



Resident/Fellow Physician Disability Insurance Guide

The purpose of this guide is to help you decide how to protect your medical career in the event of a disability. It will educate you on everything you need to know about **Disability Insurance (DI) for physicians**. It will not provide “chances of disability” statistics. These can be found on any number of websites, including ours: www.di4mds.com

Every physician should establish, maintain and update disability insurance protection throughout his or her career. The time to establish coverage is when you are young and healthy. As a physician, you have invested massive amounts of time, effort and resources to training, and are too vulnerable not to protect your most valuable asset – the ability to practice in your chosen medical specialty.

Disability Insurance will pay you a monthly benefit in the event you are unable to practice your specialty due to an illness/accident. The initial monthly benefit is established at policy inception. For Residents/Fellows, most companies have monthly benefit limits of between \$5,000 and \$7,500, regardless of income. When you finish training and begin practice you can increase the monthly benefit based on your new income. Typically, the monthly benefit, which when received is not taxable under most situations, is based on a percentage of income. For example, an annual income of \$350,000 qualifies you to establish \$15,000 per month of disability benefit.

The heart of any disability policy is the **Definition of Disability**. And, like the human heart, a comprehensive disability policy will include four “chambers” or **four types** of disability: **Total**, **Partial/Residual**, **Recovery**, and **Presumptive**. Here is a brief overview of the contractual provisions that cover each of these types:

Total Disability - should protect you in your medical specialty, and your policy should contain precise wording such as “**inability to practice the material and substantial duties of your occupation.**” Occupation should mean “**if you have limited your practice to a specialized area of medicine,**” that will be deemed to be your occupation. Beware of policies that have the language “**completely,**” “**any and every,**” “**all,**” “**any occupation,**” “**gainful occupation,**” “**training, education, or experience**” etc.

Partial/Residual Disability - will pay you a percentage of the total disability benefit if you work in your specialty on a part-time basis, or can work full-time but are not able to perform your duties as efficiently as prior to disability. Partial disability should not have to follow a period of total disability in order for you to receive benefits and should serve to satisfy the elimination period. In addition, if you work in another area of medicine or any other occupation, that should not be considered partial disability and reduce your benefits. Typically, partial benefits begin after a 15% – 20% loss of pre-disability income.

Recovery Benefit - allows benefits to continue following recovery from disability and is intended to fill the income gap when you are no longer medically disabled but have not financially recovered. Recovery benefits usually end when you are receiving 80% – 85% of your pre-disability earnings.

Presumptive Disability - is the worst type of disability, and requires the “loss of use of two or more limbs, sight, speech or hearing.” In the event this occurs, you are “presumed” disabled and receive your total monthly disability benefit with no waiting period even if you are able to work in your specialty or another occupation. The better policies pay this benefit for life.

Premiums are based on monthly benefit, age, gender, medical specialty, state of residence, health, policy provisions, policy type, and available discounts. The younger you are, the lower the premium. Males are at lower risk for disability than females, and as a result their premiums are approximately 30% – 40% lower. Rates for Invasive Physicians are approximately 10% higher than rates for Non-Invasive, and Anesthesiologists are the highest risk category with some companies, and probably all in the future, with approximately 20% higher premiums. In addition, some specialties are considered Non-Invasive during residency and Invasive during fellowship. **Therefore, it is wise to establish coverage during the Non-Invasive stage of your training.**

Where you live/practice is also a factor; generally, more populated states have higher rates. Health issues can impact the rates and, in fact, disability coverage is the hardest type of insurance to qualify for, with almost 50% of applications resulting in a policy issued other than as applied (with exclusions, reduced benefits, etc.).

BASIC POLICY PROVISIONS:

-Elimination Period is the period starting from the date the disability occurs to when benefits become payable. Options are between 30 to 365 days, with the longer the elimination period, the lower the premium. The most cost-effective elimination period is usually 90 days. Your practice situation can help determine the appropriate length. Avoid policies that do not allow you to satisfy the elimination period while working in another occupation or part-time in your specialty, or require the elimination period to be satisfied within a consecutive number of days.

-Benefit Period is the maximum amount of time your monthly benefit will be paid for a disability, and can be between 2 years to Age 70. The shorter the benefit period, the lower the premium. The recommended benefit period is at least to Age 65 in order to provide protection until retirement age.

OPTIONAL POLICY PROVISIONS:

-Future Purchase Option (FPO/FIO) is a must for any Resident/Fellow establishing disability coverage. This provision allows an increase of monthly benefit in the future, regardless of health, as long as your income qualifies. Also, it protects against any future risk class changes and ideally includes discounts established at policy inception.

-Cost of Living Adjustment (COLA) rider is another option. This rider increases the monthly benefit after one year of receiving disability benefits. The increase is based on either a guaranteed percentage or the change in the Consumer Price Index, up to a predetermined cap – usually 3% or 6%. This rider tends to be an expensive option, and mathematically may not be cost-effective.

-Student Loan Protection Rider is a recently developed rider only available through one company at this time. This rider is designed to pay up to 100% of the monthly payment for student loan debt to a maximum of \$500 – \$2,000 per month subject to specific conditions in the event of a total disability.



THREE TYPES OF DISABILITY INSURANCE POLICIES:

An **Individual** policy - is a contract between you and the insurance company. Such policies should be Non-Cancellable and Guaranteed Renewable, which means the premiums never change and are guaranteed level. The policy can never be cancelled, contractual provisions changed, or exclusions added so long as the premiums are paid. These policies also offer the most robust benefits and can be designed to suit your unique personal situation.

Association plans - are contracts between the insurance company and the Association. Premiums increase, and the premium schedule and any policy provisions are at risk of change. Partial disability benefits are typically only paid if total disability benefits are paid first. The insurance company can cancel the policy or increase premiums at any policy renewal. Due to the uncertain nature of these policies and more restrictive policy provisions, Association plans should only be used to supplement individual policies.

Group plans - are usually provided by and paid for by your employer, and therefore any benefits received are taxable income, unlike with Individual or Association policies. Like with Association policies, contractual provisions and language are restrictive and the policy is subject to ERISA (Employee Retirement Income Security Act of 1974). This basically means if your benefits are denied, you have to exhaust an administrative appeals process before you can seek a legal remedy. Furthermore, if the insurance company loses in court, it is only required to pay what it would have paid for the claim originally. If you change employers the policy does not go with you. As a result, group policies should only be used as supplements to individual policies.

Now that you know what to look for, time to answer two of the most important questions: **1) How much is a typical policy?** And **2) Where to obtain a policy?**

1. Premiums for a comprehensive individual policy vary significantly based on the policy variables mentioned previously, and are typically between 1% – 4% of annual income.
2. As far as where to obtain coverage, the financial industry is like medicine, there are specialists. Seek an individual who represents all the major disability insurance companies, not just one, and who is familiar with, knowledgeable about, and experienced with physicians and their unique disability income needs. It should be clear what a disability specialist does from the beginning, with no misdirection as a “financial” or “investment” advisor, loan consultant, etc., only to learn later that in reality they represent only one insurance company. **Find out who pays their rent and office expenses.** Many insurance agents who specialize in disability insurance for physicians have access to discounts, and even pre-approved programs for Residents/Fellows that require no medical underwriting. These are extremely worthwhile and should be taken advantage of whenever possible.

You've read our guide -- now decide -- if we can be of further assistance by contacting us below. To request your personalized DI comparison, [click here](#). Feel free to share this guide with your colleagues. We wish you continued success as you complete training and begin practice.

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