

# Disability Insurance Awareness Month 2022: TDI vs. Long Term DI

Michael Sato

# Agenda

- Disability Insurance Awareness Month
- Why do people need income protection?
- What is temporary disability insurance?
- What is disability insurance
- Alternatives to disability insurance
- Questions?

# A Cautionary Tale

David was right where he wanted to be. He was a go-getter, a well-paid IT consultant who still fit in volleyball games and moonlighted as a ski patrol member. He was only 48, in the prime of his life and career. Then came a stroke. “There was no warning,” David said of the disability that changed his life in the blink of an eye, leaving him unable to work or enjoy his lifestyle. “One day you’re fine, and the next day you’re not.” Despite his efforts to recover and return to work, he was forced to retire. Without his employer’s disability insurance plan, the loss of David’s income would have been a devastating financial blow. But when the unexpected came, income protection proved to be the best financial decision he ever made — saving the majority of the paycheck he and his loved ones counted on.

David’s story is all too common in America. One in four 20-year-olds entering the workforce will suffer some income-interrupting disability during their working career. Cardiovascular diseases, such as David’s stroke, are a common cause of disability. Back pain, cancer and even pregnancy-related complications can impact workers’ incomes, in some cases for the long term.

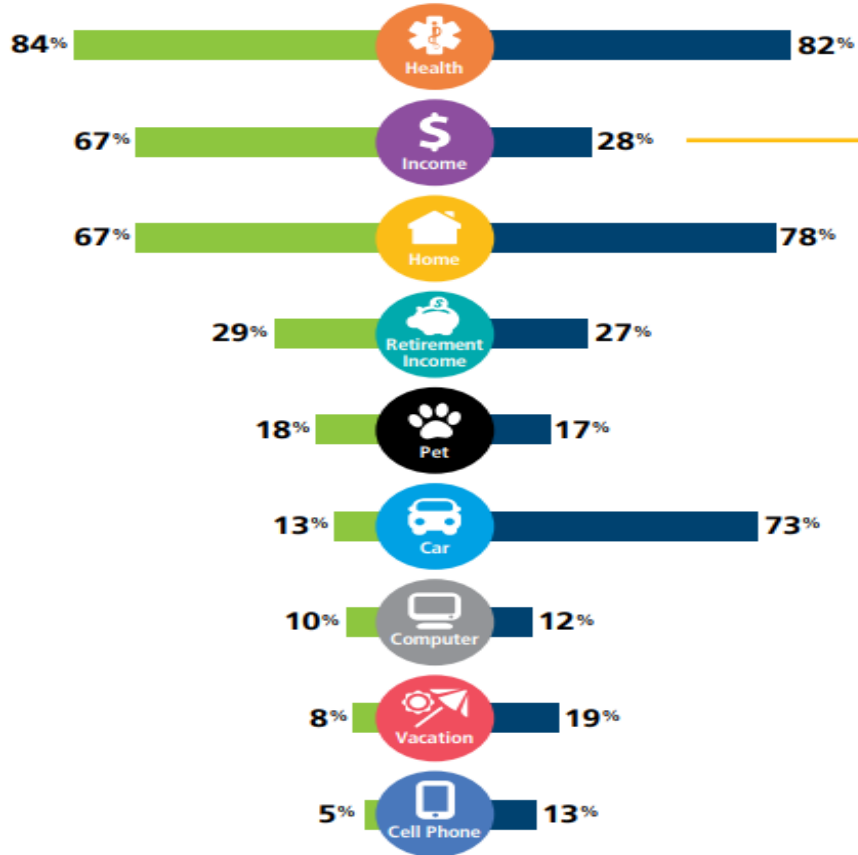
## Disability Insurance Awareness Month

- May is disability insurance Awareness Month
- Disability insurance is arguably the most misunderstood of all major insurances.
- Among the most frequent reasons consumers give for not buying disability insurance are a lack of knowledge and indecision. In fact, just 1 in 5 Americans say they are very knowledgeable about disability insurance.

FROM A LIST OF ITEMS COMMONLY SEEN AS IMPORTANT TO PEOPLE, SURVEY RESPONDENTS IDENTIFIED THEIR THREE...

