

## THE NEED FOR PROTECTION

### ***A DISABILITY CAN HAPPEN TO ANYONE...AT ANY TIME.***

- In the last 10 minutes, 490 Americans became disabled.  
*- National Safety Council®, Injury Facts® 2010 Ed.*
  - In 2008, there were 2.1 million disabling injuries caused by a motor vehicle accident; there were 39,000 fatal motor vehicle accidents.  
*- National Safety Council®, Injury Facts® 2010 Ed.*
  - In the U.S., a disabling injury occurs every 1 second, a fatal injury occurs every 4 minutes.  
*- National Safety Council®, Injury Facts® 2010 Ed.*
  - In the home a fatal injury occurs every 12 minutes and a disabling injury every 3 seconds.  
*- National Safety Council®, Injury Facts® 2008 Ed.*
  - There is a death caused by a motor vehicle crash every 12 minutes; there is a disabling injury every 13 seconds.  
*- National Safety Council®, Injury Facts® 2008 Ed.*
  - At age 40, the average worker faces only a 14 percent chance of dying before age 65 but a 21 percent chance of being disabled for 90 days or more.  
*- Insurance Information Institute, www.iii.org November, 2005*
  - The probability of a white-collar worker becoming disabled for 90 days or longer between the ages of 35 and 65 is 27% for men and 31% for women.  
*- Millman, sponsored by Life and Health Insurance Foundation for Education (LIFE), "The Real Risk of Disability in the United States", 2007 (<http://www.lifehappens.org/pdf/Real-Risk-of-Disability-paper-FINAL.pdf>)*
  - 43% of all people age 40 will have a long-term disability event prior to age 65.  
*- JHA Disability Fact Book, 2008*
  - 51.2 million Americans have some level of disability. They represent 18% of the population.  
*- U.S. Census Bureau, July, 2006*
  - The number of disabled workers in America has risen by 35% since 2000.  
*- Social Security Administration, 2007*
  - Almost 3 in 10 workers entering the workforce today will become disabled before retirement.  
*- Social Security Administration, Fact Sheet, January 31, 2007*
  - In 2007, the employment rate of working-age people with disabilities in the U.S. was 36.9%.  
*- U.S. Census Bureau, American Community Survey, 2007*
  - A new Harvard University report reveals that **62 percent of all personal bankruptcies** filed in the U.S. in 2007 were due to an inability to pay for medical expenses.  
*- June 4, 2009. The American Journal of Medicine*
  - Unfortunately, most Americans have little understanding of the likelihood of experiencing a disability. A recent CDA survey of workers found:
    - 90 percent underestimate their own chances of becoming disabled.
    - 85 percent express little or no concern that they might suffer a disability lasting three months or longer.
    - 56 percent do not realize that the chances of becoming disabled have risen over the past five years.  
*- Council for Disability Awareness, 2007 Disability Awareness Survey*
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## Retirement Protection and American Savings Patterns

### ***Most Americans can't afford to become disabled.***

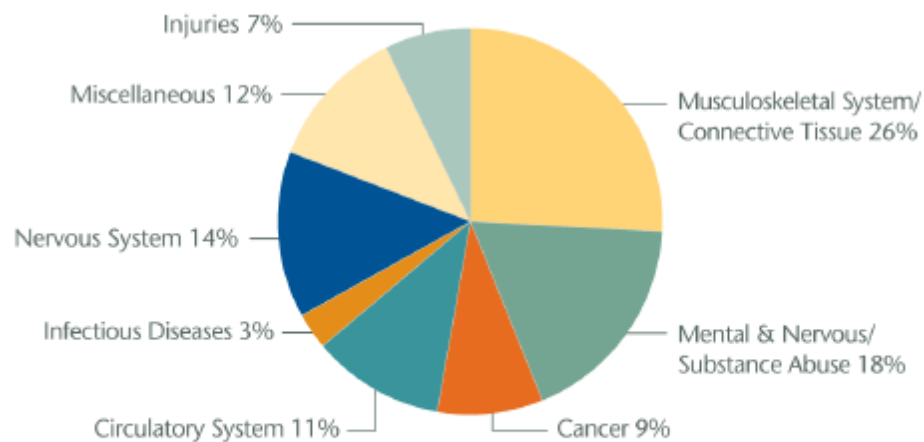
- In 2007, the median income of households that include any working-age people with disabilities in the U.S. was \$38,400.  
*- U.S. Census Bureau, American Community Survey, 2007*
- Over 70% of working Americans do not have enough savings to meet short-term emergencies.  
*- National Investment Watch Survey, A.G. Edwards Inc., 2004*
- Over 50% of the workforce has no private pension coverage and a third have no retirement savings.  
*- Social Security Administration, Fact Sheet 2007*

