

2012 LONG TERM DISABILITY CLAIMS REVIEW

The 2012 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 2012 CDA Long Term Disability Claims Review summarizes quantitative and qualitative long term disability insurance claims data from 2007 to 2011, gathered from the annual CDA member Long Term Disability Claims Survey. The report identifies continuing or emerging trends for the purposes of education, evaluation and use by interested audiences. Also included is selected worker disability data from the Social Security Disability Insurance (SSDI) program. Seventeen CDA member companies, representing over 75 percent of the commercial disability insurance marketplace, contributed disability claim data for this 2012 survey.

About the Council for Disability Awareness (CDA)

The Council for Disability Awareness (CDA) is a nonprofit group dedicated to helping the American workforce become aware of the 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, financial advisors, consultants and others who are concerned about disability and the impact it can have on wage earners and their families.

If you have comments or questions about this report, or suggestions for future studies, please contact the Council for Disability Awareness at: www.disabilitycanhappen.org.



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

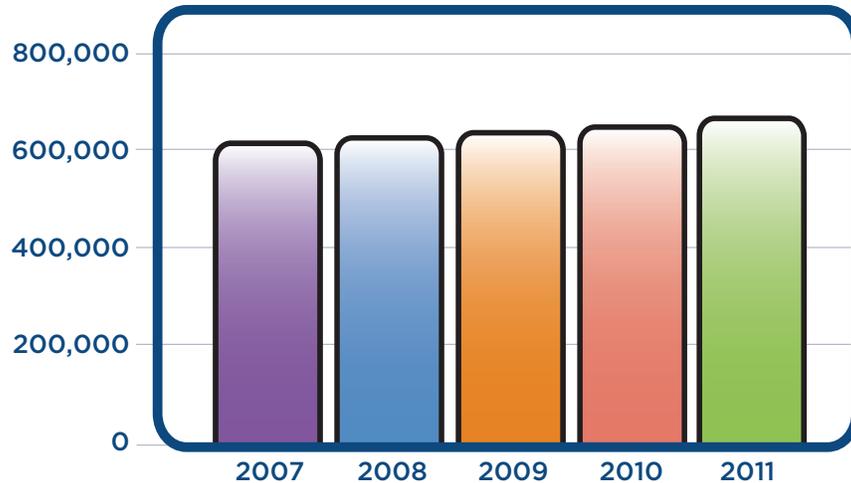
- **\$9.3 billion** in long term disability insurance claim payments were made in 2011 by CDA member companies that participated in this year's study. This represents a 2 percent increase over payments made in 2010.
- **Impact of the economic downturn on disability claims:** Forty-three percent of participating companies reported increased claim incidence from 2010 to 2011, with 38 percent reporting incidence as flat from 2010, and 19 percent reporting lowered incidence. In 2010, 56 percent of participating companies reported increased claim incidence. Most, but not all, companies continue to believe the economic environment is a factor.
- **Impact of the economic downturn on employers providing group long term disability programs:** Participating companies reported a very slight increase in the number of employers offering group long term disability insurance programs in 2011 compared to the prior year. 2011 was the first year since 2008 when the number of employers with long term disability insurance plans increased over the year prior.
- **Impact of the economic downturn on insured lives:** Participating companies reported insured lives declined by 0.5 percent from 2010 to 2011, reflecting the third straight year that the number of wage earners insured for long term disability insurance has declined. The number of employees insured in employer sponsored plans has declined in each year since 2008.
- **Impact of the economic downturn on wage earner financial security and confidence:** While many news outlets acknowledge some improvement, ongoing somber economic reports continue to weigh heavily on U.S. workers. The recovery has been erratic, and unemployment remains high. Media coverage about out-of-work Americans, Congressional gridlock and negative campaigning, low home prices and high foreclosure rates, the national debt, and fear of other economic "shoes to drop" have helped raise awareness of the importance of every worker's income. A persistent sense of economic vulnerability has elevated worker recognition of financial risk and the importance of taking personal responsibility for planning for the potential of an income-limiting disability.
- **Challenges faced by the Social Security Disability Insurance program (SSDI):** These have become more evident to the public at large. The total number of disabled workers currently receiving SSDI payments continues to escalate while the growth in covered workers (which is the source of SSDI's revenue) remains modest. On a positive note, new SSDI benefit applications and new SSDI benefit awards declined modestly in 2011 after expanding rapidly from 2008 through 2010. Several recent reports predict the SSDI program will run out of money by 2016, meaning that without reforms, benefits to disabled workers will have to be reduced.

Other CDA Survey Findings

- **662,000** disabled individuals received long term disability insurance payments from CDA member companies that participated in the 2011 study, which is about a 1 percent increase over 2010. The number of long term disability claims has increased in each of the past four years.

