

Percent of today's 20-year-olds will become disabled at some point during their career.

Chances of Disability: Disability Statistics, Council for Disability Awareness September 30, 2021

What Is Disability Insurance?

Disability insurance is designed to replace a portion of your monthly income if you are unable to work due to an illness or injury. The monthly benefit from disability insurance can help cover expenses, maintain your standard of living and provide financial stability until you return to work.

Your income is the foundation of your entire financial plan. It's the thing that makes everything else possible. Think of disability insurance more as income protection – something that helps keep your larger financial plan intact.

Illness Causes Most Disabilities

According to the JHA Group Disability Rate and Risk Management Study, the causes of most disabilities include back pain, nervous system disorders and heart disease.



One in seven American workers are disabled for five years or more during their working years.

Disabled People in the World in 2021: Facts and Figures," Inclusive City Maker, November 26, 2021.

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Disability Income Insurance Protects Your Most Important Asset – Your Income

Even if you are an exceedingly cautious person who has enjoyed robust health, you never know when you might need disability insurance to cover a long-term absence from work. It can be a lifeline in your time of need and get you through a period where you are unable to earn an income.



“It’s better to be safe than sorry” might be a cliché, but that doesn’t make it untrue.



A 35 year-old earning \$200,000 a year could earn more than \$9.5 MILLION by the age of 65.
(health permitting)

What Should I Look For In a Policy?

As a physician, you should look for *disability income protection designed specifically for physicians*. Your strategy for income protection requires certain features and benefits that you aren’t going to find in an off-the-shelf disability product. Understanding what to look for will help you secure the type of coverage you may need. This guide highlights those features you should consider when shopping for disability income insurance.

Is the Policy Non-Cancelable And Guaranteed Renewable?

A non-cancelable and guaranteed renewable policy provides considerable security, since the insurance company can’t raise your premium or cancel the policy for as long as you pay the premiums. A policy that is only “guaranteed renewable” can increase premiums under certain circumstances. Non-cancelable and guaranteed renewable policies are generally more expensive than other types of disability income insurance.

Understand How Disability is Defined - When you buy disability coverage, you're essentially buying the insurance company's definition of disability.

Own Occupation - This refers to the occupation or medical specialty you were working in just prior to your disability. If your "own occupation" is protected, the policy will not require you to work in another occupation. This is sometimes referred to as "regular occupation" or "your occupation."

- With a **Modified Own-Occupation** definition of Total Disability, you would typically be eligible for total disability benefits when you are unable to perform the material and substantial duties of your occupation solely due to injury or sickness and you are not gainfully employed. After you return to work benefits are reduced based upon other income received.
- A **True Own-Occupation** definition of Total Disability makes it possible for you to work in another occupation/medical specialty and still be eligible for total disability benefits; if you return to work in another occupation benefits would not be reduced based upon other income received. Typically, you would be considered totally disabled if, solely due to injury or sickness, you are unable to perform the material and substantial duties of your occupation/medical specialty.

With a "True" Own Occupation definition, if you have the energy, interest, and motivation to pursue another occupation, while totally disabled in your occupation, you may do so and still be eligible for your total disability benefits.

Any Occupation - Some policies will not pay benefits if you can perform "any" occupation you are suited to, based on your education, training and experience. This definition tends to be very restrictive and is often found in group disability contracts. As a physician, it's important to make sure your policy considers you disabled if you cannot perform the substantial and material duties of your own regular occupation.

Other Important Terms and Features:

Elimination Period - The elimination period is the number of days you must be disabled before policy benefits become payable. Options are 60 days, 90 days, 180 days and 365 days. The longer the elimination period, the lower the premium. The most common elimination period is 90 days. Some plan won't pay benefits if you work during the elimination period, making a shorter elimination period desirable for physicians.

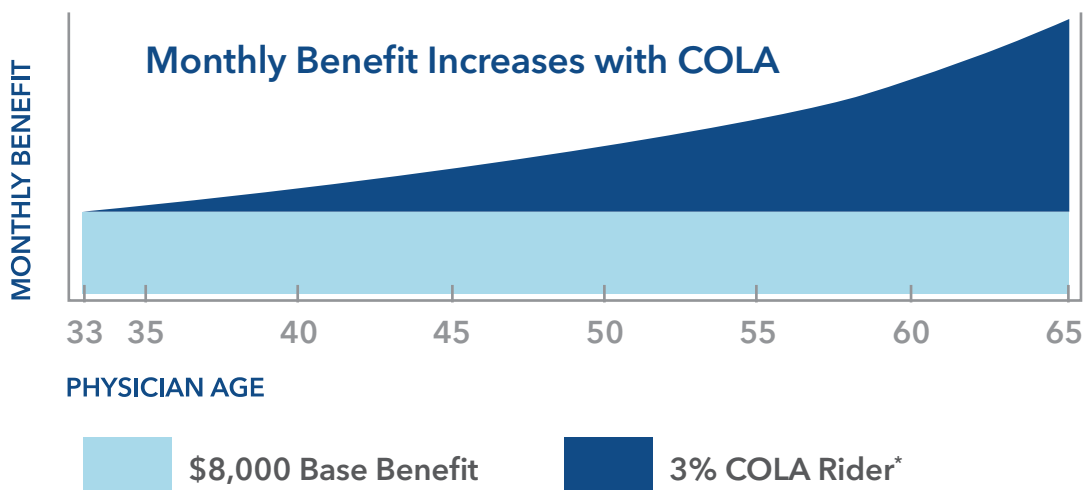
Maximum Benefit Period - This is the maximum period of time for which benefits are paid for any one period of disability. Typical options are 2 years, 5 years, to age 65, to age 67 and to age 70. The longer the benefit period, the higher the premium. The most common benefit period today is to age 65.

