

## "Beyond Health: Non-Health Risk and the Value of Disability Insurance"

Manasi Deshpande, University of Chicago with Lee M. Lockwood, University of Virginia

Abstract: The public debate over disability insurance (DI) has centered on concerns about individuals with less-severe health conditions receiving benefits. We go beyond health risk alone to quantify DI's overall insurance value, including value from insuring non-health risk. We find that DI recipients, especially those with less-severe health conditions, are much more likely to have experienced a wide variety of non-health shocks than non-recipients. Selection into DI on the basis of non-health shocks is so strong among individuals with less-severe health conditions that by many measures less-severe DI recipients are worse off than severe DI recipients. As a result, under baseline assumptions, DI benefits to less-severe recipients have an annual value (insurance benefit less efficiency cost) of \$7,700 per recipient, about three-fourths that of DI benefits to severe recipients (\$9,900). Insurance against non-health risk accounts for about one-half of DI's value.