

DISABILITY INSURANCE: THE DEVIL IS IN THE DETAILS

by Lawrence B. Keller, CLU, ChFC, CFP®

I began specializing in disability insurance planning for physicians nearly 20 years ago. Since that time, the disability insurance policies made available to physicians have continually changed. However, one thing has remained constant: many dermatologists, often unknowingly, make poor choices when it comes to protecting their most valuable asset — their ability to earn an income.

This article will help you understand how policies are offered, why certain provisions must be included in your policy, and how to find the best coverage in today's marketplace.

How Policies are Offered

Disability insurance can be purchased on an individual or group basis. Group insurance is usually provided by your employer or purchased individually from a sponsoring medical association. Although initially low in cost, group policies have several limitations. They can be canceled (by the association or insurance company), rates increase as you grow older, and premiums are subject to adjustments based on the claims experience of the group. In addition, group and association contracts often contain restrictive definitions of disability as well as less-generous contract provisions.

Most insurance companies will issue disability insurance coverage equal to approximately 60 percent of earned income, however, physicians just entering practice (generally, in their first two years) are provided with "special limits." These special limits permit them to purchase benefits in excess of what their current earnings would normally allow.

The Cost of Disability Insurance

Premium rates are based on several factors including age, gender, monthly benefit, optional riders selected, and the occupational classification the insurance company assigns to your medical specialty.

The younger you are when the purchase is made, the lower the cost of the insurance. Therefore, you should purchase a policy as early in your career as possible to lock in lower premium rates.

Although women are considered better risks for life insurance coverage, this is not the case with disability insurance. Rates for fe-

males are substantially higher and their policies generally cost 50 to 60 percent more than men. However, unisex rates may be available by taking advantage of a "multi-life" discount. This arrangement typically requires that three or more policies are purchased by individuals employed at the same medical practice or hospital. While this strategy will allow female physicians to save as much as 50 percent on the cost of their policies, often there is little or no savings for males. In fact, with some companies, the male rates will actually increase. For this reason, one must consider any potential savings based upon the overall makeup of the practice and the individuals to be insured.

The occupational classification assigned by the insurance company to your medical specialty will significantly impact the premium rates as well as the policy provisions offered to you. Generally, if you perform invasive procedures, you will be placed in the "surgical" category, where the definition of disability may be more restrictive and the premiums charged will be higher as compared to those of a non-invasive, non-surgical physician. Each insurance company has its own occupational classification guide and insurance companies may treat the same medical specialty differently.

Although it can be an invasive specialty, especially for those performing liposuction or Mohs micrographic surgery, some companies do not place those dermatologists in the "surgical" category. As a result, the definition of disability available is more liberal and the premium rates are lower than if they had been classified as surgeons.

What to Look for in a Disability Policy

The **renewability provision** is one of the key features of an individual disability income insurance policy. This provision defines your rights when it comes to keeping your disability policy in force. If you purchase a policy that is *non-cancellable* and *guaranteed renewable*, you can remain in control of your fi-

ancial security. The insurance company cannot cancel, increase your premiums, change any provisions, or add restrictions to the policy — even if the issuing company no longer offers similar policies in the future.

Definition of Total Disability

Arguably, the definition of disability is the most important aspect of a disability policy. As a physician, you must pay careful attention to the definition of disability found in your policy as it will ultimately determine how any claim you make for benefits will be judged. For purposes of this article, I will limit my comparison to an "own-occupation" and a modified "own-occupation" definition of disability.

Although difficult to find, "own-occupation" (also known as true or pure own-occupation) is usually the definition of choice for dermatologists as it is the most liberal definition of total disability available. This type of policy pays benefits if you are disabled and "not able to perform the material and substantial duties of your occupation." Therefore, you would collect full disability benefits if you could no longer practice dermatology and/or perform dermatologic surgery, even if you decided to work in another occupation or medical specialty, earning the same or more income than you did as a dermatologist. Beware the agent that tells you that this 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 and/or they do not have the ability to sell it to you!

