



Insuring your life's needs. Advancing your life's work.

Office Overhead Expense Insurance

By New York Life Insurance Company, 51 Madison, New York, NY 10010

Designed especially for smaller law offices, with 5 or fewer attorneys, and for sole practitioners, the insurance product known as Office Overhead Expense (or Business or Professional Overhead Expense) can provide a valuable means of financial support to help continue office operations while you are disabled. You probably already have Disability Income insurance to pay for some of your lost income in the event of a disability, but as an owner, sole proprietor, partner or attorney employed by a small law firm, have you thought about what harm could be done to your business if you weren't there because of that disability?

Attorneys in mid- to large-sized firms would be more assured of a practice still there for them after a temporary disability, but the sole practitioner and attorneys in small firms probably don't have that certainty.

Office Overhead Expense insurance pays a monthly benefit based on your share of the office expenses. Generally, the length of the period of benefit payment is limited to one or two years, since it would be unreasonable to expect the business to be able to survive without a key practitioner for any longer than that. But, for a temporary disability, this is a type of insurance coverage you may find invaluable for the continued success of your office.

While long-term or even permanent disabilities may garner the most attention, due to their severity and life altering outcomes, a temporary disability could adversely impact your business' success if that short-term disability meant you couldn't cover business expenses.

Some attorneys may consider Disability insurance sufficient for all, or most, of their financial needs while disabled. It's true that Disability insurance benefits are paid directly to the insured and can be used for any purpose, but the amount of monthly benefit may not be enough to cover both personal and business expenses. Office Overhead Expense insurance benefits might provide that extra layer of protection to enable the office to keep running during your temporary disability.

Office Overhead Expense plans will generally cover normal and regular business operation expenses, such as rent or mortgage, interest payments on business debts, non-attorney employee salaries, and payroll taxes—the kinds of office expenses that must be met with regularity in order for the business to survive. Most plans would impose exclusions and limitations for certain types of disabilities, for example those caused for intentionally self-inflicted injury, military service or the use of non-prescribed narcotics, and most likely for any pre-existing conditions. Usually any pre-existing conditions limitation has a specific time period for which it is imposed, then the insured is eligible for benefits, even for those disabilities resulting from the pre-existing condition.

If you're the sole practitioner or attorney in a small-sized firm who is responsible for the practice's operating expenses or a portion of those expenses, Office Overhead Expense Insurance is a coverage you should consider, so that your practice is less jeopardized by your temporary disability.



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With Term Life insurance products, a benefit will be paid to your beneficiary should you die within the specific term in force. If you survive the term and do not renew for another term or convert to permanent life insurance, there is no benefit payable.

Permanent Life Insurance

Permanent life insurance, cash value life insurance, provides life-long protection (provided premiums are paid when due). Cash value insurance generally has higher initial premiums than term insurance and most permanent policies are eligible for dividends, but dividends are not guaranteed. You might be offered the option to apply any current or accumulated dividends towards premium payment. If dividend values are sufficient, out-of-pocket premium payments may end or be reduced after several years, while coverage can continue for life. (Any cash value which accrues under a permanent life insurance policy can be borrowed from the policy, but borrowing requires the payment of loan interest and will affect the policy values.) If you decide to stop paying premiums and surrender your policy, the guaranteed policy values are yours.

Whole Life Insurance

Whole Life is permanent insurance that protects you for your whole life, from day of purchase until death, provided premiums are paid. Cash values generally accumulate every year on a tax-deferred basis and can be accessed through a policy loan or withdrawal, which reduces the death benefit. The premiums remain level and are guaranteed never to increase. You might consider whole life insurance to help pay off any outstanding debts in the event of your premature death, to cover estate expenses or for business uses, such as covering the cost of continued operations.

Universal Life Insurance

Universal Life Insurance provides permanent life insurance protection and access to cash values that grow tax-deferred at competitive interest rates. It is adjustable life insurance that allows flexible premium payments—at a scheduled or unscheduled time, but the policy will terminate at any time if the cash surrender value is insufficient to pay the monthly deductions, whether due to insufficient premium payment, if loans or withdrawals are made, or if current interest rates or charges fluctuate. It will pay the benefit if the insured dies before the maturity date and pays the cash value if the insured is living at the maturity date. When a premium is paid, an expense charge is immediately deducted and the balance is placed in a cash value fund to earn interest at the current rate. Insurance expense charges necessary to keep the policy in force are paid internally, monthly, from the cash value, regardless of whether or not premium was paid. The cost of insurance increases each year, based on your age; dividends are not payable.

Variable Universal Life Insurance

Variable Universal Life Insurance combines the premium and death benefit flexibility of traditional universal life insurance and the investment flexibility and risks of variable life insurance. These products are considered securities because the policyowner assumes investment risk associated with the variable investment divisions, whose performance will fluctuate with market conditions.

Survivorship Life Insurance/Second-to-die Insurance

There is also Survivorship Life Insurance, or second-to-die insurance, that can insure both you and your spouse, with the proceeds payable after the second death. This type of insurance may appeal to you if you find that you may have estate tax liabilities. Under one arrangement, you may want to establish an irrevocable life insurance trust to purchase the insurance policy, with your heirs as beneficiaries, which keeps the insurance proceeds out of your estate for tax purposes. By means of a will, estate assets then pass



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to the surviving spouse at the first death. At the second death, the insurance death benefit is paid, with policy proceeds passing directly to the named beneficiaries. This type of insurance is sometimes preferable to those with children with special needs.

How Do I Decide

Remember that you will be required to furnish evidence of insurability, your health history, for the initial application for any Life insurance product, in the majority of instances. You will consider costs, certainly, but balance your decision by the product's features and its value to your needs. When researching the various products and costs, remember also to check on the underwriting carrier's ratings by the leading rating agencies, such as Fitch's, A.M. Best, and Standard & Poor's. The effort you put into your research will be rewarded by knowing that you've found the best insurance product, or mix of products, for you and your beneficiaries. Over time, your needs will change, so if this process can become a standard update when reviewing all of your other important family and business matters, you'll be better prepared to help protect the future for all of those who rely on you right now.