The number of disabled individuals receiving long term disability insurance payments from CDA member companies increased slightly in 2011 for the fourth consecutive year.

Number Receiving Disability Payments

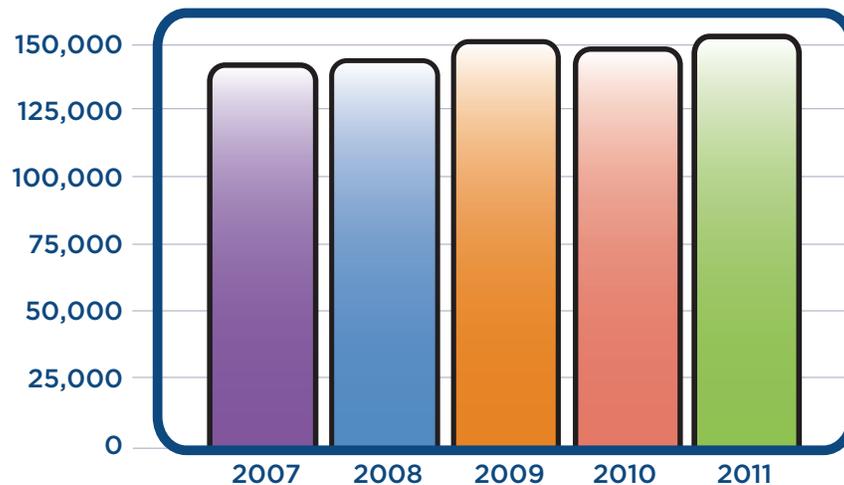


Source: 2012 CDA Long Term Disability Claims Review.

- **155,000 new disabled individuals** were approved for long term disability insurance benefits by CDA member companies in 2011, an increase of 3.3 percent over 2010, while insured wage earners declined in 2011 for the third year in a row. Newly approved long term disability claims resulted in payments of \$1.3 billion during 2011.

155,000 new disabled individuals were approved for long term disability insurance benefits by reporting CDA member companies in 2011; an increase of 3.3 percent over 2010.

Number of New Claimants Approved

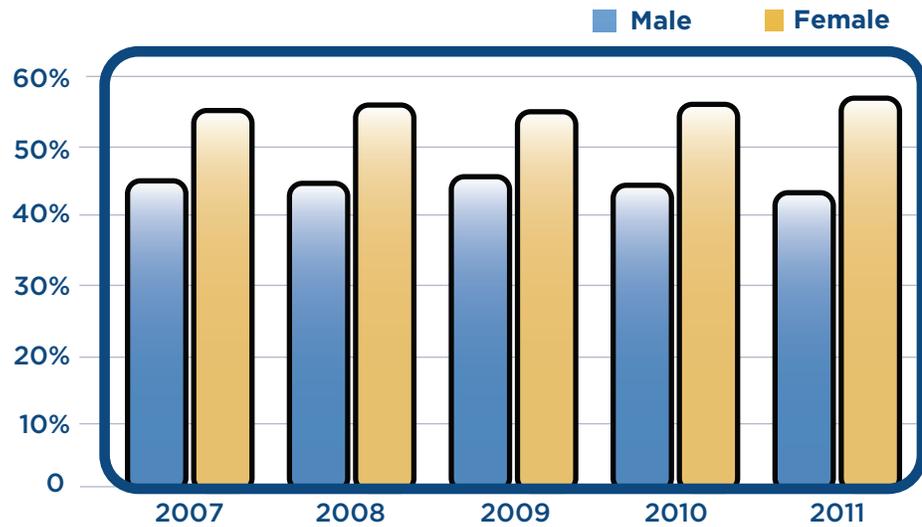


Source: 2012 CDA Long Term Disability Claims Review.

- **Forty-three percent** of the new claims approved during 2011 were for **men**, and **57 percent** were for **women**. The percentage of claims for women has trended up compared to men in the past two years.

Percent of New Long Term Disability Claims by Gender

The percentage of female wage earner claims has been trending up while male claims have been trending down.

