2019 INSURANCE CHECK-UP

Tips on evaluating and managing your insurance needs *today.*

ABE
AMERICAN BAR
ENDOWMENT
More than 75 years of service

A complimentary guide from the American Bar Endowment

Contents

Introduction

Now's a great time to make sure you have the right insurance for your current needs.

EVERY YEAR BRINGS CHANGE. WHAT DID 2019 BRING TO YOU AND YOUR FAMILY?

Maybe you got married or had a child...bought a new home or car... switched jobs or got promoted…started paying for your children's college…retired…or possibly took on new — or relinquished — financial responsibilities. Whatever the past year was like for you and your family, odds are good that your financial picture has changed.

Insurance plays an essential role in financial security and is a critical component of your financial planning. Insurance deals with "risk management" and should serve as part of the foundation of any financial plan. Discussing death, sickness, disability and accidents isn't a favorite activity for most people, but failure to plan adequately for these events could mean extreme financial hardship for you and your loved ones. The easiest and most cost-effective way for most people to manage these risks is through properly planned insurance products, such as:

- **Life Insurance**
- **Disability Insurance**
- **Auto Insurance**
- **Homeowner's / Renter's Insurance**
- **Health Insurance**
- **Supplemental Health Insurance**
- **Long-Term Care Insurance**
- **Business Insurance**

When considering insurance, don't overlook the importance of working with **highly-rated insurance** companies. Today's low interest rate environment continues to pressure the returns insurance companies earn on investments, and that impacts their overall results. In response, many are changing their product portfolios and entering/ exiting markets. Insurance companies are evaluated by various rating agencies and those ratings should be available on their websites.

Introduction

(Continued)

Managing your insurance documents

All the insurance coverage in the world could be worthless if no one knows you have it. Here are some tips for sharing, storing, and backing up your important insurance documentation.

COMMUNICATE WITH THE APPROPRIATE PEOPLE.

Others, besides yourself, need to know about your insurance coverages. In addition to your spouse or adult children, tell your financial advisor, estate planning attorney and anyone you appoint in your will as the personal representative or executor of your estate. Ask them which, if any, paperwork they keep on file from their dealings with you. Also ask how long it will be kept. Check online financial accounts to determine how long electronic copies of statements are kept. Always retain your original life insurance policy but otherwise just retain the most recent version or copy of insurance documents.

MAKE BACK-UP COPIES.

You should have copies of important documents in multiple places so a set is always accessible. Store one at home in a fireproof safe or file and another at an off-premises location such as in a bank safety deposit box. Create a master list of your coverages (policy number, benefit amount, insurance company and contact information) and provide this to a key family member and/or your executor along with their location. You can also store copies digitally on an external hard drive or USB.

CONSIDER BACKING UP ONLINE.

These days, there are plenty of cloud-based services that will help store, backup, organize, access and share financial files and folders securely. You can also use a simple program like **Dropbox** or services like **Backblaze**, **Carbonite** and **NovaStor** that allow you to back up your computer files onto a hard drive. The cost is relatively low. Some services will even let you store a few gigabytes worth of files for free — more than enough to hold these important documents.

Life Insurance

Generally, death benefits from life insurance are not considered taxable income and therefore do not need to be reported. Consult your tax advisor.

Internal Revenue Service
Life Insurance & Disability Insurance Proceeds

The beginning of a new year is a great time to review your life insurance needs. Do you have enough to cover all of your *current* financial obligations, should your family lose you? Some young attorneys – and retired attorneys – believe they don't need life insurance. But, depending on your personal situation, that might not be the best decision.

HOW MUCH DO YOU REALLY NEED?

The answer of course is dependent on your family's situation. You may have some life insurance through work; however, it may not be nearly enough. You need to take into account:

- **Mortgages and loans**
- **Your surviving spouse's needs**
- **Dependent children support costs for many years.** *This includes providing your children with the basics (food, clothing, shelter) along with contributing to their quality of life.*
- **And, of course, there's college tuition.**

This decision may be best made after talking with financial professionals such as financial planners and advisors, accountants or your insurance agent.

Life Insurance

(Continued)

REVIEW YOUR CURRENT PLAN(S) AND COMPARE TO NEW ONES.

The insurance industry is continually evolving and product offerings change as demographics, technology, and other factors influence what's available. Generally speaking, life insurance premiums have declined over the years, so if you have policies that have been in place for many years, you may find that a less expensive solution is now available. Some carriers have redefined what health issues they will or will not accept. If you thought you were uninsurable, you might now find that there's coverage for you. If you're happy with your current coverage and want to keep it, you can easily add supplemental coverage if needed.

ASK ABOUT RENEWAL GUARANTEES.

With a renewal guarantee, you're guaranteed the chance to renew your term life insurance coverage without another medical exam. It's true that your premium will be based on your current age, not the age you were for your initial term, but you won't have to start the shopping process all over again. This is particularly valuable if your health has declined since you first became insured.

DON'T NAME YOUR ESTATE AS BENEFICIARY.

