



Consumer Federation of America



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**NATIONAL SURVEY REVEALS IMPORTANT INCOME PROTECTION
NEEDS, AND OPPORTUNITIES, FOR EMPLOYEES AND THEIR FAMILIES**

**Research by CFA and Unum shows workers know little about disability insurance,
despite expecting financial hardship if unable to work**

**Once informed about employer-sponsored coverage, almost all workers
want this insurance and are willing to pay for it**

Washington, DC – In a national survey of nearly 1,200 employees, the Consumer Federation of America (CFA) and Unum learned that workers know little about group disability insurance, even important characteristics of what coverage they may have. But when given information about this financial protection benefit, nine out of 10 employees say they want this coverage and would pay for it.

In the CFA-Unum survey, only 13 percent of all employees say they know "a lot" about this insurance, and less than half of those who say they have coverage know how much it costs (41%) or what its benefits are (47%). When given information about disability insurance, a very large majority (90%) say they want this coverage, and nearly as many (86%) say that, if required, they would pay half of a \$30 monthly premium, with more than half (56%) saying they would pay all of this premium, to gain income protection.

"Almost all workers wisely want disability insurance protection and are willing to help pay for it," said Stephen Brobeck, CFA's Executive Director. "But since only about one-third have long-term disability insurance, there is a huge gap between worker desire for coverage and the extent of actual coverage."

Group disability insurance provides financial protection to employees unable to work because of injury or illness. Depending on the specific plan, within one week to six months after an employee stops working, he or she begins receiving payments equal to

about 60 percent of his or her income. About one-third of workers are protected by long-term disability insurance, whose monthly premiums – paid for by the employer, employee, or some combination – usually range between \$10 and \$30.

Employer-sponsored disability insurance provides income protection that is not available from workers' compensation or Social Security Disability Insurance. Workers' comp is available only to those employees who are injured or made ill on the job, but the large majority of injuries and illnesses causing work loss are suffered away from work. Social Security Disability Insurance benefits average only \$13,000 a year.

"The ability to earn a living – our income – is the most valuable asset we have, and protecting that asset is increasingly important," said Thomas R. Watjen, president and CEO of Unum. "A disabling illness or injury can cause real financial hardship for many individuals and their families, and disability insurance creates a backstop against significant income loss during the period of absence, recovery and return to work."

The high value employees place on the availability of disability insurance, and their personal desire for insurance coverage, certainly reflect the fact that most workers say they would suffer financial hardship if not able to work. More than three-quarters of all employees (77%) say they would suffer great or moderate financial hardship if they did not work for three months because of injury or illness, with half (50%) indicating great hardship. And more than three-quarters (78%) say they would experience great financial hardship if they did not work for 12 months.

Lower-income workers are much less likely to have access to disability insurance coverage, but are more likely to want this coverage, than are upper-income workers. Fewer than half (46%) of employees with household incomes under \$25,000, but 80 percent of those with household incomes of \$100,000 or more, say that their employer offers disability insurance. Yet, 72 percent of the lower-income group, but only 51 percent of the upper-income group, say that it is very important to them personally to have this insurance coverage. And lower-income workers are nearly as willing as higher-income workers to pay for this coverage.

"As an employer, I consider group disability insurance to provide important income protection for our employees," said Brobeck. "This insurance complements and supplements better-known workers' compensation and Social Security Disability Insurance programs. The Consumer Federation of America believes that consumers, most of whom rely on wages and salaries for purchasing power, would be well-served if all employers offered employees the opportunity to purchase disability insurance."

Additional highlights of the CFA-Unum survey include:

- **Employees Lack Knowledge About Reasons for Disability, Disability Insurance, and Their Own Insurance Coverage**

Employees don't understand the reasons for disability that result in time away from work, underestimate the extent to which workers will miss work, and know little about group disability insurance, including the coverage they may currently have.

- Nearly twice as many employees think that injuries (66%), not illnesses (34%), keep employees from work for at least three months, but the large majority of all disability claims paid are for illnesses and health conditions.
- Employees think that 25 percent of those who become disabled and are unable to work for at least three months remain disabled for at least two years. But in actuality, it's twice that. Half of the disabled workers who are out of work for three months remain disabled for more than two years.
- Only 13 percent of employees say they know "a lot" about group disability insurance, while just over one-third (35%) say they know only "a little." More than half (52%) say they know "not very much" or "nothing at all."
- Among employees who think they are covered, fewer than half say they know how much it costs (41%) or what the benefits are (47%), and little more than three-fifths (63%) say they know whether they "pay any or all of the monthly payments."

- **Employees Support Policies to Increase the Availability and Quality of Group Disability Insurance**

Because employees strongly support the value of group disability insurance for all employees and for themselves personally, it is not surprising that they support policies to increase its availability and quality.

- More than three-quarters of employees (76%) say it is a good idea for employers to automatically enroll employees in a disability insurance program that these employees could decline only at the outset and annually thereafter.
- When employees are informed that small employers are least likely to offer disability insurance, a large majority (71%) favor "the federal government providing these employers a one-time tax incentive to help them create a group disability insurance option."

- More than three-quarters (77%) favor the creation of "independent standards that were used to evaluate individual employer plans." Despite the ambiguity of the question – what are the standards and who creates and enforces them? – most employees said these standards are a good idea.

The CFA-Unum survey was administered by Opinion Research Corp International (ORC) over three weekends in late March and early April this year by cell phone and landline. ORC interviewed 1,191 full- and part-time employees who are broadly representative of the population of all employees, then weighted the survey data to more exactly represent the characteristics of all employees. The margin of error of the aggregate data is +/- 3 percentage points. Additional information about the survey methodology, and the survey data themselves, are available on request from CFA. Also available is a CFA-Unum report on the survey data, "Employee Knowledge and Attitudes About Employer-Provided Disability Insurance."

CFA is a non-profit association of nearly 300 consumer groups that was established in 1968 to advance the consumer interest through research, advocacy, and education. Unum (NYSE: UNM) is a leading provider of employee benefits in the United States and the United Kingdom. In the future, the two organizations will seek to increase consumer, employee, employer, and policymaker understanding of group disability insurance through dissemination of these survey findings and related information.