...MOST IMPORTANT THINGS VS ...MOST IMPORTANT THINGS TO PROTECT

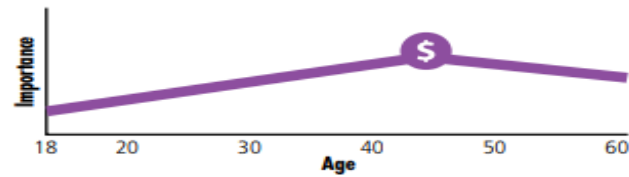
Health, income and home were the most important things in life by far



Overall, only 43% of working consumers report having income protection

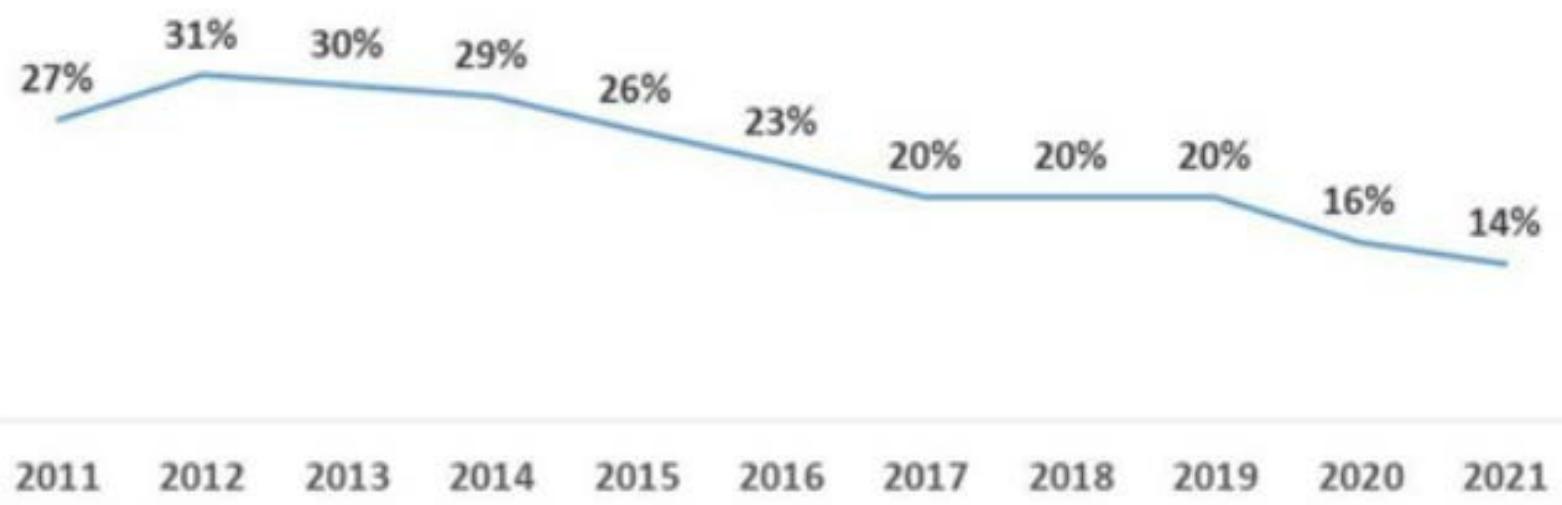
Income protection falls far below having health, home and car insurance

IMPORTANCE OF INCOME AND NEED FOR PROTECTING IT CHANGES WITH AGE



Those in their 20s are least likely to say they have a risk. Only one in four said they understand that they have a risk.

## Trends in Disability Insurance Product Ownership



Source: 2021 Insurance Barometer Study, LIMRA and Life Happens



Why do people need income protection?

What is your most  
important asset?