Generally it's better to name a trust, an organization or the people you want to receive the proceeds as beneficiaries. If you name your estate, your estate's beneficiaries won't receive the benefits until the legal probate process is finished, which can take months or even years if the estate is complicated. The life insurance payout could also be subject to claims from creditors if you name your estate as the beneficiary. Normally, life insurance benefits are shielded from creditors when you designate a beneficiary other than your estate. See your legal and financial advisor for details of your specific situation.

ASK ABOUT PRICE BREAKS.

Some companies offer price breaks for higher coverage amounts. For example, you might get a break for getting $250,000 in coverage instead of $200,000. Or you might save by getting $500,000 instead of $450,000. So even if you only need a certain amount of coverage to protect your loved ones, it may be worth asking how much a higher level of coverage costs. You could end up saving money, while getting your loved ones more protection.

Life Insurance

(Continued)

DO YOUNG ATTORNEYS NEED LIFE INSURANCE?

The student debt of law school grads is climbing. "Recent law grads have on average $134,497 in law school debt if they went to a private school or $96,054 in law school debt if they went to a public school, according to a new report from Law School Transparency, "On a student loan of $125,000, the monthly payment on a 10-year plan would be $1,400."[1] Should you pass on, you don't want your expenses to be the responsibility of your parents or spouse. **If anyone co-signed on your private loans, they could be on the hook for your debt if you're unable to pay due to death or disability.**

RETIRED? YOU STILL MAY WANT LIFE INSURANCE.

Approximately 92% of older adults have at least one chronic disease, and 77% have at least two.[2] Should a serious illness occur, you can exhaust even the most substantial savings and medical coverage. Today there are Term Life Insurance plans that offer "Living Benefits." This means that the plan includes coverage for terminal illness, chronic illness or a permanent critical condition. You could receive cash from your life coverage as an accelerated benefit to provide crucial financial help.

RESOURCES AND PURCHASE OPTIONS

- Visit the **American Council of Life Insurers**. They offer the "why, how and how much" of shopping for life insurance, including tips and a checklist on finding the right coverage for you.
- One of the most important considerations in purchasing life insurance is the strength and stability of the insurance underwriter, because you may have your insurance for a long time. Check the current ratings of the company with **A.M.Best**, **Moody's**, and **Standard & Poor's**. Look for any change in ratings from year to year. Review financial statements for continuity and profitability.
- Online sites like **lifehappens.org** offer consumers advice about purchasing plans, as well as recommendations for updating existing coverage.
- As an ABA lawyer member, you have acess to **ABE-sponsored coverage** that includes a unique charitable giving feature.
- **Call 800-621-8981 or click here to speak with an ABE Insurance Plan Specialist.**

1 ABA Journal, "Law schools should make students' borrowing data public, include with admissions offers, report says", February 1, 2018.
2 National Council on Aging, Healthy Aging Fact Sheet, July, 2018.

Disability Insurance

For most people, the ability to earn a living is the most important asset they have. Disabilities are the cause of a significant number of home foreclosures and personal bankruptcies. The financial impact of a disability can be overwhelming and devastating, which is why you need disability insurance to protect your income as part of a comprehensive financial plan.

INDIVIDUAL VS. EMPLOYER DISABILITY PLANS.

With an individual disability insurance plan, because you pay the premiums with after-tax dollars, the benefits you receive aren't subject to income tax. In an employer-based disability insurance plan, if your employer pays the total premium and doesn't include the cost of coverage in your gross income, your benefits will be taxable. It is important to consider potential tax effects when planning for your disability income needs. Consult your tax advisor.

1 in 4

of today's 20-year-olds will become disabled before they retire.[2]

Generally, death benefits from life insurance are not considered taxable income and therefore do not need to be reported. Consult your tax advisor.

Internal Revenue Service
Life Insurance & Disability Insurance Proceeds

CONSIDER LONG-TERM INSURANCE.

Short-term disability insurance typically covers between three to six months of coverage. But the average individual disability claim lasts 34.6 months,[1] which is why you may want to look at disability insurance with longer terms ("mid-term" or "long-term") that can cover you for an extended period. Once you turn 65, many insurers end disability insurance, assuming Medicare coverage (and eventually Social Security) will take over. But if you're still working at 65 or beyond, you may still need disability protection.

[1] Council for Disability Awareness, 2019.
[2] Social Security Administration Fact Sheet, 2019.

Disability Insurance

(Continued)

DISCOVER YOUR PERSONAL ODDS OF BECOMING DISABLED.

The Council for Disability Awareness offers a **Personal Disability Quotient (PDQ)**. It's a way to calculate your personal odds of an injury or illness that could force you to miss work for weeks, months, or even years. The likelihood of you becoming sick or injured and unable to work is higher than you probably imagined. The PDQ is one way to calculate your own risk and discover what's really at stake. Then it will give you some tips on how you can prevent disability from downgrading your lifestyle and devastating your savings.