- 71% of American employees live from paycheck to paycheck.  
- American Payroll Association, "Getting Paid in America" Survey, 2008
- Only 40% of adult Americans have separate emergency savings funds.  
- National survey commissioned by the Consumer Federation of America (CFA) and carried out by Opinion Research Corporation, February 2007
- More than 35% of workers with 401(k) or IRA plans have not thought about or don't know what would happen to their contributions if they were unable to earn an income for a period of time.  
- Council for Disability Awareness, 2007 Disability Survey

## Causes of Disability

*Illnesses generally cause disabilities, not accidents.*

- 90% of disabilities are caused by illnesses.  
- JHA Disability Fact Book, 2008 Edition
- Over 85% of disabling accidents and illnesses are not work related.  
- National Safety Council®, Injury Facts® 2008 Ed.
- While many people think that disabilities are typically caused by freak accidents, the majority of long-term absences are actually due to illnesses, such as cancer and heart disease.  
- Life and Health Insurance Foundation for Education November, 2005
- For insured men and women in their prime working years (30-59), the medical conditions causing the most disabilities are cardiovascular problems, musculoskeletal conditions and cancer. One notable exception is the impact of pregnancy on female disability risk. Among women ages 30-39, disabilities due to pregnancy (mostly complications of pregnancy) are the most prominent claim type.  
- Millman, sponsored by Life and Health Insurance Foundation for Education (LIFE), "The Real Risk of Disability in the United States", 2007 (<http://www.lifehappens.org/pdf/Real-Risk-of-Disability-paper-FINAL.pdf>)
- Stroke is a leading cause of serious long-term disability.  
- Centers for Disease Control and Prevention, 2007
- Common causes of individual disability insurance claims are:



Source: Principal Life Disability insurance claims incurred as of March 2009. The above is for illustration purposes only and is not intended as an inclusive representation of all claims.

## Disability Duration

*An average disability may last longer than you think.*

- In 2008, the majority of Principal Life's individual disability claims had been active for 5-10 years. The effects of a disability are mostly long-term:

Duration	% of Active Claims
10+ years	21.10%
5 to 10 years	30.20%
2 to 5 years	17.90%
2 years	16.20%
1 year or less	12.70%

- The average duration of a long-term disability is 30 months.  
*- JHA Disability Fact Book, 2006*
- Nearly 1 in 5 Americans will become disabled for 1 year or more before the age of 65.  
*- Life and Health Insurance Foundation for Education. November 2005*
- Three out of 10 workers between the ages of 25 and 65 will experience an accident or illness that keeps them out of work for 3 months or longer.  
*- Social Security Administration, Fact Sheet, January 31, 2007*
- Nearly 1 in 3 Americans ages 35-65 will become disabled for more than 90 days  
*- 2005 Field Guide to Estate Planning, Business Planning & Employee Benefits, by Donald Cady*

