



Individual Disability Insurance

Disability Insurance Statistics

Individual Disability Insurance from Principal Life Insurance Company helps clients protect their most valuable asset - their ability to work and earn an income. The following statistics support and describe the need for disability insurance protection.

The statistics were gathered from credible third-party sources. Any materials that are created using the statistics (with the full source clearly identified) must be compliance approved by Principal Life.

Need for Protection

Visit www.principal.com/wellbeing to see the latest results.

A disability can happen to anyone...at any time.

- 1 in 4 of today's 20 year olds will become disabled before reaching age 67.
- Social Security Administration, Fact Sheet, February 2013.
- According to economists who have analyzed Labor Department data, 6.6 million people exited the workforce from 2010 and 2013. About 28% of those left due to a disability, up significantly from 2007-2010.
- "U.S. jobs market dropouts increasingly likely to stay out", Reuters, March 2014.
- In 2010 there were 3.6 million injuries caused by motor vehicle accidents; there were 35,500 fatal motor vehicle accidents
- National Safety Council®, Injury Facts® 2012 Ed
- In the U.S., a disabling injury occurs every second, a fatal injury occurs every 4 minutes.
- National Safety Council®, Injury Facts® 2012 Ed
- In the home a fatal injury occurs every 8 minutes and a disabling injury occurs every 2 seconds.
- National Safety Council®, Injury Facts® 2012 Ed.
- There is a death caused by motor vehicle crash every 15 minutes; there is a disabling injury every 9 seconds.
- National Safety Council®, Injury Facts® 2012 Ed.

Retirement Protection and American Savings Patterns

Most Americans can't afford to become disabled.

- Despite having year-round insurance coverage, 10million insured Americans ages 19-64 will face bills they are unable to pay.
- "NerdWallet Health finds Medical Bankruptcy accounts for majority of personal bankruptcies", nerdwallet.com, March 2014.

- 56M Americans under age 65 will have trouble paying medical bills
- "NerdWallet Health finds Medical Bankruptcy accounts for majority of personal bankruptcies", *nerdwallet.com*, March 2014.
 - One in five American adults will struggle to pay medical bills this year.
- "NerdWallet Health finds Medical Bankruptcy accounts for majority of personal bankruptcies", *nerdwallet.com*, March 2014.
 - Over 35million American adults (ages 19-64) will be contacted by collections agencies for unpaid medical bills
- "NerdWallet Health finds Medical Bankruptcy accounts for majority of personal bankruptcies", *nerdwallet.com*, March 2014.
 - Nearly 17 million American adults (ages 19-64) will receive a lower credit rating on account of their high medical bills
- "NerdWallet Health finds Medical Bankruptcy accounts for majority of personal bankruptcies", *nerdwallet.com*, March 2014.
 - Over 15 million American adults (ages 19-64) will use up all their savings to pay medical bills
- "NerdWallet Health finds Medical Bankruptcy accounts for majority of personal bankruptcies", *nerdwallet.com*, March 2014.
 - Over 11 million American adults (ages 19-64) will take on credit card debt to pay off their hospital bills
- "NerdWallet Health finds Medical Bankruptcy accounts for majority of personal bankruptcies", *nerdwallet.com*, March 2014.
 - Nearly 10 million American adults (ages 19-64) will be unable to pay for basic necessities like rent, food, and heat due to their medical bills
- "NerdWallet Health finds Medical Bankruptcy accounts for majority of personal bankruptcies", *nerdwallet.com*, March 2014.
 - The average age at which American retirees leave the work force has risen to 62.
- "Average retirement age rises to 62", *BenefitsPro*, April 2014
 - The average age at which non-retired Americans expect to retire is 66.
- "Average retirement age rises to 62", *BenefitsPro*, April 2014
 - The number one cause (61%) for people taking early retirement is health problems.
- *Employee Benefits Research Institute 2014 Retirement Confidence Survey underwritten by the Principal Financial Group.*
 - Only about a third (35%) of baby boomers say they feel stressed about their current financial situation compared to half (51%) of Gen Y'ers.
- *The Principal Financial Well Being Index, 1st Quarter 2014*
 - Employees who work with a financial professional (33%) are less likely to feel stressed about their current financial situation than those who do not work with a financial professional (51%).
- *The Principal Financial Well Being Index, 1st Quarter 2014*
 - Just over half (57%) have an emergency fund to tap into in the event of a job loss or other unanticipated major expense.
- *The Principal Financial Well Being Index, 1st Quarter 2014*
 - Employees who work with a financial professional (78%) are more likely to have an emergency fund than employees who do not work with a financial professional (49%).
- *The Principal Financial Well Being Index, 1st Quarter 2014*
 - Nearly one in five employees (17%) have tapped into their emergency fund recently to cover monthly expenses.
- *The Principal Financial Well Being Index, 1st Quarter 2014*
 - 28% of employees have not yet planned for retirement savings/security.
- *The Principal Financial Well Being Index, 1st Quarter 2014*
 - About two-thirds (67%) of employees could spend \$4,000 - \$6,000 of their savings per year in retirement and still be confident they would not run out of money.
- *The Principal Financial Well Being Index, 1st Quarter 2014*
 - Less than half of employees (46%) say it would be difficult, very difficult or extremely difficult for them to pay an extra \$1,000 in a given month for an unexpected expense, such as a medical bill or car repair.
- *The Principal Financial Well Being Index, 1st Quarter 2014*
 - 38% say they have enough money put aside that they can tap into at any time in case of job loss or other unanticipated major expense as opposed to 43% who do not have enough money set aside.
- *The Principal Financial Well Being Index, 1st Quarter 2014*
 - 48% of employees are very or somewhat confident that they would have enough money to live comfortably in retirement if they or their spouse became too sick or injured to work.
- *The Principal Financial Well Being Index, 1st Quarter 2014*
 - About two-thirds (67%) of employees could pay for basic expenses, before tapping into their retirement savings, for one year or less if they were no longer working.
 - 3 months or less (29%)
 - 4 to 6 months (22%)
 - 7 months to 1 year (16%)
- *The Principal Financial Well Being Index, 1st Quarter 2014*

