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BENCHMARKING: LAW FIRMS

LIFE INSURANCE PLANNING

Over the last few years, there has been a trend to replace or add coverage (stack) for Partners via a carve-out life insurance program. If in tandem with existing traditional group life, the goal is to obtain higher death benefit levels, provide a more comprehensive model of coverage, and add diversity by having two different insurers and two different programs. Sometimes firms get stuck in an "old-school" death benefit amount that hasn't kept pace with contemporary thought, and/or what peer firms are doing. The availability of carve-out plans allowing for higher death benefits, substantially lower premiums, and easy onboarding, has caused firms to re-evaluate and increase death benefit amounts. Carve-out plans have become a key attraction and retention tool for employees.

Why include a Carve-Out Plan for Partner life insurance benefits?

1) **Not experience rated:** Death claims have no effect on rates for that particular person or firm. *Most group life plans are experience rated.*
2) **No automatic benefits reductions** at ages 65, 70, and/or 75. *Most group life plans have automatic benefit reductions.*
3) **No need for actively at work status after coverage is approved.** *Most group life plans require actively at work 30 hours per week continuously.*
4) **Insurer cannot cancel coverage or modify provisions** other than for lack of premium payment. *Group life insurer can cancel, modify provisions, etc. at renewal.*
5) **Portable without change to death benefit or pricing structure.** *Most group life plans have portability limitations and pricing may change/increase if ported.*
6) **Significantly higher death benefit levels available:** generally, up to $5,000,000. *Most group life plans will only go up to $1,000,000-2,000,000 regardless of firm size.*
7) **Diversification:** Law firms tend to prefer two insurers and two different types of programs that provide coverage.

Typical amounts of death benefit

# of Partners	Total Death Benefits
25-50	$500K – $1M
50-100	$1M – $3M
100-150	$2M – $4M
150-200	$2M – $5M
200+	$3M – $7M

Flat or Multiple of Salary Benefit:
For the vast majority of cases, partners receive a flat benefit. Sometimes firms will include associates, but the associate death benefit is generally a multiple of salary. When the associate becomes a partner, he/she automatically gets the partner flat benefit.

How are Partners charged internally at the firm?

D&E is, generally, not privy to how a law firm charges their Partners for life insurance. Based on conversation, the first option below seems most prevalent.

- Each Partner is assessed the exact premium that the insurer notes is due for that particular Partner.
- The aggregate premium charged by the insurer for all Partners is divided by the number of Partners. Each Partner is assessed that cost.
- Similar to pure group insurance, a cost per 1,000/mo of coverage can be calculated. That rate is then used to calculate the rate assessed to each Partner by multiplying that rate by the number of benefit units that Partner has.

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BENCHMARKING: TECHNOLOGY COMPANIES

LIFE INSURANCE PLANNING

Tech companies are a growing industry in the carve-out market. Tech companies are constantly competing with peer companies in their industry. A carve-out plan has become a key component that tech companies have been using as an attraction and retention tool for their employees.

Why include a Carve-Out Plan for life insurance benefits?

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2) **No automatic benefits reductions** at ages 65, 70, and/or 75. *Most group life plans have automatic benefit reductions.*

3) **No need for actively at work status after coverage is approved.** *Most group life plans require actively at work 30 hours per week continuously.*

4) **Insurer cannot cancel coverage or modify provisions** other than for lack of premium payment. *Group life insurer can cancel, modify provisions, etc. at renewal.*

5) **Portable without change to death benefit or pricing structure.** *Most group life plans have portability limitations and pricing may change/increase if ported.*

6) **Significantly higher death benefit levels available:** generally, up to $5,000,000. *Most group life plans will only go up to $1,000,000-2,000,000 regardless of company size.*

7) **Diversification:** Companies tend to prefer two insurers and two different types of programs that provide coverage.

Typical amounts of death benefit

# of Insureds	Total Death Benefits
25-50	$500K – $1M
50-100	$1M – $2M
100-200	$1M – $3M
200+	$2M – $5M

Flat or Multiple of Salary Benefit:

For the vast majority of cases in the tech industry, it's a multiple of salary. Generally, we see tech companies use a 2-3 times salary death benefit. Sometimes tech companies will use different "classes" based on job titles, compensation, etc.

