

Why Attorneys Need Disability Insurance

By Kathleen Sellers, JD, CLU®

I currently work in my family business, which specializes in disability insurance for professionals. Previously, I practiced law for about twelve years, first as a federal court clerk, and then in the litigation practice group at a large local firm. I remember that when I was in practice, I rarely thought about my disability insurance (even though it was “in my blood”). I was too consumed with juggling a busy practice and raising a young family. I should have thought about it though – and so should you. Here’s why.

If you are a sole practitioner or in a small firm, chances are that you don’t have disability insurance through your firm. You need to secure disability insurance so that, if you got sick or injured and couldn’t work, you’d be able to pay your mortgage or rent, make your student loan payments, or pay your children’s tuition. While the goal should be to purchase benefits that would come as close to your regular income as possible, if that isn’t affordable, at least putting some protection in place would be better than going without any safety net at all.

If you work for a medium-to-large firm, you likely have coverage through the firm. But do you know how much income you would have if you were disabled? Most people we speak with don’t. The time to find out is now, not when you need it. Most group policies covering an employer group, like a law firm, cover a percentage of your income, with a monthly cap. Do you know what the cap is? And do you know if your disability benefit would be taxable? This depends on how the coverage is structured. We advise sitting down with an experienced agent to review your coverage, run the numbers, and see if you need to supplement with your own personal disability insurance policy to fill in any gaps.

If you work for a government entity, you should review your disability protection as well. Some governmental entities (such as the county government) do not provide disability insurance coverage for their employees, including the lawyers that they employ. If that’s your situation, you need to apply for your own personal policy, or you risk financial devastation if an accident or illness leaves you unable to practice law for a long period of time (or permanently). Some government jobs provide disability benefits, but these vary and should be evaluated so that you have a good idea of what income you’d have if you were disabled, and supplement with a smaller personal policy, if necessary.

Many financial professionals will tell you that disability insurance is the second most important insurance protection you will buy, second only to your health insurance in terms of ensuring financial security. That’s because the risk of disability is real. The Council for Disability Awareness has an on-line tool that calculates your risk of becoming disabled based on disability statistics (your “Personal Disability Quotient”)

at www.whatsmypdq.org. I plugged in my information and found out I have a 20% chance of being disabled for three months or more before I retire, and the average length of a long term disability for someone like me is 86 months. That's a level of risk I'm not comfortable with, without a backup plan. And the financial consequences of being disabled can be disastrous. A 2014 study of consumer bankruptcy filings identified the following as primary reasons: medical bills (26%), lost job (20%), illness or injury on part of self or family member (15%) (See disabilitycanhappen.org/disability-statistic/).

If you need disability coverage, it's important not to put off applying. To purchase a meaningful amount of personal disability insurance, you must be in good health. Disability insurers evaluate the risk that you present when you apply by looking at your medical records, asking you to answer health history questions, and often requiring a medical exam, and if you have serious health issues, you won't be able to purchase coverage. With some health issues (a back problem is a common one for attorneys), coverage may be issued with an exclusion for that health issue. The sooner you apply, the better your chance to qualify for coverage, and for that coverage to be as comprehensive as possible.

So take some time to think about your disability insurance, take care of it, and get the peace of mind that comes with doing so.

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