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## Disability Costs

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

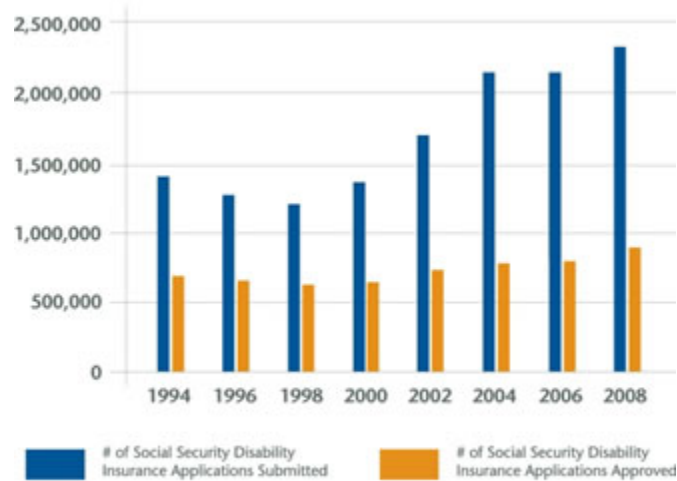
- One work-related disabling injury costs an employer on average \$48,000.  
*- National Safety Council®, Injury Facts® 2010 Ed.*
- Off-the-job injuries to workers cost the nation at least \$253.3 billion and 225 million days of production time in 2008.  
*- National Safety Council®, Injury Facts® 2010 Ed.*
- The average disability absence results in payments of \$3,800, while lost productivity costs on average over \$22,800.  
*- Integrated Benefits Institute, IBI News September 8th, 2006*
- Employers spend 4.1% of payroll on unscheduled absences.  
*- Marsh/Mercer Health & Benefits, "Health, Productivity and Absence Management Programs", 2006 Survey report*
- In 2006, unscheduled absence cost some large employers an estimated \$850,000 per year in direct payroll.  
*- CCH and Harris Interactive, "2006 CCH Unscheduled Absence Survey," October 2006*
- Disabling injuries and illnesses account for 55% of employee absences.  
*- JHA 2005 Absence Management Survey, "Big-picture benefits: Integrating FMLA and disability claims data helps reduce absenteeism," by Chris Silva, September 2006*
- Just 10% of disability cases account for more than half the total medical and disability costs.  
*- Integrated Benefits Institute, IBI News September 8th, 2008*

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## Misconceptions

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

- Nearly three-fourths of disabling injuries in 2008 are not work related, and therefore not covered by workers' compensation.  
- National Safety Council®, Injury Facts® 2010 Ed.
- Less than half - 35% - of the 2.8 million workers who applied for Social Security Disability Insurance (SSDI) benefits in 2009 were approved.  
- Social Security Online, disabled worker beneficiary statistics, ssa.gov
- The average monthly SSDI benefit is \$1,064.  
- Social Security Administration, Monthly Statistical Snapshot, December 2009, ssa.gov
- Comparison of Social Security disability insurance applications to the amount approved:



Source: U.S. Social Security Administration, 2009

- In 2007, the percentage of working-age people with disabilities receiving SSDI payments in the US was 17.1%.  
- U.S. Census Bureau, American Community Survey, 2007
- Over 6.8 million workers are receiving SSDI benefits, almost half are under age 50. This represents only 13% of the over 51 million Americans classified as disabled.  
- Social Security Administration, Fact Sheet 2007

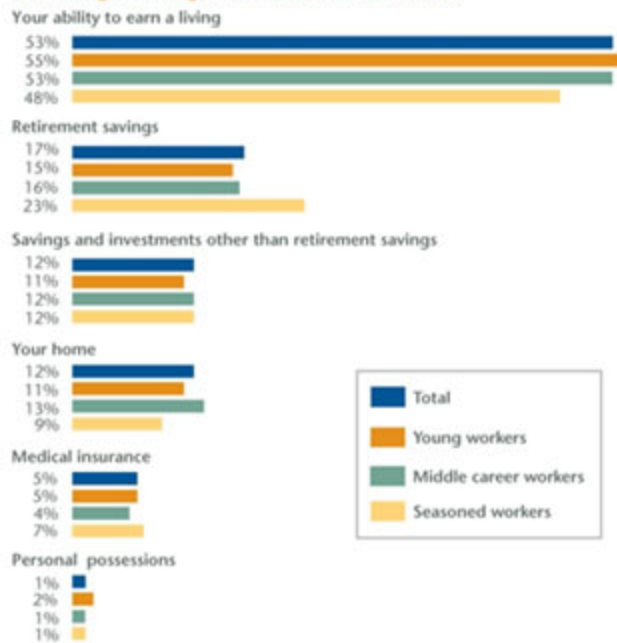
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## Market Opportunity