- Nearly half (48%) of employees could pay less than \$1,000 for out-of-pocket medical and living expenses after an accident.
 - \$500 - \$999 (20%)
 - Less than \$500 (28%)

-The Principal Financial Well Being Index, 1st Quarter 2014
- Generation Y:
 - 2 out of 3 have an emergency savings fund
 - 2 out of 3 have started saving for retirement before at 25
 - 1 out of 3 have met with a financial advisor
 - 80% follow a monthly budget
 - 63% plan to retire after age 65
 - 58% think social security will no longer exist when they retire

- "Generation Y Workers" The Principal Financial Group Retirement Plan Participant Study, September 2013.
- Nearly half of all workers have less than \$10,000 in savings and investments.

- Employee Benefits Research Institute and Matthew Greenwald and Associates, in. 2013 Retirement Confidence Survey.
- One in five employees (21%) say it is either very or extremely difficult for them to plan and save for retirement.

- The Principal Financial Well Being IndexSM, 1st Quarter 2013
- Just over a third of employees (37%) believe they will be financially prepared for a comfortable retirement.

- The Principal Financial Well Being IndexSM, 1st Quarter 2013
- Nearly half of employees (49%) say it would be difficult, very difficult or extremely difficult for them to pay an extra \$1,000 in any given month for an unexpected expense.

- The Principal Financial Well Being IndexSM, 1st Quarter 2013
- Almost half (45%) of retirees say they left the workforce earlier than planned, typically because of a health problem or disability (63%).

- The Principal Financial Well Being IndexSM, 1st Quarter 2013
- Over half of employees view insufficient retirement savings (55%) or reductions in Social Security (53%) as threats to their retirement.

- The Principal Financial Well Being IndexSM, 3rd Quarter 2012
- 68% of Americans live paycheck to paycheck and would find it difficult to meet their financial obligations if their paychecks were delayed for a week.

- American Payroll Association, "Getting Paid in America" Survey, 2012
- The average SSDI monthly benefit at the beginning of 2013 was \$1,191.

