



# THE IMPORTANCE OF **DISABILITY INSURANCE** FOR ATTORNEYS

Disability, as the result of injury or illness, can happen to anyone at any time. Unfortunately, disability insurance coverage is not as widely utilized as it could, or should, be, especially for high-net worth and high-income individuals such as attorneys. For example, more working Americans purchase life insurance policies each year than they do disability income policies. However, the average person is over three times more likely to become permanently disabled than die during his/her career.

According to the National Association of Health Underwriters (NAHU), "Many consumers do not plan for the possibility that they will be faced with a debilitating accident or injury during their working years."

One reason for this lack of planning, according to the Council for Disability Awareness (CDA), is that 64 percent of wage earners believe their chance of being disabled for three months or more during their working careers is two percent or less. However, according to CDA, the actual odds that a worker entering the workforce today will become disabled during his or her working years are about 25 percent. That is, just over one in four of today's 20-year-olds will become disabled before they retire. While disability can cause financial problems for virtually any wage earner, it can be particularly difficult for those with high incomes or high net worth.

The CDA reports that medical problems contributed to 62 percent of all personal bankruptcies filed in the U.S. in 2007, an increase of 50 percent over 2001. Medical problems also contributed to half of all home foreclosure filings in 2006.

When individuals have no regular source of income, it becomes difficult for them to support their families, maintain their homes and sustain their lifestyles, especially those with high incomes, such as attorneys. And when everyday personal expenses suddenly are underfunded, savings accounts can dwindle rapidly. In addition, for those who are used to the lifestyle that a large income can bring, savings and other investments can be depleted rapidly in the event of a disability that eliminates that income stream.



## Shortcomings of Traditional Disability Insurance Coverage

Personal disability insurance is one of the elementary financial needs for any professional. In fact, it should be as commonly-prescribed to professionals as homeowners and auto insurance, and especially for those with high net incomes or high net worth.

The main reason is that the purpose of personal disability insurance is to help people continue to live in the manner in which they have become accustomed, including continuing to provide for their children's quality education. Clients who are properly insured can continue living comfortably in the face of a temporary, or even a permanent, disability.

However, working Americans not only don't purchase much in the way of disability insurance, but the vast majority of them, especially professionals and other high-income earners, fail to purchase coverage that will provide for the majority of their financial needs in the event of disability.

Having one's income underinsured is as dangerous as not being insured at all, in that eventual financial ruin is the ultimate outcome. Clients without high-limit disability insurance can face potentially huge financial losses, and traditional disability insurance does not provide everyone with the levels of personal disability coverage that they require.

The industry-recommended standard is that working Americans need at least 65 percent of their annual incomes covered by comprehensive "own occupation" disability insurance.

While it may not be difficult to find this kind of coverage for the average wage earner, it is likely to be much more difficult to do so for high wage earners, such as attorneys.

Even if an attorney has employer-sponsored group long-term disability (LTD) coverage and a separate personal policy, these two sources of coverage combined may not be sufficient to provide for his or her financial needs in the event of a disability. In fact, in most cases, it leaves the individual with less than half of his or her income.

According to NAHU, "Individuals believe they may have disability coverage through their employer. This at times

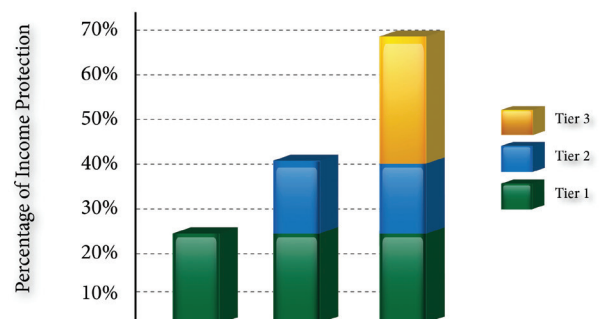
may be true, but the quality of coverage often leaves the disabled employee short of the protection he or she thought they had."

As such, it is important for high wage earners and high-net-worth individuals, such as attorneys, to have access to a third tier of disability insurance coverage.

It is useful to think of disability coverage in three tiers:

- The **FIRST TIER** is group LTD, which provides basic coverage.
- The **SECOND TIER**, which is generally available to healthy clients under age 60, is an individual non-cancelable or guaranteed renewable product, which is readily available from the traditional disability market.
- The **THIRD TIER**, which is designed for high-income individuals, is meant to provide coverage above and beyond the coverage that is provided in the first two tiers.

## Three Tiers of Protection



The language within a disability insurance contract can be overwhelming, especially for professionals supporting large incomes and requiring well-thought-out disability plans. Much as a financial advisor assists in personalized investments, an insurance professional can help with disability financial planning. Seeking this professional assistance can be done individually. However, recent trends have shown many large law firms having introduced these concepts to their benefits plans, most often catering to the high-income partners within the firm.

## The Role of Petersen International Underwriters

Petersen International Underwriters, which has been in business almost 40 years, specializes in underwriting high-limit disability, medical, life, and specialty contingency insurance plans.

Petersen International Underwriters does not compete with traditional disability carriers. Rather, its goal is to supplement coverage when and where needed.

It offers many high-limit disability plans designed for clients who are not getting their full needs met with coverage from the traditional market. It specializes in providing a third, and sometimes a fourth, tier of supplemental disability income insurance. These additional layers are integral to ensuring proper financial planning for higher-income clients, such as attorneys.

Petersen International Underwriters offers plans that are custom-designed for each type of client. In addition, it provides education, training and market support to agents and brokers, giving them the proper tools to help them help protect their clients.