*There is a need for disability insurance.*

- Workers' rankings of the most valuable activities to achieve long-term financial security:

### Percentage ranking each item as most valuable



Source: The 2008 Council for Disability Awareness Worker Disability Planning and Preparedness Study

- 43% of employees indicated protecting financial assets due to an unexpected event as a main concern.  
- *The Principal Financial Well-Being Index<sup>SM</sup>, 2009*
- 61% of employees surveyed said good employee benefits encourage them to work harder and perform better; 61% said good benefits keep them working for their current employer.  
- *The Principal Financial Well-Being Index<sup>SM</sup>, 2010*
- Fewer than one in three (29%) U.S. workers have private long-term disability coverage  
- *National Compensation Survey, Bureau of Labor Statistics, 2006*
- 70% of the private sector workforce has no long-term disability insurance.  
- *Social Security Administration, Fact Sheet 2007*
- Only 30% of American workers in private industry currently have access to employer-sponsored long-term disability insurance coverage.  
- *National Compensation Survey: Employee Benefits in Private Industry in the United States, U.S. Department of Labor, Bureau of Labor Statistics, March 2006.*
- The odds of selling a product to a new customer are 15 percent, while the odds of selling to an existing customer are 50 percent.  
- *Raymond Adamson, Cross-Sell to Success, Advisor Today, March 2005*
- The top reason producers are not selling IDI is because their clients do not ask about the product.  
- *LIMRA International, "Producer Perspectives on Individual Disability Insurance", 2009*
- Despite the fact that more than 70% of American households rely on two incomes to make ends meet, only 26% of Americans have any type of disability insurance.  
- *Facts from LIMRA May 2010 Multimedia Fact Sheet, based on findings from LIMRA's life insurance consumer studies.*
- Only 18% of consumers recall being approached about buying disability insurance - less than half as many as those being approached for life insurance.  
- *Facts from LIMRA May 2010 Multimedia Fact Sheet, based on findings from LIMRA's life insurance consumer studies.*
- Only 13% of small business owners have disability income insurance.  
- *Facts from LIMRA May 2010 Multimedia Fact Sheet, based on findings from LIMRA's life insurance consumer studies.*
- Who buys disability insurance? While men represent the majority of new sales, sales to females grew at a slightly faster rate than sales to males in 2008. Older age groups bought more policies in 2008, with an increase in both the 50-59 and 60+ age groups.  
- *Facts from LIMRA May 2010 Multimedia Fact Sheet, based on findings from LIMRA's life insurance consumer studies.*

## Education-Related

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

- From the CDA 2009 Worker Disability Planning and Preparedness Study:
    - Only one in three workers surveyed associate financial planning with protecting assets and income (38%), tax planning (33%), or saving for a home purchase (32%).
    - Nearly nine in ten workers surveyed believe that people should plan in their 20s or 30s in case an income limiting disability should occur (86%). Only half of all workers have actually planned for this possibility (50%), and only half have even discussed disability planning (46%).
    - When surveyed what is most valuable in helping them achieve long-term financial security, far more workers rank their ability to earn a living as number one (53%) than assets such as retirement savings (17%), other savings and investments (12%), their home (12%), medical insurance (5%), or personal possessions (1%).
    - The large majority of workers are concerned about how they would pay their living expenses if they were disabled (82%), yet most are not prepared if such a disability were to extend for any significant length of time. Seven in ten could cover their expenses for six months or less.
  - 66% of executives surveyed believe that providing financial advice at the workplace is more important than it was a year ago  
*- Charles Schwab & Co. June 2009*
  - 76% of employed baby boomers and 68% of employed Generation Y workers say that the employer is among the most reliable sources of information about benefits.  
*- Harris Interactive Survey 2008*
  - Only 5% of baby boomers realize they have a 34% chance of becoming disabled during their working years.  
*- Harris Interactive/AHIP, Baby Boomers' Awareness of Disability Risks, February 2008*
  - 45% of employees feel not at all knowledgeable about individually owned disability insurance.  
*- Principal Well-Being Index, 1QTR 2009*
  - 14% of employees personally own a disability income insurance policy on themselves, a significant decrease from 1st quarter 2008 when 18% reported owning such a policy. Only 7% of employees' spouses own a disability income insurance policy.  
*- Principal Well-Being Index, 1QTR 2009*
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## Business-Related