More common is **modified "own-occupation"** (also known as a "Loss of Earnings"). This type of disability policy has become the most prevalent in the industry today and typically pays benefits if you are "unable to perform the substantial and material duties of your occupation and you are not working." Although benefits are still contingent upon your ability to practice dermatology and/or perform der-

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See **Insurance** on page 4

matologic surgery, this definition will not allow you to continue receiving full disability benefits if you are working in another occupation or medical specialty.

In my opinion, if the premium difference between these definitions is not significant, given the choice, why would a highly skilled physician purchase anything other than a policy with a true "own-occupation" definition of disability?

Optional Riders

Unless your policy contains a residual disability rider, you may have to be totally disabled to collect any benefits. While an "own-occupation" policy protects your ability to practice dermatology and/or perform dermatologic surgery, it may not sufficiently protect your income level. There are many disabilities that might allow you to continue working in your occupation, on a limited basis, while suffering a loss of income. Adding a residual disability rider to your policy would allow you to continue receiving benefits, proportionate

to your loss of income, if you returned to dermatology on a part-time basis. Furthermore, with policies such as modified "own-occupation", this rider might allow you to continue receiving benefits if you decided to work in another occupation.

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. Ideally, you want a COLA that is adjusted annually on a compound interest basis with no "cap" on the monthly benefit. Although expensive, this rider can provide significant increases to your monthly benefit if you are disabled while you are young. However, if cutting the cost of coverage is an issue, this

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might be the first optional rider to consider excluding from your policy.

A Future Increase Option Rider is a must for young physicians. It provides you with the ability to increase your disability coverage, regardless of your future health, as your income rises. Essentially, you are paying for the right to increase your policy's monthly benefit without doing another exam, blood 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 is important to know when you can increase your coverage, as well as by what increments, on any given op-

See *Insurance* on page 6

FINDING PEER-REVIEWED DERMATOLOGY E-RESOURCES ONLINE

Whether in academia, group, or solo private practice, most practicing dermatologists yearn for the intellectual stimulation from collegiality experienced during residency and/or fellowship. Attending regular lectures, reviewing book chapters, and participating in journal clubs are integral parts of this stimulation. In academia, access to electronic and print journals is facilitated by the departments. However, in private practice access can be much more challenging. Fortunately, as Internet usage has expanded and medical literature search engines such as pubmed.org have blossomed, more publishers are moving to full access electronic formats. In addition to the standard journal content, journal Web sites usually provide sophisticated internal search engines and enhanced graphical content.

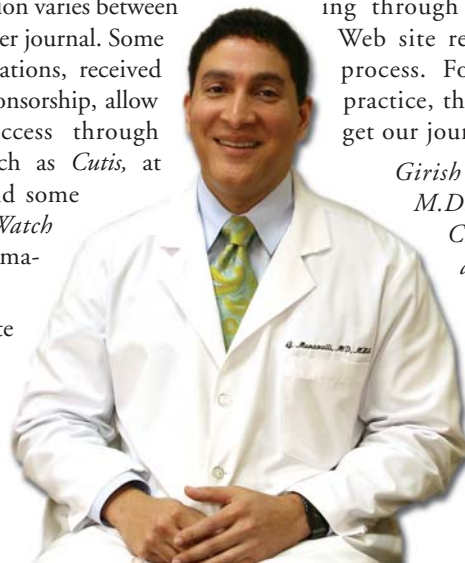
Two such journals, which are accessible online, are the *Journal of the American Academy of Dermatology (JAAD)* and the *Archives of Dermatology*. Membership in the Aca-

demy grants full online access to the *JAAD* through the Academy's Web site (www.aad.org). For the *Archives*, membership in the AMA and/or grant funding from pharmaceutical companies will usually allow complimentary online access. For other journals, a general rule of thumb is once a print subscription is purchased, online access is complimentary. Unfortunately, this can be cost prohibitive for subscriptions to multiple journals because the average cost for a year's print subscription varies between \$140-250 per year, per journal. Some journals and publications, received through industry sponsorship, allow for free online access through their Web site (such as *Cutis*, at www.cutis.com), and some do not (*Journal Watch Dermatology* at dermatology.jwatch.org).

