

**Disability Insurance – Social
Security Benefits & Health
Care Reform**

**Course Number: 286995
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**Question for you??
Who is the largest
Minority in America??**

ANSWER

It's the 51 Million Americans that are currently disabled!!

(Source: the 2009 U S Census Bureau).

At age 106 what does she have in common with





Disabled wage earners on Social Security Disability

- There are 8.3 million disabled wage earners, over 5% of U.S. workers, that are receiving Social Security Disability (SSDI) benefits at the conclusion of March, 2011. (Source: SS Administration, Disabled Worker Beneficiary Statistics, ssa.gov)

New SS Disability Insurance applications

- New SS Disability Insurance (SSDI) applications increased from 2.3 million in 2008 to 2.8 million in 2009. 2 of the major drivers of the increase are the poor economy/high unemployment rate and the aging of America's working population.³
- (Source: SS Administration, Disabled Worker Beneficiary Statistics, ssa.gov)

SS Definition of Disability

- To be considered medically disabled according to SS rules, an individual must be unable to engage in any "Substantial Gainful Activity" due to any medically determinable physical or mental impairment(s) which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

SS Definition of Disability

- In addition to being unable to perform his or her previous work, the person cannot, considering age, education, and work experience, engage in any other kind of "Substantial Gainful Activity" that exists in the national economy (1967 Amendments).

Social Security Disability on the Verge of Insolvency

- Congress estimates the trust fund that supports SSDI will run out of money by 2017.
- About two decades later, Social Security's much larger retirement fund is projected to run dry as well.

Did you know??

48% of VA home foreclosures are due to a disability
(Source: *FHA, Disability Income concept, 1998*).

In December of 2010, there were over 2.5 million disabled workers in their 20s, 30s, and 40s receiving SSDI benefits.

Source: Social Security Administration, Disabled Worker Beneficiary Statistics, ssa.gov

Chances of a Disability

- Almost **3 in 10 workers** entering the workforce today will become disabled before retirement.

(Source: *Social Security Administration, Fact Sheet, January 31, 2007*)

- In the last 10 minutes, **498 Americans** became disabled.

(Source: *National Safety Council®, Injury Facts® 2010 Ed.*)

Chances of a Disability

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.

In the home a fatal injury occurs every 12 minutes and a **disabling injury every 3 seconds**.

- National Safety Council®, Injury Facts® 2008 Ed.

Chances of a Disability

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

Protecting Your Most Important Assets

Potential Earnings to Age 65 (with 5 percent annual salary increase)

Annual Income			
Age	\$50,000	\$100,000	\$150,000
30	\$4,516,000	\$9,032,000	\$13,548,000
35	\$3,322,000	\$6,644,000	\$9,966,000
40	\$2,386,000	\$4,773,000	\$7,159,000
45	\$1,653,000	\$3,307,000	\$4,960,000

Why do you need Disability Income Protection??

The consumer needs the protection because...

- **Effect on the family** - Despite the fact that more than 70% of American households rely on two incomes to make ends meet, only 26% of Americans have any type of disability insurance.¹
- **Effect on the consumer** - 43% of all people age 40 will have a long-term disability event prior to age 65.²

¹ Facts from LIMRA May 2010 Multimedia Fact Sheet, based on findings from LIMRA's life insurance consumer studies.

² JHA Disability Fact Book, 2008

Why do you need your own Disability Income Protection?



In the U.S., a disabling injury occurs every 3 second, a fatal injury occurs every 4 minutes.

(Source: National Safety Council®, Injury Facts® 2008 Ed.)

**The Consumer
Needs Disability
Insurance!!**

Only 40% of adult Americans have separate emergency savings funds.

(Source: National survey commissioned by the Consumer Federation of America (CFA) and carried out by Opinion Research Corporation, February 2007)



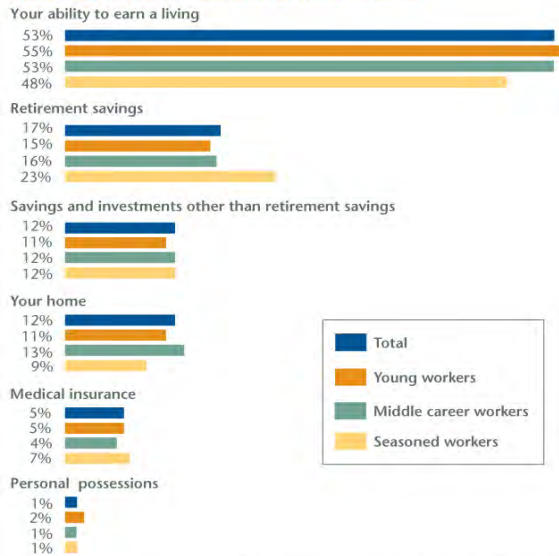
What employees think

- 43% of employees indicated protecting financial assets due to an unexpected event as a main concern.
- 45% of employees feel not at all knowledgeable about individually owned disability insurance.

The Principal Financial Well-Being IndexSM, 2009

Workers' rankings of the most valuable activities to achieve long-term financial security

Percentage ranking each item as most valuable



Despite the fact that more than 70% of American households rely on two incomes to make ends meet, only 26% of Americans have any type of disability insurance.

- Facts from LIMRA May 2010 Multimedia Fact Sheet, based on findings from LIMRA's life insurance consumer studies.

Source: The 2008 Council for Disability Awareness Worker Disability Planning and Preparedness Study

If employees become too sick or hurt to work, they have a lot to lose...

- Current standard of living
- Future earnings
- Their home
- Retirement savings and other assets
- Insurability
- Credit rating
- Peace of mind

In 2009, Over 60% of all U.S. personal bankruptcies were due to an inability to pay for medical expenses.

