

## **Key Questions Physicians Should Ask About Their Group LTD Policy**

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You have invested time, energy and money pursuing a life-long dream – to practice in your specific field of medicine. Your lifestyle now reflects the income you have been earning as a physician, and your family is enjoying the benefits of what your education, training, skills and hard work provide.

But what if a disability prevents you from being able to perform the types of specific duties you have been performing?

Most Physicians purchase individual disability insurance (IDI) early in their career, but are limited to buying just a percentage of what you are currently earning each month – typically \$10,000-\$15,000. Can you really afford to live on only \$120,000 to \$180,000 a year? **A Group Long Term Disability (LTD) policy can help fill this gap, adding another \$10,000 to \$15,000 a month in income protection in addition to your IDI coverage. But, not all LTD policies are the same – and many are designed specifically to limit or eliminate benefit payments to Physicians.**

**Here are some key questions to consider:**

### **1) How is your “Occupation” defined?**

The most important question you should ask about a Group LTD policy is: “Does it protect the income I make as an Orthopedic Surgeon? Since LTD policies typically require a claimant to be “unable to perform all the material duties of your own occupation”, then the definition of “occupation” is a key concern.

Your LTD policy needs to define your “occupation” as your “Specialty/Sub-specialty”. Not all LTD “specialty” definitions are the same, however. Some LTD policies define “occupation” only as Medical Doctor, while others may include your “specialty”, but not your “sub-specialty” – or may require board certification.

An example: You may “specialize” in certain areas of Orthopedic Surgery – spine surgery; knee surgery; shoulder surgery, etc. The problem with most LTD plans is that they require your “specialty” to be recognized by the American Board of Medical Specialties – and spine, knee, hip, and shoulder surgery are not recognized as sub-specialties of Orthopedic Surgery. **Therefore, you might be unable to continue being a “Spine Surgeon”, but this would not be the occupation the LTD carrier recognizes that you do, and the carrier could determine you could be retrained to do another type of Orthopedic Surgery – and therefore not disabled at all.**

## 2) How are your “Material Duties” defined?

Does your LTD policy define “material duties” as the procedures you have been performing at your practice? Most LTD policies define “material duties as they are normally performed in the “national economy” -- not what you are actually doing. As noted before, just because you are only doing Spine Surgery does not mean this is a “material duty” the LTD carrier recognizes that you do.

## 3) How are my “Earnings” defined?

Most LTD policies require that a disability prevent you from earning more than 80% of your pre-disability earnings. But what earnings are used for this “earnings test”? **If you have significant “receivables”, or you are a partner receiving K-1 earnings, you may be “penalized” if you receive these types of income while disabled, and your benefit may be delayed – or even denied.** Make sure the LTD policy you buy only “tests” the income you make from work you perform while disabled.

#### **4) How will my Partial Disability benefit be paid?**

Group LTD plans usually include a 12 month "Return to Work Incentive" (RTW) period, when a carrier will not reduce the LTD benefit unless the LTD benefit, plus any partial work earnings, exceeds 100% of the claimant's pre-disability income.

After the RTW period, the LTD partial disability formula has a tremendous impact on your monthly disability benefit. The two most often-used formulas are the "Proportionate Loss" formula and the "50% Offset" formula: The Proportionate Loss Formula determines your % income loss and pays this % of your LTD benefit, while the 50% Offset Formula subtracts 50% of your partial work income from the LTD benefit. Generally, the Proportionate Loss formula is much better for highly-paid employees. **In fact, a highly-paid, partially-disabled Surgeon whose LTD policy uses only the 50% Offset formula may receive a disability benefit of only \$100 a month!**

#### **5) What policy language allows the LTD carrier to reduce or terminate my benefit?**

Some LTD policies can terminate a Surgeon's claim if he is not willing to work part-time, or perform partial duties, and can reduce benefits if he's not working to his "maximum capacity". **Why is this important?** Because highly-skilled Surgeons may not want to work part-time, or perform partial duties (such as only consulting with patients or other doctors).

A Group LTD policy can be an EXCELLENT way to supplement your current income protection. Just be careful you select the right LTD policy for you!