- Social Security Administration, January 2013
- Over 36 million Americans are classified as disabled; about 12% of the total population.

- U.S. Census Bureau 2012
- 152 million workers were covered for disability insurance under the SSDI program at the conclusion of 2012; a 0.5 percent increase over 2011

- 2013 Long Term Disability Claims Review, Council for Disability Awareness
- Over 2.5 million workers in their 20s, 30s and 40s were receiving SSDI payments at the end of 2012. This is about 29 percent of all workers receiving SSDI payments.

- 2013 Long Term Disability Claims Review, Council for Disability Awareness
- Nearly 65% of initial SSDI claim applications were denied in 2012.

- Social Security Administration
- Nearly one in four working Americans say they would have trouble supporting themselves financially "immediately" following a disability that keeps them out of work. Half would find themselves in financial trouble in one month or less.

- The Life and Health Foundation for Education (LIFE) survey conducted by Kelton, April 2012.
- Nearly three in four Americans (74 percent) say they are concerned about being able to support themselves should they become disabled and unable to work.

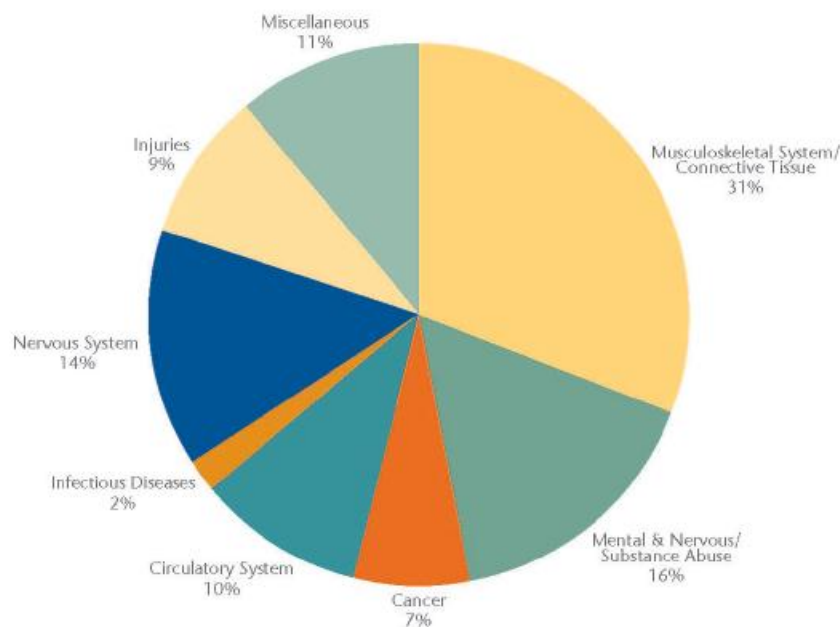
- The Life and Health Foundation for Education (LIFE) survey conducted by Kelton, April 2012.
- More than half of all working Americans (54 percent) agree that their home is one of the things they appreciate most in life, compared to 42 percent who appreciate their paycheck and 32 percent appreciate their car.

- The Life and Health Foundation for Education (LIFE) survey conducted by Kelton, April 2012.

Causes of Disability

Illnesses generally cause disabilities, not accidents.

- Nearly three in 10 new long term disability claims in 2012 were caused by musculoskeletal system and connective tissue disorders, which continue to be the leading cause of new disability claims by a large margin.
- 2013 Long Term Disability Claims Review, Council for Disability Awareness
- Injuries, typically perceived as the cause of many disabilities, represent less than five percent of diagnoses for new SSDI awards.
- 2013 Long Term Disability Claims Review, Council for Disability Awareness
- According to Council for Disability Awareness research, the most common causes of existing long term disability claims in 2012 include: musculoskeletal/connective tissue (30.7% of all existing claims), nervous system related (14.2% of all existing claims), cardiovascular/circulatory (12.1% of all existing claims), and cancer (9.0% of all existing claims).
- 2013 Long Term Disability Claims Review, Council for Disability Awareness
- New long-term disability claims resulting from pregnancy and childbirth increased sharply by 24 percent in 2012 following a smaller increase in 2011. In 2012 pregnancy and child birth caused 12.3 percent of claims, compared to 9.6 percent in 2011.
- 2013 Long Term Disability Claims Review, Council for Disability Awareness
- Common causes of individual disability insurance claims are:



Source: Principal Life Disability Insurance claim payments issued in 2012. The above is for illustrative purposes only and is not intended as an inclusive representation of all claims.

