

5 Common Mistakes Doctors Make When Choosing Disability Insurance

And what to do instead



Disability insurance is vital for doctors, offering financial stability if they're unable to work due to illness or injury. However, selecting the right policy can be complex. This white paper highlights five common mistakes doctors make when choosing coverage and provides tips to ensure adequate protection for your career and future.

1. Relying Solely on Employer's Group Disability Insurance

While employer-provided group disability insurance may seem convenient, it often falls short for doctors. Here's why relying solely on group coverage can be a mistake:

- **Only Covers a Portion of Your Income:** Group policies typically cover just 60% or less of your income, excluding production bonuses. For high-income earners like doctors, this creates a significant gap between the benefit and what's needed to maintain your lifestyle.
- **Benefit Offsets:** Group policies may reduce your benefit if you earn from another job or receive income from other sources, like Social Security. This further decreases your potential support during a disability.

- **Restrictive Definition of Disability:** Many group policies lack an “own-occupation” definition, essential for physicians. Without it, you may not receive benefits if you’re able to work in another field, even if unable to perform your specialty.
- **Tied to Your Employer:** Group policies aren’t portable. Changing jobs may end your coverage, leaving you unprotected and potentially facing higher costs for individual policies later.
- **No Guarantees:** Employers can change or cancel coverage at any time, risking your support.
- **Taxable Benefit:** Employer-paid premiums mean benefits are taxable, reducing your net benefit during a disability.

Solution: Consider supplementing your group policy with an individual disability insurance plan tailored to your needs. Individual policies provide more comprehensive coverage, including own-occupation definitions and portability, ensuring you’re protected even if you change jobs.

2. Buying from a Medical Association

Many physicians turn to their medical association for disability insurance, thinking it's a secure and affordable option. However, association policies often have several limitations that make them a less-than-ideal choice:

- **Premiums Are Not Fixed:** Unlike individual policies, which usually offer guaranteed level premiums, association policies have variable rates which increase every five years. According to the AMA, your \$2,000 premium right out of residency could climb to over \$9,000 by the time you're 55 and \$11,000 by age 60!
- **No Guarantees:** Association policies often lack guarantees, allowing the insurer or association to change or cancel terms. A common issue is that "own-occupation" coverage—providing benefits if you can't work in your specialty—can be revised to "any occupation" coverage. With "any occupation," benefits are only paid if you can't work in any job, which greatly limits coverage and situations where benefits would apply.

- **Offsets with Employer-Provided Coverage:** If you have a group disability policy through your employer, the benefits from an association policy may be reduced, which can limit the amount you'd receive during a disability.

Solution: Evaluate individual disability policies that offer fixed premiums and robust guarantees. These policies are typically more stable, providing reliable protection throughout your career, with fewer restrictions on benefits.



3. Choosing the Cheapest Policy

While it may be tempting to select a policy based solely on price, going with the cheapest option can lead to significant coverage gaps. Here's why choosing the lowest premium isn't always the best choice:

- **Inadequate Coverage:** Cheaper policies often lack critical riders and benefits, such as residual disability or own-occupation coverage. Without these, you might not receive benefits if you're partially disabled or unable to perform your specific medical duties.
- **Lower-Rated Insurance Companies:** Some smaller, lower-rated insurance companies offer lower premiums to attract customers. However, these companies may not have the financial stability to pay out claims when needed, putting your coverage at risk.

Solution: Prioritize quality over price by choosing a reputable, highly-rated insurance company with a policy tailored to your needs. Make sure it includes essential riders and benefits that offer comprehensive coverage for your specialty.

4. Waiting to Buy

Disability insurance is one of those things that only gets more expensive with time. Waiting to buy can lead to several issues, including higher costs and potential ineligibility. Here's why delaying your purchase is a mistake:

- **Costs Increase Over Time:** Disability insurance premiums are largely age-dependent, meaning the longer you wait, the higher your premium will be. Buying sooner can lock in a lower rate for the life of the policy.
- **Health Could Change:** As you get older, the chances of developing a health condition increase. Health changes can lead to exclusions, higher premiums, or even disqualification from coverage, making it harder or more expensive to get the protection you need.
- **Easier to Qualify When Young:** Insurers tend to be more lenient with younger applicants, especially medical residents. Buying early can make it easier to qualify for a high-quality policy with all the necessary benefits.
- **Risk of Disability While Waiting:** Accidents and illnesses can happen at any time. Waiting leaves you exposed to financial risk if something were to happen before you secured coverage.

Solution: The best time to buy disability insurance is when you're young and healthy, ideally during residency. Locking in a policy early ensures lower premiums and more comprehensive coverage throughout your career.



5. Neglecting to Work with a Specialist

Disability insurance can be complex, with various policy options, riders, and definitions of disability. Many doctors make the mistake of working with a general insurance agent rather than a specialist who understands the unique needs of doctors. Here's why this can be a costly mistake:

- **Complex Needs for Physicians:** Doctors have unique needs when it comes to disability insurance, especially with own-occupation definitions and specialty-specific riders. A specialist can tailor coverage to ensure you're fully protected.
- **Guidance on Essential Riders:** A disability insurance specialist will know which riders are essential and which are optional, helping you create a policy that's both comprehensive and cost-effective.
- **Understanding Policy Language:** Insurance language can be complicated, and a specialist can help clarify the terms, ensuring you understand exactly what's covered and what's not. This reduces the risk of surprises if you need to file a claim.

Solution: Seek out an insurance advisor who specializes in disability insurance for doctors. They can help navigate the complexities, recommend the right riders, and secure a policy tailored to your career and financial goals.



Conclusion

Choosing the right disability insurance policy is a crucial decision for doctors, as it protects your income and financial future in the event of a disabling injury or illness. By avoiding these five common mistakes—relying solely on employer group insurance, buying from a medical association, choosing the cheapest policy, waiting to buy, and not working with a specialist—you can secure a policy that provides comprehensive and reliable coverage. Partnering with a specialist and acting early will ensure you're well-protected, giving you peace of mind and financial security throughout your career.



If you're ready to get started, head on over to **doctordisability.com** to request your free personalized quotes.