

Group Disability Insurance Is Not Enough

Why the new disability program for Bar members is a good idea

Whether you are insured by a group long-term disability (Group LTD) policy through your law firm or corporation, or have purchased association group coverage from a national association such as the ABA or ATLA, your group coverage may have restrictions that can reduce or eliminate benefits at the time of claim.

The purpose of this article is to help educate Bar members on the limitations of group disability products and to describe the supplemental individual disability products now available to Bar members at discounted rates and on a simplified issue basis (meaning, in most cases, no medical exams).

ASSOCIATION GROUP PRODUCTS vary substantially from one association to the next. Therefore, it's difficult to make general statements about how they work. They typically do not have all the weaknesses of group long-term disability (LTD) but are more expensive. They also do not have the same comprehensive definitions of disability as individual policies.

For example, the definition of total disability may not insure you in **your occupation to age 65**. Instead, the policy will stipulate that after you have been totally disabled for **24 months**, you are only considered disabled if you **cannot work in any occupation you are suited for based on education, training, or experience**.

If you have purchased an association group policy, it is our recommendation that you review your coverage with one of our advisors. It's better to find out now what, if any, limitations exist in these policies than to find out at the time of claim.

GROUP LTD is the type of coverage purchased by firms with at least 10 employees and insures everyone in the firm. Below are some of the limitations we typically see in Group LTD programs.

Many Group LTD plans cap their benefits and most limit benefits to 60 or 70 percent of income. As a result, the high-income earners in the firm have a lower percentage of their income insured than associates and lower income partners.

Example: If the maximum benefit you can collect under your Group LTD plan is 60% of your income to \$6,000 per month, then any attorneys earning over \$10,000 per month have less than 60% of their income insured. An attorney earning \$20,000 per month is only insured for 30% of income ($\$6,000/\$20,000 = 30\%$).

Most Group LTD Benefits are reduced by Social Security and Workers' Compensation.

The definitions of disability contained in Group LTD policies are typically more restrictive than those in individual disability policies. This means that they can pay less benefit under the same claims scenario than an individual disability income policy.

Example: Almost all Group LTD policies limit benefits for "mental and nervous disorders," which include stress related disabilities and typically alcohol and drug related claims, to 24 months. Since stress is one of the leading causes of disability, this is a restriction you want to keep out of your policy, if possible.

Group LTD is not portable. If you leave your firm, you lose your coverage.

Group LTD benefits will be inadequate to continue retirement savings during periods of total disability. So, when you reach age 65 and your disability income benefits stop, your retirement accounts could be inadequate to support you and your spouse.

Does this mean you should cancel your Group LTD policy?

Absolutely not!

Group LTD is an inexpensive way to provide benefits for attorneys and staff. However, because of the limitations discussed above you should supplement your group coverage with the more comprehensive individual disability products.

Association members now have access to Individual Disability Income, Overhead Expense, and DI Retirement Security (insures retirement savings) policies, through Principal Life, that members can purchase at discounted rates, and in most cases, without taking the medical exams normally required to obtain this type of coverage.

These policies can be used to supplement your Group LTD, as follows:

- The Disability Income Policy will allow you to insure up to 100% of your income against catastrophic disabilities (except in CA and CT) and provides the most comprehensive definitions of disability.
- The DI Retirement Security Policy ensures that retirement savings continue during periods of total disability. This coverage is available in addition to the maximum disability income coverage for which you qualify (except in CA).
- The Overhead Expense Policy pays the fixed overhead of your office if you are disabled. If you are a sole proprietor or in small firm, if you are disabled, not only do you need money to pay your personal expenses and to continue saving for retirement, you also have to pay the fixed overhead of your office or your share of the overhead if you have partners. Rent, staff salaries, loan payments for equipment, etc. don't go away simply because you are disabled.

For personalized premium quotes for Disability Income, Overhead Expense, or DI Retirement Security and a complete summary of the program offering (including the actual policy definitions, details of the MGI qualification requirements and underwriting rules), return to the home page and click on the **Request a Quote** button or call Disability Specialists, Inc. (DSI) at (888) 279-8348 (7:00 am – 4:00 pm Mountain Time). Just identify yourself as an association member when you call and you will be given information on the programs in which you are interested.