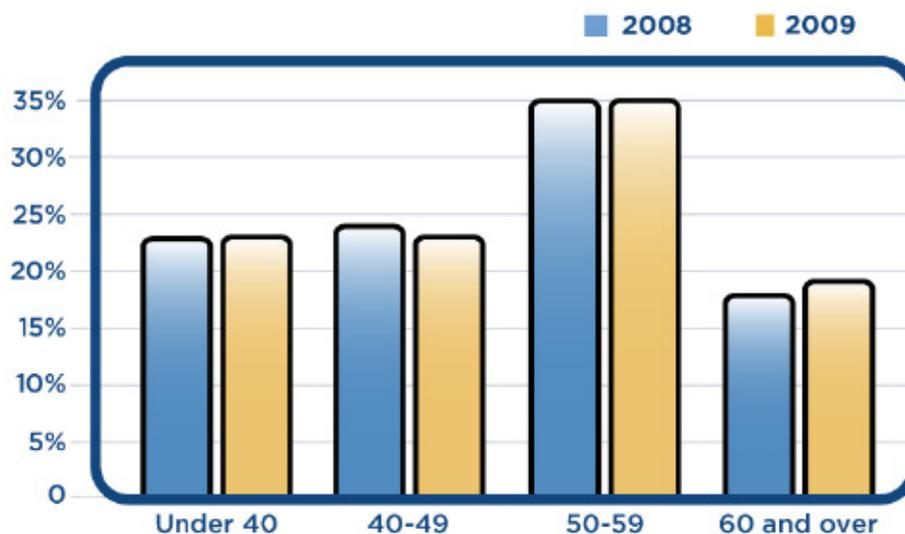
Number of New Claimants Approved



Source: The 2010 CDA Long-Term Disability Claims Review.

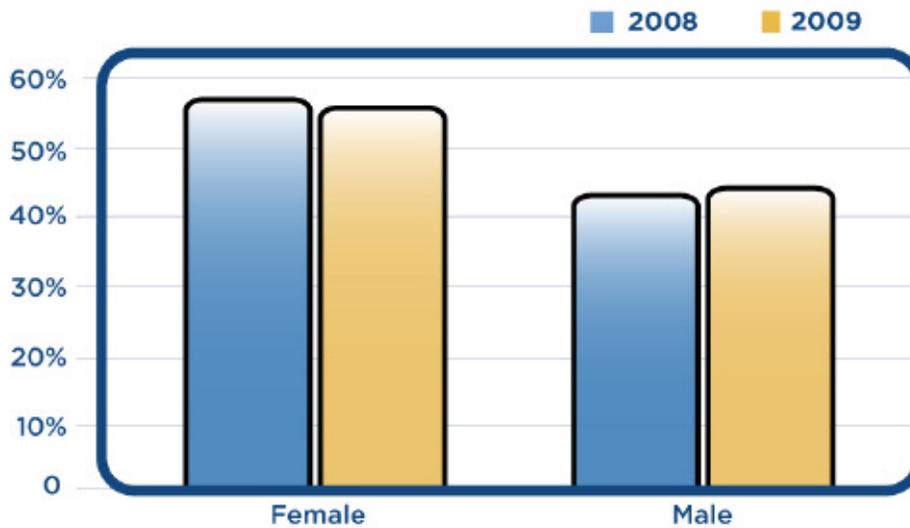
- **95%** of reported CDA Member Company disability claims are not work-related.
- **31.2%** of individuals receiving long-term disability insurance from CDA Member Companies in 2009 did not qualify for SSDI payments compared to 31.7% not qualifying for SSDI in 2008.

Percent of New Long-Term Disability Claims by Age



Source: The 2010 CDA Long-Term Disability Claims Review.

Percent of New Long-Term Disability Claims by Gender



Source: *The 2010 CDA Long-Term Disability Claims Review*.

- **New cancer, nervous system-related and musculoskeletal** claims trended up slightly from 2008 to 2009.
- **Accident-related claims** dropped rather significantly as a cause of new disability claims from 2008 to 2009. This may be related to lifestyle changes, possibly driven by the economy.
- **Musculoskeletal/connective tissue disorders** continue to rank as the leading cause of disability. (This category includes claims caused by neck and back pain; joint, muscle and tendon disorders; foot, ankle and hand disorders; etc.)
- **Cancer** is the second leading cause of new claims but is the fourth leading cause of existing claims.
- **Cardiovascular/circulatory problems** have increased slightly in 2009 as a cause of new claims after three years of declines, and are the third leading cause of new and existing disability claims. (Examples in this category include claims caused by heart and circulatory disorders, strokes, etc.)