43% chance of short-term disability

15% chance of long-term disability

Male, 45 yrs old, 5' 11", 210 lbs
Non-smoker
Average health (no on-going conditions)
Mostly office work[1]

Example, Personal Disability Quotient

LOOK AT WHAT YOUR EXISTING INSURANCE COVERS.

Typically, long-term disability insurance covers major medical issues such as cancer, heart disease, back pain and severe injuries. If you're not sure about your coverage, check your certificate or policy or contact your insurance company.

ASK ABOUT PAYMENT CAPS.

Some employer-provided disability insurance policies cover you only to a capped amount, with $5,000 per month being common (and may be taxable). If you make $100,000 or more, that leaves a serious gap. Talk to your insurer ahead of time about coverage caps and options that work for your income level.

[1] Council for Disability Awareness

Disability Insurance

(Continued)

RESOURCES AND PURCHASE OPTIONS

- You can find more information about disability issues and related resources at **disabilitycanhappen.org**.
- Visit the **American Council of Life Insurers**. They offer the "why, how and how much" of shopping for disability insurance, including tips and a checklist on finding the right coverage for you.
- Check with **Social Security** for questions about federal disability coverage and learn how difficult it really is to qualify.
- Many employers provide employees with short- and long-term disability insurance. Some employers offer baseline coverage (a monthly benefit amount) with the option to add to it. Other employers don't offer employees the actual coverage but the option to purchase it from a group plan. Remember though, that this insurance might not be "portable" if you leave the company.
- Look for an "own occupation" (the practice of your particular legal specialty) provision. This means that if you can't do your current job, the coverage will protect you, even if you can perform a different occupation.
- Get quotes from multiple sources, just make sure the underwriters are all highly rated.
- ABE Insurance Plan Specialists can walk you through the coverage offered exclusively to ABA members, including up to $12,000 per month of **Disability Income benefits** and coverage in your own occupation, including your specialty of law. **Call 800-621-8981 or click here.**

Auto Insurance

Forty-eight states and D.C. require that drivers have auto insurance, and you probably feel like you're constantly bombarded with messages from auto insurance companies. Since most of us have to have it, here are some ideas on how to save money while still getting good coverage.

COMPARISON SHOP AT LEAST ONCE A YEAR.

Instead of allowing your policy to automatically renew, shop your coverage once a year to ensure you're getting the best auto insurance rates. Some companies provide policies direct to consumers, while others sell policies through agents or brokers. An easy place to start is by getting auto insurance quotes online, which could save you money.

CONSIDER CAR INSURANCE COSTS BEFORE YOU BUY YOUR CAR.

When it comes to buying a new or used car, many people overlook the expense of insurance as a part of the total cost of owning a vehicle. It's better to consider the cost of insurance before you buy since auto insurance premiums vary widely depending on a vehicle's specific characteristics, including its price, average repair costs, safety record and whether or not it's a target among thieves.

RAISE YOUR DEDUCTIBLES.

The easiest way to save is by increasing both the collision and comprehensive (damage due to vandalism, fire, and flood) deductibles for damage to your vehicle. Small claims may increase your premium costs, so before you file a small claim, calculate the cost of increased premiums over time compared to paying for the vehicle damage out of pocket without filing an insurance claim. Also check with your lender as they may have specific deductible requirements as part of the financing.

Auto Insurance

(Continued)

CONSOLIDATE YOUR INSURANCE.

It usually makes sense to consolidate your different insurances coverages with one insurer (auto and home, for example). They typically offer meaningful savings if you do so. Also, always mention your safe driving record when dealing with an auto insurance agent or company. That may lead to your best deal on vehicle insurance.

DON'T BUY A TEEN THEIR OWN CAR.

It's usually cheaper not to add a third car when you're adding a teen driver to a two-parent, two-car family, because insurers assume the teen will drive less without his own car. (Even without a third car the average annual premium more than doubles with a teen added, according to **an Insurance.com study.**)

REDUCE COVERAGE ON OLDER CARS.

Consider reducing collision and/or comprehensive coverages on older cars. According to the **Information Insurance Institute**, if your car is worth less than 10 times the premium, purchasing the coverage may not be cost effective. Banks or auto dealers can tell you the value of your car, or you can look it up online at **Kelley's Blue Book**. Review your coverage at renewal time to make sure your insurance needs haven't changed.

DID YOU KNOW?

Auto insurance companies charge more for people whose jobs are deemed "high-risk" — including lawyers.

"Lower-risk" workers such as nurses, accountants, and artists tend to be charged lower rates, because their jobs are associated with stability and a detail-oriented personality that is less likely to get them into a crash.

Stategic Insurance Agency, Inc.

Auto Insurance

(Continued)

PURSUE ALL YOUR POSSIBLE DISCOUNTS.

There are many additional car insurance savings you might be able to take advantage of, including:

- discounts for teens in your household who have good grades, or who have taken an approved drivers' education or defensive driving course (even one online);
- college-age drivers who go to school more than 100 miles away;
- people who are over the age of 50/55, or those who are retired.

