

## Securing Insurance for Those Unable to Work

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**Contact**

Jack Zahner

Stephanie\* is disabled with both mental illness and physical disabilities. Unable to work and with no income, she survives on very limited public assistance. Stephanie had been living amicably with her ex-husband in his house for many years, but her life got more complicated when her exhusband passed away in May 2019 after a sudden illness.

Stephanie reached out for help in June 2019, initially needing advice on whether she could remain in her ex-husband's house pursuant to their lease agreement or whether she needed to vacate so that her ex - husband's estate could sell it. Foster Garvey attorney Jack Zahner negotiated with the estate's attorney and personal representative and secured a financial incentive for Stephanie to move out. With the help of her sister, Stephanie was able to find an adult family home that would accept Medicare funding.

Jack then turned to the denial of the life insurance claim. Stephanie was the designated beneficiary on her ex-husband's \$200,000 term life insurance policy. But, the insurance company denied the claim because her ex-husband had failed to pay the last premium installment before his death, and the 31-day grace period within which to make a late payment had expired just four days before his death. On the surface, the insurer's denial seemed reasonable; no premium payment had been made before the expiration of the 31- day grace period. But, after gathering and analyzing the communication and payment history with the insurer, two things became abundantly clear: (1) on numerous occasions, the policyholder had paid the premium late, after the 31-day grace period; and (2) the insurer always accepted the late payments and kept the policy in force. Because the payments were set up on a quarterly payment schedule, the insurer had accepted late payments as long as they were made within the applicable quarter, even if they were

past the 31-day grace period. With this information in hand, Jack wrote a letter to the insurer setting out examples of the late payments and acceptance of the late payments and suggesting that, given the pattern and practice between the insurer and the policyholder, a reasonable person in the ex-husband's position would believe that he had more time to make the premium payment. After reviewing the letter and its enclosures, the insurer agreed and issued a check for the \$200,000 in life benefits, plus interest.

Jack then teamed with an outside law firm that specializes in setting up special needs trusts for people with disabilities to promptly transfer the life insurance proceeds to Stephanie's special needs trust. Jack also worked on transferring two small inherited IRA accounts of which Stephanie was the beneficiary to the special needs trust. Although she is still adjusting to life without her ex-husband and experienced some difficult health setbacks, Stephanie is currently adjusting well to her new life and enjoying living in the adult family home that is well suited to her needs.

*\*Names have been changed to protect identities.*