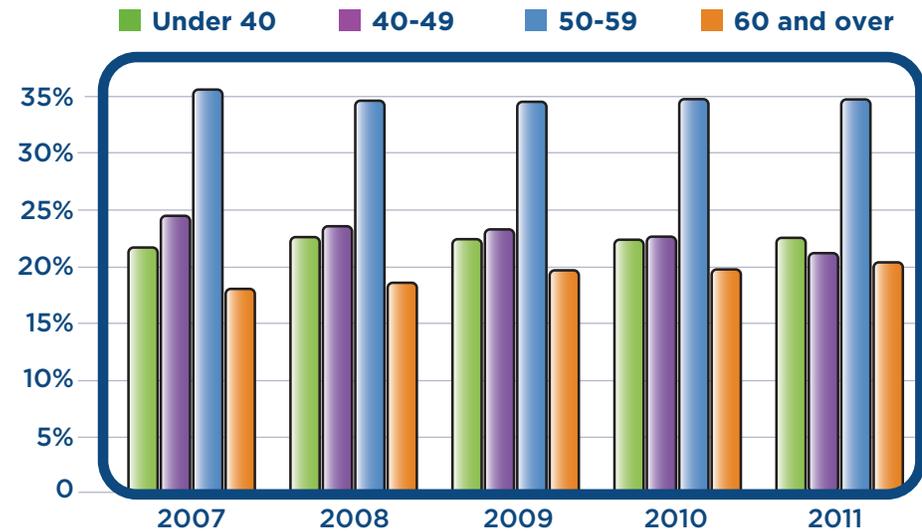


Source: 2012 CDA Long Term Disability Claims Review.

- **Forty-five percent** of the new claims approved during 2011 were for individuals **under age 50**, and **55 percent** were for individuals **age 50 or over**.

Percent of New Long Term Disability Claims by Age

The percentage of claims from people in their 40s has been trending down, while the percentage from people in their 60s has been trending upward.



Source: 2012 CDA Long Term Disability Claims Review.

- **More than 95 percent** of reported CDA member company disability claims were not work-related in 2011.
- **Sixty-nine percent** of individuals receiving group long term disability insurance from CDA member companies in 2011 also qualified for SSDI payments, the same percentage as in 2010.

Causes of Disability Claims

The CDA Long Term Disability Claim Study examines and reports causes of long term disability claims—including causes of new claims approved during the current year as well as existing or ongoing disability claims that were approved in prior years.

Some Key Findings about the Causes of Long Term Disability Claims

- Diseases of the musculoskeletal system and connective tissue, by a large margin, continue to be the leading cause of new disability claims approved in 2011. Nearly three in 10 new disability claims were caused by musculoskeletal system and connective tissue disorders. The percentage of new disability claims caused by musculoskeletal impairments increased in 2011 over 2010. Several of the surveyed companies observed increased claims resulting from musculoskeletal disorders.
- Cancer claims were lower as a percentage of new disability claims in 2011, although cancer remains the second leading cause of new disability claims and the fourth leading cause of ongoing claims.
- New disability claims caused by injuries trended up in 2011 after two years of decline.
- New disability claims resulting from complications of pregnancy and childbirth increased in 2011, and now cause over 9 percent of new long term disability claims for female wage earners.
- New long term disability claims caused by infections and parasitic diseases declined from 2.6 percent to 2.0 percent of new claims from 2010 to 2011. While a small percentage of the total, claims caused by this diagnosis had more than doubled from 2009 to 2010.
- Disabling mental disorders increased from 2010 to 2011, the second year of increase in a row. Several companies reported an increase in long term disability claim activity resulting from this diagnosis.
- The most common causes of existing long term disability claims in 2011 included: diseases of the musculoskeletal system and connective tissue (30.5% of all existing claims), diseases of the nervous system and sense organs (13.9%), diseases of the circulatory system (12.3%) and cancer (8.9%). These are the same top four causes as in 2010.

2012 CDA Long Term Disability Claims Survey Disability Claims by Diagnosis

See appendix for a description and examples of each diagnosis.

Claim Diagnosis Category	% of New and Existing LTD Claims			
	2010		2011	
	New*	Existing*	New*	Existing*
Musculoskeletal/Connective Tissue	28.0	30.3	28.9	30.5
Nervous System-Related	7.4	13.7	7.5	13.9
Cardiovascular/Circulatory	9.2	12.6	8.7	12.3
Cancer and Neoplasms	14.7	8.8	14.4	8.9
Mental Disorders	9.1	7.9	9.2	8.1
Injury and Poisoning	10.2	7.8	10.6	7.7
Respiratory System	2.3	3.0	2.3	2.9
Infections and Parasitic Diseases	2.6	2.9	2.0	2.9
Symptoms, Signs and Ill-defined	2.8	2.9	2.8	2.8
Digestive System	2.6	2.2	2.6	2.2
Endocrine, Nutritional and Metabolic Diseases, and Immunity Disorders	1.4	2.2	1.3	2.2
Genitourinary System	2.0	2.0	2.0	2.0
Complications of Pregnancy, Childbirth and the Puerperium	5.1	1.3	5.3	1.4
Skin and Subcutaneous Tissue	0.7	0.8	0.8	0.8
Congenital Anomalies	0.6	0.8	0.5	0.7
Blood and Blood-Forming Organs	0.3	0.3	0.2	0.3
Other	1.0	0.6	1.0	0.5
Total:	100%	100%	100%	100%

* "New" claims are those approved in the survey year; "existing" claims are ongoing but were approved in prior years. Source: 2012 CDA Long Term Disability Claims Review.