Other possible discounts include anti-theft devices, good credit rating, and low (less than 7,500) annual mileage.

RESOURCES AND PURCHASE OPTIONS

- Auto insurance is highly competitive and there are a large number of options. Rates vary widely.
- Review individual companies through your state's insurance department website. Visit **USA.gov** for a direct link to your state's insurance commission. When getting quotes make sure to know your state's particular requirements.

Homeowners / Renters Insurance

Unlike driving a car, you can legally own a home without homeowners insurance. However, if you finance your home with a mortgage, your lender will require you to have home insurance. If you purchase a condominium, co-op, or town home, check with your board or association to see what is required. Although you typically shouldn't avoid purchasing homeowners insurance, there are ways to minimize the cost.

REVIEW YOUR POLICY ANNUALLY.

Once a year compare the costs of other insurance companies to your own. Also, review your existing your coverage and make note of any changes that might have occurred that could lower your premiums. For example, if you have taken down the trampoline, paid off your mortgage, installed a security system, or installed a sophisticated sprinkler system inside your home, simply notifying the insurance company of the change(s) and providing proof in the form of pictures and/or receipts could significantly lower your insurance premiums.

CONSIDER RAISING YOUR DEDUCTIBLE

As with health or auto insurance, the higher the deductible you agree to pay, the lower the annual premiums.

LOOK FOR MULTI-POLICY DISCOUNTS.

Many insurance companies give a discount of 10% or more to their customers who have multiple insurance policies with them. Homeowners and auto insurance are a common combination.

RENTERS INSURANCE IS USUALLY WORTH GETTING.

For about the cost of a large pizza each month, renters insurance can protect your personal belongings and save you from legal or medical expenses associated with an accident in your home. All rental properties are susceptible to a variety of damages, whether it be fire, theft or even a broken kitchen appliance. And accidents, such as a flood in your apartment, may damage other tenants' property. The insurance that landlords have for their properties typical only protects the building itself.

Homeowners / Renters Insurance

(Continued)

KNOW THE REAL REPLACEMENT COST OF YOUR HOME.

Since home values can rise and fall, you'll need to know the actual replacement cost (vs. cash value) of your home whether you're purchasing new insurance or reviewing your current policy. A home assessment company should be able to give you the most accurate valuation. This way you won't spend for more coverage than you need, and will have the full coverage you do need.

Get all the discounts you can. Some examples include:

- A home burglary alarm system
- Dead bolt locks
- Fire alarms and sprinklers
- Updated heating systems
- Updated wiring and electrical system
- A home near a fire hydrant or fire department
- A home located near a police department
- Well-structured and maintained stairs, sidewalks, driveways, and entrances

And, as in so many other cases, having good credit can save you money as well.

TAKE INVENTORY OF YOUR POSSESSIONS.

Make a list of all your important and valuable belongings and the value of those belongings based on receipts and purchase dates. You may want to take photographs and videos of the items. Finally, keep receipts for all major new items purchased. Keep your list inside a fire-proof safe (along with your insurance policy, copy of your mortgage, and important papers for family members) or you can keep it in your bank's safety deposit box. Your insurance company may also have their own tools you can use. There are also other online tools available (see **Resources**).

Use online inventory tools.

Know Your Stuff is a free online inventory service provided by the Insurance Information Institute. Evernote and OneNote let you organize photos and text documents across the web and your mobile devices.

Homeowners / Renters Insurance

(Continued)

KNOW WHAT IS — AND ISN'T — COVERED.

Yes, it's boring and complicated, but you do need to read your policy to know what is covered. A standard policy may have exclusions, including power failure, bad repair or workmanship, and "water from below" (backed-up sewers, flooding). And note the limits on valuables. Be sure to get "endorsements", "riders", or supplemental insurance to your policy to cover valuable items (jewelry, antiques, collectibles, etc.). This will usually mean getting formal appraisals of the items. But remember, too, that if something is stolen from your car, your homeowners policy likely will cover it.

DID YOU KNOW?

Your remodeling project may not be covered.

Call your agent before you begin a renovation or addition. If you fail to do so and the project is damaged — whether before or after it is finished — you may not be covered depending on the parameters of your plan.

Homeowners / Renters Insurance

(Continued)

WHEN — AND WHEN NOT — TO FILE A CLAIM.

When buying a policy, make sure to ask about time limits to report a claim. If you wait too long, you may not be eligible for benefits, especially if waiting has made the problem worse. However, aside from obvious times to file a claim (fire, major flood, etc.), most agents caution against filing claims frivolously. The claims history for your property is also what helps determine your rates. You could see a possible increase in your premium.

DID YOU KNOW?

You may be able to reopen a claim after you receive a check!
What if you received payment for a homeowners insurance claim but you later discover damage that you missed? You may be able to reopen the claim and file for an additional amount. Typically, claims for damage must be filed within one year of the date of the loss. However, rules differ by state.