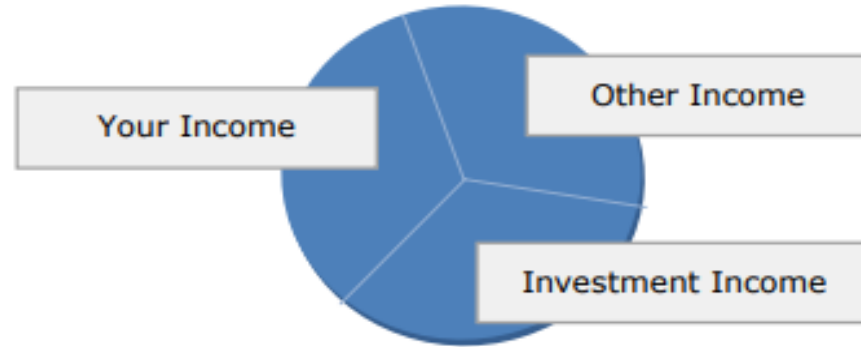
Why do people need income protection?

# Your ability to earn a living



**Your earning power – your ability to earn an income – is your most valuable asset.**

**Earning Power:**



Few people realize that a 30-year-old individual will earn 3.5 million dollars by age 65 if total income averages \$100,000 for his/her entire career, without any raises.

**How Much Will You Earn in a Lifetime?**

Years to Age 65	Your Future Earning Power If Your Income Averages:			
	\$50,000	\$100,000	\$250,000	\$500,000
40	\$2,000,000	\$4,000,000	\$10,000,000	\$20,000,000
35	1,750,000	3,500,000	8,750,000	17,500,000
30	1,500,000	3,000,000	7,500,000	15,000,000
25	1,250,000	2,500,000	6,250,000	12,500,000
20	1,000,000	2,000,000	5,000,000	10,000,000
15	750,000	1,500,000	3,750,000	7,500,000
10	500,000	1,000,000	2,500,000	5,000,000
5	250,000	500,000	1,250,000	2,500,000

# Why do people need income protection?

- One in four 20-year-olds will experience a disability for 90 days or more before they reach 67 (Social Security Administration)
- You and your loved ones are dependent on your ability to earn a paycheck



Between 2015 and 2018, 126.9 million American adults had some form of cardiovascular disease.

*(Source: 2021 Heart Disease and Stroke Statistics At-a-Glance, American Heart Association/American Stroke Association)*



Approximately every 39 seconds, an American will have a heart attack.

*(Source: 2021 Heart Disease and Stroke Statistics At-a-Glance, American Heart Association/American Stroke Association)*



Stroke is a leading cause of serious, long-term disability in the U.S.; someone in the United States has a stroke about once every 40 seconds on average.

*(Source: 2021 Heart Disease and Stroke Statistics At-a-Glance, American Heart Association/American Stroke Association)*



In the U.S., approximately 41 out of 100 men and 39 out of 100 women will develop cancer during their lifetime.

*(Source: Cancer Facts and Figures 2021; American Cancer Society)*



Many people now survive a serious illness that would have been fatal in the past. For example, improvements in cancer diagnosis and treatment have improved the 5-year relative survival rate for all cancers diagnosed between 2008 and 2014 to 69%, up from 49% in 1975 - 1977.

