

# *Disability risk is much higher for small firms and premiums lower than most of them assume*

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Small employers greatly underestimate the risk that an employee between the ages 35 and 65 will suffer a serious disability with early half believing the likelihood is one in 50 of becoming disabled.

The actual likelihood is one in three.

A recent study by the American Council of Life Insurers (ACLI), *Disability Income Insurance: Penetrating the Small-Employer Market*, examines why some small employers (5-100 workers) offer disability income insurance coverage to employees and why others decide against it. The report highlights the misunderstanding among small employers about disability risk and its effects on benefit plan offerings.

According to government statistics, the majority of American workers in small private firms do not have disability income insurance. Long-term disability income insurance helps workers and their families pay living expenses while a wage earner is unable to work. It offers cash to help with mortgage payments, rent, groceries, utility bills, and other expenses. This insurance typically pays a percentage of the policyholder's annual income.

"Since small businesses employ the majority of America's workforce, it is critical employers understand that disability income insurance plays a vital role in their workers' financial futures," says Terri Sorota, ACLI senior counsel.

Small employers who do not offer disability income insurance cited that they would be more likely to do so should a worker become disabled (42 percent). However, many believe that the coverage is too expensive (77 percent), or their business activities do not present a high-enough disability risk to warrant coverage (58 percent). Conversely, 67 percent of employers that offer disability income insurance say that providing this insurance aids them in recruiting and retaining productive employees, as well as improving employee attitudes and performance (74 percent).

"It is important that small employers understand employees can share in the cost and that disability coverage is not limited to work-related disabilities," adds Sorota. "It is clear from these findings that employer awareness of the features and benefits of disability income insurance is lacking. We hope this study will help change the way small employers manage disability risk." □