*There is a need for disability insurance solutions for businesses.*

- The U.S. had 5.8 million small business employers in 2009, representing over 99 percent of the nation's employers.  
*- Small Business Administration Office of Advocacy, 2010.*
- In 2009, outstanding small business loans (under \$1 million) were valued at over \$685.4 billion for more than 23 million loans.  
*- Small Business Administration Office of Advocacy, 2010.*
- Half of business owners do not have any disability plans in place for either themselves or their key employees (50%).  
*- The Principal Financial Group Business Priorities Market Research, January 2009*
- Nearly three quarters of business owners indicated that they or their key employees are limited in the amount they are allowed to contribute to their qualified retirement plan (73%). Yet, very few business owners offer supplemental retirement plans (83% do not offer any plans) that can help overcome this limitation.  
*- The Principal Financial Group Business Priorities Market Research, January 2009*
- About 43% of wealthy business owners (almost double the percentage of other affluent Americans questioned) said they would work to age 70 or later, but only one-third of these owners said they have written succession plans in place.  
*- Private Wealth magazine, April-May 2008; survey by PNC Wealth Management, Philadelphia, PA*

## What are your odds of a disabling injury or illness?

You probably insure your home, your car and other personal assets. But what about the income that provides those assets? You might be surprised to learn what poses the greatest threat to most people during the course of one year. Consider these statistics:

Odd for risks	Covered by Insurance
1 out of 5	That your auto will be damaged in an accident
1 out of 21	That you will have a disabling accident
1 out of 96	That you will have a fire
1 out of 114	That you will die

Source: *Field Guide 2001, National Safety Council, World Almanac*

**Did you know:** During the course of your career, you are three and a half times more likely to be injured and need disability coverage than you are to die and need life insurance.

Source: *Health Insurance Association of America, 2000*

**Did you know:** Approximately 30% of all people ages 35 to 65 will suffer a disability for at least 90 days, and about one in seven can expect to become disabled for five years or more.

Source: *Health Insurance Association of America, The New York Times, February 2000*

## Are you planning a Long Vacation?

You probably plan ahead, even for a short vacation. But, you may not have planned ahead for an unexpected "vacation"...a long-term disability. The conditions listed below could leave you unable to work for a month, six months, or even longer.

Conditions Causing Limitation	Number(in thousands)	Percent of All Conditions
Heart Disease	7,932	13.0
Deformities, orthopedic impairments & disorders of the spine or back	7,672	12.6
Osteoarthritis and allied disorder	5,048	8.3
Orthopedic impairment of lower extremity	2,817	4.6
Asthma	2,592	4.2
Diabetes	2,569	4.2
Mental Disorders	2,035	3.0
Cancer	1,342	2.2

Source: *Health Conditions and Impairments Causing Disability, US Department of Education. National Institute on Disability and Rehabilitation (NIDRR). Abstract No.16, Table 2, September, 1996*

Most likely, you realize the need for life insurance – you know you’re going to die, and planning for the well being of your family upon the event of your death is not often questioned. Planning for a disability shouldn’t be any different. Especially since your chance of becoming disabled before age 65 is greater than your chance of dying.