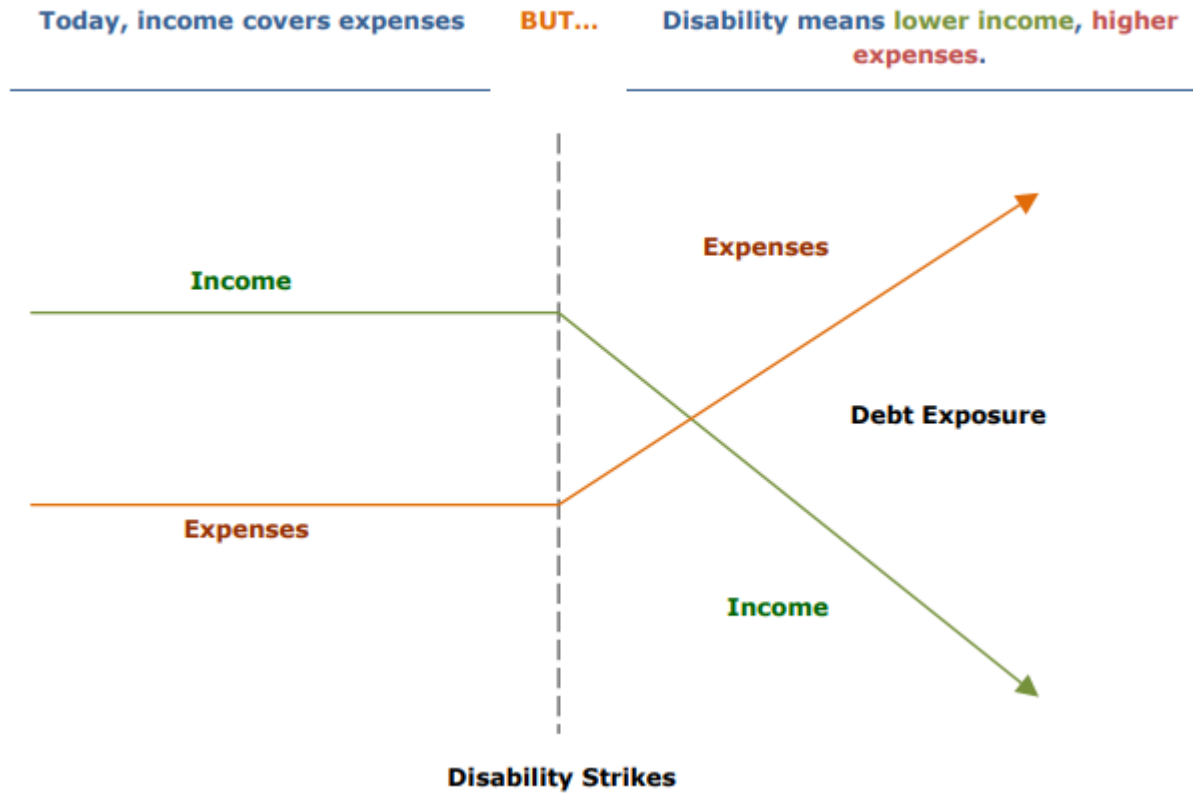
*(Source: Cancer Facts and Figures 2019; American Cancer Society)*



Approximately 4.5 million people required medical attention for injuries sustained in motor vehicle crashes in 2019.

*(Source: National Safety Council; 2021)*

# What can happen if disability strikes?



# What is temporary disability insurance? (TDI)

- Pays you a monetary benefit of a few hundred dollars over a period of weeks if you can't work due to an illness or injury you experienced outside of work and prevents you from working
- It can pay you while you recover from heart surgery, convalesce from a broken back suffered from a fall at home, or mend from one of many other illnesses and injuries millions of people experience every year.
- TDI is not the same as workers' compensation, which covers you from illness or injury sustained at work, but not off-the-job.
- It is a government-sponsored or administrated social benefits program that pays a tiny benefit, not enough to live off.
- Available in California, Hawaii, New Jersey, New York, Rhode Island and Puerto Rico
- Excluded from coverage are federal government employees, certain domestic workers, insurance agents and real estate salespeople paid solely on commission, individuals under 18 years old in the delivery/distribution of newspapers, certain family employees, student nurses, interns, and workers in other categories specifically exempted by the law.

## What is temporary disability insurance? (TDI)

- All employees having worked 14 weeks with 20 hours or more and earned not less than \$400 in the 52 weeks preceding the first day of disability are eligible
- The 14 weeks need not be consecutive nor with only one employer
- Your injury or illness is not work related
- Your disability is certified by and you are under the care of a licensed physician, surgeon, dentist, chiropractor, etc.
- You must be in current employment

# What is temporary disability insurance (TDI)

- Employer's plan determines how much benefit you will receive each week, how long you will be paid and whether you have to serve a waiting period.
- The maximum weekly benefit for 2022 is \$697/week.
- Benefits from the eighth day of disability (7-day consecutive-day waiting period)
- A maximum of 26 weeks of benefit payments during a benefit year.
- If you suffer from a nonwork-related sickness or injury, you would notify your employer immediately of your disability

