

2008 LONG-TERM DISABILITY CLAIMS REVIEW

The 2008 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 2008 CDA Long-Term Disability Claims Review includes quantitative and—for the first time—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. 15 CDA Member Companies, representing over 75% of the commercial disability insurance marketplace, participated in the 2008 survey.

About the CDA

The Council for Disability Awareness (CDA) is a non-profit group 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.

If you have any comments about this survey or would like more information about the CDA, please contact us at 207.774.2634 or visit www.disabilitycanhappen.org.



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

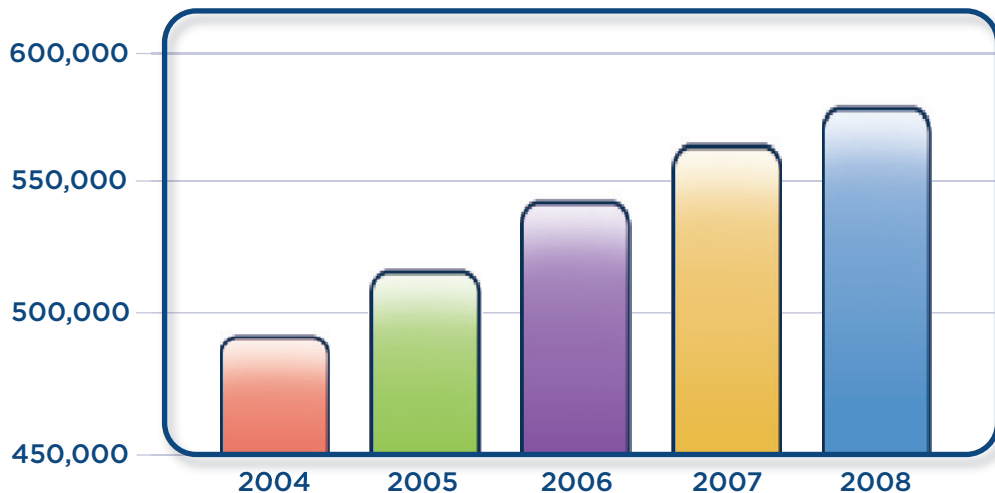
- **\$7.9 billion** in long-term disability insurance claim payments were made to disabled individuals by CDA member companies in 2008; disability claim payments by CDA member companies have increased by an average of **4%** annually since 2004.
- **Impact of the economic downturn on disability claims:** Almost without exception, CDA member companies report the 2008-2009 economic downturn has not impacted disability claims as of the reporting date. The companies were rather consistent in predicting a moderate impact on claims in future months.
- **Impact of the economic downturn on worker psyche:** The economic downturn has raised awareness of economic vulnerability and the resulting importance of taking responsibility for planning for personal financial security. Eroded savings, a negative economic outlook and less secure employment have raised the American workers' awareness of financial risk and made planning for an income-limiting disability more important than ever.

CDA Survey Findings: Summary of Key Findings from Social Security Disability Insurance (SSDI) Data

- **Social Security Disability claims** continued to rise sharply in 2008.
- **The SSDI worker population grew** 15% from 1998 to 2008, while workers receiving disability payments from SSDI grew by 58% during the same time.
- **SSDI claim applications surged** to 2.3 million in 2008—representing a 5.7% increase over 2007 and the highest level ever.
- **Over the past 10 years**, SSDI benefits rose dramatically by 98%, even as the percentage of applications approved dropped from 52% in 1998 to 38% in 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 conducting surveys. CDA member companies represent over 75% of the commercial disability insurance marketplace.



