



# Individual Disability Insurance (IDI)

Who needs it, who buys it, how to offer it

unum®





## CONTENTS

ON SHAKY GROUND: THE NEED FOR DISABILITY COVERAGE .....	01
CLOSING THE GAP: HOW IDI PROTECTS HIGHLY COMPENSATED EMPLOYEES.....	03
IDI TODAY: HOW BUSINESSES ARE OFFERING IDI .....	04
THE BENEFITS OF UNUM IDI .....	07

# On shaky ground: The need for disability coverage



When we experience a crisis, like a natural disaster, economic downturn, or even a pandemic, we realize that many Americans are not prepared for something like this.

History has shown that even if we are in a period of financial prosperity, Americans are still financially fragile. Many working families in the U.S. — lower and higher incomes alike — may not be financially prepared should an unexpected event occur. With today's absence of emergency savings and rising medical costs, without income protection, more Americans are experiencing severe financial difficulty.

This is troubling in many respects but particularly so in the context of disability. When a household's breadwinner can't earn a paycheck, it may be difficult for a family to keep up with everyday expenses.

Unfortunately, suffering a disabling injury or illness is more common than many people think.



**1 IN 4 OF TODAY'S WORKERS WILL  
BE DISABLED BEFORE THEY REACH  
RETIREMENT AGE.<sup>4</sup>**

This means that a portion of the workforce may not be fully prepared for the expenses that come with a disability.

That's why disability insurance is so important. This coverage can pay employees a percentage of their pre-disability income in the event of a covered disability. The money can be used to help pay the mortgage, health care bills and other expenses.



**59% of U.S. adults say they live paycheck to paycheck<sup>1</sup>**



**58% of Americans have less than \$1,000 in savings<sup>2</sup>**



**44% usually carry a credit card balance or struggle to keep up with bills/payments<sup>3</sup>**





## LEADING CAUSES OF DISABILITY CLAIMS

*Percent of claims*

Back issues (excluding injuries)

18%

Nervous system issues

16%

Behavioral health issues

14%

Musculoskeletal issues

14%

Cardiovascular issues

8%

Accidents/Injuries

7%

Cancer

6%

Source: Unum internal data, 2019.

### Employees recognize the value of disability coverage, and they want employers to offer it at work.

- 78% of workers say their benefits packages are as important as their salaries in keeping them at their current employers.<sup>5</sup>
- At least 51 million working adults in the United States are without disability insurance other than the basic coverage available through Social Security.<sup>6</sup>
- Only 48 percent of American adults say they have enough savings to cover three months of living expenses in the event they're not earning any income.<sup>7</sup>



# Closing the gap: How IDI protects highly compensated employees



Basic group Long Term Disability Insurance (LTD) can be valuable for the disabled employee. It typically pays 60% of the employee's former compensation, up to a specified maximum benefit amount and time period during which the employee can receive benefits if disabled. It can pay until retirement age if the employee is too disabled to return to work.

For many workers, however — especially more highly paid professionals — basic LTD falls short. For these workers, supplemental Individual Disability Insurance (IDI) can help their disability benefits get closer to their former take-home pay.

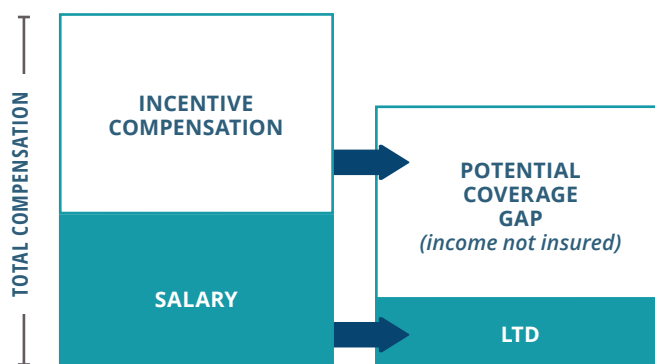
## HERE'S HOW:

### Increased income replacement

Basic LTD policies often cap benefits well below what a highly compensated professional may actually earn. A typical policy covers 60% of base salary, with a benefit maximum of \$5,000 per month. With this coverage, anyone earning over \$100,000 per year will see a large gap between their pre- and post-disability income. And if the LTD is employer-paid, the benefits are taxable, bringing that maximum payment down to around \$3,600 per month after tax.<sup>8</sup> Many IDI policies insure a greater portion of income — often 75% or more — to help bridge this income gap.