# What is temporary disability insurance (TDI)

**According the Council for Disability Awareness, the most common reasons for short-term disability claims are:**

- Pregnancies (22.3%)
- Musculoskeletal disorders affecting the back and spine, knees, hips, shoulders, and other parts of the body (18.5%)
- Injuries such as fractures, sprains, and strains of muscles and ligaments (11.4%)
- Digestive disorders, such as hernias and gastritis (7.4%)
- Mental health issues including depression and anxiety (7.3%)

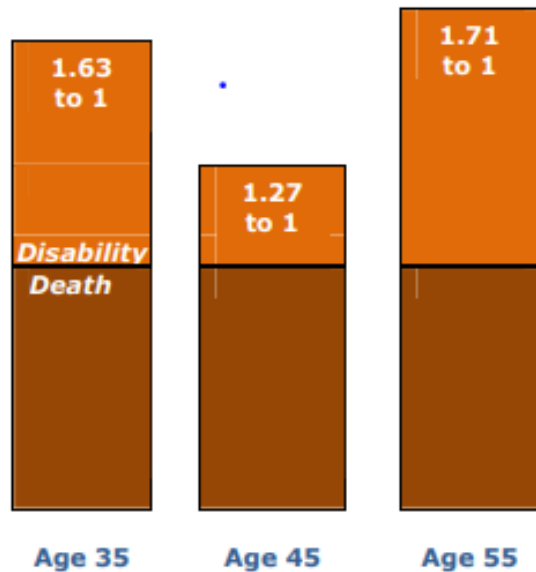
The most common reasons for long-term disability claims are:

- Cancer (15%)
- Circulatory (heart attack, stroke) (8.2%)

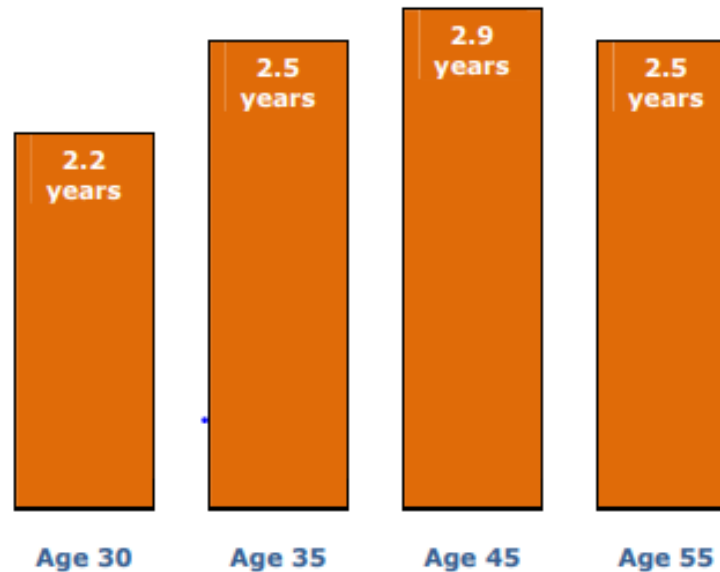


# Is this a gamble you want to take?

## Risk of Disability for 3 Months or Longer versus Risk of Death



## Average Duration of a Disability Lasting Over 3 Months Prior to Age 65



**Source:** 1985 Commissioners Individual Disability Table A (NOTE: The 1985 CIDA is the most current morbidity table available for individual disability claim experience and is in use by many State Insurance Departments.)

# DISABILITY INSURANCE

- DI is an agreement made between an insurance company and the policyholder
- In exchange for the monthly payments you make, the insurance company agrees to pay you a monthly benefit amount if you suffer a disability that affects your ability to work
- Designed to replace a percentage of the income you lose due to not being able to work