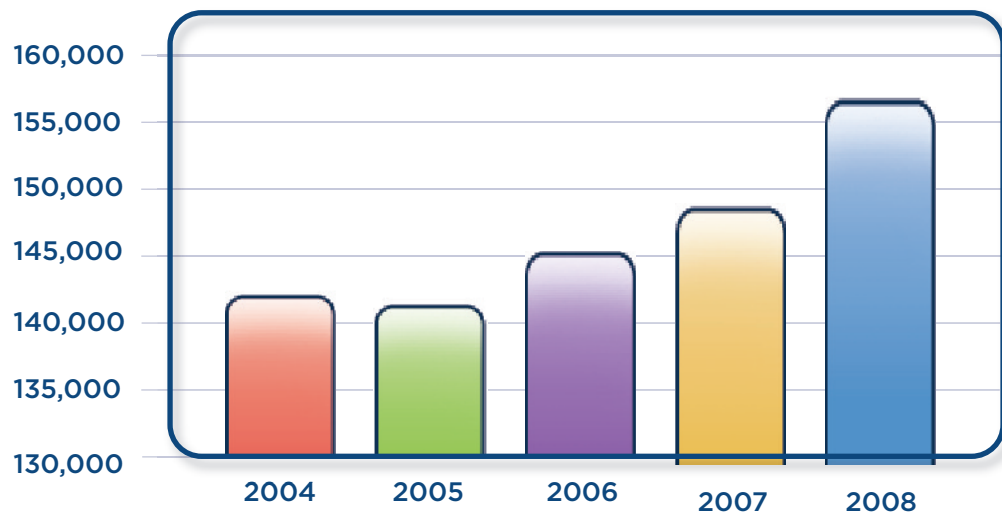
Source: *The 2008 CDA Long-Term Disability Claims Review*.

Other CDA Survey Findings:

- **573,500** disabled individuals received ongoing long-term disability insurance payments from CDA member companies in 2008; this is a **1.5%** increase over 2007.
- In addition, **156,000** new disabled individuals were approved by CDA member companies for long-term disability insurance benefits in 2008.

Number of New Claimants Approved

The number of new claim applications approved by CDA Member companies has increased in the past three years. CDA member companies represent over 75% of the commercial disability insurance marketplace.



Source: *The 2008 CDA Long-Term Disability Claims Review.*

- **95%** of reported CDA member company disability claims are estimated to be not work-related.
- **30%** of individuals receiving long-term disability insurance from CDA member companies do not qualify for SSDI payments.
- **Incidence and duration declining:** Most CDA member companies report that, over the past several years, both incidence and duration rates have been flat or declining.
- **New cancer, cardiovascular/circulatory and nervous system-related claims are trending down:** Favorable trends in new cancer, cardiovascular/circulatory and nervous system-related long-term claims may be the result of advances in medical technology.
- There are reports by some companies that **claims attributable to AIDS and musculoskeletal/connective tissue disorders are declining.**

Primary Causes of Long-Term Disability Insurance Claims during 2007 and 2008 as Reported by CDA Member Companies

- **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** remains the second leading cause of new claims but is the fourth leading cause of existing claims.

- **Cardiovascular/circulatory problems** have declined as a cause of new and existing claims over the past three years. They represent a smaller percentage of new claims compared to past CDA studies, but remain the second leading cause of existing claims. (Examples in this category include claims caused by heart and circulatory disorders, strokes, etc.)

CDA 2008 Long-Term Disability Claims Survey Disability Claims by Diagnosis

Claim Diagnosis Category	% of New & Existing LTD Claims			
	2007		2008	
	New*	Existing*	New*	Existing*
Musculoskeletal/Connective Tissue	23.3%	26.5%	22.8%	26.5%
Cancer	13.9%	8.3%	13.7%	8.7%
Cardiovascular/Circulatory	8.9%	12.8%	8.5%	12.7%
Nervous System-Related	6.3%	12.3%	5.8%	12.3%
Injuries & Accidents	9.4%	6.1%	10.0%	6.2%
Maternity-Related	7.9%	1.9%	8.7%	2.3%
Mental Disorder/Psychiatric	6.3%	6.7%	6.4%	6.3%
Other	24.0%	25.4%	24.1%	25.0%
Total LTD Claims:	148,643	564,832	156,103	573,552

* "New" claims are those approved in the current year; "existing" claims are ongoing but approved in prior years.
Source: The 2008 CDA Long-Term Disability Claims Review.