Disability Duration

- Disability claims are lasting longer than in the past. Most companies continue to believe the weak economic environment remains a factor.
- 2013 Long-Term Disability Claims Review, Council for Disability Awareness
 - The average long-term disability absence lasts 31.6 months.
- Gen Re, U.S. Individual DI Risk Management Survey 2011, based on claims closed in 2010
 - One in eight workers will be disabled for five years or more during their working careers.
- Commissioner's Disability Insurance Tables A and C, assuming equal weights by gender and occupation class
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Disability Costs

Indirect and direct costs of a disability take financial tolls on everyone.

- The typical cost to replace an employee is about 21% of the employee's salary. For an executive or top performer, the replacement cost can be as much as two times the employee's salary.
- Center for American Progress, "There Are Significant Business Costs To Replace Employees", November 2012.
 - One work-related injury costs an employer on average \$37,000
- National Safety Council®, Injury Facts® 2012 Ed.
 - On the job injuries cost \$176.0 billion in 2010 and 100 million days of production time.
- National Safety Council®, Injury Facts® 2012 Ed.
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Misconceptions

Common back-up plans to loss of income may not be an option.

- The most common reason employees cite for not using a financial professional is not wanting to pay a fee (27%), followed by thinking they do not have enough savings or investments (19%).
- The Principal Financial Well Being Index, 1st Quarter 2014
 - 43% of the new claims approved during 2012 were for individuals younger than 50.
- 2013 Long Term Disability Claims Review, Council for Disability Awareness
 - Fewer than 5% of CDA member company disability claims were work-related.
- 2013 Long Term Disability Claims Review, Council for Disability Awareness
 - The ratio of new SSDI awards to applications received decreased slightly from 35.6 percent in 2011 to 34.7 percent in 2012. In 2012 this ratio was at the lowest point since 1982.
- 2013 Long Term Disability Claims Review, Council for Disability Awareness
 - Approximately 36 percent of disabled men and 58 percent of disabled women in 2012 received SSDI benefits of less than \$1,000 per month
- 2013 Long Term Disability Claims Review, Council for Disability Awareness
 - The disabled worker population continues to steadily grow: the number of disabled workers receiving SSDI claim payments increased by 2.9 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.
- 2013 Long Term Disability Claims Review, Council for Disability Awareness
 - 69% of the private sector workforce has no long-term disability insurance.
- Social Security Administration, Fact Sheet, February 2013
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Market Opportunity

There is a need for disability insurance.

