

Protecting your standard of living if your ability to practice is lost

BY LAWRENCE KELLER, CFP

No plastic surgeon wants to think about the possibility of losing his or her ability to practice, but it's an unfortunate reality that even those who've dedicated their lives to restoring form and function can suddenly find themselves unable to work. This article is not meant to instill fear, but rather serve as a primer to help ASPS members find a policy that would best meet their individual needs and goals in today's marketplace.

Typically, "total disability" or "totally disabled" means that due to an accident or illness, you're unable to perform the "material and substantial" duties of your occupation. Some companies will even go so far as to state that if you have limited your practice to a professionally recognized specialty in medicine, it will be deemed to be your occupation. This means, if you're a plastic surgeon and cannot perform plastic and reconstructive surgery, due to an accident or sickness, you would be entitled to receive full disability benefits – and not have the income you earn in another occupation or medical specialty adversely impact your benefits.

At the time of this writing, depending upon your state residence, you may have as many as six companies from which to choose, including Berkshire (Guardian), Standard, MetLife, Union Central, Principal and MassMutual. All of which make this definition of "Own-Occupation" disability available to plastic surgeons.

Beware the agent who tells you that a policy with a true "Own-Occupation" definition of disability is "no longer available" or that you

"don't need it." They may be telling you this because their company no longer offers it; they don't have the ability to sell it; or it's simply not in their best interest to present it to you.

Residual disability

While "Own-Occupation" is the most liberal definition of disability, there's a potential problem associated with it. What happens if due to an accident or sickness, your physician says you can still perform plastic and reconstructive surgery – but he or she requires that you work fewer days per week, less hours per day, or limits the number of surgeries that you can perform?

While the "Own-Occupation" definition of disability best protects your specialty, it doesn't adequately protect your income. In fact, in the situation above, without a Residual or Partial Disability rider added to your policy, it would not pay benefits at all.

Generally, to qualify for residual disability benefits, you must experience an income loss of 20 percent or more compared to your pre-disability earnings. Additionally, if your loss of earnings were greater than 75-80 percent, then 100 percent of your monthly disability benefit would be paid.

While any policy you purchase should include a Residual Disability Rider, what happens if all you have is a loss of income? In short, what if you're no longer sick, but your income is, due to your prior disability?

A recovery benefit continues to pay benefits (in the same fashion as the Residual Disability rider) if you return to your practice on a full-time basis with no loss of time or duties, but you continue to suffer a loss of income. As a specialist, your practice may

have been built on referrals from existing patients and/or other physicians. If there's a demonstrable relationship between your current loss of income and your prior disability, some companies will continue to pay benefits to age of 65 or longer, as long as the required loss of income is met.

Other companies, however, may limit payments to a maximum of six, 12, 24 or 36 months – even if you continue to suffer a loss of income. Therefore, if your income is based upon the number of patients that you see and/or the number of procedures that you perform, you might want to make certain that the policy you purchase contains a liberal recovery benefit.

COLA rider

A Cost of Living Adjustment (COLA) rider is designed to help your benefits keep pace with inflation after your disability has lasted for 12 months. This adjustment can be a flat percentage or tied to the Consumer Price Index. Although expensive, this rider can provide significant increases to your monthly benefit if you are disabled early in your career. That being said, if cutting the cost of coverage is an issue, this might be the first optional rider to consider excluding from your policy – it can add 15 percent or more to your premium.

Future purchase option rider

This rider is a must for young physicians. It allows you to apply for additional disability coverage, regardless of your health, as your income rises. Essentially, you're paying for the right to increase your policy's monthly benefit without undergoing another exam, blood test or urine test, or answering any medical questions. This guarantees that any medical conditions that develop after your original policy's purchase would be fully covered, and not subject to new medical underwriting.

It's important to know if the purchase will be in the form of an increase to an existing policy or in the form of a new policy. An increase to an existing policy is best, as it guarantees that all policy provisions remain the same and are issued on the same rate basis as the original policy.

Issue & Participation limits

For many years, the maximum benefit available to plastic surgeons was limited to \$10,000 or \$15,000 per month, regardless of their earned incomes. Several companies will now issue policies with monthly benefits up to \$15,000 or \$16,000 month, and which participate with other carriers' individual and group Long Term Disability coverage up to \$25,000 month. Therefore, I typically suggest that plastic surgeons purchase their disability insurance from at least two companies to ultimately allow themselves to reach this level of coverage.

For young plastic surgeons

Monthly benefits offered to Residents and Fellows have increased substantially. These beginning professionals can purchase up to \$5,000 and "New In Practice" plastic surgeons (within 180 days of entering practice, or up to 12 or 24 months of graduation, depending upon the specific insurer) can apply for up to \$6,500 month – without regard to their actual earned incomes or long-term disability insurance benefits being provided by a future employer.

Multi-life or association discounts

Although women "actuarially" are better risks for life insurance compared to men, the

opposite is true for disability insurance. As a result, women may pay 50-75 percent more for their policies.

Fortunately, many disability insurance carriers offer a "multi-life" discount when several physicians from the same hospital, department or practice purchase individual policies at the same time. While these programs typically produce a savings of 10-15 percent for males, this strategy allows female physicians to save up to 60 percent on the cost of their disability insurance.

It's important to note that many teaching hospitals have existing programs that you can access – without having to take the time and effort to establish them. You should make sure to ask your insurance agent or financial planner about the availability of these programs – or look for one that specializes in working with physicians, as they most likely have access to several of them.

Foreign residence and travel

While some carriers allow an insured to travel or reside in countries outside the United States or Canada, the majority of carriers will limit payments for claims outside those jurisdictions unless the insured returns home for a proscribed period. Therefore, if you consider practicing medicine outside of the United States or choose to leave the United States in the event you were disabled, you should carefully examine how the policy or policies you're considering would handle your claim for benefits.

Mental and nervous conditions

While some carriers will cover claims for mental and nervous conditions in the same fashion as other disabilities, the majority of companies limit these claims to a lifetime maximum of 24 months. This limitation is invoked if the primary cause of disability was solely a psychiatric or substance abuse disorder or diagnosis including, but not limited to, post-traumatic stress syndrome, anxiety, depression and or alcohol abuse/addiction. Although many plastic surgeons will opt to purchase a policy with the fewest restrictions, some willingly accept a policy with this limitation in order to take advantage of the cost savings associated with it.

Warning: Florida and California

It's not unreasonable to think that most plastic surgeons would rather be on the beach than in their offices. Therefore, claims experience has been extremely poor in these states. As a result, policies are typically 10-20 percent more expensive, but with less-liberal contract provisions. If you're not in Florida or California now, but plan on moving or returning to either one of these states, you should purchase your policy before you get there. You'll be able to lock into lower premium rates for your initial coverage.

Summary

Increased competition and favorable claims experience in the disability insurance industry have caused several companies to make changes to the policies available to plastic surgeons – including premium rate reductions and higher benefit limits. As a result, plastic surgeons once again have the opportunity to adequately protect their most valuable asset – their ability to earn an income. www.physicianfinancialservices.com

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