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

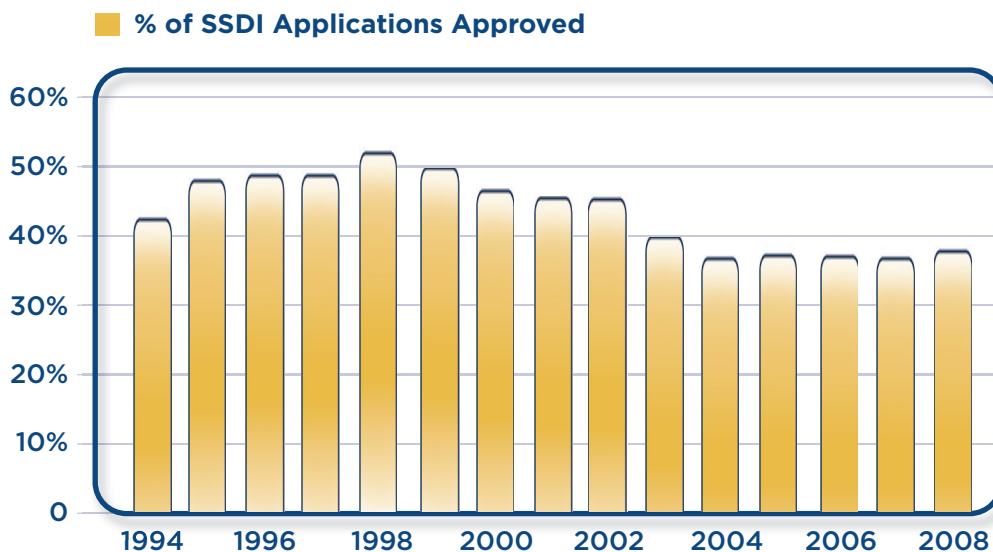
For the first time, as part of the 2008 CDA claim survey, member company representatives were asked a series of qualitative questions about disability insurance claim trends, observations and predictions for the future. Here is how they responded:

- The participating member companies generally expect to see some influence on claims from the current economic downturn, although **none predict a severe impact**. Some companies expect to see more effect on the number of new disability claims (incidence) and less on the length of disability claims (duration). Certain occupations and industry sectors may be affected more than others. However, only one company reported any observed impact thus far; others expressed the opinion that the influence of the economic downturn will not be reflected in claims until later in 2009.
- Contributing companies report that the percentage of total disability claims for insured individuals age **50 and over** has generally been increasing, and the percentage of claims for those **under 50** has been declining. This is consistent with the aging of the U.S. workforce.
- CDA participating member companies **did not report any meaningful change** in the proportion of claims by gender.

- **27%** of responding companies report that claim incidence rates have been staying about the same over the past several years, and **64%** report that incidence rates have been declining.
- Most responding companies report claim durations have either been **staying the same or decreasing**.

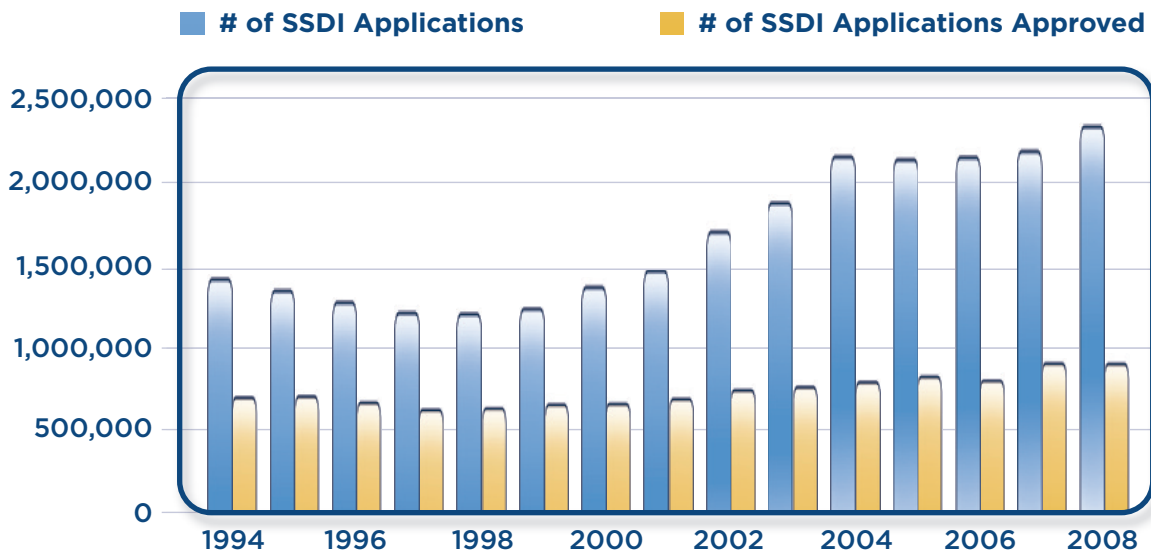
Social Security Disability Insurance (SSDI) 2008 Data and Trend Highlights