Age	Number of Disabilities per 1000 Lives*	Number of Deaths per 1000 Lives*	Disability vs. Death Ratio
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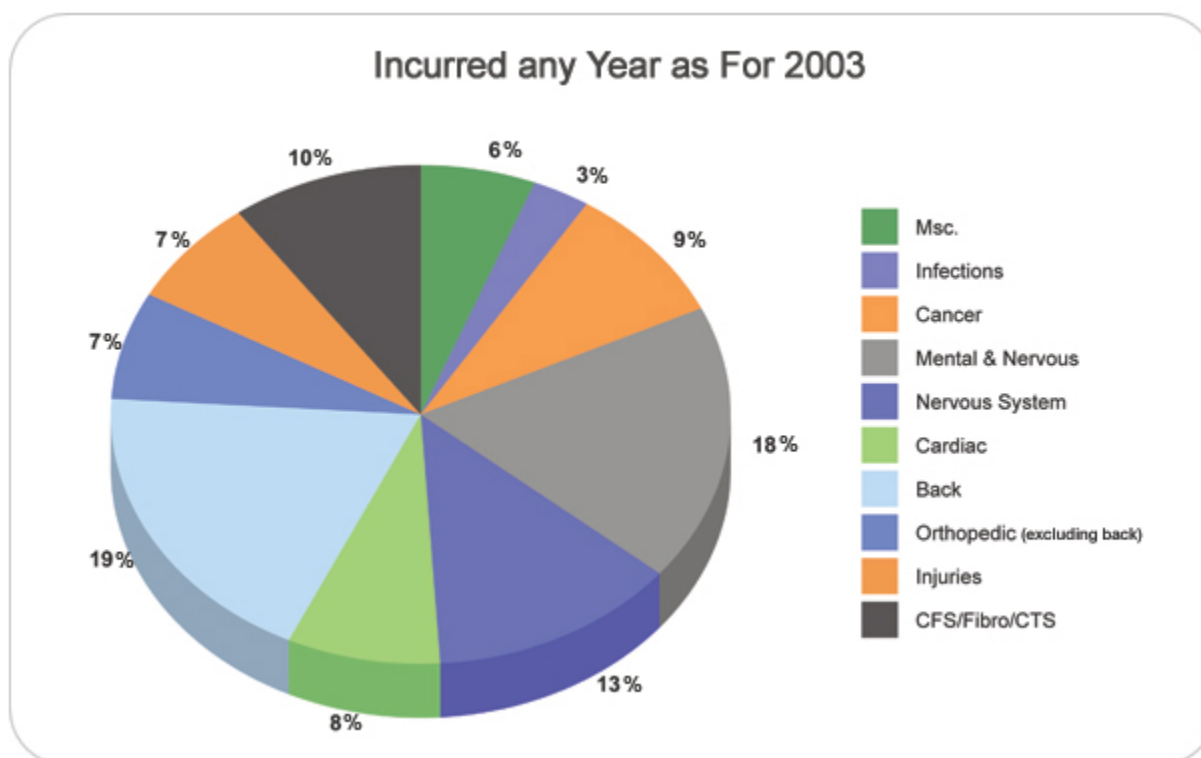
27	5.17	1.46	3.54 to 1
32	5.36	1.64	3.27 to 1
37	7.45	2.14	3.48 to 1
42	10.22	3.22	3.17 to 1
47	13.93	4.68	2.98 to 1
52	17.52	6.82	2.57 to 1
57	23.02	10.23	2.25 to 1

\* 1985 Commissioner's Individual Disability Table B, 1980 CSO

## Disability Plays No Favorites

With Disability Income Insurance you can feel secure in knowing that you are protecting your most valuable asset – your ability to work and earn an income. Avoid the financial strain even a short-term disability can cause when you're sick or hurt to work.

The causes of disability may surprise you! Here is a breakdown (by percentage of claims) of some typical reasons an individual may become disabled:



**48% of all home foreclosures are the result of disability, while only 3% of all foreclosures result from death.**

Source: Housing and Home Financial Agency of the US Government, 1998