

# Preventing Disability From Threatening Alimony Payments

By Joseph Ferraro & Ryan Moore

There's no denying that fallout from the pandemic has caused massive ripples through our society. Millions of lives lost, businesses shutting down, travel and tourism at a standstill, retirement accounts leaking like rusty buckets. But perhaps one of the biggest pieces of collateral damage as a result of COVID is the significant increase in divorces, driven by disagreements over restrictions, vaccinations, the loss of loved ones, and couples suddenly finding themselves in a shrinking world as they are forced to indulge in working and schooling from home. When suddenly a 2,400-square-foot, three-bedroom home feels like living in a holding cell.

"Marital conflicts have definitely been on the rise since the pandemic. I have noticed a rise in the number of clients seeking a divorce. I get three to four inquiries a



situations, but when it comes to law office partners, CEOs at investment firms, orthopedic surgeons, and the pricey nip-and-tuck specialists from Beverly Hills

*"...when it comes to law office partners, CEOs at investment firms...monthly alimony and child support payments can easily run five figures."*

day for my services, whereas prior to COVID the inquiries were much less," New York City divorce lawyer Lisa Beth Older told CNBC.

"When the pandemic first hit ... there was a slowing of divorces. People were trying to figure out what was going on and how to manage their lives," said Atlanta-based family lawyer Elizabeth Lindsey, current president of the American Academy of Matrimonial Lawyers (AAML), a group of more than 1,500 family lawyers across the 50 states. "As the pandemic continued, every family law lawyer I know is really busy." As quoted by Lindsey in an interview in The Atlanta Journal-Constitution.

Certainly, divorces have happened across all economic

to Park Avenue, monthly alimony and child support payments can easily run five figures.

It's not unusual for divorce contracts to include life insurance in the wording. But it's more likely—some reports say as much as four times more likely—that someone will become disabled and be unable to meet those future payments. So that's where we find a gap that needs to be filled. Either the supporter or supported can take out a policy, however, most often the attorney representing the supported will require that the supporter is covered by a disability policy before finalizing the divorce contract.

Now, if the supporter becomes disabled and can no longer meet their monthly obligations, a judge can

then reduce or eliminate these support payments. However, this leaves the supported spouse, and the children, in a vulnerable position. Case in point, a 45-year-old anesthesiologist was required to provide a monthly alimony payment of \$10,000 to her ex-husband for five years. But after just six months, the anesthesiologist became disabled and due to her inability to work, was unable to pay the required support payments. Fortunately, there was a stop-gap in place. An Alimony Disability policy was inserted during the divorce proceedings by the insurance advisor which protected the alimony payments and provided the ex-husband a benefit of \$10,000 per month for four-and-a-half years in order to fulfill the remainder of the agreement.

The premium for such a product is dictated by age, occupation (the riskier the more expensive) and income, plus any other contract obligations. And very often the new monthly alimony payment will match the monthly benefit.

For advisors with entertainment clients, here's a perfect example: A 32-year-old singer was required to provide a monthly child support payment of \$50,000 to the mother and their eight-year-old son. After devel

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oping vocal nodules, he required surgery that caused further permanent damage, ending his singing career. That put into play a Child Support Disability policy which provided a benefit of \$50,000 per month for 10 years, to provide support payments for the benefit of the child.

The supported party could be indirectly protected by a traditional disability income policy, but the supporter (aka, the insured) isn't required to use those benefits for the support agreement and could still obtain a reduction/termination of payments. Thankfully, through the resources of Lloyd's of London, an advisor can access this product for their clients. What advisors can do when such a situation arises among their high-earning clients is to plug into the divorce agreement an own-occupation disability protection rider that will keep payments flowing should a serious disability threaten to cut off, or drastically reduce monthly payments. Such coverage is tailored to meet an individual's unique profile and is available above and beyond what traditional insurers can offer.

Bottom line: Don't let an unexpected disability leave your clients struggling.

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