

Physician's Guide to Disability

Disability Insurance provides you and your family with income should you become unable to work due to an illness or injury. However, Disability Insurance is one of the most complex and misunderstood insurance products there is.

When a disability occurs, there is often ambiguity in the degree of your disability and how that impacts your ability to perform your specific duties of your regular occupation or any occupation. There are illnesses and injuries that result in obvious severe disabilities that are incontestable and many disabilities are not as clear. Therefore, a determination has to be made by the insurance company as to what your real ability is, to do your job and sometimes that could lead to a disagreement between you and the insurance company come claim time and much of how they view the claim depends on what your medical records say about you:

- **How disabled are you?**
- **What duties in your job can you perform?**
- **Could you modify your workspace?**



What Definition of Disability do you Want?

1. Pure Own Occupation

If you are unable to work in your specialty due to a disabling event, full benefits are payable to you, even if you are working in a different specialty or a different occupation all together. You are allowed to be on claim and collect 100% of your benefits while receiving another income source regardless of the amount.

2. Transitional Occupation

If you are unable to work in your specialty due to a disabling event, full benefits are payable to you, but if you are working in a different specialty; benefits can be reduced. If you choose to be employed in another occupation and your earnings are less than what you did prior to disability, full benefits will be paid until your “pre-disability earnings” but not more than the maximum monthly benefit amount of the policy. If the benefits would be higher under the residual rider, they would pay the residual disability benefit instead of the Transitional benefit.

3. Own Specialty and Not Engaged Definition

If you are unable to work in your specialty due to a disabling event, full benefits are payable if you are no working in a different occupation. Proportionate benefits are payable, if you work in a different occupation but experience a loss of income. Please note: The choice to work in another occupation is yours, and not the insurance company’s choice.

4. Own Specialty for a Limited Time, Then Any Reasonable Occupation

If you are unable to work in your specialty due to a disabling event, full benefits are payable for a limited time period and is usually 24 months. After that, you must be unable to perform duties of any reasonable occupation. Please note: The choice to work in another occupation is not yours. The insurance company can stop paying your claim if you are able to work in any other job.

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Other Necessary Base Benefits

1. Residual Disability Benefits

If you are disabled but able to work, but in a lesser capacity therefore your income is reduced; your residual rider can help to make up the difference in income. This feature is standard in some policies or can be added as an optional rider on others.

a. Basic Residual

Some carriers offer only this version depending on the contract type you select. This will not include any recovery features that you see in the next definition below. You can receive benefits if you suffer a loss of income of 15-20% or more. If a carrier offers you both options, this version is the least expensive.

b. Enhanced Residual/Extended Residual

Even after you fully recover and return to work full time, they will continue to pay you benefits, as long as you have a loss of 15-20% of your prior income and the loss is solely the result of the injury or sickness that caused the disability.

2. Purchase Increase Options

If your income permits you to buy more coverage, having this on your contract allows for you to buy more coverage, without having to take another application or prove medical history. This rider protects you from being declined for more coverage, if you develop adverse medical history after placing your coverage in active status. In addition, with some carriers, it controls the language/features of all future additions and it locks in the rate structure that was there, when the original policy was purchased.

a. Future Increase Options

This is an optional feature that allows an insured to purchase additional amounts of disability insurance in the future; with a requirement to provide financial documentation to support the additional coverage, but no medical underwriting would be required at this time. This is offered each year, within months of your policy anniversary and has a built-in cost to the rates if selected. As this feature is used (because you bought more base benefit), the cost for this feature goes away, so the initial policy costs go down upon acceptance of the increased amount.

b. Benefit Purchase Riders/Benefit Updates

This is a feature that allows an insured to purchase additional amounts of disability insurance in the future; with a requirement to provide financial documentation to support the additional coverage, but no medical underwriting at that time. However, you must follow a 3-year schedule for these increases as well as other requirements on your 3-year policy anniversaries. This increase option window is offered every 3-years and is a free feature on the contract. The insured must check in with the insurance company within months of the policy anniversary or their rider will be forfeited. Please note: additional rules do apply under this provision. Also, there are two accelerators that should allow for an early increase under these contacts: 1) 20% increase of income or 2) loss of group disability benefits.



Other Necessary Base Benefits

3. Cost of Living Adjustment Rider (COLA)

This feature increases the benefit payouts by a specific percentage cap, after each year of disability; starting at month 13 of claim. This does not grow the benefits while healthy and actively working. This feature only affects the policy 13 months after the point of illness or injury, not from the point of policy acquisition.

4. Catastrophic Coverage (CAT)

This features provides extra coverage, on top of your base benefit, if you trigger the rider. The triggers generally work in these circumstances: When two or more activities of daily living are affected, someone suffers cognitive impairment or an irrecoverable disability. It is not common that these benefits are triggered but it is certainly inexpensive to add this coverage.



How to Obtain your Coverage

1. Individual Policies

Individual policies are generally contain the strongest provisions and definitions of disability to protect a physician, surgeon, dentist and/or any other medical professional. You can apply for a private plan and during the underwriting process, you will be evaluated based upon your medical history.

2. Group Policies

These contracts are available through an employer and contain the same provisions for all employees in a company; regardless of the income level. They usually offer only a 1-3 year rate guarantee and contain many modifications or reductions to benefits, depending on whether or not you are disabled and working or disabled and receiving any other income source. You may have to apply for these benefits and be subject to medical underwriting, but usually these are automatic during employee enrollment windows. Please note: Majority of these plans have benefit offsets where the benefits to be received will be reduced by other sources like gainful employment (earned income), but also Social Security Disability, Workman's Comp, and/or No-Fault Settlements. Once the benefit to be paid out is determined, these benefits are generally taxed too; so if you are eligible, your take home disability amount will be reduced. This may be about 25-40% less than what you were expecting to receive.

3. Association Policies

These contracts are offered through an association, gaining access through a membership. Similar to the group policies, they contain can contain modifications that can affect your benefits paid, depending on whether you are disabled and working. They will adjust rates at certain ages and/or require you to be totally disabled first, before paying any residual disability benefits. You have to apply and be subject to medical underwriting at the time of application but the financial underwriting typically takes place at claim time. This is why on all of the certificates of coverage, they will say your benefits are payable up to \$X per month. Most of these plans will have fine print stating that the max benefit between these plans and all other plans can not exceed \$15-\$20,000 per month. The other issue of concern is that when you purchase one of the group plans, it might inadvertently cancel any employer provided benefits, so please check your employer income "Benefit Offsets" section to see if they say anything about other 'group or association based plans' reducing coverage.

A specialty specific plan, that is individually owned, will give you the peace of mind that you are looking for in a disability plan. At MD Disability Quotes, we have perfected the process of designing and matching you, with the policy that fits your unique needs. Since 1993, our team has helped thousands of physicians get the disability coverage they need, at discounted prices.