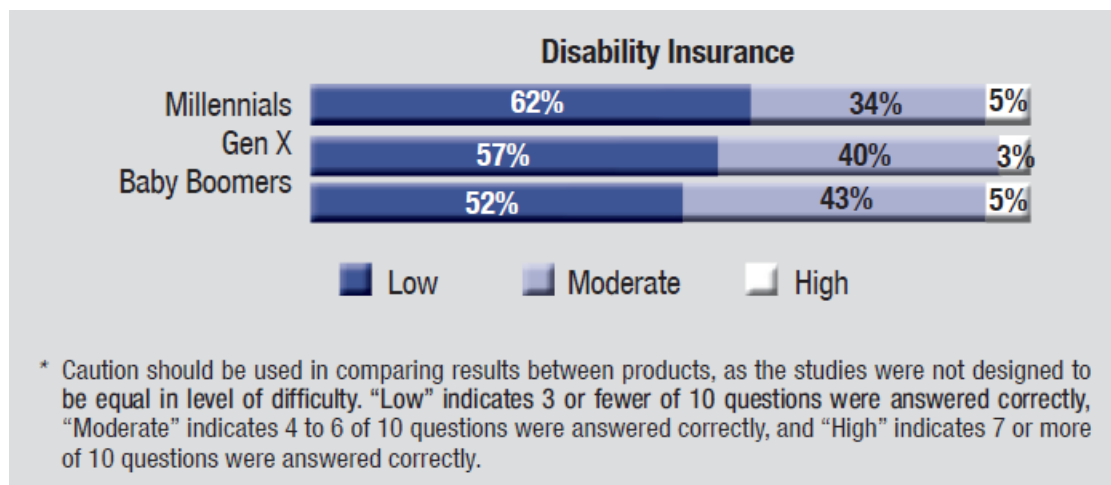
- There are more than 21 million U.S. households with earnings between \$100,000 and \$200,000 annually, and more than 48 million households with earnings between \$35,000 and \$100,000.
- 2012 U.S. Census Data
- Nearly half of the people who look into income protection, after being approached about it, buy some type of policy.
- LIMRA MarketFacts Quarterly, 2012
- About two-thirds of employees (64%) agree to some extent that having a good employee benefits plan encourages them to work harder and perform better.
- The Principal Financial Well Being IndexSM, 3rd Quarter 2012
- Three out of five employees (61%) agree to some extent that having a good employee benefits plan keeps them working for their current company.
- The Principal Financial Well Being IndexSM, 3rd Quarter 2012
- Nearly three-fourths of employees (72%) rated the emotional impact of becoming disabled and not being able to work for a living as at least an 8 on a 10 point scale in which a 10 means "devastated."
- The Principal Financial Well-Being IndexSM, First Quarter 2012
- Consistent with fourth quarter 2011, two-thirds of employees (67%) are very concerned about their long-term financial future. Yet, only 22% have disability insurance.
- The Principal Financial Well-Being IndexSM, First Quarter 2012

- Just over a quarter of employees (28%) have not yet planned for retirement savings/security.
- *The Principal Financial Well-Being IndexSM, First Quarter 2012*
- 48% of HR professionals said that they believe their company has a responsibility to help employees protect their incomes from the risk of a disability.
- *Employer Disability Awareness Study, Counsel for Disability Awareness, 2013.*
- Employees' top financial dreams include financial security (23%), financial security in retirement (20%) and being debt-free (12%).
- *The Principal Financial Well-Being IndexSM, First Quarter 2012*

Education-Related

There is a clear need for more information and education about solutions that are available to help during a disability.

Knowledge by Generation



- LIMRA's *Market Facts*, 4th Quarter 2013.

Business-Related

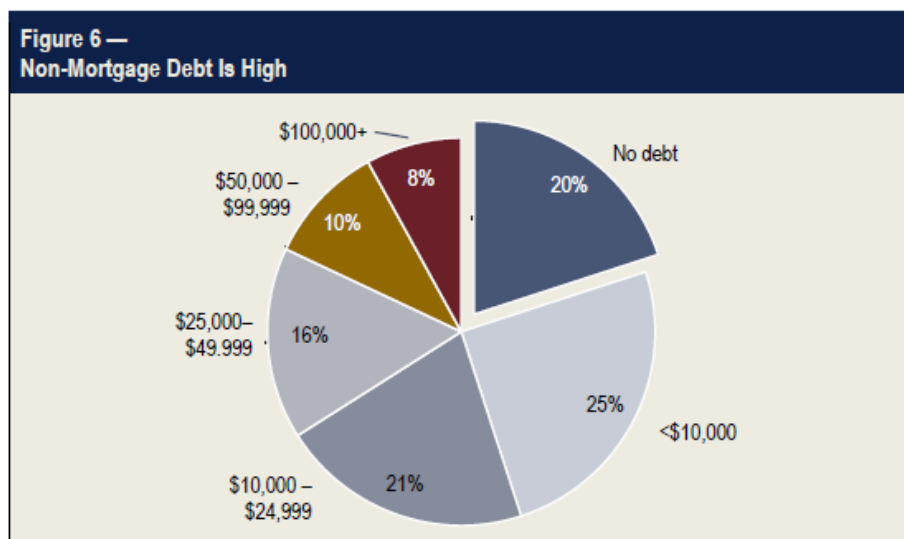
There is a need for disability insurance solutions for businesses.

