

# NEWS RELEASE



Consumer Federation of America



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## LARGE MAJORITY OF WORKERS RISK FINANCIAL EXPOSURE IN EVENT OF DISABILITY, SURVEY FINDS

*Consumer, Insurer Groups Work to Inform Americans About Disability Income Insurance*

Washington, D.C. (April 23, 2001)—A large majority of U.S. workers (82 percent) either have no long-term disability income coverage or coverage they believe is inadequate, according to a survey by the Consumer Federation of America (CFA) and the American Council of Life Insurers (ACLI).

The joint survey also found that 73 percent of workers believe they would be adversely affected financially if they were unable to work for a year or longer.

“Considering that most American workers believe they do not have adequate disability insurance, it is no surprise that 72 percent rate long-term disability income coverage as an important work-related benefit,” said J. Robert Hunter, CFA’s director of insurance and former Texas insurance commissioner.

The survey also revealed that workers do not understand their disability income benefits at work nearly as well as they understand their work-related health insurance, life insurance, and retirement and pension benefits. In fact, among those with disability coverage, 43 percent did not know their basic long-term disability insurance benefit.

*CFA and ACLI Will Inform Workers and Employers About Importance of Disability Income Insurance.*

Because of inadequate worker coverage and poor worker understanding of disability income insurance, CFA and ACLI have prepared a brochure, *Long-Term Disability Income Insurance—Financial Protection for You & Your Family*. This free publication:

- Describes resources, including Social Security, that provide benefits to many disabled workers.
- Discusses the features of private disability income insurance including related cost factors;
- Gives tips on purchasing this insurance; and
- Provides a consumer checklist to evaluate long-term disability income insurance policies and their benefits.

“Through publicizing the results of the survey and distributing the brochure, we hope to convince many workers and employers alike that long-term disability income insurance should be available at work,” said Stephen Brobeck, CFA’s executive director. “In fact, this project spurred CFA to begin providing a disability insurance benefit to its employees,” he added.

“The survey results illustrate how widespread misunderstanding about disability is,” said Carroll A. Campbell, Jr., ACLI’s president and CEO. “Disabilities can strike anyone regardless of age, gender or income level—endangering our ability to put food on the table, cover our mortgage or rent, and meet other financial obligations. Simply put, if you are the family money machine, how will your family function if you break down?”

(MORE)

## ***Facts on Work-Related Disability and Disability Income Insurance***

In terms of disability risk, the survey learned that seven percent of workers think they are very likely to become disabled and unable to work for one year or longer while 32 percent think that this risk is somewhat likely. There is no recent reliable information on worker disability risk. But 1987 actuarial tables released by the National Association of Insurance Commissioners indicated that a worker at age 35 has about a 24 percent chance of being disabled for more than 90 days during the remainder of his or her working life.

Long-term disability income insurance helps workers and their families pay living expenses while a wage earner is unable to work. It offers cash to help with mortgage payments, rent, groceries, utility bills, and other expenses. This insurance typically pays a percentage of the policyholder's annual income. In individual policies where premiums are paid to policyholders, benefits are typically tax-free. In group policies where premiums are paid by employers, benefits usually are subject to income taxes.

Social Security also provides benefits to many disabled workers. These benefits are based on a worker's salary and the number of years worked and contributed to Social Security, but they replace only a portion of one's salary. To be eligible, all three conditions must be met: first, disability for five full calendar months; second, disability expected to last at least 12 months or end in death; and third, inability to be gainfully employed at any occupation.

### ***Other Survey Findings***

The survey, commissioned by CFA and ACLI, was conducted by Mathew Greenwald & Associates, Inc. A representative sample of 500 working Americans was questioned in 2000.

Other survey findings include:

- Fifty-nine percent of respondents said they are covered either by group long-term disability income insurance or an individually purchased policy. More than half had group insurance, and one percent of the respondents, including some who also have group insurance, have an individual policy.
- More than half of respondents with long-term disability income insurance (56 percent) believed it would be enough to protect their income should they become disabled, though 41 percent did not.
- Of respondents covered by long-term disability income insurance, one-half said they know the percentage of their income that would be replaced; on average, they believed it would replace 65 percent of their current income.
- Eighty-six percent of respondents said that long-term disability income insurance also should include a component of job training or other assistance that the person affected may need in order to return to work.

To obtain one free copy of the new CFA-ACLI disability insurance brochure, *Long-Term Disability Income Insurance—Financial Protection for You & Your Family*, call 1-800-589-ACLI. The publication number is 7200004. The brochure also is available on CFA's Web site, [www.consumerfed.org](http://www.consumerfed.org), and on ACLI's Web site, [www.acli.com](http://www.acli.com).

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**CFA is a non-profit association of some 270 pro-consumer groups that was established in 1968 to advance the consumer interest through education and advocacy.**

**The American Council of Life Insurers is a Washington, D.C.-based trade association. Its more than 400 member companies offer life insurance, annuities, pensions, long-term care insurance, disability income insurance and other retirement and financial protection products.**