If you are in private practice and hold an

adjunct, volunteer, or clinical professor position at a teaching institution, be aware that most institutions will allow teaching faculty to get free online access to multiple electronic journals through VPN access. Information on how to do this should be available through departmental administrators. For example, Johns Hopkins University allows free VPN access for teaching faculty. Although access information wasn't readily available to me, browsing through the university library Web site revealed the registration process. For those us in private practice, this can be a great way to get our journal fix!

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cised, tumors in the mask zone or H zone of the face, large tumors (>2 cm), and tumors with aggressive histologic features such as infiltrative or basosquamous histology or those with perineural invasion.

Standard excision

Excisional surgery with the specimen submitted for histologic margin evaluation is an extremely effective treatment method for BCC. It is generally well tolerated by most patients and provides good cosmetic results when coupled with good surgical planning and careful attention to closure. For well-defined non-morpheaform BCCs, the accepted margin of 4 mm clears approximately 98 percent of BCC.

Curettage and Electrodesiccation

Curettage (CE) and electrodesiccation (ED&C) is an easy, safe, fast, and generally effective treatment modality for small superficial BCC or well defined small nodular BCCs in low risk areas. CE can achieve over 90 percent cure rate in properly selected tumors. Its effectiveness is operator dependent. Disadvantages include lack of margin control and cosmetically conspicuous scarring.

Immune response modifiers

A relatively new addition to our armamentarium for BCC is imiquimod cream. Through its interaction with Toll-like receptor 7, a cy-

tokine response is induced. Our dermatologic journals have published a plethora of articles with case series and reports of novel uses for imiquimod cream. While dermatologists are at the forefront of off-label use of many medications, we must remember to counsel patients for whom we are contemplating imiquimod's use that it is FDA approved only for superficial BCC, less than 2 cm in diameter of the trunk (non-genital skin), neck, and extremities. Used in this way, the studies have shown over 80 percent effectiveness in histologically clearing superficial BCC. Effectiveness on nodular BCCs has been considerably less than superficial BCC. I believe we have just seen the tip of the iceberg in novel and effective uses of imiquimod as a stand-alone therapy or as adjuvant therapy coupled with other treatment modalities.

Photodynamic therapy

Photodynamic therapy (PDT) has seen renewed press in recent years. The concept behind PDT is that light energy is used to selectively destroy previously sensitized target tissue. The sensitizer used is usually a porphyrin derivative that is activated by the light to induce an oxygen dependent cytotoxic reaction. PDT remains an evolving modality and deserves following in the literature as it is refined.

Cryosurgery

Cryosurgery as a stand alone treatment has reported cure rates in the high ninetieth percentile for well-defined nodular BCCs less than 1 cm in size. However, to properly employ cryosurgery for BCC, a cryoprobe to determine tissue temperature to adequate depth is required. Many recent graduates may have never seen this technique in our years of training, so it may not be something that comes to mind as an option. The treatment can be painful and healing may be slow. It may be considered when a patient's ill health limits tolerable treatment options.

Radiation, laser surgery or ablation, and intralesional or topical chemotherapeutic agents are also methods on our list of options. As dermatologists, we have many options for BCC to present our patients. Each treatment plan should be tailored to the individual patient, and their tumor. Keeping in mind that the best offense is a strong defense, we are obligated to counsel all of our patients on the most controllable variable in the development of BCC, their sun exposure habits.

¹ Christenson LJ et al. "Incidence of Basal Cell and Squamous Cell Carcinomas in a Population Younger than 40 Years." *Journal of the American Medical Association*. 2005 August 10;294(6):681-90.

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tion date. Some companies may allow you to use your entire option in one year as long as your then-current income warrants the increase. Others, however, may limit the amount that you can purchase.

Summary

While some disability insurance companies continue to view the "medical market" with skepticism, other carriers are aggressively pursuing this type of business. As a result, finding a disability policy that will meet your individual needs can be a challenge. The best approach is to employ the services of a professional insurance agent who specializes in working with physicians. He or she will not only be familiar with your occupation, but with which companies' poli-

cies are best suited to your particular specialty. You and the agent can decide which insurance company's policy best meets your individual insurance needs.

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The above information and opinions represent the perspective of the author and should not be construed as advice from the American Academy of Dermatology or the Young Physicians Committee or substituted for professional financial advice. ☺

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