



EMPLOYEE KNOWLEDGE AND ATTITUDES ABOUT EMPLOYER-PROVIDED DISABILITY INSURANCE

**REPORT PREPARED BY CONSUMER FEDERATION OF AMERICA (CFA) AND UNUM WITH
SURVEY DATA COLLECTED BY OPINION RESEARCH CORP, APRIL 2012**

INTRODUCTION

Employer-provided disability insurance, along with other forms of insurance such as workers' compensation and Social Security Disability Insurance (SSDI), provide financial protection to employees unable to work because of injury or illness. This type of insurance, often called group disability insurance, provides the employee with payments equal to about 60 percent of his or her salary or wages. The "waiting time" until payments are made depends on the insurance plan offered by the employer and can vary anywhere from one week to six months from the time the employee stops working due to the illness or injury. About one-third of workers are protected by this insurance, with monthly premiums (paid for by the employer, employee, or some combination) in the range of \$10-\$30. More than 600,000 of these insured workers are currently receiving long-term disability benefits in excess of \$8 billion annually.¹

In March 2012, the Consumer Federation of America (CFA) and Unum commissioned a survey of employees about their knowledge of and attitudes toward group disability insurance. The survey was conducted by Opinion Research Corp (ORC), which contacted 3,000 adults at least 18 years of age by landline or cell phone during three consecutive weekends. Of this group, 1,191 identified themselves as full- or part-time employees and were interviewed. This sample population is broadly representative of the population of all employees, and the survey data were then weighted to more exactly represent the characteristics of all employees. The margin of error of the aggregate data is +/- 3 percentage points. On request, CFA and Unum can provide a more detailed description of ORC's survey methodology.

The survey began by asking respondents about their knowledge of the extent to which injury and illness affect being able to work. It then inquired about financial

¹ Council for Disability Awareness. (2011). [2011 Long-Term Disability Claims Review](#). Represents 75 percent of the commercial disability insurance marketplace.

hardships respondents would face if they were unable to work for three and for 12 months. It continued by asking how much respondents know about group disability insurance and their principal sources of information about this insurance. Under the correct assumption that employees know relatively little about group disability insurance, the survey then explained this insurance and compared it to SSDI and workers' comp, before asking respondents a series of question about their attitudes toward disability insurance and related policies. ORC also asked respondents standard demographic questions – including age, gender, ethnicity, children, income, and education – as well as questions about their place of employment.

Employee Knowledge of Disabilities and Group Disability Insurance

The survey revealed that most employees underestimate the amount of time individuals will be away from work due to illness and injury. On average, the surveyed employees thought 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.²

Employees also are far more likely to believe that injuries (66%), rather than illnesses (34%), cause the majority of disabilities that keep employees from work for at least three months. But most employees have it very wrong. According to the Council of Disability Awareness, 90 percent of all disability claims paid are for common illnesses and health conditions.³ The reason for this misperception appears to be the more fundamental misperception that most disabilities are work-related, when, in fact, far more disabling conditions are related to conditions not attributable to work.

Employees, however, do generally understand the probability of workers not being able to work for at least three consecutive months during their entire working career. Their typical estimate in the survey was one-third, which is consistent with findings from the Society of Actuaries that three out of 10 employees between the ages of 35 and 65 will be out of work for three months or longer due to an accident or illness.⁴

² Society of Actuaries. (1987). *Commissioners Group Disability Table*.

³ The 2011 Council for Disability Awareness Long-Term Disability Claims review, representing 75 percent of commercial disability insurance market, http://disabilitycanhappen.org/research/CDA_LTD_Claims_Survey_2011.asp

⁴ Society of Actuaries. (1985). *Commissioners Individual Disability Table A*.

For a younger cohort, the Social Security Administration estimates that just over 1 in 4 of today's 20-year-olds will become disabled before age 67.⁵

Most employees recognize that they do not understand group disability insurance. Only 13 percent said they know "a lot" about this insurance, while more than one-third (35%) said they know only "a little," and more than half (52%) said they know "not very much" or "nothing at all." Those indicating the poorest understanding tended to be young adults and those from low- and moderate-income households. For example, 65 percent of low-income households (under \$25,000 annual incomes) and 62 percent of moderate-income households (\$25,000-\$50,000 incomes) – compared to only 35 percent of upper-middle income households (\$75,000-\$100,000 incomes) and 37 percent of upper-income households (\$100,000 incomes and above) – said they knew nothing at all or not very much about group disability insurance. Two-thirds (66%) of younger employees (18-34) admitted to knowing "not very much" or "nothing at all" about disability insurance.

This lack of understanding may even extend to knowing whether employees have access to or are covered by group disability insurance at work. Two-thirds of employees (65%) believe their employers offer it. But according to the Bureau of Labor Statistics, only 32 percent of working Americans have access to long-term disability coverage through their employer.⁶

Moreover, among those employees who think they have this insurance, most acknowledge that they do not know how much it costs or the scope of the benefits. Only 41 percent said that they "know for certain" the amount they pay in monthly premiums for this coverage, while only 47 percent were sure they knew what the amount of the benefit they would receive if they became disabled. And only 63 percent said they know whether they "pay any or all of the monthly premiums." Most do claim to know (83%), however, if the type of disability insurance they have is short-term or long-term.

