

disability income insurance

What Every Attorney Needs to Know

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Would you ever show up in the courtroom – or at a client meeting- without properly preparing your case or researching your clients' situation?

Of course not. In fact, for most lawyers, the idea of being poorly prepared at a crucial moment is the stuff of nightmares.

But no matter how well you prepare your cases, there's an all-too-common scenario that you may not have anticipated fully: What would happen if you were to become disabled. Perhaps you believe that you're fully covered by a group policy your firm has purchased. However, the truth is that while group DI is often relatively inexpensive and easy to administer, it can also fall short just when you need it most-leaving you in for some unpleasant surprises when it's too late to correct the situation.

Furthermore, disability may be far more common than you imagine. Even if you're young and careful, it could happen to you – through an accident...an injury...or a lengthy illness. And in fact it does happen – probably much more often than you might think.

According to a recent study, although most people believe they have only a 16% chance of becoming disabled during their working years, the startling reality is that:

- If you're under age 35, chances are one in three that you will be disabled for at least six months during the course of your career.
- Men have a 43% chance of becoming seriously disabled during their working years. Women have a 54% chance.
- At age 42, it is four times more likely that you will become seriously disabled than that you will die during your working years.

Want to be better prepared? Consider the following:

Learning to Speak the Lingo

The right disability income policy can help you keep your household going, even if you suffer a long-term disability. But before you go shopping for a DI policy, you need to know what features to look for – and the language the insurance industry uses to describe them. The following terms are part of the language describing high-quality policies, and are what you should look for to get coverage you can count on:

Non-Cancellable: To avoid the possibility of losing your coverage just when you need it most, choose a policy that's non-cancellable and guaranteed renewable to age 65 – with premiums also guaranteed until age 65. With group or association group coverage, you run the risk of being dropped and left unprotected at a time in your life when, due to your age or to a change in your health, it would be very difficult to qualify for coverage from another provider.

Conditionally renewable for life: Although premiums may increase after age 65, your policy should be guaranteed renewable for life, as long as you are at work full time.

"Own-occupation": Own-occupation coverage defines "totally disabled" –

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and therefore eligible for benefits – as being unable to perform the material and substantial duties of your own occupation even if you are working in a different occupation. As a highly skilled professional, who has invested so much in education and training, you want to make sure you have genuine own-occupation coverage...so that even if you can teach, for example, in your field – but cannot practice law- you are still eligible for benefits. Group coverage is rarely true own-occupation coverage.

Residual Disability coverage: Through a rider, a good individual DI plan can provide you with the protection against the income loss you may suffer as a result of partial (residual) disability – even if you have never suffered a period of total disability. This kind of residual coverage is not available with most group plans.

A choice of “Riders”: Riders offer optional additional coverage such as annual Future Increase Options, Automatic Increase and Cost of Living Adjustment, or “COLA.”

Protecting your business, as well as yourself

As a lawyer, you must also protect the source of your income: the firm you’ve worked so hard to establish and grow. Special policies, available from the same DI providers who offer high-quality individual coverage, offer your office protection while you recover from a disability.

To help meet the expenses of running the office while you are disabled, consider a separate type of disability coverage known as Professional Overhead Expense or POE. Benefits reimburse your practice for expenses such as rent for your office, electricity, heat, telephone and utilities, as well as interest on business debts and lease payments on furniture and equipment.

Overhead expense insurance specifically designed for professional pays some additional costs not included in regular business overhead expense policies – including the salaries of

employees except those who are members of your profession. In an office such as yours, for example, salaries for the receptionist and staff would be covered, but not the salary of your law partners or any junior attorneys. However, high-quality professional overhead policies will cover at least part of the salary of a professional temporary replacement for you, such as a lawyer retained to fill in during your total disability.

In Addition...

Lawyers who are partners in a group will want to consider a policy known as a Disability Buy-Out or DBO. In much the same way that life insurance benefits can be set aside to fund a buy-out by the remaining partner (or Partners) if one partner dies, DBO is designed to fund the healthy partners’ purchase of the disabled partner’s share of the business. With the proper agreement in place before disability occurs, hard feelings and the conflicts of interest that result from a partner’s disability can be avoided.

Furthermore, in combination with the disabled partner’s individual Disability income coverage and POE, a DBO policy can allow the business to continue to generate an income for the healthy partner, while the disabled partner is supported by the benefits from his or her individual DI policy. Any continuing share of the business expenses is

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reimbursed by the disabled partner's POE policy.

Take time to consider upgrading your DI coverage today. You know how valuable it is to be fully prepared – In all areas of life. Having the right DI coverage could be vitally important to your economic wellbeing in the future – and help protect one of your most valuable assets: the ability to earn an income by practicing law.

In the case of DI protection, as in your legal work, a little extra planning and research in advance could prove invaluable at a later date. The truth is, successful professional often need far more complete DI coverage than is provided through their firm's group policy or through association coverage. How does your coverage stack up? To find out, ask a reputable DI agent for a free consultation – specifically to help you compare your present coverage to an individual “own-occupation” policy for professionals, tailored to suit your individual needs.

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