Residual Disability Rider - Not all disabilities are "total". You may suffer a residual disability that limits your ability to work and results in decreased income. The residual benefit protects you by paying a partial benefit if you have a partial disability. If you are sick or injured and have a loss of income but still working in the same occupation, you would be eligible to receive a benefit equal to the percentage of your lost income.

Guaranteed Increase Option Rider - A guaranteed increase option allows the owner of a disability insurance policy to buy additional disability insurance in the future with no medical underwriting. This is useful for a person who expects their future income to increase and wants a guaranteed option to obtain more coverage. This rider is especially important for residents, fellows and physicians who have recently started in practice.

Cost of Living Adjustment Rider (COLA) - The cost of living adjustment, or COLA, increases your monthly disability benefit each year you are on a claim to offset inflation. The increase is either fixed (3% or 6%) or based on the consumer price index. The benefit to you is that your standard of living won't decrease during a long-term disability.

COLA is most important for younger workers (under age 40) because of the greater impact of inflation over a longer period of time. Some physicians will initially purchase a policy with COLA and then remove the rider (to reduce their premium) as they get older.



*Assuming Disability at Age 33

Catastrophic Disability Benefit Rider - Some illnesses and injuries can be more severe than others, and therefore can lead to more devastating consequences. A catastrophic disability means that due to injury or sickness, you have complete, irrecoverable and irreparable loss of: (i) the use of both hands, or both feet, or one hand and one foot; the sight in both eyes; speech; or hearing in both ears; or (ii) are totally disabled due to Alzheimer's disease or other irreversible form of senility or dementia; or (iii) are totally disabled and have Aphasia; Hemiparesis; Paraplegia; or Quadriplegia.

In the event you become catastrophically disabled you would receive an additional disability benefit on top of your regular disability benefit.



Frequently Asked Questions

Q. How much should I buy?

- A.** Buying disability insurance isn't a one-time event, it's important to evaluate your coverage throughout your career. When buying disability income insurance, you should consider your current income, ongoing living expenses, as well as other disability benefits you might receive — like employer offered coverage or any individual coverage you already own — and then choose a monthly benefit accordingly. An *insurance specialist* knowledgeable in physician disability insurance can help you assess your needs and options.

Q. What are common exclusions from coverage?

- A.** Benefits generally will not be paid for a disability:
- Caused or contributed to by an act of war, whether declared or undeclared
 - Due to pregnancy or childbirth (most policies do cover complications of pregnancy)
 - Due to your committing, or attempting to commit a felony
 - Existing while you are legally incarcerated or detained
 - Caused by an intentionally self-inflicted injury

In addition, a medical condition that existed prior to the purchase of your disability policy may be excluded from coverage. Depending on the condition, the exclusion may be permanent or temporary.

Q. What should I know about my employer's group disability plan?

- A.** Disability coverage through work is often a great, cost-effective way to protect yourself against a disability. Individual disability insurance adds to that coverage in a number of ways.
- Employer provided Group long-term disability insurance is a great start, but may not be enough. Most plans cover 60% of gross income, and monthly disability payments are usually taxable. In addition, benefits can be further reduced by "offsets" such as Social Security, pension benefits, workers comp, income earned in a different job, other group insurance, etc. Supplemental disability income insurance can help fill in the gaps left by employer provided group coverage.
 - Group disability benefits are not guaranteed, nor are they portable. If you change jobs or if your employer changes or cancels the group disability contract, you could lose your benefits. Individual disability policies are portable and controlled by you, not your employer.
 - Many group disability plans contain a weaker definition of disability, which would pay out benefits in fewer scenarios (the worst requiring you to be unable to perform the duties of ANY job). Supplementing your employer provided disability income insurance with a plan that includes an "own-specialty" or "true own-specialty" definition of disability provides stronger income protection.

Q. How much does disability insurance cost?

- A.** The *cost* will depend on a number of factors like your age, medical specialty, gender, the state you live in, and the type of coverage you are purchasing. Individual disability insurance plans tend to be more expensive and association group insurance plans may be more competitively priced. As a rule of thumb, you can expect to pay roughly 1-4% of your income for a policy.

Q. Are there any discounts available?

- A.** Yes, there are discounts that you should look for:
- **Multiple Employee Discounts** - When three or more people working for the same employer purchase a disability policy at the same time, each employee can save 10% to 15% (females can save up to 40%). Larger groups of physicians may be eligible for even bigger discounts.
 - **Association Discounts** - Members of certain medical associations can save on their premiums.

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