

True Cost of Disability is Staggering Without DI, Newspaper Says

<http://www.insurancenewsnet.com/article.asp?a=1&id=106880>

Copyright 2009 Dolan Media Newswires Colorado Springs **Business Journal** (Colorado Springs, CO)

June 5, 2009

SECTION: NEWS

LENGTH: 756 words

HEADLINE: True cost of disability is staggering

BYLINE: Amy Gillentine

Getting injured or disabled can cause a staggering financial impact if people don't have disability **insurance** - costs can reach as high as 20 times a person's annual salary.

That's according to a study released by the Life Foundation and America's Health **Insurance** Plans.

The study provides a rare look at the consequences facing individuals who can't work because of a disability, and the level to which various types of income protection can reduce the financial affect of the disability.

In the absence of **insurance**, a majority of Americans would have to make "drastic lifestyle changes" in order to cover the costs associated with disabilities, regardless of whether the disability is short- or long-term.

The study found that the financial impact - equal to lost income plus expenses - can be as high as nearly \$1 million for a 40-year-old single man earning \$50,000 annually who suffers a long-term disability lasting until 65. The costs associated with short-term disabilities also can be significant - equaling one to two times income in some cases for a disability lasting two years.

Those hardest hit by the costs are single individuals who do not have a second income to rely on; lower income people, because added expenses are greater relative to the lost income; and those who suffer longer-term disabilities.

More than a quarter of Americans admit they would have difficulty supporting themselves financially immediately after a disability, while 49 percent would reach that point within a month, according to Life.

"Our experience tells us that if you become disabled and don't have disability **insurance**, you're going to have a very rough go of it. This study quantifies the impact of a disability so working Americans can get a better understanding of financial difficulties they'll likely face without proper **insurance** coverage," said Marvin H. Feldman, president and CEO of the foundation. "Disability **insurance** provides a financial safety net that can be counted on to replace lost income if you were suddenly out of work due to illness or injury. "

The study also shows that various sources of disability **insurance** provide valuable income replacement to help cover the high costs of disability.

Private disability **insurance** plans, such as employer-sponsored or individual coverage, can reduce the cost of a disability by 70 percent to 80 percent. Individual disability coverage, in combination with employer- or government-sponsored **insurance** programs, can reduce the financial cost of disability by 80 percent to 95 percent.

The study also makes clear that while government-sponsored disability **insurance** - either through Workers' Compensation or Social Security - is available to many working Americans, it can be difficult to qualify for.

Workers' Compensation **insurance** is limited to disabilities that occur on the job, but a vast majority (90 percent) of injuries happen outside the workplace, and are therefore not covered by Workers' Compensation programs. During recent years, only about 45 percent of initial applications for Social Security benefits have

been approved, and the average monthly benefit, \$1,062, is barely above the poverty level.

"The Social Security Disability **Insurance** program can be one source of disability income for many Americans, but this is no guarantee that disabled individuals will be eligible for SSDI," said Karen Ignagni, president and CEO of AHIP. "Working Americans and their families can benefit from the value that private disability income **insurance** provides. "

The study also examines the non-financial effect associated with disability.

While difficult to articulate and quantify, they often are tied to an individual's overall happiness and sense of self-worth, and can be exacerbated by the financial strain that occurs when a disabled person is overwhelmed with expenses in the absence of sufficient income.

The availability of benefits from government programs and private **insurance** during a period of disability also can mitigate the severity of the non-financial costs.

"The reality is that nearly one out of every three workers will suffer a disability that keeps them out of work for 90 days or longer at some point in their career, and yet roughly 70 percent of working Americans do not have long-term disability coverage," Feldman said. "It is our hope that through studies such as this one, we can motivate greater numbers of people to investigate their need for disability **insurance** protection. "

Amy Gillentine covers health care for the Colorado Springs Business Journal.

LOAD-DATE: June 6, 2009

[Copyright © 2009 LexisNexis, a division of Reed Elsevier Inc. All Rights Reserved.](#)
[Terms and Conditions](#) [Privacy Policy](#)

For more insurance news, visit InsuranceNewsNet.com

Don't miss another insurance headline, [sign up](#) for our free newsletter today.

Want your company's news featured on Insurance News Net? [Click Here](#)