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

As part of the 2012 CDA Claims Survey, member company experts were asked a series of qualitative questions about long term disability insurance claim trends over the past several years, and were asked for observations and predictions for the future. Here is how the experts responded:

- Forty-three percent of participating companies noted an increase in overall claim incidence in 2011, 19 percent reported incidence decreases, and 38 percent noted new claim incidence rates were flat from 2010. This compares to CDA's 2010 study when 56 percent of companies reported increased claim incidence, 25 percent reported decreased incidence, and 19 percent reported no change.
- Most companies report little change in the diagnoses causing new or existing claims.
- Musculoskeletal and mental disorders were the diagnoses most commonly mentioned by participating companies as rising in 2011. Twenty-nine percent of participating companies reported increased musculoskeletal claims, and 29 percent reported increased mental disorder claims. Paradoxically, two companies reported seeing fewer claims from mental disorders.
- Thirty-three percent of companies reported no change in claim termination rates, 24 percent reported increases and 38 percent reported decreases.
- Regarding predictions for the future, there is more consensus among participating companies this year than last. About 70 percent of the participating companies expect to see no significant changes in claim trends in the year to come. Opinions among the remaining companies are split; some expect an increase, some a decrease and others are not sure.
- The most frequently mentioned concerns for the future were:
 - Increased long term disability claim incidence.
 - Worries over Social Security Disability Insurance delays and financial challenges.
 - Finding and developing disability claim professionals to handle increasing claim levels and to fill future roles.
 - The impact of the low interest rate environment.
 - Low claim recovery rates, in part related to the difficulty workers have finding jobs as they recover from a period of disability.
 - With many qualified applicants to choose from, employers may be less likely to employ a worker who is returning from a disability.
 - The overall economic uncertainty, lack of job growth, and the impact of both on disability claims.
 - The residual impact of health care reform on health care occupations and the disability insurance marketplace.