The American Journal of Medicine

60% of your salary might pay for



Your house

Your vehicle

60% of your salary might pay for



Clothing

Food

60% of your salary might pay for



Gas

Insurance

Taxes

Why Disability Insurance?



**Most
people
think it
won't
happen
to me?**

Why Disability Insurance?



30%
of people age
35 to 65 will suffer a
disability for at least
90 days.

Source: 2005 Field Guide to Estate Planning, Business Planning & Employee Benefits, by Donald Cady

Why Disability Insurance?



1 in 7
can expect to
become disabled for
5+ years.

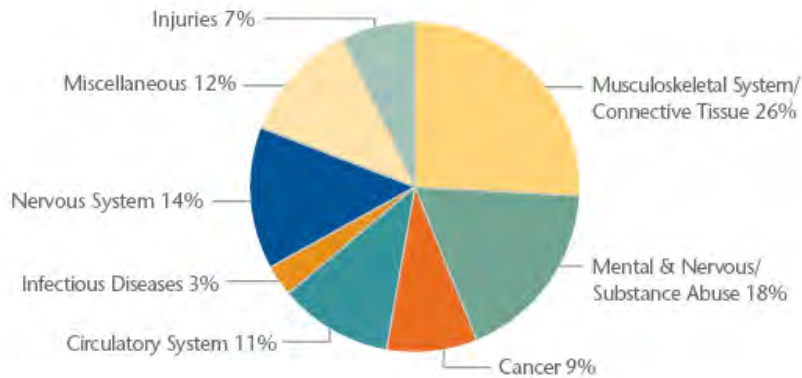
Source: America's Health Insurance Plans, National Association of Insurance Commissioners, U.S. Commerce Department

Why Disability Insurance?



51%
of our claims last
longer than
5 years.

Source: Data from Principal Life Insurance Company
– As of 12/31/2009



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.

Condition	Length of Claim
Fibromyalgia	100 months
Mental Disorders	99 months
Aids/HIV	98 months
Cancer	81 months
Circulatory Disease	76 months
Nervous System Disease	69 months
Injury	64 months
Respiratory Disease	45 months

JHA 2004 Disability Rate Study & Risk Management Survey (74% Market Share)

What does all of this have to do with the Deficit & Health Care Reform??

For the past 2 and a half years we have heard our Politicians or the media talk about the growing number of people who went (or are going) bankrupt due to the medical expenses they have incurred. The bankruptcy would usually be attributed to not having health insurance or not being able to pay their medical expenses.

Under The Health Care Reform Law everyone will be mandated to have health insurance and that will end the majority of bankruptcies. That is what the Government seems to think!!

Most people do not declare bankruptcy because they incurred medical expenses or because they did not have health insurance.

The reason most people have to declare bankruptcy is that they are unable to work, due to an accident or illness. Because of their disability they are not working and not receiving any income. These people also do not have disability insurance to replace their income.

If you have no income but you still have expenses, How do you pay for these expenses??

You cant!!

The Deficit & SSDI

- You are disabled with no money coming in & you think well at least I can collect Social Security Disability Insurance.
- However due to the SS Disability trust fund becoming insolvent in 2017 there will not be any \$\$ available.
- So how will you live & pay your bills in 2017 and thereafter??

The answer.... A Solid Financial Foundation



Common Definition of Accidents and Illnesses

- Accidents
 - Directly and independently of all other causes
 - Caused by an accidental event
 - Accidental bodily injury
- Illness
 - Illness commences after the effective date of the policy
 - Illness manifests itself after the effective date of the policy



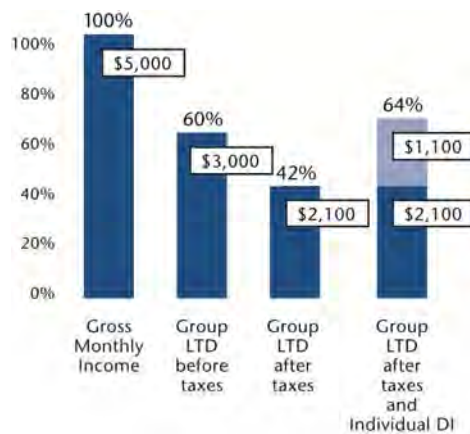
- Group Long-Term Disability (LTD) Insurance
- Individual Disability Income Insurance
- Combination program

Group LTD Benefits

- Group LTD coverage is sponsored and often paid for by the employer
- Easy to Administer
 - One master policy covers all employees
- Typically replaces 60% of pre-disability earnings
 - Starts when sick leave and short-term benefits are exhausted
 - Continues for 2-5 years or until retirement age

Group Long-Term Disability insurance is a good start...

But could you survive a 60% pay cut?



Perception: Group disability insurance coverage is enough; there is no need to offer individual disability insurance.

Reality: Group LTD is a great start, but these benefits are usually taxable. A typical policy covering 60% of an employee's income will only cover 42% after taxes. Plus, most group disability plans don't cover bonus and incentive pay, which can lead to an even larger income protection gap.

Individual Coverage

- Can be employer sponsored or voluntary
- Base salary, commissions, and bonuses covered
- Non-cancelable coverage
- Insured owns the policy – portable policy

Perception: Many employers already offer group disability benefits and do not want the additional expense of adding individual disability insurance.

Reality: Employee benefits continue to be the “hot topic” at companies across the U.S. Most employers realize that to attract and retain quality employees, they need good benefits programs.

Why you need personal disability insurance

- Personal Disability Income Coverage provides needed protection for workers and their families.
- Personal Disability Income Coverage ALSO Reduces the Need for Government Assistance...and contributes to controlling the deficit!

Questions?