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BENCHMARKING: HOSPITAL AND PHYSICIAN GROUPS

LIFE INSURANCE PLANNING

In recent years, most hospital and physician groups are taking advantage of life carve-out programs and physicians are working until older ages. Our benchmarking suggests that the greater the number of lives insured, the more robust the benefit levels that are available and secured. When in a hospital setting, the physicians are most often paired up with executives to form one class. A carve-out plan has become a key component that companies have been using as an attraction and retention tool for their employees.

Why include a Carve-Out Plan for life insurance benefits?

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2) **No automatic benefits reductions at ages 65, 70, and/or 75**. *Most group life plans have automatic benefit reductions.*

3) **No need for actively at work status after coverage is approved.** *Most group life plans require actively at work 30 hours per week continuously.*

4) **Insurer cannot cancel coverage or modify provisions** other than for lack of premium payment. *Group life insurer can cancel, modify provisions, etc. at renewal.*

5) **Portable without change to death benefit or pricing structure.** *Most group life plans have portability limitations and pricing may change/increase if ported.*

6) **Significantly higher death benefit levels available:** generally, up to $5,000,000. *Most group life plans will only go up to $1,000,000-2,000,000 regardless of company size.*

7) **Diversification:** Hospitals and physician groups tend to prefer two insurers and two different types of programs that provide coverage.

Typical amounts of death benefit

# of Insureds	Multiple of salary	Maximum Death Benefit
25-50	1-2 times salary	$1M
51-99	2 times salary	$2M
100+	2-3 times salary	$3M

Flat or Multiple of Salary Benefit:

Nearly all our clients with physicians in a hospital setting or in the physician group category have a multiple of salary benefit design. In the instances in which the coverage is for buy-out or key person reasons, we generally see a flat amount, almost always $1M or $2M.

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BENCHMARKING CONSULTING FIRMS
LIFE INSURANCE PLANNING

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Why include a Carve-Out Plan for life insurance benefits?

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6) **Significantly higher death benefit levels available:** generally, up to $5,000,000. *Most group life plans will only go up to $1,000,000-2,000,000 regardless of company size.*

7) **Diversification:** Firms tend to prefer two insurers and two different types of programs that provide coverage.

Typical amounts of death benefit

# of Insureds	Total Death Benefits
25-100	$500K – $2M
100-500	$1M – $3M
500-1000	$2M – $4M
1000+	$3M – $5M

Flat or Multiple of Salary Benefit:
The vast majority of partner cases is a flat death benefit. Other Covered Employees cases are split between flat and multiple of salary.

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BENCHMARKING FINANCIAL FIRMS
LIFE INSURANCE PLANNING

Over the last few years, there has been a trend to replace or add coverage (stack) for employees via a carve-out life insurance program. If in tandem with existing traditional group life, the goal is to obtain higher death benefit levels, provide a more comprehensive model of coverage, and add diversity by having two different insurers and two different programs. Sometimes firms get stuck in an “old-school” death benefit amount that hasn’t kept pace with contemporary thought, and/or what peer firms are doing. The availability of carve-out plans allowing for higher death benefits, substantially lower premiums, and easy onboarding, has caused firms to re-evaluate and increase death benefit amounts. On average, we see higher amounts in all major metropolitan areas. Carve-out plans have become a key attraction and retention tool for employees.

Why include a Carve-Out Plan for life insurance benefits?

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4) **Insurer cannot cancel coverage or modify provision**s other than for lack of premium payment. *Group life insurer can cancel, modify provisions, etc. at renewal.*

5) **Portable without change to death benefit or pricing structure.** *Most group life plans have portability limitations and pricing may change/increase if ported.*

6) **Significantly higher death benefit levels available:** generally, up to $5,000,000. *Most group life plans will only go up to $1,000,000-2,000,000 regardless of company size.*

7) **Diversification:** Firms tend to prefer two insurers and two different types of programs that provide coverage.

Typical amounts of death benefit

# of Insureds	Total Death Benefits
25-100	$500K – $2M
100-500	$1M – $3M
500-1000	$2M – $4M
1000+	$3M – $5M

Flat or Multiple of Salary Benefit:
The vast majority of firms provide a a flat death benefit for partners/executives. Other covered employees cases are split between flat and multiple of salary.