## Petersen International Underwriters' Attorney-Specific Solution

While all wage earners should seriously consider purchasing disability insurance, "A professional with a family should consider disability insurance a necessity," according to NAHU.

Petersen International Underwriters' Legal Professional Disability Insurance solutions are designed to help secure sufficient coverage in case a disability prevents attorneys from working.

Most importantly, it provides high-limit income replacement with an attorney-specific definition of disability.

This Plan also can be customized to recognize the needs of different types of careers in the legal profession—trial attorneys, business or civil attorneys, and judges.

As with many things in life, more can be accomplished together than alone. This is why law firms have targeted High Limit Disability protection as a group, to offer their partners the greatest level of income protection on the most favorable basis available today.

Enter High Limit Guaranteed Issue Disability Insurance, the solution that allows attorneys to address their high limit disability insurance needs without reference to an attorney's previous medical history. This is the solution being implemented by today's top law firms, delivering comprehensive disability benefits to their attorneys on the most secure and cost-favorable basis available.

Many large law firms strategically place Petersen International's attorney-specific coverage on top of their current disability benefits. This allows the higher-income earners, most often partners of the firm, to receive 65 percent replacement of income if they become disabled at any point during their working careers.

The benefits of a High Limit Guaranteed Issue Disability solution address five key issues that are important for today's top attorneys.



**ISSUE #1 - IMPAIRED HEALTH:** Often, disability income insurance carriers turn away individuals because of health-related issues, such as mental/psychiatric disorders, heart/cardiovascular issues, height/weight issues, kidney issues, diabetes, hepatitis, liver issues, or drug/alcohol issues.

When a law firm chooses to offer a guaranteed issue supplemental layer of income protection to its attorneys, the coverage can be provided to anyone without consideration of their medical history. This is something that would never be available to individuals seeking out disability coverage on their own.

**ISSUE #2 - HIGH NET WORTH, EXCESS COVERAGE AND UNUSUAL INCOME:** According to NAHU, disability insurance is designed to replace anywhere between 45 percent and 65 percent of one's gross income on a tax-free basis should illness keep that person from earning an income in his or her occupation. However, research conducted by the industry, as well as reported by the U.S. Department of Labor and U.S. News & World Report, suggests that, regardless of income, most people cannot make ends meet on less than 65 percent of their income, meaning that many traditional policies do not provide enough coverage.

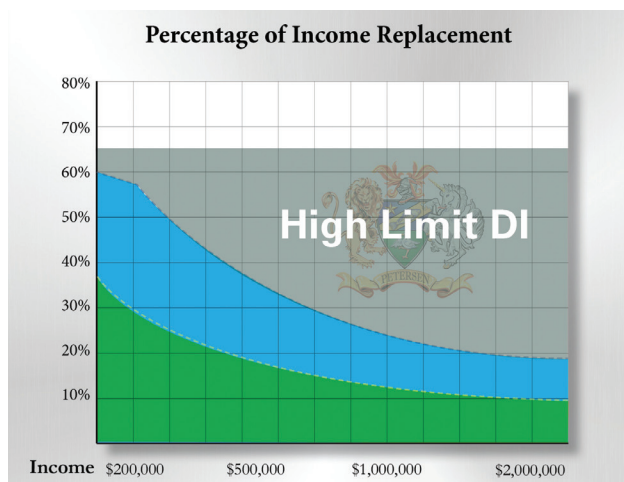
While many long-term disability plans attempt to provide the minimum necessary 65 percent, they do so only for some wage earners, generally those earning \$200,000 or less a year. The traditional plans have benefit caps, which means higher-paid individuals, such as attorneys, often end up with coverage that provides less than 65 percent. In fact, the higher an attorney's income, the lower the percentage of income covered.

Petersen International Underwriters provides a practical solution with participation limits of 65 to 75 percent of income, serving elite professionals earning between \$250,000 and \$5,000,000 annually.

**ISSUE #3 - INTERNATIONAL:** Most of the largest law firms in the U.S. operate on an international basis. This creates an issue for benefits packages not able to accommodate the international exposures. Petersen International's attorney-specific solutions are not affected by international branches. The coverage can be the worldwide solution for wherever a firm seeks business.

**ISSUE #4 - SPECIAL AVOCATIONS:** Sometimes, an applicant who would otherwise be accepted for traditional disability insurance has an avocation that the traditional carrier feels increases the risk exposure so much that the carrier declines to offer coverage. Examples include amateur racing, demolition derby, scuba diving, rock climbing, mountaineering, skydiving, base jumping and helicopter skiing. Since Petersen International Underwriters would be the solution for coverage for these avocations on an individual basis, it can also address coverage for these individuals within the group, without increasing premium or limiting the specialty policy wording.

**ISSUE #5 - AGE:** People in general are living longer and feeling better, and attorneys often are not enticed by lucrative pension plans designed to encourage them to retire young or withdraw from a successful law practice. In fact, at age 60, many attorneys are at the top of their game. Yet most traditional disability insurance carriers only issue coverage up to age 63. Petersen International understands this and offers full coverage to attorneys within a group up to age 70 without medical questions. If necessary, it can also write coverage for individuals into their late 70s.



## Protecting Tomorrow

Attorneys earning large incomes require a benefit that will protect their families, their assets, and their lifestyles sufficiently, regardless of tomorrow's circumstances. Petersen's attorney-specific High Limit Disability plan is the most robust and comprehensive disability benefits platform available to this nation's top law firms.

We encourage you to speak with your company's Human Resources director and benefits provider to seek a High Limit Disability solution from Petersen International Underwriters.