### Coverage beyond base salary

For many high earners, a large portion of their total compensation comes in the form of bonuses, commissions, or other incentive pay. Since basic group LTD normally replaces none of this income, these employees face a large income gap if they become disabled and can't work. But IDI replaces a portion of total compensation, so employees receive benefits that come closer to their actual pre-disability income.





# IDI today: How businesses are offering IDI



A review of our employer-sponsored, multi-life income replacement IDI business provides a snapshot of the industries that offer IDI to their highly compensated employees, and the features they choose most often.

With this information, you can examine your own benefits offerings to help make sure you remain competitive in the race to recruit and retain the best employees for your business.

## PERCENT OF TOTAL IDI INFORCE CASES

### FUNDING

*Unum IDI is typically paid for by the employer*



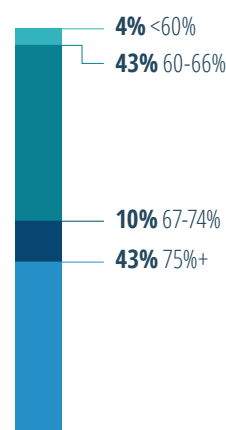
### COVERED COMPENSATION

*Unum IDI covers total compensation*



### INCOME REPLACEMENT PERCENTAGE

*Most IDI policies cover more than 60% of income*



Source: Unum internal data, 2019.



## INDUSTRY BREAKDOWN

Our inforce business spans a wide variety of industries

### Traditional IDI Clients

Employers in healthcare, manufacturing, law and finance represent the greatest share of our IDI business, for these reasons:

- These industries have a high proportion of highly compensated employees with costly lifestyles to protect.
- Commissions and incentive pay constitute a significant portion of their income.
- Group LTD often provides inadequate coverage.
- Organizational structure allows for executive and management group carve-outs — the most common IDI offering.
- Employees in these industries see value in having portable coverage that they own.
- Executives in the health care and legal markets, especially, understand the importance of disability coverage.



### TOP IDI INDUSTRIES

**#1**

HEALTHCARE

**#2**

MANUFACTURING

**#3**

LEGAL

**#4**

FINANCE

Source: Unum internal data, 2019. Based on percent of total IDI inforce cases.

### Emerging industries

Technology, business services and pharmaceuticals are emerging industries in our inforce block. We believe these industries are becoming more interested in IDI for these reasons:

- Incentive compensation is becoming more prevalent in these industries.
- Companies in these industries are looking for ways to recruit and retain top talent.
- Our enrollment innovations are attractive to these fast-paced workplaces.
- These are growing industries in the marketplace overall.



### EMERGING IDI INDUSTRIES\*

**#1**

TECHNOLOGY

**#2**

BUSINESS SERVICES

**#3**

PHARMACEUTICALS

\*Source: Unum internal data, 2019. Based on new cases within the industry over total number of cases within that industry.





## FUNDING BY INDUSTRY

Our clients choose funding models that work best for their businesses and employees. Many employers choose to fund IDI themselves. However, employee-paid and shared-funding plans are also common, especially for larger customers.

PERCENT OF TOTAL IDI INFORCE CASES			
INDUSTRY	EMPLOYER-PAID	EMPLOYEE-PAID	SHARED FUNDING
Advertising	85%	10%	5%
Agriculture	81%	7%	11%
Law	64%	14%	22%
Business services	72%	15%	13%
Computers/technology	68%	23%	9%
Construction	90%	5%	5%
Consulting	78%	14%	7%
Education	76%	13%	11%
Engineering/architecture	64%	23%	13%
Financial services	65%	23%	12%
Health care	58%	18%	23%
Manufacturing	82%	9%	9%
Pharmaceuticals	68%	14%	18%
Real estate	76%	19%	6%
Retail/wholesale	81%	11%	8%
Transportation/utilities	74%	14%	13%
Other	82%	10%	8%

Source: Unum internal data, 2019.