Social Security Disability Insurance (SSDI) Data and Trends

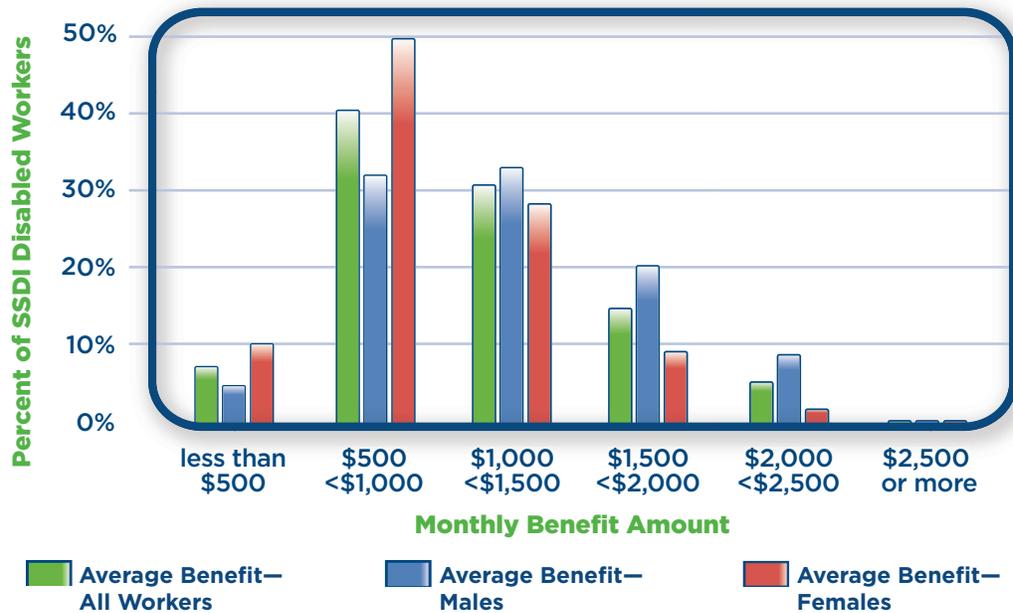
2011 Data

- **152 million workers** were covered for disability insurance under the SSDI program at the conclusion of 2011; a 0.8 percent increase over 2010.
- **Covered male workers (52 percent of total) outnumber covered females (48 percent of total)** although the covered female worker population continues to grow faster. Female workers grew 0.8 percent over 2010 compared to males at +0.2 percent.
- **A record 8.6 million workers—over 5 percent of the U.S. workforce—**were receiving SSDI benefits at the conclusion of 2011.
- **The Social Security Administration paid a record \$120 billion** to disabled workers in 2011, up 4 percent from 2010.
- **The disabled worker population continues to steadily grow:** the number of disabled workers receiving SSDI claim payments increased by 4.5 percent from year end 2010 to year end 2011, continuing to outpace growth in the overall covered worker population, which grew at just 0.8 percent. The aging population, growing female worker population, limited job growth and continued economic uncertainty are factors that have impacted the growth in SSDI claimants.
- **Over 2.5 million workers** in their 20s, 30s and 40s were receiving SSDI payments at the end of 2011. This is about 30 percent of all workers receiving SSDI payments.
- **Musculoskeletal and connective tissue disorders** such as back pain, degenerated disk, arthritis, osteoporosis and rheumatism are the most frequent diagnoses for new SSDI awards followed by mental disorders, circulatory system disorders, cancers and tumors, and nervous system and sense organ disorders.
- **New SSDI benefit applications decreased in 2011:** Applications for SSDI benefits declined by 1.9 percent from 2010 to 2011, to just under **2.9 million** after new SSDI applications had reached their highest level ever in 2010.
- **New SSDI benefit awards in 2011** exceeded one million for the second year in a row, but were **2.6 percent below 2010**.
- **New SSDI awards exceeded terminations by 56 percent:** New disabled workers receiving benefits are exceeding SSDI beneficiaries who leave the rolls for any reason, resulting in continued growth in the ranks of disabled employees in “current pay status” (i.e. on SSDI claim).
- **The SSDI disability rate decreased during 2011:** 6.8 SSDI awards per 1,000 covered workers were approved in 2011, following the 7.0 awards per 1,000 covered workers in 2010, which was the highest rate in history. In 2009, 6.6 awards per 1,000 covered workers were granted.
- **The ratio of new SSDI awards to applications received decreased slightly** from 35.9 percent in 2010 to 35.6 percent in 2011. This ratio has hovered near its 25-year low for the past three years.
- **The average SSDI monthly benefit** at the end of 2011 was **\$1,111**. The average for male recipients was \$1,237 and for females was \$972.

- **Approximately 37 percent of disabled men and 60 percent of disabled women in 2011 received SSDI benefits of less than \$1,000 per month.** Only 9.1 percent of disabled men and 2.1 percent of disabled women workers received \$2,000 or more in SSDI monthly benefits in 2011.

Disabled Workers' Average Monthly SSDI Benefit

Nearly all disabled workers who have qualified for SSDI receive less than \$1,500 per month.

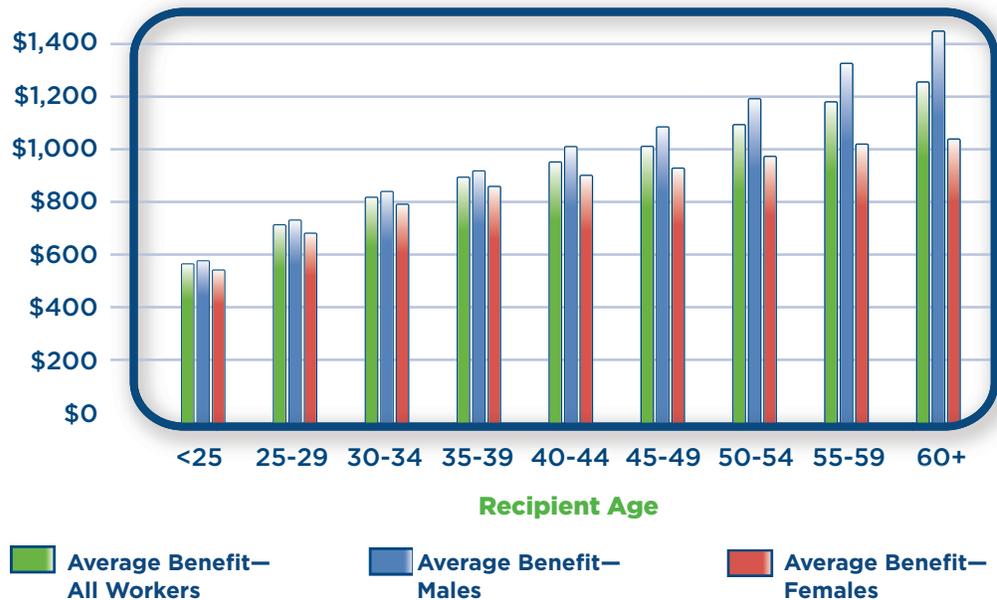


Source: U.S. Social Security Administration.