Employees are highly dependent on employers for their knowledge of disability insurance. Nearly three-quarters of employees (72%) of employees who indicated that they knew "a little" or "a lot" about disability insurance cited their present or past employer as their principal information source, while only 11 percent cited media (TV, radio, print, or Internet), 10 percent cited friend or family, and 2 percent identified government sources as their "principal" source.

⁵ Social Security Administration, Basic Facts, April 4, 2012, <http://www.ssa.gov/pressoffice/basicfact.htm>

⁶ Bureau of Labor Statistics, National Compensation Survey, March 2011, <http://www.bls.gov/ncs/ebs/benefits/2011/ownership/private/table12a.htm>

When the employer does not offer disability insurance, employees are much less likely to know anything about it. Among these employees without access to employer-sponsored coverage, more than two-thirds (69%) said they knew not very much or nothing at all about disability insurance, compared to only 37 percent of employees who have this coverage. Lack of knowledge is especially an issue with employees who work in small organizations that are less likely to offer disability insurance. Sixty-two percent of employees at organizations with fewer than 100 workers admit to not knowing much or nothing at all about the insurance, compared to only 47 percent of employees in larger organizations.

Employee Attitudes about the Importance of Group Disability Insurance and Their Willingness to Pay for It

Despite their lack of knowledge about employer-provided disability insurance, almost all employees recognize the importance of this insurance and desire its coverage. Ninety percent think employers should make this insurance available to their employees, 88 percent think it is important for them personally to be covered, and 61 percent say this coverage is "very important."

There is consistent agreement of the importance of this type of benefit across all age groups. But not surprisingly, the lower one's income, the more likely one thinks the insurance is very important – 72 percent for those with incomes below \$25,000, but only 51 percent for those with incomes \$100,000 and above. These differences certainly reflect differences in the likelihood one would suffer financial hardship if one did not work for three months because of injury or illness. Two-thirds (72%) of those with incomes below \$25,000, but only 25 percent of those with incomes of at least \$100,000, said they would suffer "great hardship."

These differences should not obscure the more important finding that nearly 77 percent of all employees said they would suffer great or moderate financial hardship if they did not work for three months because of injury and illness, with half indicating great hardship. Nine out of 10 employees would experience great or moderate financial hardship if the three months lengthened to a year, with 78 percent saying the hardship would be great.

The high value employees place on the availability of group disability insurance and their personal desire for insurance coverage help explain why so many would be willing to pay premiums. Eighty-six percent said that, if they were required to pay half of a \$30 monthly premium, they would do so. And more than half (56%) said they even would be willing to pay the entire \$30 premium to gain income protection. Interestingly,

low-income employees appear to be just as willing to make these payments as higher income employees. For example, 53 percent of those with incomes below \$25,000 and 57 percent of those with incomes between \$75,000 and \$100,000 indicated they would be willing to pay the entire premium of \$30.

Even though lower-income employees can least afford these premiums, they may well have the greatest need for the income protection. But, the results of the survey indicate that lower-income employees have significantly less access to group disability insurance when compared to their higher income peers. While eight in 10 (80%) employees with household incomes of \$100,000 or more said that their employer offered disability insurance, disability coverage was available to fewer than half (46%) of those with lower household incomes (<\$25,000).

Employee Attitudes about 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 that would increase its availability and quality. Research and experience show that, if participants support a program, such as a workplace retirement account, automatic enrollment greatly increases their participation in this program. So it is significant that three-quarters of employees (76%) said it was a good idea for employers to automatically enroll employees in a disability insurance program that these employees could only decline at the outset and annually thereafter.

When employees are informed that small employers are least likely to offer group disability insurance coverage, 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," with one-third (34%) "strongly favoring" this new public policy. The lower one's income, the more likely one is to favor this policy, though a majority of each income group supports the tax incentive.

Finally, a large majority (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.

Summary Findings

A survey of a nationally representative sample of nearly 1,200 employees about group disability insurance revealed interesting facts about employee knowledge of and attitudes about this insurance.

Most employees do not understand serious disabilities and group disability insurance:

- Most underestimate the extent to which employees lose work because of illness and injury.
- Most fail to understand that illnesses, not injuries, are by far the primary reasons for this lost work.
- Among those who think they have this insurance, most do not know how much it costs or what the benefits are.
- By far, the most important source of information about this insurance is the employer.

But having learned something about group disability insurance, almost all employees recognize its value and its desirability for them personally.

- Nearly all employees think that employers should make this insurance available to their employees.
- Nearly all employees think it is important for them personally to have this insurance.
- A large majority of employees said they would be willing to pay a portion of insurance premiums, with more than half indicating they would be prepared to pay the entire premium.
- Certainly this willingness reflects the fact that nearly 80 percent of employees said they would suffer great or moderate financial hardship if they did not work for three months because of injury or illness.

A large majority of employees support policies to increase the availability and quality of group disability insurance.

- A large majority favor automatic enrollment in group disability insurance programs.
- A large majority favor the federal government providing a tax-incentive to small employers to help them "create" a group disability insurance program.
- A large majority favor the creation of independent standards to evaluate the plans of individual employers.