

Guide to Disability Insurance
M.D. Financial Services
713-966-3930
info@mdfinancialservices.com
mdfinancialservices.com

In simple terms, Disability Insurance provides you and your family with income should you become unable to work due to illness or injury. However, Disability Insurance is one of the most complex and misunderstood insurance products there is. Why? Think about life insurance. It's fairly clear when a life insurance policy pays a benefit. You are either dead or not! But, when a disability occurs there is often ambiguity in the degree of your disability and how that impacts your ability to perform your specific occupation or any occupation. There are illnesses and injuries that result in obvious severe disabilities that are uncontested. However, many disabilities are not so clear and therefore a determination has to be made by the insurance company as to what your real ability is to do your job, and that sometimes leads to a disagreement between you and the insurance company. How disabled are you? What duties in your job can you perform? How long can you perform them? These are all questions that have to be answered.

Key Provisions in a Disability Policy

Definitions of Long-Term Disability

The contractual definition of disability varies among disability policies. The strength of the definition is the key aspect of a policy that determines whether your injury or illness qualifies you for a claim and for how long. Listed below are the different types of definitions in order of strength:

1. **Pure Own-Specialty Definition:** If you are unable to work in your specialty after long-term disability, full benefits are payable even if you are working in a different specialty or a different occupation altogether.

2. **Transitional Definition:** If you are unable to work in your specialty, full benefits are payable. If you choose to be employed in another occupation, full benefits will be paid until post disability earnings plus disability insurance benefits equal pre-disability earnings.

3. **Own-Specialty and Not Engaged Definition:** If you are unable to work at your specialty, full benefits are payable if you are not working at a different occupation. Proportionate benefits are payable if you work in a different occupation, but experience a loss of income. (Key: choice to work in another occupation is yours and not the company's).

4. Own Specialty for a Limited Time Then Any Reasonable Occupation

Definition: If you are unable to work at your specialty due to long-term disability, full benefits are payable for a limited time period (usually 2 years). After that, you must be unable to perform the duties of any reasonable occupation. Key: (choice to work in another occupation is not yours. The insurance company can stop paying your claim if you are able to work in another occupation).

Residual Disability Benefits

If you are disabled but able to work, and your income is reduced because you cannot fulfill all the duties of your occupation, residual disability benefits can help make up the difference in income. This feature is standard in some policies and added as an optional rider on others. Please note that some employer group or association policies require you to be totally disabled prior to being eligible for residual benefits. Individual, own occupation policies generally provide total and residual benefits regardless of the timing.

Cost-of-Living-Adjustment Rider

This policy option increases benefit payouts by a specified percentage after each year of disability. This feature only begins after the first year of disability. Therefore, it is important to monitor your coverage level through the years while you are not disabled.

Future Increase Option

An optional feature that allows an insured to purchase additional amounts of disability insurance in the future, with a requirement of only financial (but not medical) insurability.

Three ways to get Long Term Disability Insurance

It is generally considered that the best health insurance is provided by an employer or association and individually owned health insurance is not as strong. It is the opposite with Disability Insurance! **Individually owned policies generally contain the strongest provisions and definitions of disability to protect a physician.**

Group disability insurance contracts available through an employer contain the same provisions for all employees in a company, regardless of income level. They usually offer only a one or two year rate guarantee, and provide for weaker definitions that do not protect you in your occupation or sub-specialty for more than a limited number of years.

Association disability insurance contracts offered through an association you may be a member of usually strongly resemble group contracts and offer weaker provisions as well.

Only individually owned contracts contain the strongest definitions of disability to protect you in your medical sub-specialty, and are non-cancellable and guaranteed renewable policies.

A specialty specific long-term disability insurance product will give you the peace of mind knowing you can still take care of yourself and your family if you become disabled and can no longer work. At M.D. Financial Services, we have perfected the process of designing and matching you with the policy that fits your unique needs.

Since 1993, our representatives have helped thousands of physicians get the disability coverage they need at discounted prices.