Vital News & Views Communication

October, 2010

Professional Law Insurance Advisors, LLC *Judi@ProLawInsurance.com 1.202.416.5112*

Question: When Does Director of Human Resources = Mail Room Staff Member?

Answer: When your disability insurance contract classing is set up incorrectly.

Some Firms do not spend enough time paying attention to the DETAILS contained in their disability plans. Proper classing is a simple, but critical detail that requires attention. Classing out benefits by job type can provide benefits that are appropriate for the position, nature of work and the salary of employees. Classing can ensure that the Director of Human Resources, for example, has benefits commensurate with his or her position at the Firm. That is, if the classing is done correctly.

If the classing is not done correctly, however, the Director of Human Resources may be equal to the Mail Room Clerk, benefit-wise. Other unintended disparities can result as well if the classes are not correctly defined in the first place, or not regularly reviewed as personnel policies and group structure changes over time. We at ProLawInsurance have seen the situation described above all too frequently, and have seen even worse. We have seen key employees have a break in disability protection between STD and LTD, and even no LTD benefit at all as result of classing gaps. We have seen several Firms which had changed from an S-Corp to an LLP, but still had "Shareholders" and not "Partners" described in the classes. We have seen numerous high earners fall into the dreaded "catch all" class: "All Others" because of incorrect classing

Many times, the issues discussed above can be "sorted out" by a claims office. If they can be resolved, it invariably takes a great deal of time and effort and usually involves several levels of management at both the carrier and the Firm. Surprises at claim time are not pleasant, especially for the plan administrator!

Remedy? ***NOW is the time to review your class structure*** to ensure all your employees have the benefits the Firm wants them to have.

The Bottom Line in Disability

Is a published association or program discount really a discount? Well probably, but not necessarily. At times, we see "discounts" advertised in marketing materials by carriers, associations, and brokers. The ***bottom line*** is that in many instances, these discounts are only applicable to specific plan designs that may not be the best plan for your Firm. The ***bottom line*** is that these discounts can and often have higher rate starting points than other quotations and therefore end up actually *costing you more*. ***Bottom line*** is that you need a comprehensive side by side analysis that provides rate, rate basis, premium, and benefits. Only then can you truly determine what your ***bottom line*** is…and will be!

To Do List – Year End Disability & Life Insurance "Must Do's"

It's almost the fourth quarter of yet another year. There are so many things to do. The following check list will hopefully help you to make sure you haven't left anything thing out from the "must do's" on your disability & life programs:

1. Confirm with payroll that those "gross-ups" are in order and will take place again this year.
2. Send out a staff email to make sure that beneficiary designations are up to date and properly reflect any life changes.
3. Make sure the Firm is ready to offer certain elections depending on their anniversary:
   a. IRS Rev. Ruling 2004-55 taxability status
   b. Voluntary Employee & Dependent life insurance enrollment and benefit amounts
   c. Increase in disability benefit options
   d. Any future purchase options that are available
4. Re-check your insurance classes:
   a. Coordinate your contract and reporting for any new or changed "classes" during the year.
   b. Verify that all those changing classes during the year are being administered properly.
   c. Confirm that adequate benefit limits exist for each class – including bonuses if applicable. Special note: Make certain bonuses are included with the definition of Pre-Disability Earnings of your contract of coverage.
5. Determine who within the Firm might be falling off/out of the plan; or be lowered in benefit amount – notify them in writing.
6. Determine time remaining on the contract of coverage rate guarantee period and whether it can be extended.
7. Satisfy yourself that the contract and plan design have been reviewed comprehensively and analyzed so that any changes that have taken place within or outside of the Firm – micro or macro - are properly reflected.
8. Determine whether the Pre-Disability Earnings calculation period is adequate to provide the highest disability benefits based on your Firm's past year financial performance.
9. Call ProLawInsurance to make absolutely sure the Firm is getting the most enhanced, up to date, rate scrutinized plan design available.

Professional Law Insurance Advisors, LLC
Massachusetts, Colorado, Maryland,
Florida, Utah, Washington, DC..
1-877-583-4637
"National in scope with localized service to you"