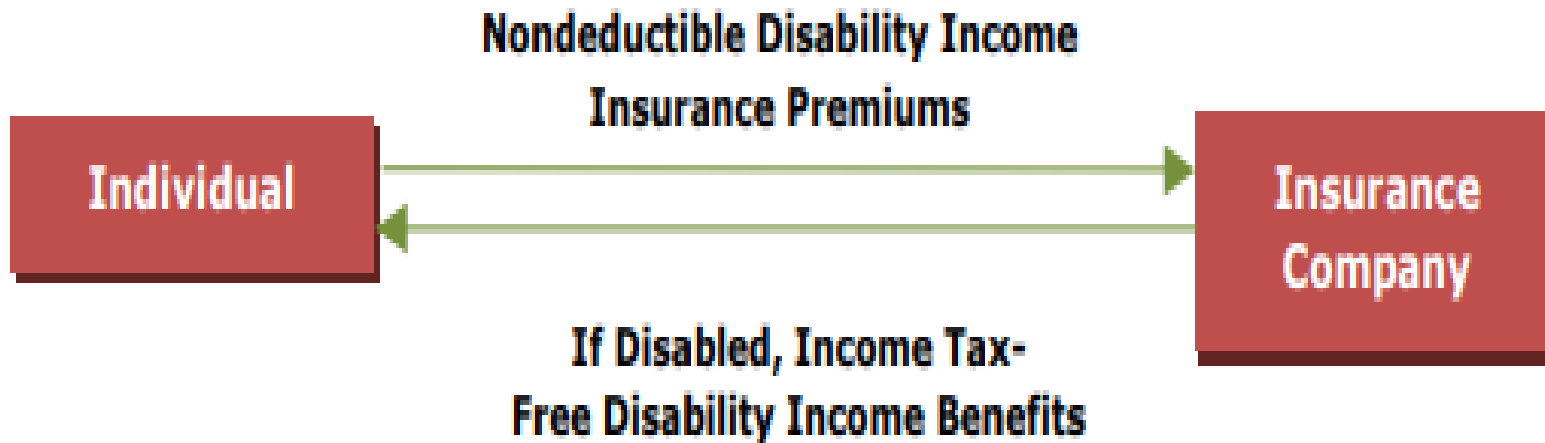
# What is disability insurance?

## What Sources of Funds May Be Available to Replace Your Income During a Disability?

Source	Evaluation
<b>Savings</b>	If you save 10% of your income each year, it will take 10 years to set aside just one year's income
<b>Borrow</b>	What creditor is going to lend money to a disabled income earner?
<b>Liquidate Assets</b>	Assuming a market exists, a forced liquidation of assets can reduce their value. A single disability could consume the assets you've worked a lifetime to accumulate.
<b>Social Security Benefits</b>	It can be difficult to qualify for Social Security disability benefits. In fact, from 2010 through 2019, an average of only 32% of Social Security disability claims were eventually approved. Assuming, however, that you do qualify, Social Security benefits do not begin until the sixth full month of disability and are generally not adequate to replace your earning power. In fact, the average monthly Social Security disability benefit payable in 2022 is \$1,358. (Source: Annual Statistical Report on the Social Security Disability Program, 2020; released November 2021)

# How it works

An adequate amount of personally-owned DI, coordinated with other sources of income, can guarantee a source of income in the event of serious illness or injury.



# How it works

- Preserve your independence
- Maintain your lifestyle
- Give you time to recover and, if necessary, retrain
- Protect your assets from liquidation
- Can work as an alternative solution to disability insurance or long-term care insurance
- Maintain your personal savings for other uses
- Since the premiums for personally owned DI are not tax deductible, the benefits are not considered income and are generally received 100% free of income tax

## How it works

<b>Benefit Amount</b>	What is the monthly disability income benefit?
<b>Waiting Period</b>	For how long must you be disabled before the benefit begins? Common waiting periods are 60, 90, 180, 365 or 730 consecutive days of disability.
<b>Benefit Period</b>	For how long will benefits be paid? Common benefit periods are one year, two years, five years and to age 65.
<b>Definition of Total Disability</b>	What definition of total disability must be met for benefits to be payable? The definition of total disability can range from the inability to perform <b>your own occupation</b> to the inability to work in <b>any reasonable occupation</b> based on your education, training and experience. <b>This is an important policy provision to evaluate.</b>
<b>Partial Disability Benefit</b>	Will the policy provide benefits for partial disability following a period of total disability? If so, how much and for how long? What requirements must be met?
<b>Rehabilitation Benefits</b>	Does the policy pay any of the expenses of a rehabilitation program during a period of disability?
<b>Waiver of Premium</b>	Will policy premiums be waived during a disability?
<b>Renewability</b>	Is the policy guaranteed renewable? Under what conditions can premiums be increased?
<b>Other Benefits to Consider</b>	<p>Other available benefits may include:</p> <ul style="list-style-type: none"><li>■ <b>Additional Purchase Option:</b> Right to purchase additional disability income protection without evidence of insurability.</li><li>■ <b>Social Security Rider:</b> Coordinates with an expected Social Security disability benefit.</li><li>■ <b>Cost of Living Rider:</b> In the event of disability, increases the disability benefit each year to compensate for increases in the cost of living.</li></ul>

