

Resident Disability Insurance - Get in the Game



This article was authored by Gary F. Weltmann of Executive Insurance Advisors, LLC. Gary is an attorney with over 20 years of litigation and transactional law experience. His legal background has served him and his clients well in

working with insurance companies in obtaining coverage and filing claims. Abundance works with Gary to source individual disability insurance for clients because of his high level of service, legal background, and experience in working with physicians and other professionals.

So you're a Resident! On your way to achieving your lifelong goal of becoming a Physician - all good! But, there is a lot of chatter out there, right? Other than the practicing medicine part, it is a very challenging time in your career, right? All interests seem to compete with your work: social life, family time, sleep, *finances and future preparation*. Everywhere you turn, somebody is giving you advice on how to set yourself up financially for the future and how to commit your resources. One constant in those conversations is "you must get disability insurance as a Resident." Accurate! But nobody ever articulates exactly WHY it is so important or HOW to make decisions on the myriad options

and choices that go along with a policy. Read on for a roadmap on how and why to "get in the game."

Physicians (Especially Physicians!) Need Income Protection

You purchase insurance to cover the value of your home, your car and perhaps even your personal effects. No-brainer, right? Cover big assets, right? Routine. But those items are peanuts compared to what is by far and away your greatest asset (especially for a Physician): **Your ability to generate income for years to come.** Never thought about it that way, did you? Well, start thinking that way and you will realize that your ability to work and generate income **MUST** be protected. Read below and you will realize why protection should start now.

The Three Most Important Reasons to Purchase Disability Insurance as a Resident

Disability and Sickness Can Happen At Any Age - In order to "get in the game" you must be reasonably healthy. Disability carriers will not issue or will severely limit policies issued to less than fully healthy individuals. I know, I know, you're immortal, right? The truth is that it feels like it, but it is not so. I have stacks of claims filed by "immortal" Physicians on my desk to prove it. I can give you all the statistics, but you would gloss right over them anyway. Odds of becoming disabled are **MUCH** higher than you think. You cannot guarantee your health in the future, so get covered while you can.

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Future Purchase Options (FPO) – This option hedges against the possibility of a disability precluding you from future coverage after “getting in the game.” Once you have a policy which includes this option, you can always get additional Disability Insurance as long as you qualify financially. See what we did there? From a Disability Insurance standpoint, we limited the effect of the fact that disability and sickness can happen at Any Age (see below for more on FPO).

You Will Never Be As Young As You Are Today – Disability Insurance premiums are based on your age and health status at the time you purchase your policy. Those premiums are set for the life of the policy, *which could extend 40 years*. If you “get in the game” now these low premiums will stay in place for the length of your career.

The Plans Are So Complicated. What Do I Do?

Most carriers will offer healthy Residents a policy with a \$5,000 Monthly Benefit – the starter policy. But, from that point, there are MANY moving parts to Disability Policies and so many decisions to make on options (Riders). So, the first thing you must do is make sure you consult with a qualified insurance professional specializing in Physician Disability Insurance whom you trust. Someone who will guide you in the right direction. Just as you would do with a patient. Next, you need to have a working knowledge of what provisions are primary and important; and you need to discuss those provisions with your insurance professional in the context of your family or personal goals. Here are the basic primary and important

options (oh, just read them, it will take you two minutes!):

Elimination Period (EP) – This is the period of continuous disability which must be satisfied before you are eligible to receive disability benefit payments. The longer the EP, the longer you wait until your first payment and the less expensive the policy is. Most policies have 90 or 180 day EPs. Weigh how long you can survive without a paycheck against the extra cost for a shorter EP and purchase a policy with the appropriate EP for you.

Benefit Duration Option – The most popular are To Age 65 or To Age 67. Get To Age 67 if you can afford it, but not at the expense of the “Get it!” items below.

Residual Disability Benefit Rider – In basic terms, this Rider allows you to receive a benefit when partially disabled. That means you are working some here and there, or you are working full-time but cannot perform all of your duties. Partial Disability is vastly more likely than Total Disability. You must protect yourself. Get it!

