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YOUR MONEY

The Odds of a Disability Are Themselves Odd

By [RON LIEBER](#)

You have an 80 percent chance of becoming disabled during your working years.

Or maybe it's 52 percent. Or possibly 30 percent. But it could be much lower. Unless you get injured, of course. And did you realize that 31 million people experience a disabling injury each year?

Welcome to the [disability insurance](#) funhouse, where the odds of an injury or illness that would keep you out of work for more than three months range wildly, depending on where you look for guidance.

A majority of American adults have no private, long-term disability insurance, which can replace a chunk of their salary when they get hurt or become sick for several months or more. Many who do have coverage may not have enough. On this, most prudent [financial planners](#) agree.

But many people in the [insurance](#) industry have responded by trying to scare people half to death.

So what are the actual odds? They're not clear-cut, as you may have guessed. But let's start with what they aren't.

Take that injury statistic. The figure comes from the Web site of the Council for Disability Awareness, which is made up of disability insurance companies, and [it appears on a page](#) called, "You, disabled? What are your chances?" It continues, "You can ignore the problem, but it's hard to ignore the facts: Every :01 second another disabling injury occurs."

Extend the math on that, and it adds up to over 31 million injuries a year. It turns out, however, that the statistic comes from the National Safety Council, which describes "disabling" pretty loosely. "It interferes with normal daily activity one day beyond the day of injury," said Amy Williams, a spokeswoman for the National Safety Council. "It doesn't mean they weren't able to go to work. It may mean that they twisted their ankle and couldn't go to Pilates that night."

When I explained this to Barry Lundquist, interim president of the Council for Disability Awareness, he sent me a statement: "In retrospect, we agree the N.S.C. stat may not be the best to represent the risk of income loss due to disability. However, we do stand behind the validity and appropriateness of our statistics, and the fact that the risk is significant and that workers simply don't pay enough attention to the reality of disability."

Fair enough. So what if you want a consumer-friendly book on the topic? There aren't many, so you'll probably run into "[How To Insure Your Income](#)," which a group of Merritt Publishing editors published in 1997. It states, on Page 4, that if you're 25 years old, you have an 80 percent chance of experiencing a

disability before age 65 that will keep you out of work for 90 days or more.

Silver Lake Publishing now owns Merritt and still sells the book, and its publisher, Jim Walsh, was one of the original contributors. He said that he and the others generated the estimate themselves using data that industry associations had provided and that they were the best numbers available at the time.

If you believe the odds are that bad, your next step is probably to go shopping for a policy. [Google](#) “disability insurance agent,” and three of the first four nonpaid results are sites that lead you to [Steve Crawford](#), an insurance agent and broker in Rockville, Md. His site [posts odds](#) that are slightly less grim — 52 percent for that same 25-year-old.

Mr. Crawford said his numbers came from [Guardian](#), a big player in disability insurance, and he said he would be updating them this weekend. A spokeswoman for Guardian’s Berkshire Life unit, which sells policies to individuals, agreed that the information was outdated and said the right answer was closer to 30 percent.

That’s the typical estimate of actuaries who have spent years studying the disability insurance industry. At least one actuary I spoke to this week laughed at the 50 percent and higher figures.

And even that is not your final answer. Numbers for white-collar workers are usually lower than for assembly line workers. If you have no chronic conditions, eat decent food and avoid cigarettes, your odds may drop to 10 percent, according to the “[Personal Disability Quotient](#)” quiz on the Web site of the Council for Disability Awareness. (This part of the site appears to use data more appropriately.)

Here are a few other things to keep in mind if you’re running your own numbers. Some people lie about being disabled, and their fake claims skew the actuarial data, though no one knows by how much. Lower your odds a bit to account for the cheaters. Lower them some more in recognition of the fact that people who buy their own policies also tend to actually use them.

Doctors, who buy more than their fair share of disability coverage, have historically made more claims than other white-collar professionals. In fact, doctors claim so much more that the odds for all other white-collar workers improve a few percentage points when physicians aren’t included.

This was particularly pronounced in the 1990s, when health maintenance organizations became more influential. The doctors’ resulting frustration and loss of income led some of them to suddenly become less tolerant of nagging health problems. They then used their generous disability policies as a sort of early [retirement](#) plan, according to Jack Luff, experience studies actuary with the Society of Actuaries.

Think your odds are in the single digits? You may be happy with the disability coverage that your employer provides. About [one-third of workers have at least some coverage](#), according to the [Bureau of Labor Statistics](#). Keep in mind, however, that it may not replace all of your income, it may not last forever and it’s likely to be taxable income if your employer is paying the premium.

Don’t count on [Social Security](#), either, because it may take more than a year for your claim to be processed and longer if you appeal a rejection. Also, it doesn’t pay out more than a few thousand dollars a month, and the [eligibility rules are very strict](#). Worker’s compensation, meanwhile, covers you only if you were hurt on

the job. Most disability insurance claims don't result from on-the-job injuries.

Once you start shopping for coverage, you're likely to be met with more confusion. You can find insurance agents through the Web sites of companies like Guardian, MassMutual and others that underwrite policies. But there is no comprehensive directory that I've been able to find of independent agents who can compare four or five insurance companies on your behalf.

Mr. Crawford, the insurance agent, [does offer a search function](#) on his Disability Insurance Forums Web site. It lists agents who have posted comments there; you can search for ones licensed in your state and read their writings to get a feel for them.

Then, you'll need an education about all the ways in which the companies may limit your ability to make a claim. One of the biggest restrictions comes when insurers try to force you back to work in any job you can perform, even if you can no longer do the work you did before you were disabled. If you can afford it, you want what's known as "own occupation" coverage instead, which should pay claims if you can't do your old job.

There are at least a few dozen other questions you'll need to ask your employer, your insurance agent or yourself when considering the coverage you need. I've posted them on our Bucks blog and [linked to it from this sentence](#) in the Web version of the column. Please post comments on any issues you think I've neglected, and I'll update the list accordingly.

All of this may sound as if I'm trying to scare you away from disability insurance, in the same way that many people in the industry seem to want to scare you into buying a policy. But that's not my intent. If you can afford a policy but lack the savings to stave off ruin during an extended disability, paying a few hundred dollars a month for coverage may be a fine idea.

But the disability insurance industry can do better here. Exaggerating for effect doesn't really help the cause when its product is confusing to begin with.

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