CDA 2010 Long-Term Disability Claims Survey Disability Claims by Diagnosis

% of New and Existing LTD Claims

Claim Diagnosis Category	2008		2009	
	New*	Existing*	New*	Existing*
Musculoskeletal/Connective Tissue	25.5%	28.2%	26.2%	28.5%
Nervous System-Related	6.6%	13.7%	6.7%	13.7%
Cardiovascular/Circulatory	8.6%	13.2%	8.9%	13.1%
Cancer and Neoplasms	14.9%	8.1%	15.3%	8.4%
Injuries and Poisoning	10.7%	7.2%	8.8%	7.2%
Mental Disorders	7.4%	7.1%	7.8%	7.2%
Respiratory System	2.1%	3.0%	2.2%	3.0%
Symptoms, Signs and Ill-Defined	3.2%	2.5%	3.5%	2.7%
Infections and Parasitic Diseases	1.2%	2.5%	1.2%	2.4%
Digestive System	2.5%	2.2%	2.6%	2.2%
Endocrine, Nutritional and Metabolic Diseases, and Immunity Disorders	1.2%	2.2%	1.3%	2.1%
Genitourinary System	2.0%	2.0%	2.1%	2.0%
Complications of Pregnancy, Childbirth and the Puerperium	7.3%	1.1%	7.5%	1.4%
Skin and Subcutaneous Tissue	0.8%	0.9%	0.8%	0.9%
Congenital Anomalies	0.5%	0.9%	0.4%	0.9%
Blood and Blood-Forming Organs	0.2%	0.2%	0.2%	0.2%
Other	5.3%	5.0%	4.5%	4.1%
Total:	100%	100%	100%	100%

* "New" claims are those approved in the survey year; "existing" claims are ongoing but approved in prior years. Source: The 2010 CDA Long-Term Disability Claims Review.

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

As part of the 2010 CDA claim survey, Member Company claim experts were asked a series of qualitative questions about past years' disability insurance claim trends, and were asked for observations and predictions for the future. Here is how they responded:

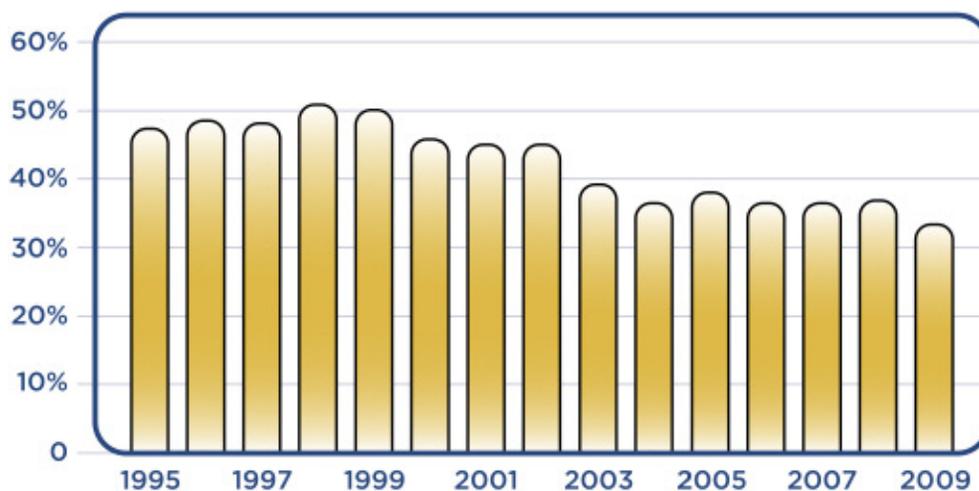
- Most companies (71%) report little or no change in the diagnoses causing new or existing claims.
- Most companies (71%) report incidence of new claims to be unchanged over 2008, with two companies reporting a slight decrease, and three reporting slight increases.
- Reporting companies have observed little evidence that the recession has broadly impacted claims in any significant way.
- Nearly every participating company said incidence was better than they expected during the recession. One company noted that even occupations associated with construction have not fallen off.
- 47% of companies report no change in termination rates, 24% report minimal increases and 12% report minimal decreases.
- 53% of companies have observed no meaningful change in claim duration during the economic downturn. 41% of participating companies have experienced increasing or slightly increasing claim durations.
- Some companies report that return-to-work programs are less effective in the current environment, due to the lack of jobs to return qualified claimants to.
- Predictions for the next 12 months were fairly evenly split. 50% of companies expect to see no significant future impact. 44% of participants expect some future increase in incidence although no company predicted a significant spike.
- Most companies conduct periodic claimant satisfaction surveys. While companies use different scales and formats, a rough conversion to a 100-point scale (where 100 is top mark) indicates a range of satisfaction scores from 84 to 97; the median score was 90, and the average 89.5.
- Most frequently mentioned concerns for the future were:
 - Possible impact of and uncertainty of the economy
 - Regulatory environment
 - Residual impact of health care reform