RESOURCES AND PURCHASE OPTIONS

- The Insurance Information Institute has helpful general information on purchasing homeowners insurance.
- The Federal Emergency Management Agency provides useful information on flood insurance. A separate earthquake policy is available from most insurance companies. In California, the California Earthquake Authority (CEA) provides this coverage.
- **Standard homeowners and renters insurance does not cover flood damage.**
- Reviews.com reviews current homeowners insurance underwriters and ranks them based on feedback.
- As you're getting quotes, contact your state's insurance department to make sure the company is licensed, as all insurers are required to be. Second, check its financial strength by going to websites of the top credit agencies (A.M.Best, Moody's, Standard & Poor's) and searching their financials.
- A number of insurance companies have digital offerings that will handle all of your inventory needs. For example, Allstate's Digital Locker works on the web, iPhone, or Android; State Farm's HomeIndex works on the web, but can easily be accessed by a mobile device, too.

Health Insurance

Originally the Affordable Care Act required all U.S. citizens and legal residents to have health insurance or pay a penalty. In 2017 Congress eliminated the penalty although some states have implemented their own requirements.

If you work for a medium-to-large firm, you're probably covered under your company's plan. During open enrollment, it's good to review what your options might be. If you're a solo or small firm attorney, it becomes a little more complicated. Those without employer-provided insurance can look to the **Affordable Care Act (also known as "Obamacare") marketplaces**.

BUT BEFORE YOU CHOOSE A PLAN, ASK YOURSELF THESE QUESTIONS:

Would you like to keep your current doctor(s)?	☐ Yes	☐ No
Do you need prescription coverage?	☐ Yes	☐ No
What is the quality of the hospitals available in your area?	☐ Yes	☐ No
How high of a premium payment and deductible can you afford?	$__________	
How high of a co-payment and coinsurance can you afford?	$__________	
Are you or family members going to possibly require the services of specialists?	☐ Yes	☐ No
Do you have a pre-existing medical condition or other special needs?	☐ Yes	☐ No
Do you understand any restrictions that your plan might have. For example are your specific doctors and hospitals covered under your plan?	☐ Yes	☐ No

Health Insurance

(Continued)

THERE ARE THREE MAIN TYPES OF MEDICAL INSURANCE PLANS:

- With an **HMO** (Health Maintenance Organization) you pay a premium cost to use the services of the members of that network exclusively. HMO's are considered the most restrictive of all health plans because you must get services "in network." You have to choose a Primary Care Physician ("PCP") who is responsible to manage your care and authorize others to provide care to you. There is generally no coverage for the costs of going to a provider outside the HMO network of providers.

- A **PPO** (Preferred Provider Organization) is a network of doctors, hospitals and other providers that have agreed to provide discounted services through an insurance company. A PPO encourages you to use the PPO providers by making it cheaper for you to see those providers. You may be able to choose a provider outside of the network, but you will pay more out of pocket.

- A **POS** (Point of Service) plan is a hybrid of an HMO and a PPO. It's less restrictive than an HMO but more restricted than a PPO. A POS plan may or may not make you choose a PCP and may or may not provide any out of network benefits. You generally chose at the time you need the service whether you will use the HMO option or another option, and you pay more or less according to your choice at the point you need the service.

REMEMBER

November 1st through December 15th, although some states have more expansive open enrollment periods.

WHY CONSIDER AN HSA?

An **HSA (Health Savings Account)** is a tax advantaged account into which you make contributions and then that money is available to pay medical expenses now and in the future. In order to open this account you must have an HSA compatible health insurance plan. These plans are regulated by state and federal governments and must have minimum and maximum deductible amounts

If you want to continue the relationship you have with your doctor(s), ask which insurance plans he or she will be participating in during the upcoming plan year. You may not know that your doctor has already decided he or she is not taking a certain plan (in the next year) and hasn't notified the insurance company yet.

Health Insurance

(Continued)

PREMIUMS, DEDUCTIBLES AND OUT-OF-POCKET EXPENSES.

To determine whether a plan fits your situation, don't simply look at the premium cost. Consider the annual deductible, which is the amount a consumer must pay out of pocket before the insurance company will pay most expenses. If you and family members are generally healthy, you may want to have a higher deductible, even up to $5,000. If you or family members need health care regularly, then a low deductible may be a better fit. If you tend to use your health insurance, it is frequently cheaper to take a higher-cost plan with the lowest out-of-pocket expenses.

"Under current law, national health spending is projected to grow at an average rate of 5.5 percent per year for 2018-27 and to reach nearly $6.0 trillion by 2027."

NHE Fact Sheet, Center for Medicare and Medicaid Services

AVOIDING THE EMERGENCY ROOM CAN SAVE MONEY.

Hospital emergency departments were designed to treat true emergencies, such as ongoing chest pain and traumatic injuries. But overuse of the ER has driven up both prices and wait times. Many of the conditions for which patients often go to the ER, that are not life-threatening, are better handled at an urgent care facility or by their own physicians. With most insurance plans, the co-pay cost is significantly higher at an ER than getting the same treatment at an urgent care clinic in a non-crisis situation. To determine whether an ER visit is appropriate, consult your primary care provider or a nurse hotline, if one is provided by your insurance plan.