- As of 2013, it is estimated that there are over 8.6 million women-owned businesses in the United States, generating over \$1.3 trillion in revenues and employing nearly 7.8 million people.
- *The 2013 State of Women-Owned Business Report. Commissioned by American Express Open.*
- There are over 23 million small businesses, which provide for 55% of all jobs.
- *U.S. Small Business Administration Office of Advocacy, September 2013. (www.sba.gov).*
- Nationally, the number of women-owned firms has increased by 59% since 1997.
- *The 2013 State of Women-Owned Business Report. Commissioned by American Express Open.*
- Women-owned firms have added an estimated 175,000 jobs to the U.S. economy since 2007.
- *The 2013 State of Women-Owned Business Report. Commissioned by American Express Open.*
- Fewer than 1 in 4 small firms carry business life insurance and/or business disability insurance coverage.
- *"Small World: Trends in the U.S. Small Business Market", LIMRA, January 2013.*
- 32% of business owners offer employees disability insurance.
- *The Principal Financial Well-Being IndexSM: Business Owners, 2012.*
- Nearly eight out of ten business owners (79%) agree to some extent that having a good employee benefits plan is part of their responsibility as a business owner.
- *The Principal Financial Well-Being IndexSM: Business Owners, 2012.*

- More than three-fourths of business owners (76%) agree to some extent that having a good employee benefits plan keeps employees working for their company.
- *The Principal Financial Well-Being IndexSM: Business Owners, 2012.*
- Almost seven out of ten business owners (68%) agree that having a good employee benefits plan encourages their employees to work harder and perform better.
- *The Principal Financial Well-Being IndexSM: Business Owners, 2012.*
- In 2011, outstanding small business loans (under \$1 million) were valued at over \$685.4 billion for more than 21.3 million loans.
- *Small Business Administration Office of Advocacy, Small Business Lending in the United States 2010-2011, July 2012.*