Social Security Disability Insurance (SSDI) 2009 Data and Trend Highlights

- **152 million** workers were covered for disability insurance under the SSDI program in 2009; this represents a **12%** increase over the 136 million workers covered a decade ago. Covered male workers outnumber covered females by **10%**, although the covered female worker population growth rate is faster (**+16%** over 10 years versus **+9%** for male workers).

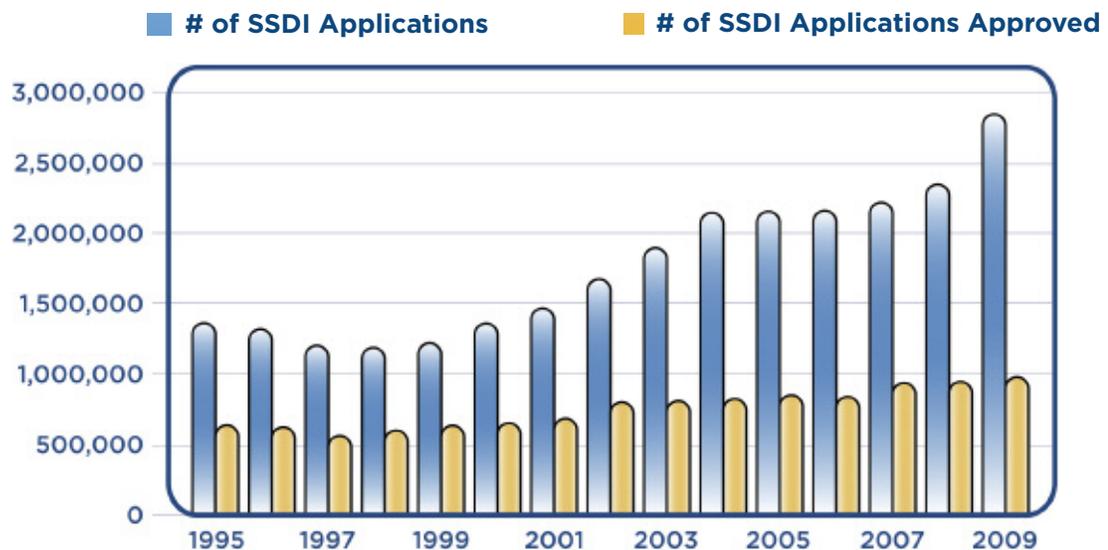
- **Disabled worker population grows dramatically:** The growth in the number of disabled workers (i.e., the number of disabled workers receiving SSDI claim payments) continues to dramatically outpace growth in the overall covered worker population. According to the Social Security Administration, the covered SSDI worker population grew by **12%** from 1999 to 2009, while the number of disabled workers receiving SSDI claim payments grew by **60%** during the same period, from 4.9 to 7.9 million.
- **7.8 million workers** — over 5% of the workforce — were receiving SSDI at the conclusion of 2009.
- **SSDI benefits applications surged in 2009:** Significantly more workers are applying for SSDI claim payments than at any time in history. Applications for SSDI benefits rose to **2.8 million** in 2009, the most ever, and **21.4%** higher than the previous record in 2008. Over the past 10 years, the number of applications for SSDI benefits rose dramatically by **135%** while the percentage of applications approved (the approval rate) dropped from **52%** in 1999 to **35%** in 2009. The surge in new claim applications is expected to continue in 2010.
- **SSDI claim approval rate continues to decline:** The SSDI percentage approval rate for applications has been trending downward since the late 90s. (The approval rate is the percentage of workers who apply for SSDI benefits whose initial claims are approved.) **35%** of workers applying for SSDI disability claim payments in 2009 were approved; 10 years ago, the approval rate for workers applying for disability was **52%**. Approval rates in the past 5 years (ranging between **35%** and **39%** during 2005–2009) represent the lowest five out of the past 15 years. The highest approval rate in the past 15 years was the **52%** in 1998. The 15-year median approval rate is **44.6%**.