IS "CONCIERGE MEDICINE" RIGHT FOR YOU?

Concierge medicine is a private form of practice where doctors charge patients an out-of-pocket retainer fee for full access to their services. By charging a retainer fee, they can make the same amount of money from fewer patients than a traditional practice. A concierge doctor may have 500 patients, while a doctor in a traditional practice may have 2,000. That means that you get more personalized service - faster appointments and more time from your doctor. All of which may be good if you have ongoing health issues. Average retainers vary from practice to practice, but a membership in some of the largest concierge networks range from about $1,650 to $1,800 a year – in addition to your costs per visit.

Supplemental Insurance

WHAT IS SUPPLEMENTAL INSURANCE?

Illnesses and hospitalization could leave you or your family with substantial unexpected expenses not fully covered by primary health insurance. Supplemental insurance can provide cash payments directly to you to help cover expenses you otherwise would have to pay out of pocket. This could include co-pays, services, childcare, and needed items to help you recover. Examples of supplemental health insurance include:

- **Accidental Death & Dismemberment Insurance**
- **Critical Illness Insurance**
- **Hospital Money Insurance**

ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE

Nobody can be protected from accidents all the time. But you can help safeguard yourself and your family from the financial damage accidents can cause. In addition to any other life insurance you may have, when you enroll in an Accidental Death and Dismemberment Insurance Plan, you will be insured for covered accidents, and be better prepared for their related costs, like medical and legal expenses.

Supplemental Insurance

(Continued)

CRITICAL ILLNESS INSURANCE

Although most medical plans provide coverage for hospital and medical expenses arising from critical illnesses, there are still many expenses that aren't covered. These can include medical co-pays (which may be higher than you realize), non-covered "specialist" care, transportation to treatment centers, childcare, and much more.

Disability plans pay part of your income if you can't work, usually a percentage of what you earned before becoming disabled. Your payments are calculated as a percentage of your after-tax income and are paid over a certain amount of time. Critical Illness Insurance provides a lump sum cash payment upon the diagnosis of one of the covered illnesses even if you're still able to work.

Critical Illness Insurance is designed to ease the financial impact of a serious illness and provide added security at a challenging time. This plan provides a lump sum cash payment upon diagnosis of a heart attack, stroke, cancer, or other specified critical illness.

HOSPITAL MONEY INSURANCE

Even if you have a health insurance plan that provides some hospitalization benefits, many out-of-pocket expenses, including deductibles, co-payments, childcare and transportation, may not be covered. Generally, you can use these funds however you wish.

RESOURCES AND PURCHASE OPTIONS

Call 800-621-8981 or click here to speak with an ABE Insurance Plan Specialist.

Long-Term Care Insurance

Long-term care is a range of services that help with your medical and non-medical needs should you become unable to care for yourself for long periods of time – most likely in old age. Most long-term care is not medical care, but assistance with the basic personal tasks of everyday life, sometimes called Activities of Daily Living (ADLs). Long-term care insurance covers care generally not covered by health insurance, Medicare, or Medicaid. According to the **U.S. Department of Health & Human Services**, about 70% of individuals over age 65 will require at least some type of long-term care services during their lifetime. If you don't already have it, it's important to consider what you will do should you need it.

WHEN SHOULD YOU PURCHASE LONG-TERM CARE INSURANCE?

Many financial advisers recommend buying long-term care insurance in your 50s or early 60s. The younger you are when you buy a policy, the lower the annual premiums. By the time you reach your mid-60s, however, you're more likely to have a medical condition that makes you ineligible for a preferred-health discount or makes it difficult to get coverage at all. You may be more likely to have the cash to pay premiums at this time, especially if you've finished paying for college for the kids, or paid off the mortgage.

DID YOU KNOW?

Young attorneys: You can purchase long-term care insurance for your parents.

Long-Term Care Insurance

(Continued)

PREMIUMS, DEDUCTIBLES AND OUT-OF-POCKET EXPENSES.

The median annual cost for a private nursing-home room is $91,250, according to **a study from Genworth Financial**. AARP has a **Long-Term Care Calculator** that compares costs and types of service in your area.

HOW MUCH COVERAGE TO GET?

Once you've figured out the rough cost of care in your area, figure out how much you could cover with your own retirement income and savings. The **Federal Long-Term Care Insurance Program** has a self-funding calculator. The calculation may be very different for single people than for married couples. After you know the cost of long-term care and how much you can afford on your own, consider buying enough long-term care coverage to fill the gap. The average length of care is about three years, but you may want a longer benefit period if you have a history of Alzheimer's in your family.

Before you sign, be sure to check the financial stability and track record of your carrier. In recent years, many long-term care policy holders have seen sudden and dramatic increases in their premiums.

CONSIDER INFLATION IN YOUR PLANNING.