- Older workers' SSDI benefits are **higher on average**.

Workers' Average Monthly SSDI Benefit by Recipient Age

The average SSDI monthly benefit at the end of 2011 was \$1,111. The average was \$1,237 for male recipients and \$972 for female recipients.

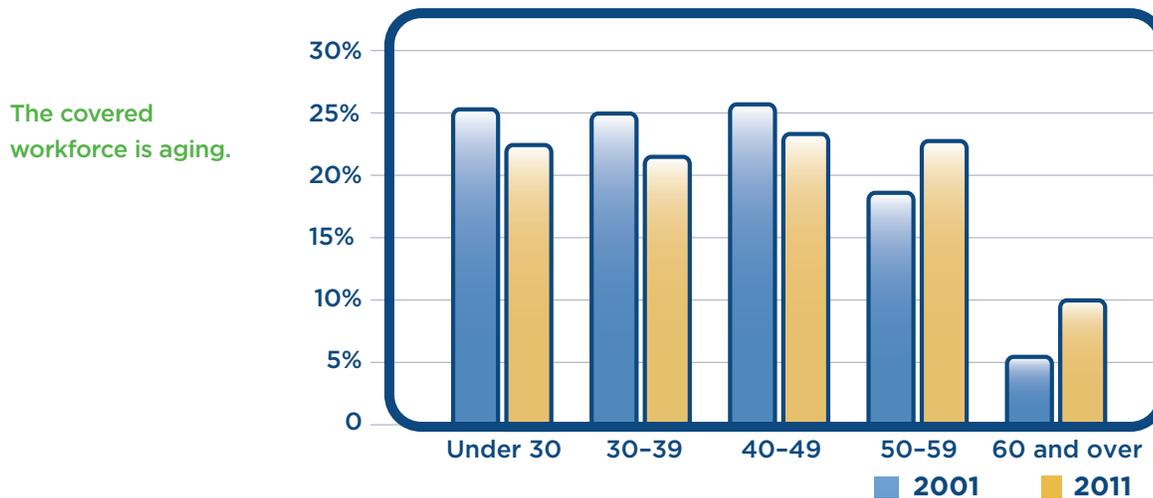


Source: U.S. Social Security Administration.

Ten-Year Social Security Disability Insurance Trends

- **The 152 million** covered workers in 2011 is an 8 percent increase over the 140 million workers covered a decade ago.
- **The population of female covered workers has grown faster** than males over the past decade; females grew by 11 percent compared to 6 percent growth in covered males.
- **The SSDI-covered worker population has aged significantly.** In 2001, 24.2 percent of covered workers were age 50 and over. In 2011, 32.9 percent were 50 and over. The table below illustrates this trend:

Percentage of Covered Workers by Age

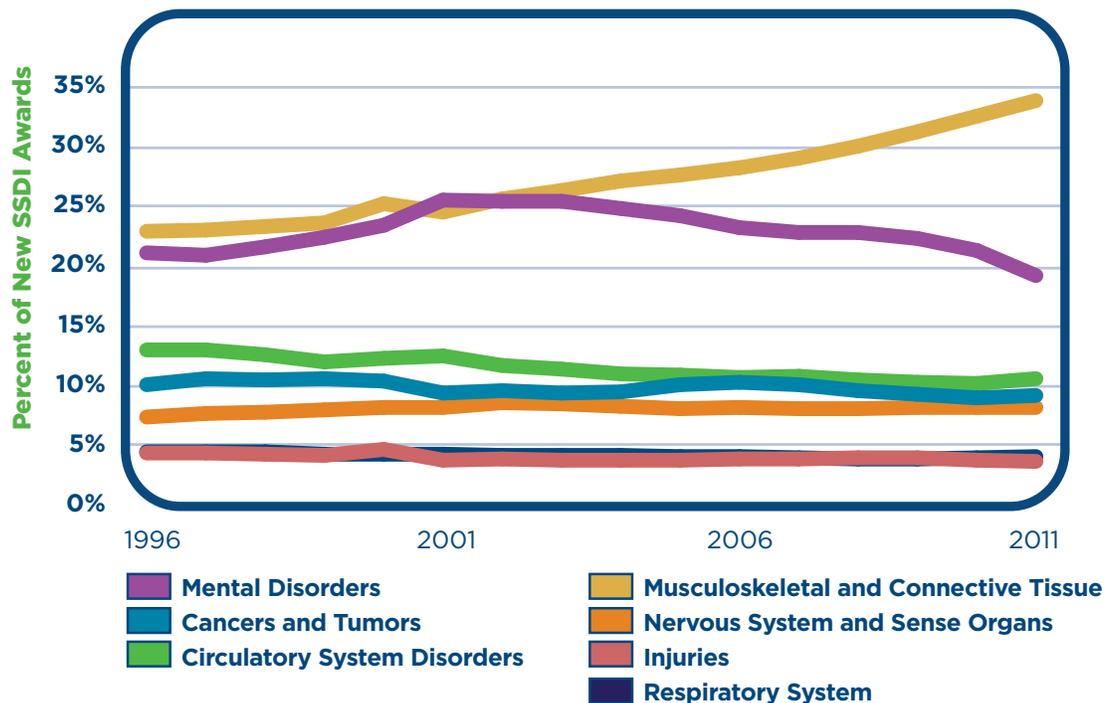


Source: U.S. Social Security Administration

- Over the past 10 years, the number of **applications for new SSDI benefits rose by 92 percent**, from 1.5 million in 2001 to 2.9 million in 2011.
- **The 1,025,003 workers approved for SSDI payments in 2011 are 48 percent more** than the 691,309 workers approved in 2001. The 2.6 percent decrease in new awards in 2011 reversed three straight years of rapid growth in new awards. The slowly improving job picture seems to be having a positive impact.
- **The total number of disabled workers receiving SSDI claim payments grew by 63 percent**, from 5.3 million to 8.6 million, during the period from 2001 to 2011. The rate of increase of workers in “current pay status” should slow in future years, reflecting the decreasing number of new applications and new awards in 2011.
- **The ratio of new SSDI awards to new SSDI applications has been trending downward** since the late 1990s. The ratio was 46 percent in 2001 and 36 percent in 2011.
- **According to the Social Security Administration**, the final award rate for disabled-worker applicants has varied over time, averaging nearly 45 percent for claims filed from 2001 through 2010 (As of the date of this report, this is the last year for which data is available.) The percentage of applicants awarded benefits at the initial claims level averaged 28 percent over the same period and ranged from a high of 37 percent to a low of 26 percent. The percentage of applicants awarded at the reconsideration and hearing levels averaged 3 percent and 13 percent, respectively. Denied disability claims have averaged nearly 53 percent.

- From 2001 to 2011, the **number of women** receiving SSDI payments **increased by 76 percent** compared to a 52 percent increase among males.
- The average monthly SSDI benefit amount has **increased by 36 percent in the past 10 years**; the average for females has increased faster than for males; up 41 percent for females; 35 percent for males.
- **The overall rate of disability is increasing among both men and women workers.** In 2001, the ratio of disabled workers to covered workers was 3.8 percent; in 2010, that ratio was 5.7 percent. Factors behind this dramatic rise include the aging of the U.S. workforce, and the poor economic conditions since the end of 2007.
- **The disability rate is increasing more rapidly for women than men:** The percentage of covered female workers receiving SSDI payments in 2011 (5.6 percent) was 58 percent higher than 10 years earlier (3.6 percent in 2001), while the percentage of covered male workers receiving SSDI grew by 44 percent during the same period, from 4 percent to 5.7 percent.
- **The \$120 billion paid in SSDI benefits in 2011 is more than twice** the \$54 billion of disability payments to beneficiaries in 2001.
- **New SSDI awards for musculoskeletal and connective tissue disorders have been increasing** over time, while awards for circulatory system disorders such as heart disease and stroke have been decreasing.
- Injuries, typically perceived as the cause of many disabilities, represent **less than 5 percent** of diagnoses for new SSDI Awards.

Diagnostic Causes of New SSDI Awards



Source: U.S. Social Security Administration

- **Over the very long term, since 1960, circulatory and respiratory system diagnoses have been reduced by more than half** as a percentage of all new SSDI claim awards. During the same time horizon, musculoskeletal and mental disorder-caused awards have more than doubled.

