

While You Are Able

Consider All Options in Disability Insurance

A neurosurgeon may be well acquainted with disability as it affects a patient, but the prospect of becoming disabled oneself deserves consideration. As a highly skilled professional, you have invested a tremendous amount of time and money in your career and deserve to insure all your years of training and experience.

In today's market, disability policies vary greatly in terms of the definition of disability, the contractual provisions offered and the premiums charged. As a result, it is important to take the time to compare each of the policies that you are considering and understand how the differences might relate to you as a neurosurgeon.

The two main types of disability insurance policies available are known as

- own-occupation and
- modified own-occupation.

Own-Occupation

Own-occupation policies contain the more liberal definition of total disability. This type of policy pays benefits if you are disabled and "unable to perform the substantial and material duties of your regular occupation." Your regular occupation is your occupation at the time disability begins.

The policy also states that "if you have limited your practice to a professionally recognized specialty in medicine, the specialty will be deemed to be your regular occupation." Therefore, if an accident or sickness prevents you from performing neurosurgery, you would be considered totally disabled and would collect full disability benefits. Furthermore, any income earned in a new occupation would not reduce your monthly disability benefits.

As of this writing, only one company still allows neurosurgeons to purchase a policy with this definition for the entire



benefit period (to age 65 or longer). Other carriers either have limited the own-occupation definition of disability to a maximum of two or five years or simply no longer make it available to neurosurgeons.

Modified Own-Occupation

Modified own-occupation (also known as a "loss-of-earnings" policy) has become the more prevalent type of policy in the industry today. It typically pays benefits if you are "unable to perform the substantial and material duties of your occupation and you are not working." Therefore, unless your policy contains a residual disability rider, no benefits would be paid if you choose to work in another occupation or medical specialty.

Residual disability means that you are at work and not totally disabled under the terms of your policy but, due to sickness or injury, your loss of income is at least 20 percent of your prior income. Generally, this rider also states that if your loss of income were more than 75 percent of your prior earnings, the insurance company would deem your loss to be 100 percent and full benefits would be paid.

A modified own-occupation policy offers the option of either collecting disability benefits or returning to work.

Merely having the ability to work would not affect your disability benefits. You would actually have to engage in another occupation (outside of neurosurgery) and earn more than 25 percent of your pre-disability income to have your benefits reduced.

For example, if you were earning \$300,000 and purchased an own-occupation policy with a monthly benefit of \$10,000 (\$120,000 annually), you could become as financially successful as you wanted in a new occupation without affecting your disability benefits. However, if your policy contained a modified own-occupation definition and you earned more than \$75,000 (25 percent of your prior income), your benefits would be reduced.

Cost and Availability

Although you might suspect that an own-occupation policy would be substantially more expensive than the modified version, there often is very little difference in cost. However, the sole insurer that still offers own-occupation policies to neurosurgeons has introduced a new policy series that includes substantial rate increases. Those who live or work in New Jersey, Massachusetts and California or other states that have not yet approved the rate increases can lock into significantly lower premium rates while they are still available.

Some may feel that if a neurosurgeon cannot operate but decides to work in another capacity earning a similar income, he or she should not be entitled to receive disability benefits. However, the fact that you might be resourceful, talented or motivated enough to pursue a new career should not affect your disability benefits.

Finding a disability policy that will meet your individual needs can be a challenge. A professional insurance agent who specializes in working with physicians and who knows which companies' policies are best suited to neurosurgeons can help simplify the process. ■

Lawrence B. Keller, CFP®, CLU, ChFC, RHU, LUTCF, is the founder of Physician Financial Services, www.physicianfinancialservices.com, New York.