

# Vital News & Views Communication



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## **Have You Looked Into Your Pre-Disability Earnings?**

We do not have to remind you that many things have taken place in our world and economy over the past year.

As the group disability specialists for law firms, we do want to remind you that certain changes in your business and industry may necessitate changes in your group disability policies. For example, many firms are telling us that their income will be less this year than in previous years. That usually translates into lower total compensation for partners and shareholders of a firm.

Disability claims are usually based and then adjudicated on the earnings a claimant had before the disability event, usually called "Pre Disability Earnings" (PDE). Every contract of coverage has a specific definition of PDE, stating exactly what is included (and not included) from a claimant's earnings, and what will be looked at when basing the benefit to be paid. The benefit, without other modifiers that may or may not be contained in the contract, will be paid based on the PDE at time of claim; in other words, possibly for years or tens of years.

If compensation is trending downwards, one thing to look at in your contract is whether the PDE is based on just the prior year's K1 or W2. If that prior year is like 2009 – i.e. an unusually low year, that lower figure may result in lower benefit payments, possibly for decades.

If this is the case, there are multiple methods and strategies to employ that will lessen the effect of one/two lower compensation years so that group disability benefits might be paid on the basis of what a higher PDE would be if better planning for today's economic situation had taken place. Just one alternative would be to amend the definition of PDE to include the average of the last 3 years of K1s (in a partnership). This would help, based on the firm's specific situation, by possibly negating 1+ year of lower compensation as the average of 3 would help bolster up the PDE going into a claim event.

There are other ideas and strategies just within this one small section of a group disability contract. The basic point here is that our times and conditions have changed quite significantly, causing us to look at what we have and see what consequences there might be. Then, most importantly, we must modify what we can to put us in the best situation possible and take advantage of what is out in the marketplace during these times.

## **That (Good) Audit Should Be Around The Corner**

We see Combination Plans go on for years without a coordination audit being completed. No one likes an audit, but this is one that will not cost you any money or time. Insurance companies change their issuing policies periodically. One area that must be audited is making sure new policy series being issued for each participant coordinates with the original plan case offer/document. Avoid problems at the wrong time (claim time) and have a complete audit performed.

## **Retirement & Disability - The Connection**

While many look forward to retirement, no one we know looks forward to a disability. Both do happen.

ProLawInsurance has seen many situations where lawyers are working past the normal retirement age. Recently, this trend has increased as a result of portfolio changes creating a situation where the individual is not ready to retire financially. We don't help in the area of portfolios, but we do help in the area of group and individual disability protection for law firms and their members.

Take for example a 63 year old member who's not financially ready to retire and needs a few more high earning capacity years to build back up that retirement plan. That's the plan, but a disability event strikes and the plan goes awry. The normal and usual group disability plan might pay benefits to this individual for 3 or 4 years. If the disability program was expertly put together, the claimant might receive 60 to 70% of his/her Pre disability earnings up to the maximum benefit limit of the contract(s). That will be good, but it will not be the solution for retirement – not by a long shot.

We have the availability of offering protection that help in situations like this – on a group or individual basis. A lump sum disability contract that could have a benefit limit of millions of dollars might be the vehicle to come to the rescue here.

Haven't heard of this concept you say? Well, that's one reason to contact us. Using this concept, you can possibly create a significantly lower group disability premium – a second reason that you may want to contact us, ProLawInsurance, the law firm group disability specialists.

## **A Service We Have Come Across**

We have heard about and seen a revolutionary automation service that has just been rolled out for administration of Crummey obligations. It comes at an interesting time, as use of this user friendly service can enable a law firm to turn Crummey services into a source of revenue.

The manual processes required to execute all of the Crummey notice requirements have been a burdensome task. It could be the time for you keep this work in-house and produce a positive income stream. In ProLawInsurance's work with law firms across the country, we were introduced to a company that has totally automated the process.

Services provided range from Funding Notices to the Crummey Letters (including the beneficiaries being linked to a website to acknowledge the gift) to Premium Payment Notifications – all compliant while reducing those previously potential processing errors.

Whether you administer a single trust or many, this new "totally" automated service might be the ticket you are looking for. If it is, or you have any questions regarding this, product, contact Judi Weltmann at [judi@prolawinsurance.com](mailto:judi@prolawinsurance.com) and she will connect you direct to the source.