Because you may not need care until 20 or 30 years from now, inflation allowances are essential. As the population ages, more and more people will require long-term care for our families and ourselves. According to the **U.S. Census Bureau**, by 2050, there will be 80 million Americans 65 and older — twice as many as today. Nursing-home and assisted-living costs may rise faster in coming years as baby boomers compete for caregivers…another reason not to delay your planning.

INVESTIGATE NEW "HYBRID" POLICIES.

Such concerns help explain the popularity of hybrid or "combo" policies, which combine long-term care-like benefits with either life insurance or retirement-income annuities — tax-advantaged savings vehicles that often provide a lifetime stream of income. Costs vary, and the products tend to be complicated, contain restrictions and have potential drawbacks, so they need to be bought through a trusted adviser. Most hybrid plans pay for care at home or in a facility, but benefits can vary depending upon the contract.

Long-Term Care Insurance

(Continued)

RESOURCES AND PURCHASE OPTIONS

- You can find good information on long-term care at **longtermcare.gov.**
- Find a long-term care specialist in your area at **aaltci.org**.
- Most people buy long-term care policies through an insurance agent or broker. Make sure the person you're working with has had additional training in long-term care insurance (many states require it) and check with your **state's insurance department**, to confirm that the person is licensed to sell insurance in your state.
- Some employers offer group long-term care policies or make individual policies available at discounted group rates. Also, bar associations or other professional organizations you belong to may offer group-rate long-term care insurance policies to its members.
- If you purchase a long-term care insurance policy that qualifies for the **State Partnership Program** you can keep a specified amount of assets and still qualify for Medicaid. Most states have a State Partnership Program. Be sure to ask your insurance agent whether the policy you're considering qualifies under the State Partnership Program, how it works with Medicaid, and when and how you would qualify for Medicaid.
- Get a written copy of any policy you're considering. Review it carefully, perhaps with the assistance of your attorney or financial adviser. Write out your questions, and have a representative of the insurance company respond to your questions in writing.

Business-Related Insurance

FOR SMALL FIRM OR SOLO ATTORNEYS

If you've already "hung out your shingle," or are thinking about it, having appropriate business-related insurance is critical. Here are the most common types of policies that a small firm or solo attorney may want to consider.

PROFESSIONAL LIABILITY INSURANCE.

Getting professional liability insurance is typically high on the to-do list for new attorneys starting a firm. But how much insurance should a lawyer buy? You should consider enough insurance to protect your assets, both business and professional. For example, if you handle legal matters that rarely exceed $100,000 you can probably rely on a per-claim limit of $100,000. If you or your firm serve multi-million-dollar businesses, policies with higher limits may be necessary. Another factor to review is the amount of the aggregate limit – which should generally be a multiple of the per-claim coverage amount. Plans do vary, and it is important that you carefully read the contract to make sure it fits your personal practice. Also, don't allow a gap in time between insurance policies. If you skip a year or two and don't have continuous insurance coverage, when you do purchase coverage again, you'll likely will find that your "prior acts" date is reset to the first date of the new insurance policy.

"KEY MAN" INSURANCE.

"Key man (or woman)" insurance is simply life insurance on a "key" person in a business. In a small firm, this is usually the partners or a vital employee. How does it work? A firm purchases a life insurance plan on the key employee, pays the premiums and is the beneficiary if the key employee dies. The firm can use the insurance proceeds for expenses until it can find a replacement person, or, if necessary, pay off debts, distribute money to investors, pay severance to employees and close the business down in an orderly manner. In a tragic situation, key man insurance could give your firm some options other than immediate bankruptcy. This may be very helpful to a new firm that is highly dependent on one or more individuals. This insurance is typically not very expensive.

PROFESSIONAL OVERHEAD EXPENSE DISABILITY INSURANCE.

You may also want to consider another type of disability insurance known as Professional Overhead Expense Disability Insurance. This coverage is designed to allow a small business to stay viable while its owner recovers from a short-term disability. This coverage reimburses your firm for your portion of overhead expenses in the event you become totally disabled. A plan typically helps cover expenses like non-attorney salaries, taxes, employee benefits, rent, mortgage, utilities, and malpractice premiums. This is especially important coverage if you are a solo attorney.

Business-Related Insurance

FOR SMALL FIRM OR SOLO ATTORNEYS (Continued)

Other insurance options:

EMPLOYMENT PRACTICES LIABILITY INSURANCE (EPLI).

Lawyers are used to being lawyers. One of the more important other roles you play may be that of an employer. Given all the federal, state, and local laws and regulations governing employment, it is increasingly risky to practice law without an EPLI policy. As with lawyers' professional liability policies, there are many types of coverages available, and careful consideration should be given to the protection offered and the exclusions within each policy.

COMMERCIAL GENERAL LIABILITY.

This coverage insures against most risks encountered by any business, including third-party bodily and personal injury and property damage claims. This insurance will typically provide protection against losses for such occurrences as fire and claims for personal injury and property damage brought by visitors to the firm. The policy should provide coverage for claims for libel, slander, and false advertising.

BUSINESS INCOME.