Appendix

Claim Diagnosis Category	Lay Language Description	Specific Examples
Diseases of the Musculoskeletal System and Connective Tissue	Muscle, Back and Joint Disorders	Arthritis, Herniated or Degenerated Disk, Back Pain, Spine/Joint Disorders, Cartilage Sprain, Tendonitis, Fibromyitis, Osteoporosis, Rheumatism, Scoliosis, Sciatica
Diseases of the Nervous System and Sense Organs	Spine and Nervous System-Related Disorders	Multiple Sclerosis, Epilepsy, Paralysis, Alzheimer's, Parkinson's Disease, Amyotrophic Lateral Sclerosis (ALS), Bell's Palsy, Guillain-Barré Syndrome, Eye Disorders including Diabetic Retinopathy and Macular Degeneration, Ear Disorders including Balance-Related Disorders like Ménière's Disease
Diseases of the Circulatory System	Cardiovascular and Circulatory Diseases	Hypertension, Heart Disease, Heart Attack, Stroke, Aneurysm, Coronary Artery Disease, Phlebitis
Cancer and Neoplasms	Cancer and Tumors	Breast Cancer, Prostate Cancer, Lymphoma, Hodgkin's Disease, Leukemia, Tumors
Mental Disorders	Mental Illness and Behavioral Disorders	Depression, Schizophrenia, Drug/Alcohol/Substance Abuse, Bipolar Disorder, Anxiety, Obsessive-Compulsive Disorder
Injuries and Poisonings	Accidents, Injuries and Poisonings	Fractures, Sprains and Strains, Dislocations, Contusions, Burns, Poisoning, Allergic Reactions
Diseases of the Respiratory System	Respiratory System Disorders	Influenza, Pneumonia, Asthma, Bronchitis, Emphysema, Pulmonary Fibrosis, Cystic Fibrosis, Chronic Obstructive Pulmonary Disorder (COPD)
Infections and Parasitic Diseases	Infectious and Parasitic Diseases	Food Poisoning, HIV/AIDS, Hepatitis, Meningitis, Salmonella, Tuberculosis, Polio
Symptoms, Signs and Ill-Defined Conditions	Ill-Defined or Subjective Conditions	Headache, Insomnia, Coma, Chronic Fatigue Syndrome, Sleep Apnea, Seasonal Affective Disorder, Anorexia, other symptoms without a diagnosis
Diseases of the Digestive System	Digestive System Disorders	Gastric Ulcers, Gastritis, Appendicitis, Hernia, Irritable Bowel Syndrome, Cirrhosis of the Liver, Crohn's Disease, Diverticulitis, Ulcerative Colitis, Dental Disorders, Temporomandibular Joint (TMJ) Disorders
Endocrine, Nutritional and Metabolic Diseases and Immunity Disorders	Nutritional, Metabolic, Regulatory and Immunity Disorders	Diabetes, Malnutrition, Obesity, Gout, Cystic Fibrosis, Thyroid Disorders
Diseases of the Genitourinary System	Genital and Waste Removal Disorders	Uterine Prolapse, Cervicitis, Menopausal Symptoms, Kidney and Bladder Disorders, Genital Organ Disorders, Kidney Failure, Enlarged Prostate, Prostatitis, Urinary Tract Infections, Endometriosis
Complications of Pregnancy, Childbirth and the Puerperium	Pregnancy and Complications of Pregnancy	Normal Delivery, Caesarean Section, Complications of Pregnancy, Toxemia, Ectopic Pregnancy, Pre-Term Complications
Diseases of the Skin and Subcutaneous Tissue	Skin Conditions and Disorders	Eczema, Dermatitis, Cellulitis, Psoriasis, Sebaceous Cyst
Congenital Anomalies	Inherited Conditions	Congenital Anomalies, Spina tend, Down's Syndrome, Inherited Heart Valve Malfunction
Diseases of the Blood and Blood-Forming Organs	Blood-Related Disorders	Anemia, Hemophilia, Sickle-Cell Disease, Diseases of the Spleen
Other	Other Disorders	Other disorders not captured in categories above

References

- The 2012 CDA Long Term Disability Claims Survey*
- Social Security Administration Disability Insurance Fact Sheets and Actuarial Publications; www.socialsecurity.gov

*** 2012 survey participants included:**

Aetna	MetLife
AIG Benefit Solutions	OneAmerica
Ameritas	Principal Financial
Assurant Employee Benefits	Prudential
Guardian	The Standard
The Hartford	Sun Life Financial
Illinois Mutual	UnitedHealthcare
Lincoln Financial Group	Unum
MassMutual Financial Group	

CDA member companies represent over 75 percent of the commercial disability insurance marketplace. Companies participating in this 2012 study provide long term disability insurance coverage to more than 32 million workers, 30.3 million of whom are covered through more than 200,000 employer-sponsored benefit plans, and 1.7 million of whom are insured through individually purchased disability policies. Fourteen of the participating companies are among the leading group long term disability companies, and eight are among the leading individual disability insurance companies. Berkshire Life has reported under the Guardian name in the 2012 study.

Please note: *The companies participating in CDA claim studies may vary from year to year. Some companies may adjust prior years' data when reporting their results. For this reason, year-over-year comparisons within this 2012 claim review are valid; however, comparing some data within the 2012 report to data in prior years' reports may not be valid. Please contact CDA for questions or clarifications. CDA thanks the member companies named above for their contributions of proprietary data, which have made this survey possible.*