



Money matters

Disability insurance for emergency physicians: The 2010 scoop



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This time of year always brings about discussion regarding the importance of disability insurance and income protection. Emergency physicians are no strangers to disabling injuries, as they often witness them firsthand. In the first 20 years of practice, your disability program is one of the most vital components of your financial plan.

A recurring question among residents is how to purchase appropriate disability insurance. This article is a “nuts and bolts” explanation of disability terms and conditions. An understanding of these terms will enable you to make informed purchasing decisions.

The disability marketplace continues to be competitive for emergency physicians. Some of the recent developments that impact you specifically are:

- There are now **four** individual disability contracts (in most states) with own occupation (specialty specific) language for the life of the contract.
- Premium costs overall have **decreased** recently due to an increasingly competitive market.
- A graduating resident can now obtain up to \$6,500 per month in benefit in some situations (prior to signing a contract).

Following are the terms and conditions that I find myself advising on frequently.

Own occupation (specialty specific) wording

The own occupation period is the length of time that you will be eligible to receive **FULL** benefits under your contract, as long as you cannot practice emergency medicine. Be aware that there are less comprehensive variations of own occupation. Some of the most common are:

- Own Occupation and Not Working
- Own Occupation and Any Reasonable Occupation
- Transitional Own Occupation

Understand that with a true own occupation contract, you could conceivably be working outside of emergency medicine and still receive the full benefits under your contract!

Residual disability

This is as important as own occupation. Imagine you become injured and you are out of the emergency department for eight months. If you wish to return to the emergency department as soon as possible, you need to understand the residual definition in your contract. The residual clause will determine how much money you receive, the duration of the payments and when you can return to work as an emergency physician. Understand this benefit, how long it will pay and if there are any clauses such as time or earnings that could discontinue payments.

Guaranteed purchase option

An option to purchase simply gives you



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the right to potentially increase your benefits in the future, if your income will justify it. It ensures that any future medical history will not impact your ability to increase your benefit. It does not guarantee, however, that you can purchase more protection. Given the often transitory nature of emergency medicine, I recommend this option. If you will be an independent contractor and currently have a clean medical history, this is a must have.

Cost of living

Every individual contract should have a cost of living (COLA) feature. This increases your benefit every year that you remain disabled and on claim, protecting your income from the rising cost of inflation over time. I recommend this to be a compound increase, rather than a simple increase.

Monthly benefit amount

As a resident, you can protect future earnings by purchasing disability coverage before you finish your training. **You can purchase up to \$6,500 per month of tax-free benefit** while still in training as either a resident or fellow. This opportunity expires the day you complete your program. If you bring this into practice and have 60 percent of your income covered by your employer, your two programs now stack on top of each other. This allows you to protect a higher proportion of your income than if you waited until after residency. You can also purchase another \$9,500 of future income protection. This allows you to ensure

\$350,000 of future income!
A competent disability advisor will be able to compare multiple contracts, design an appropriate strategy and negotiate the terms of the contract(s) if there are any medical complications.

As EMRA members, you can obtain a personal analysis and apply for benefits by visiting www.integratedwealthcare.com/education/ and clicking on the EMRA link. You can also view two educational videos on the topic, further explaining this opportunity.

An adequate disability income program will provide you with the confidence of knowing that your time and effort is fully insured and that your family’s financial security is protected from any unexpected loss of income. ■

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