Own Specialty – This allows you to receive benefits if you are still able to practice medicine, just not in your Specialty. For example, if you are a Surgeon and a carrier finds you are able to be an “Insurance Doctor” just reviewing records, if you have Own Specialty you will collect benefits. If you do not, you will not. Get it!

True Own Occupation (Occ) / Transitional Own Occ Rider – These Riders allow you to earn income in another field (or Specialty) while disabled and still receive your benefit. With

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“True” you may earn unlimited income. With “Transitional,” your earnings plus disability benefit may add up to 100% of what you were earning before disability. Get one of these!

Future Purchase Option (FPO) Rider – This option allows you to obtain additional Disability Insurance in the future regardless of any adverse change in your health. If all goes well in your plan, you *know* your income will skyrocket from its Resident level. But you can’t *know* that your good health will continue until you are ready for more coverage. This option takes care of that issue. NOTE: carriers differ greatly in their FPO offers, so ask your insurance professional about the differences and be sure that your carrier has a robust provision in this area. Get it!

Unlimited Mental & Nervous – Many policies place a two year limitation on Mental and Nervous (M&N) Disorder disabilities or give you a discount if you opt for this limitation. The limitation could be “per occurrence” or “combined lifetime.” M&N disorders have the second highest claim rate (behind musculoskeletal claims), and in my experience are the types of claims I am most asked about from inception. Get Unlimited M&N if you can afford it (NOTE: some specialties cannot both get this AND Own Specialty True Own Occupation).

Cost of Living Adjustment (COLA) Rider – Generally, once you are on claim for (usually) a year, this increases your Monthly Benefit by 3% to 5%. NOTE: speak with your insurance professional about the differences in this option pertaining to straight 3% or 5% (compound or

simple) v. the lesser of change in CPI and 3%. Get it if you can afford it!

Catastrophic Disability Benefit Rider - This Rider provides additional benefits to you should you suffer a disability that causes you to be unable to perform 2 or more of the Activities of Daily Living or suffer a cognitive impairment requiring substantial supervision. Get it only if you can afford it after purchasing options above.

I Like All of This, But It Is Too Expensive. Should I Get a Policy With Step Rate or Graded Premiums?

Step Rate or Graded Premiums start off low but increase over time. They can be a good way of “getting in the game.” However, my experience is that insureds often forget to convert them to Level Premiums later and end up paying far more over time. If you can avoid this, do. But, if it is the only way for you to “get in the game,” then take advantage of the offer, pay attention and convert to Level Premiums the minute you get your permanent position contract.

Bottom Line? You are now armed with all the Resident Disability basics and are ready to consult with a qualified insurance professional specializing in Physician Disability Insurance whom you trust. If you possibly can, purchase a Resident Disability Policy *now*. Yes, it is an expenditure. But a necessary one as your ability to earn will be protected, and it only gets more complicated and expensive from here.

Executive Insurance Advisors, LLC

Disability Insurance

Gary F. Weltmann co-founded and became managing member of MD Group Insurance Advisors LLC (MD Group) in 2009 after having served as a member of the team which had historically been the exclusive consultant to insurance carriers in their physician segment. He then founded Executive Insurance Advisors LLC, an agency specializing nationally in Disability, Long Term Care and Life Insurance for Professionals, particularly Physicians. Gary's areas of expertise include plan design, contractual / policy consultation and analysis, claims management and individual hands on support. Gary has been designated a Group Benefits Disability Specialist (GBDS) by the National Underwriter Company.

Prior to co-founding his latest companies, Gary was a principal in several law firms and practiced as a contract litigator and transactional lawyer for nearly 20 years. Gary also served as the managing shareholder of a title insurance agency which he founded and grew from a local Maryland state agency with two employees to one licensed nationally and having more than 120 employees.

Gary graduated from Washington College of Law at The American University (1989) with a Juris Doctorate degree and from Lehigh University (1986) with a Bachelor of Science (Finance) degree.

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