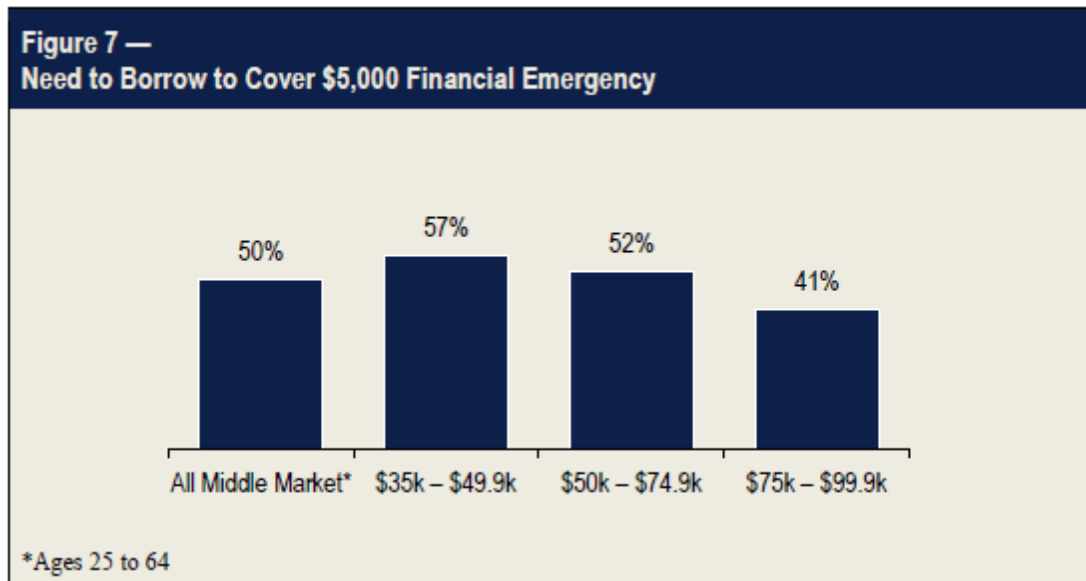
Middle-Market Related

- 40 million middle-market households (ages 25 to 64 with household incomes of \$35,000 to \$99,999).
- *"U.S Consumers Today: The Middle Market", LIMRA, 2014.*
- One third have nonmortgage debt of \$25,000 or more.
- *"U.S Consumers Today: The Middle Market", LIMRA, 2014.*
- 57 percent say their families would need to make significant or drastic financial changes if they couldn't work for at least six months due to a disability.
- *"U.S Consumers Today: The Middle Market", LIMRA, 2014.*
- Seven in 10 middle-market consumers consider a company's reputation for service and for claims payment to be extremely or very important.
- *"U.S Consumers Today: The Middle Market", LIMRA, 2014.*
- Forty-three percent of U.S. households are middle market, with incomes between \$35,000 and \$99,999.
- *"U.S Consumers Today: The Middle Market", LIMRA, 2014.*
- Three in 4 middle-market households are between ages 25 to 64.
- *"U.S Consumers Today: The Middle Market", LIMRA, 2014.*
- There are children under age 18 in 37 percent of middle-market households between ages 25 to 64, making this a prime market for protection products.
- *"U.S Consumers Today: The Middle Market", LIMRA, 2014.*
- Heads of middle-market households with the lowest incomes are the most likely to be single, suggesting only one income. One fourth of them have never been married, and their incomes have the potential to rise in the future if they become a dual-income household.
- *"U.S Consumers Today: The Middle Market", LIMRA, 2014.*
- Over half of the middle market has at least \$10,000 of non-mortgage debt, and one third owe \$25,000 or more. While 1 in 5 middle-market households have no debt, an almost equal percentage have \$50,000 or more in non-mortgage debt (Figure 6).
- *"U.S Consumers Today: The Middle Market", LIMRA, 2014.*



- Fifty-seven percent of low-middle-market households would need to borrow to cover a \$5,000 financial emergency, while 41 percent of high-middle-market households would need to do so (Figure 7).

-“U.S Consumers Today: The Middle Market”, LIMRA, 2014.



- After saving enough for retirement, top financial concerns are: the ability to maintain their living standard if they are unable to work for at least six months, if a wage earner were to die, or if they had to pay for a major medical crisis out-of-pocket (Table 4).

-“U.S Consumers Today: The Middle Market”, LIMRA, 2014.

**Table 4 —
Financial Concerns**
(Percent who rate each item as “extremely,” “very” or “somewhat” concerned)*

	All Middle Market**	\$35k – \$49.9k	\$50k – \$74.9k	\$75k – \$99.9k
Retirement related				
Save enough for retirement	80%	82%	80%	80%
Carry debt into retirement	60	61	61	56
Current living standards				
Maintain if wage-earner is injured, ill	70%	67%	71%	70%
Pay for a major medical crisis	65	71	66	60
Maintain if wage-earner dies	60	57	60	60
Pay everyday living expenses	58	65	59	49
Education related				
Pay for child’s education	42%	38%	42%	44%
Pay own college loans	22	23	23	19
Adult child or parent needs financial help				
	48%	47%	49%	47%

*Based on a 7-point scale
**Ages 25 to 64

- Only 2 in 10 middle-market consumers have a formal financial plan prepared by a professional or one they wrote themselves.
-“U.S Consumers Today: The Middle Market”, LIMRA, 2014.
- Only 1 in 6 if they become disabled or critically ill.
-“U.S Consumers Today: The Middle Market”, LIMRA, 2014.
- Middle-market consumers are twice as likely to prefer permanent insurance over term insurance when given an explanation that balances the higher initial cost of permanent insurance with the guaranteed premium for the life of the policy.
-“U.S Consumers Today: The Middle Market”, LIMRA, 2014.
- However, middle-market life insurance buyers are more likely to buy term life insurance (62 percent) than permanent life insurance (44 percent). Term life insurance tends to make sense for the middle market as it offers the simplicity and affordability that consumer’s desire.
-“U.S Consumers Today: The Middle Market”, LIMRA, 2014.



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