■ % of SSDI Applications Approved



Source: U.S. Social Security Administration

- **986,000** disabled workers were approved for SSDI payments in 2009; this is a **10.2%** increase over 2008 and **59%** more than the 620,000 workers approved in 1999.
- **The increase of 10.2%** in 2009 SSDI awards over the prior year represents the largest year-over-year percentage increase in new awards since 2001.



Source: U.S. Social Security Administration

- **SSDI disability rate increases:** The overall rate of disability is increasing among both men and women workers; in 1999, **3.6%** of covered workers were receiving SSDI payments, while in 2009, **5.1%** were receiving SSDI payments. Factors behind this dramatic rise include the aging of the U.S. workforce and the recent poor economic conditions.
- **Disability rate increases more rapidly for women than men:** The overall rate of disability among women workers is growing much more rapidly than among men. The percentage of female workers receiving SSDI payments in 2009 (5.1%) was **55%** higher than 10 years earlier (3.3% in 1998), while the number of male workers receiving SSDI grew by **37%** during the same period, from 3.8% to 5.2%.
- **78%:** this is the increase in the number of disabled female workers receiving SSDI payments over the past decade, compared to a 46% increase among disabled male workers.
- **The 7.8 million** disabled workers who received disability payments from SSDI in 2009 represent a **4.9%** increase over 2008 and 60% higher than the 4.9 million disabled workers receiving payments in 1999.
- **\$110 billion** was paid by SSDI to all disabled workers in 2009; this is more than twice the \$46 billion in disability payments paid in 1999.
- **Monthly SSDI benefit amounts in 2008 broke down as follows:**
 - 11% of SSDI recipients received less than \$500 monthly
 - 56% of SSDI recipients received less than \$1,000 monthly
 - 84% of SSDI recipients received less than \$1,500 monthly
 - 97% of SSDI recipients received less than \$2,000 monthly
- **More younger people** have been applying for SSDI benefits than in the past.
- **About one third** of SSDI claims are for conditions related to mental disorders.

2008 Social Security "Quick Facts"

- **52:** this is the average age of a disabled worker receiving SSDI benefits.
- **2.8 million:** this is the number of disabled workers in their 20s, 30s and 40s receiving SSDI benefits.
- **1.9 million:** this is the number of disabled workers' spouses and children who also received SSDI payments in 2008.
- **\$1,064:** this is the average monthly SSDI benefit for all disabled workers.
- **More than 90%:** this is the amount of disabled workers receiving SSDI who do not qualify for workers' compensation.
- **3 in 10:** these are the chances of a young worker today becoming seriously disabled before reaching retirement.

References:

- The 2010 CDA Long-Term Disability Claims Survey*
- Social Security Administration Disability Insurance Fact Sheets and Actuarial Publications; www.socialsecurity.gov

* Survey participants included:

Assurant Employee Benefits	Mutual of Omaha
Berkshire Life	OneAmerica
Guardian Life	Prudential Life
The Hartford	The Standard
Illinois Mutual Life	Sun Life Financial
Lincoln Financial Group	Union Central Life
MassMutual Financial Group	UnitedHealthcare Specialty Benefits
MetLife	Unum

CDA companies represent over 75% of the commercial disability insurance marketplace and provide long-term disability insurance coverage to 30.8 million workers, 28.9 million who are covered through over 200,000 employer-sponsored benefit plans and 1.9 million who are insured through individually purchased disability policies.

Please note: The actual participating companies vary from year to year. Some companies may adjust prior year's data. Year-over-year comparisons within each year's claim review are valid; however, comparing some data within the 2010 report to data in prior years' reports may not be valid. Please contact CDA for questions or clarifications.

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