This coverage insures against loss of business income as a result of property damage or natural disaster. Business income insurance should include loss of income caused by interruption in the services provided by utilities such as online service providers. This coverage will also, under specified circumstances, respond when a covered event renders the lawyer unable to practice in the insured premises.

ELECTRONIC DATA PROCESSING (EDP).

This coverage protects against loss caused by computer virus or off-premises power failure. A power failure is much more likely to occur than a fire. The more valuable the information stored in your computer, the more important this coverage becomes to your practice.

WORKERS' COMPENSATION.

This coverage protects against claims for injuries arising out of and in the course of employment. If your firm has an employee—even one part-time employee—the law requires this coverage in every state except Texas.

Business-Related Insurance

FOR SMALL FIRM OR SOLO ATTORNEYS (Continued)

CRIME COVERAGE.

This coverage protects your law firm when an employee steals money, securities, or property from a client or the firm. The coverage should include claims caused by the dishonesty of both non-lawyer employees and lawyers, whether partners or employees of the firm. If your firm's retirement account is an ERISA plan, this coverage may be required even if the plan is administered outside the firm.

COMMERCIAL AUTO.

This coverage protects your firm against claims arising out of the use of a firm-owned, non-owned, or hired vehicle used in the course of firm business. This coverage is in addition to other applicable automobile insurance, which may protect only the driver or owner, not your firm.

CYBERSECURITY.

This coverage protects your firm from the effects of online attacks and data breaches. With the proliferation of computers, wireless networks and smart devices, the threat of cyberattacks continues to increase.

"UMBRELLA" POLICIES.

Depending on the amount of coverage you have through other insurance policies, you may also consider purchasing "umbrella" coverage, which provides higher limits but doesn't pay unless and until the underlying coverage (such as a business auto policy or a commercial general liability policy) has been exhausted or fully paid. An umbrella policy is usually relatively inexpensive and will provide you with a much higher level of protection over and above your other coverages.

Business-Related Insurance

FOR SMALL FIRM OR SOLO ATTORNEYS (Continued)

RESOURCES AND PURCHASE OPTIONS

- An excellent resource offering additional and valuable information on malpractice insurance is the **ABA Standing Committee on Lawyers' Professional Liability**.
- There are some online general resources for small firm or solo attorneys that can include insurance information. One is **LAB**, a forum for solo and small firm lawyers sponsored by the Lawyerist blog.
- Often business coverages such as many of the above can be purchased in a package, combining all of the insurance typically needed for the small law firm. As with lawyers' professional liability policies, legal fees and other defense expenses may reduce the limits provided by these policies. Because these policies are designed to fit with each other (one policy's exclusions being covered by another, for example), it is often both desirable and cheaper to place all of these coverages with one insurer.
- Learn more about **cybersecurity**.
- Call your personal ABE Insurance Plan Specialist at 800-621-8981 for details of the ABE-sponsored **Professional Overhead Expense Disability** plan.
- **Call 800-621-8981 or click here to speak with an ABE Insurance Plan Specialist.**

About ABE

The American Bar Endowment (ABE) is an not-for-profit public charity that sponsors a variety of insurance plans for ABA lawyer members, each providing a unique charitable giving feature. These plans are designed to produce dividends. We ask that insureds donate any available dividends to ABE. (Dividends are not guaranteed.) In turn, ABE makes annual grants to help support research, education, and public service projects and programs of importance to the public and the profession.

All plans created exclusively for ABA members are underwritten by New York Life Insurance Company, one of the most respected companies in insurance. These plans are offered only to ABA members at affordable group rates. They feature comprehensive coverage options, flexibility, and portability.* After all, they were designed by lawyers for lawyers.

ABE-sponsored insurance plan options include:

- **10- or 20-Year Level Term Life**
- **50+ Multi-Benefit Term Life**
- **Annual Renewable Term Life**
- **Accidental Death and Dismemberment**
- **Mid- and Long-Term Disability**
- **Professional Overhead Expense Disability**
- **Hospital Money Plan**
- **Critical Illness**

ABE AMERICAN BAR ENDOWMENT *More than 75 years of service*

American Bar Endowment
321 North Clark Street | Suite 1400 | Chicago, IL 60654
800-621-8981 | **abendowment.org**
information@abendowment.org

* Portability is subject to U.S. Government regulation and Group Policy terms governing termination of coverage.

All current ABE-sponsored plans are underwritten by New York Life Insurance Company, 51 Madison Ave., New York, NY 10010 on Policy Form GMR.

ABE is a tax-exempt section 501(c)(3) public charity. All ABE-sponsored plans are group insurance plans, meaning coverage is issued to an ABA member under a Certificate of Insurance. It is not provided under an individual policy, nor is it employer/employee insurance. Plans may vary and may not be available in all states. Please visit abendowment.org for more information including plan features, costs, eligibility, renewability, limitations and exclusions.

Bonnie Czarny (ABE), is licensed in AR (Ins. Lic. #404091) and in CA (Insurance Lic. #0H99426).

Ebook19-Checkup