The Pink Price Tag: Disability Insurance for Women

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[Editor’s Note: This is a guest post from Jamie K. Fleischner, CLU, ChFC, LUTCF, an insurance agent (Set For Life Insurance) and a paid advertiser on this blog. She has specialized in helping physicians with their disability insurance planning needs since 1993. Her niche is finding discounts and unisex rates for her clients and has created one of the largest portfolios of available discounts for physicians nationwide. This post addresses important issues faced by female physicians and other high-income professionals as they seek disability insurance.]

If you were to sitting on an airplane and asked the person next to you how much they paid for their flight, how would you feel if you paid twice as much for your ticket? You had practically the same seat and had the same experience. You inquired about the discrepancy and were told that you had a special tax on your ticket since you are female. It’s always been that way so you should just accept it.

This is analogous to the disability insurance industry. Women pay significantly higher rates and are told that it is based on statistics. Women are statistically at much higher risk and therefore pay
much higher rates.

Women DO Get Disabled More

A new study from the State Farm Center for Women and Financial Services at The American College shows that women are actually much more likely than men to develop a disability that prevents them from being able to work. In fact, in the 10-year period between 1999 and 2009, women’s Social Security Disability applications grew by 72 percent, while men saw a comparatively smaller 42 percent increase.

Arthritis and rheumatism are the most common disabilities affecting American women. Heart disease, cancer, mental health issues, diabetes and nervous system disorders are also leading causes of disability.

Disability Can Be More Financially Devastating for Women

The American College study also found that women are much more likely to experience financial distress if they become unable to work because of a disability.

Nearly half of all women in the survey reported that experiencing a disability would be “somewhat devastating” to their family’s finances. Nearly a quarter worried that their cash reserves would last less than a month if they became unable to work.

Single women were more likely to be worried about financial hardship than married women, though the threat is real for both demographics. Approximately 28 percent of single women and 20 percent of married women responded that developing a disability would be “totally devastating” to their financial well-being.

My Experience With Female Disability Claims

As a woman working in the insurance industry for over 20 years, this is a subject very close to my heart. I work with women on a daily basis and have the same discussion. Is the rate discrepancy justified to the rate of claims? Has the disability insurance industry kept up with the times now that professional women are outnumbering men? Do women really become disabled almost twice as much as men? Is the same true for short term types of claims (pregnancy) as long term (MS)? I have actually had multiple pregnancy claims with clients. However, these claims still have a 90 day waiting period and since pregnancies last up to 9 months, the maximum payout is approximately 6 months.

Personally in my experience, my female clients do not outnumber my male clients when it comes to claims. I have had numerous claims, too. I’ve had people who have been in terrible accidents, even the day after they bought the policy. I’ve had multiple cancer claims, brain tumors, migraines, addiction, depression and pregnancy claims. I know it is anecdotal, but I have worked with thousands of people and have been in business since the early 90s. I have not witnessed a significantly larger number of female claims when compared to male claims.
Cost of Insurance Varies Highly

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Insurance premiums are set up to cover the risk in all types of insurance. Smokers pay more for life insurance (and disability insurance) since statistically they are more likely to have a claim. Surgeons or physicians working in a higher risk medical specialty such as emergency medicine pay higher premiums since they statistically have a higher rate of claims.

The difference in cost between male and female rates can be astounding. For example, the cost for a 32 year old female surgeon looking to insure $10,000/month benefit (includes specialty specific definition, COLA, residual, non-cancelable, etc…) the premium would be between $620-$780/month–depending on the company. The same, identical plan at male rates would cost $348/month. That’s a difference of 44-55%.

This discrepancy becomes more substantial if you look at the cost differential over the course of your career. Saving $400/month equates to $4800/year. Multiply that by a 30 year career, you are paying more than $144,000. [And if you assume that money could be earning 8% per year, it adds up to $587K-ed]

Conspiracy Against Women?

In my quest for information, I contacted a colleague of mine, Barry Lundquist, President of the Council for Disability Insurance Awareness. He provided me with up-to-date, although not physician-specific, statistics:

- A typical female, age 35, 5’4”, 125 pounds, non-smoker, who works mostly an office job, with some outdoor physical responsibilities, and who leads a healthy lifestyle has the following risks:
  - A 24% chance of becoming disabled for 3 months or longer during her working career;
    - with a 38% chance that the disability would last 5 years or longer,
    - and with the average disability for someone like her lasting 82 months.
  - If this same person used tobacco and weighed 160 pounds, the risk would increase to a 41% chance of becoming disabled for 3 months or longer.
- A typical male, age 35, 5’10”, 170 pounds, non-smoker, who works an office job, with some outdoor physical responsibilities, and who leads a healthy lifestyle has the following risks:
  - A 21% chance of becoming disabled for 3 months or longer during his working career;
    - with a 38% chance that the disability would last 5 years or longer,
    - and with the average disability for someone like him lasting 82 months.
  - If this same person used tobacco and weighed 210 pounds, the risk would increase to a 45% chance of becoming disabled for 3 months or
What is curious is that if women have a 24% chance of becoming disabled and men have a 21% chance, then why are the rates so substantially different? According to these statistics, women have a 12% greater chance of becoming disabled yet the rates being charged are 40-50% higher.

I contacted several insurance companies to ask them why there is such a disparity. I was told the same story that it was based on claims experience. I was not able to obtain claims information about the types of claims the women were filing to justify the discrepancy. In another study, statistics show that women’s claims have been increasing in recent years to men’s.

According to this chart, women have close to 55% of the overall claims. This means they have a 22% greater chance of becoming disabled (close to the previous study).

Even though they have a 22% greater chance of becoming disabled, this doesn’t justify the additional 40% or more premiums charged to women. If women have a 22% greater chance of becoming disabled, they should pay 22% more, not 45-55%.

I don’t have a problem with people being charged more if there is statistical justification. It takes less to disable a surgeon than a pediatrician. And if someone is morbidly obese, they are more likely to encounter problems and should pay as such. I do not subscribe to the notion that everyone needs to pay equal premiums, because the risk is not equal. However, if the statistics are not there to back up the increased rate, I try to help my clients overcome that obstacle.
Beating The Conspiracy

To help my female clients avoid paying the “pink disability tax” I have set out tirelessly over the last 20 years to set up discounts at various hospitals, medical schools, employers and associations around the country. By doing so, it has allowed my clients to set up a policy with discounts as well as gender neutral rates, also known as unisex rates. Unisex rates negate the gender specific rates and they are identical for men and women.

For women, unisex/discounted policies will reduce premiums by 45-55% depending on the company. For men, the discounted unisex policy will reduce premiums by approximately 15%.

Where can you find unisex rates? Unisex rates can be set up if you have 3 or more people at the same hospital or employer that purchase a policy. Once these are set up, all subsequent people have access to those rates through that broker (the one who set it up). Some experienced brokers may have already set up discounts at your hospital, residency program, employer or your private practice and they may be available to you. If you do not have access to any current unisex rates, inquire about setting one up so you can reduce your out of pocket costs.

Women Should Usually Get Unisex Policies

If you are a woman who is currently paying female rates on an existing disability insurance contract, it is worth exploring unisex to see if you can reduce your current costs. By doing so, you may be subject to medical underwriting. Therefore if you have had a change in health, it may not make sense. If you are healthy, this may provide significant savings.

For more information about disability insurance for women, visit our website which includes a list of employers where discounts and unisex rates may already be available to you.

What do you think? Do you have a unisex policy? Which one? Did you have trouble finding a discounted unisex policy? Comment below!