- **154 million** workers were covered for disability insurance under the SSDI program in 2008; this represents a **15%** increase over the 135 million workers covered a decade ago. Covered male workers outnumber covered females by **10%**, although the covered female worker population growth rate is faster (**+19%** over 10 years versus **+11%** for male workers).
- **Disabled worker population grows:** The growth in the number of disabled workers (i.e., the number of disabled workers receiving SSDI claim payments) continues to outpace growth in the overall covered worker population. According to the Social Security Administration, the covered SSDI worker population grew by **15%** from 1998 to 2008, while the number of disabled workers receiving SSDI claim payments grew by **58%** during the same period.
- **Applications for SSDI benefits surge:** More workers are applying for SSDI claim payments. Applications for SSDI benefits rose to **2.3 million** in 2008, the highest ever, and **5.9%** higher than the previous record in 2007. Over the past 10 years, the number of applications for SSDI benefits rose dramatically by **98%** while the percentage of applications approved (the approval rate) dropped from **52%** in 1998 to **38%** in 2008.
- **SSDI claim approval rates continue to decline:** The SSDI percentage approval rate for applications has been trending downward. (The approval rate is the percentage of



Source: U.S. Social Security Administration

workers who apply for SSDI benefits whose claims are approved.) **38.6%** of workers applying for SSDI disability claim payments in 2008 were approved; 10 years ago the approval rate for workers applying for disability was **52%**. Approval rates in the past 5 years (ranging between **37.2%** and **39.1%** during 2004-2008) represent the lowest five out of the past 15 years. The highest approval rate of the past 15 years was the **52%** in 1998. The 15-year median approval rate is **44.6%**.



Source: U.S. Social Security Administration

- **895,000** disabled workers were approved for SSDI payments in 2008; this is an **8.7%** increase over 2007 and **47%** more than the 608,100 workers approved in 1998.
- **The increase of 8.7%** in 2008 SSDI awards over the prior year represents the largest year-over-year increase in new awards since 2001.
- **SSDI disability rate increases:** The overall rate of disability is increasing among both men and women workers; in 1998, **3.5%** of covered workers were receiving SSDI payments while in 2008, **4.8%** were receiving SSDI payments. This is likely at least partly attributable to the aging of the U.S. workforce.
- **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 2008 (4.8%) was **50%** higher than 10 years earlier (3.2% in 1998), while the number of male workers receiving SSDI grew by **26%** during the same period, from 3.8% to 4.8%.
- **79%:** this is the increase in the number of disabled female workers receiving SSDI payments over the past decade, compared to a **43%** increase among disabled male workers.
- **37%:** this is the increase in the rate of disability among all covered workers (the number of workers approved for disability payments compared to the total number of workers covered) over the last 10 years. Female workers' rate of disability increased **50%** compared to male workers' increase of **26%**.

- **7.4 million** disabled workers received disability payments from SSDI in 2008; this is a **4.6%** increase over 2007 and **58%** higher than the 4.7 million disabled workers receiving payments in 1998.
- **\$91.3 billion** was paid by SSDI to all disabled workers in 2008; this is more than twice the \$43.5 billion of disability payments paid in 1998.

2007 Social Security "Quick Facts"

- **52:** this is the average age of a disabled worker receiving SSDI benefits.
- **2.3 million:** this is the number of disabled workers in their 20s, 30s and 40s receiving SSDI benefits.
- **1.8 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 2008 Long-Term Disability Claims Survey*
- Social Security Administration Disability Insurance Fact Sheets and Actuarial Publications 2007 & 2008; www.socialsecurity.gov

*** Survey participants included:**

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

CDA companies represent over 75% of the commercial disability insurance marketplace and provide long-term disability insurance coverage to 32.5 million workers—29 million who are covered through over 200,000 employer-sponsored benefit plans and 2.1 million who are insured through individually purchased disability policies.

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