

B. DISABILITY BENEFITS

For the (equivalent) benefits provided under the 1965 social security law in case the worker becomes disabled before age 65, the annual disability benefits and the range of annual premiums which an insurance carrier would probably charge are as follows:

ANNUAL DISABILITY BENEFITS (SUBJECT TO THE "MAXIMUM FAMILY PAYMENT" LIMITATION)

Year	Worker A	Worker B	Worker C
1971 to 1982.....	\$1,440.00	\$2,428.80	\$4,416.00
1983 to 1985.....	1,440.00	2,428.80	4,032.00
1986.....	1,407.60	1,830.60	3,024.00
1987 to 2008.....	938.40	1,220.40	2,016.00

ANNUAL PREMIUMS (FOR DISABILITY BENEFITS)

[These premiums are for those occupations eligible for the lowest rates]¹

Worker	1971-82	1983-85	1986	1987-2008
A.....	\$30-\$40	\$30-\$40	\$30-\$40	\$20-\$30
B.....	45- 70	45- 70	40- 50	30- 40
C.....	75-125	70-115	60- 90	45- 60

¹ These premium rates are those available to the workers in occupations, such as executive positions, office work, teaching, merchandising, and the like, which involve small chances of hazards. Such occupations are identified in the insurance industry as class AAA or class A-1 or similar designations. Higher rates are charged the insured when they are in class AA or class A-2 occupations, such as physicians, dentists, surgeons, factory superintendents, foremen, etc. Still higher rates are charged the insured who are classified in class A or A-3 occupations—auto mechanics, butchers, carpenters, bus or taxi drivers, etc. There are further classifications such as class B or class A-4. It suffices at this time to point out some differential rates. The current premium rates charged by 1 insurance company for the same disability benefits quoted in the text for worker C (with annual earnings of \$6,600) during 1971-82 follow:

Class AAA.....	\$128
Class AA.....	145
Class A.....	176

It can be seen that a class AA worker will pay almost 15 percent (and a class A worker, nearly 40 percent) more than a class AAA worker. Moreover, there are the class M or class "No" workers who cannot purchase coverage from a private insurer

The basic underlying assumptions concerning the expected benefits are—

- (a) PIA for the worker to age 65.
- (b) 50 percent of PIA for each child until age 22, assuming school attendance.
- (c) 50 percent of PIA for the mother until the youngest child attains age 18.
- (d) The cost for the resumption of the mother's benefits later as a widow's benefit is *not* included in the cost for disability protection. Rather, the cost of widow's benefits is included in the retirement benefits below.
- (e) The private insurance policy would not be issued until age 27 (1971), because eligibility for social security requires 20 quarters of coverage in the 40 quarters preceding the date of disability.

C. COMPARISON OF COSTS FOR SURVIVORS AND DISABILITY BENEFITS

Since the number of years in which taxes for social security and premiums for private insurance differs, total taxes and total premiums are calculated on the basis of present values so as to reduce them to a