# The benefits of Unum IDI



Offering IDI to your employees is easy. And it's a great way to let them know how valuable they are to you and your company. With IDI from Unum, you can help attract and keep the best talent in your industry — and help employees protect one of their greatest assets: their income.

## Total compensation coverage

IDI can cover commissions and bonuses.

## Individual ownership

Policies are individually owned and fully portable.

## Rate stability

Contracts are non-cancellable and premiums will not increase.

## Guaranteed issue

Employees are guaranteed to receive coverage with a guaranteed elimination period, benefit period and plan design, subject to a few eligibility questions. As income grows, employees can increase their coverage up to the guaranteed issue amount with no medical questions. Benefits may be subject to a preexisting condition provision.

## No offsets

Workers compensation or Social Security Disability Income payments do not decrease IDI benefits.

## UNUM IN THE IDI MARKETPLACE



**33% MARKET SHARE<sup>9</sup>**



WE PROVIDE IDI FOR  
**28% FORTUNE 500**  
**35% FORTUNE 100<sup>10</sup>**



IN 2019, WE PROCESSED  
**5,500 NEW IDI CLAIMS** AND  
PAID **1.6 BILLION** IN  
IDI BENEFITS<sup>11</sup>



## ABOUT UNUM

More than 88,000 employers, including 55% of Fortune 100 companies or their subsidiaries and affiliates,<sup>12</sup> offer their employees Unum benefits.

For 43 years, Unum has been the leading provider of group disability benefits in the U.S.,<sup>13</sup> providing crucial income when people can't work because of injury or illness. Unum is also a leading provider of voluntary benefits in the country,<sup>14</sup> offering a variety of valuable, affordable benefits that help protect the financial foundations of millions of U.S. workers.

But our products and services are about more than just financial protection. We help businesses support a healthy, engaged workforce and find smart ways to attract and retain valuable employees. We help individuals protect their ability to earn a living and support them in their safe return to work.

1, 3 Charles Schwab Corporation, 2019.

2 Yahoo Finance, 2018.

4 Social Security Administration, Fact Sheet Social Security, 2019.

5 Randstad US, 2018.

6, 7 Council for Disability Awareness, The Crisis of Disability Coverage in America, 2018.

8 Assumed tax rate of 28% for illustrative purposes. This report is not a substitute for legal or tax advice. For more information on benefit and premium taxability, consult your tax attorney or advisor.

9 LIMRA, 2013 Employer Perspectives Disability Benefits. The most recent source of its kind.

10 Unum IDI database as of July 2019; Fortune, Fortune 500 2019.

11 Unum internal data, 2020.

12 Fortune, Fortune 500, 2019; Unum customer database, 2020.

13 Employee Benefit Plan Review, Group Accident & Health Surveys 1976-1990, 1971-1991; Gen Re, U.S. Group Disability Market Surveys 1991-2013, 1992-2014; LIMRA, U.S. Group Disability Insurance 2014-2018 Annual Sales and In Force, 2015-2018; LIMRA, U.S. Workplace Disability Insurance Inforce Summary Results 2018 4Q.

14 Eastbridge, U.S. Worksite/Voluntary Sales Report, Carrier Results for 2019, 2020.15 Employee Benefit Plan Review, "Group Accident & Health Surveys 1976-1990" (1977-1991); Gen Re, "U.S. Group Disability Market Surveys 1991-2013" (1992-2014); LIMRA, "U.S. Group Disability Insurance 2014-2018 Annual Sales and In Force" (2015-2018); LIMRA, U.S. Workplace Disability Insurance Inforce Summary Results 2018 4Q (2018).

The policies or their provisions may vary or be unavailable in some states. The policies have exclusions and limitations which may affect any benefits payable.

Underwritten by Provident Life and Accident Insurance Company, Chattanooga, TN.

In New York, underwritten by Provident Life and Casualty Insurance Company, Chattanooga, TN.

[unum.com](https://unum.com)

© 2020 Unum Group. All rights reserved. Unum is a registered trademark and marketing brand of Unum Group and its insuring subsidiaries.  
NS17-002 FOR BROKERS AND EMPLOYERS (10-20)