# Alternatives to disability insurance

- Critical Illness Insurance
- Accidental Death Life Insurance with Accidental Disability Insurance Rider

# Critical illness insurance

If you suffered a critical illness (Cancer, Stroke, Heart Attack) and were out of commission for three to six months, would you be able to survive financially?

- CII pays you a lump sum of money upon diagnosis of a covered condition. The money is yours to use for any purpose, with no restrictions.
- Helps you survive financially while physically recovering from a serious illness



# How critical illness insurance works

- CII pays benefits upon the diagnosis of a specified illness. A basic policy covers heart attack, stroke, and life-threatening cancer. A more comprehensive policy should also include other serious conditions such as renal failure, multiple sclerosis, coronary artery disease, advanced Alzheimer's Disease and major organ transplants.
- The benefit amount is selected at the time the policy is purchased. Generally, the range varies from \$10,000 to \$100,000 or more. The benefit amount is paid in a lump sum upon diagnosis of a critical illness covered by the policy.
- The CII benefit is paid to you in a lump sum upon diagnosis of a critical illness covered by the policy. Some policy pay partial benefits such as 25% for coronary artery bypass surgery. The policy terminates upon payment of 100% of the benefit.
- Some policies require the policy to be in effect for a stated period of time such as 90 days before diagnosis of a covered critical illness is made.

## How it works

<b>Covered Illnesses</b>	What serious illnesses are covered by the policy?
<b>Benefit Amount</b>	What is the lump sum amount payable upon diagnosis of a covered critical illness? Is the benefit amount payable in a single lump sum, or in specified percentages or amounts? If the benefit is payable in specified percentages or amounts, does the premium decrease accordingly?
<b>Elimination Period</b>	Is the benefit payable immediately after diagnosis of a covered critical illness? If not, how long must the policy be in effect before benefits become available?
<b>Guaranteed Renewable</b>	Can you renew the coverage for life, so long as you pay the premiums when due?
<b>Premium Increases</b>	Under what circumstances can the insurance company increase the premiums?
<b>Return of Premium</b>	At your death, will your policy pay your beneficiary a refund of all premiums paid, less any benefits you received from the policy?
<b>Optional Coverages</b>	Are there any optional coverages available, such as inflation protection or an accidental death benefit? Since optional coverages generally require payment of an additional premium, carefully evaluate the value of any optional coverages to you and your personal situation.

## How accidental death insurance with accident-only disability works (Assurity Life)

- Accidental death insurance pays a death benefit caused by an accident with face amounts of \$5,000-\$350,000
- Guaranteed renewable to age 80; or term periods of 5, 7, 10, 15, or 30 years
- Simplified and fast policy issue, no health questions
- Optional accident-only disability income rider with issue age of 18-60
- Elimination period of 90 days with a 2-year benefit period
- Maximum benefit amount is the lesser of \$3,000/month or 1.5% of the base policy benefit amount limited to 60% of the applicant's gross earned monthly income and based on the total of all in-force and applied-for individual and group disability income benefits
- Guaranteed renewable through the earlier of the end of the initial level premium period of base policy or attained age 65 of the insured

# Any Questions?

For financial professional use only.

5/3/2022

28

# Thank you!

Michael Sato

[msato@askoxy.com](mailto:msato@askoxy.com)

(808) 527-8869

For financial professional use only.

5/3/2022

29