

Protect Your Income with Insurance

Planning for the worst can help brokers navigate illness or disability

By **Frank N. Darras**, managing partner, Shernoff, Bidart, Darras, Echeverria LLP

WHETHER YOU WORK FOR A small mortgage brokerage or a large company, it's important to protect your income from disaster. According to the U.S. Social Security Administration, studies show that a 20-year-old worker has a 30-percent chance of becoming disabled before reaching retirement age. A minor injury or illness can lead to financial derailment for those who don't plan accordingly.

Most employees believe they're adequately covered when it comes to disability insurance. Nonetheless, if you're an employee and have company-sponsored insurance, you still may want to consider purchasing supplemental insurance to protect your family.

Why? Because of a little acronym spelled ERISA — aka, the Employee Retirement Income Security Act.

Originally passed in 1974 with the intention of helping employees, ERISA now represents a legal loophole that often protects insurance companies instead of policyholders. Under ERISA, even if you're wrongfully denied your insurance benefits, your rights and remedies are limited.

Here's more about how ERISA works and how to protect yourself.

How it works

Long-term disability under a company-sponsored plan usually pays a monthly benefit equal to about 60 percent of an employee's monthly earnings — if the employee is unable to fulfill job duties — for a maximum of 24 months. After that time, the definition of disability often shifts to include any occupation for which a person is trained, educated or suited.

Further, to collect payment, you may have to

On the Web

More on the Employee Retirement Income Security Act: www.dol.gov/dol/topic/health-plans/erisa.htm

be "Social Security-disabled." This means you cannot do any work for which you are trained, educated or suited. If you aren't Social Security-disabled, your insurance company likely will claim you can work in some capacity, such as monitoring video or stuffing quilts.

If you are a disabled employee and your group insurance carrier denies your legitimate claim, and your home is foreclosed on or your equity is extinguished, your credit will be destroyed. You cannot collect those damages under ERISA. When employees are denied their benefits, ERISA eliminates their right to a trial by jury and to punishment damages for emotional distress.

There also is no discovery under ERISA, so you won't be deposed, your doctor won't testify, and your friends and loved ones cannot testify on your behalf, either.

Finally, under many group disability policies, you must prove beyond a reasonable doubt the insurance company was wrong. This is difficult when there is no discovery.

Many people think when they are initially denied their benefits all they have to do is write a short letter to the insurer asking that their claim be reviewed on appeal. In reality, you generally must do more, including:

- **Filing your administrative appeal within 180 days of the denial;**

- **Filing the administrative record with your medical records, prescriptions, tests and doctor reports;** and

- **Recording video testimonials from friends and loved ones to be entered in the case record.**

The burden of proof shifts to the insured once the denial is authored.

Insurance backup

Regardless of your income bracket, your earning ability gives you and your family peace of mind that you can pay bills, serve dinner each night and afford gas for the family car. If the unthinkable happens, losing an income source can turn your life into financial ruin.

Moreover, Social Security disability benefits are based on an injured person's lifetime earnings before disability began and not the severity of the disability. Private insurance does not affect eligibility for Social Security disability benefits, so purchasing an individual disability policy can be a good safety net, especially if you buy it when you're young.

Regardless of your age, make sure you read the language and buy an "own occupation" policy that protects you until age 65. The limitation clauses can be tricky, especially those for mental-health claims or self-reported claims such as headaches, chronic-fatigue syndrome or fibromyalgia.

Always research carriers and buy from a company with a stellar claims-paying history. Cheap premiums might look attractive, but they'll do you no good if the insurance-provider goes broke when you need it most. **!**



Frank N. Darras is managing partner of Shernoff, Bidart, Darras, Echeverria LLP in Ontario, Calif. He is an expert disability and long-term-care insurance lawyer with more than 20 years' experience fighting for the sick, disabled and elderly. Darras returns more than \$40 million to his clients every year. He is AV-rated, widely quoted and published, and a frequent national keynote speaker. Contact Darras at info@darrasnews.com or (800) 458-4577.

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