



Need a quote or just need more information?

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WHAT IS DISABILITY INCOME INSURANCE?

Becoming disabled through an injury or sickness can mean a significant loss of income. Disability income protection is a form of health insurance that provides a person who becomes disabled with income to cover living expenses that continue in spite of the disability.

WHAT ARE THE MOST IMPORTANT CONTRACTUAL PROVISIONS I SHOULD HAVE AS A PHYSICIAN?

You want to have an occupationally-specific definition that covers the material and substantial duties of your specialty. It is critical that you, not the insurance company, make the choice to return to your specialty. Also, important are:

- **Residual Benefits**—The majority of disabilities are short-term in nature and may not create a total loss of income. Residual benefits cover the proportionate loss of income while rehabilitating or when a permanent partial loss occurs. A quality contract will not require a total loss before being eligible for residual benefits.
- **Premium Structure**—Make sure the contract is non-cancelable and guaranteed renewable, meaning the company can never change your rates or benefits for the full benefit period.
- **Guaranteed Insurability**—This is especially important for young physicians because it allows you to increase benefits in the future without having to re-qualify medically. This provision may allow you to replace employer provided group coverage on the same basis. These provisions also lock in premium rates and contract language on the implemented increases.
- **Claims paying ability and claims process.**

HOW MUCH BENEFIT SHOULD I HAVE?

One way to determine coverage amount is based solely on your income. All insurance companies have income guidelines for individual policies that cover approximately 60 percent of income up to \$100,000. Above that, the percentage declines so that it offers a maximum individual benefit of up to \$20,000 a month. The second way is to look at your everyday monthly expenses, including savings and retirement, to determine a monthly amount that would sustain your financial security.

WHAT IF THIS IS STILL NOT ENOUGH COVERAGE?

This can happen to physicians just starting out and physicians making significant incomes. Some companies offer disability protection that continues to fund retirement plan contributions. Young physicians can add this protection even if they are not currently funding a practice retirement plan. Higher income earners can add up to \$55,000/year benefit.



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ARE DISABILITY BENEFITS TAXABLE?

If the premiums are paid with after-tax dollars, benefits received are tax-free. If you are incorporated as a Professional Corporation (PC) with a “C” election, premiums can be deducted by the practice, but the benefits would be taxed. If you are an employed physician covered by an employer-sponsored group plan, benefits would also be taxable.

WHEN DO DISABILITY BENEFITS BEGIN AND HOW LONG DO THEY LAST?

Disability policies have a waiting period or elimination period that acts as a deductible before you are eligible for benefits. Typical waiting periods are 60, 90, or 180 days. Typical benefit periods for disability insurance are two years, five years, to age 65, 67 and 70. Many physicians elect to have 90-day waiting periods with benefits payable until age 65 or their Social Security retirement, which could now be 67 or 70 years of age.

HOW MUCH DOES DISABILITY INSURANCE COST?

COPIC’s negotiated disability income program offers our insureds up to 45% permanent and portable discounts. New COPIC insureds (within the first 120 days) can also take advantage of our \$3,000/month guaranteed acceptance program for significant pre-existing conditions.

SHOULD I CONSIDER GROUP/ASSOCIATION COVERAGE BECAUSE IT IS GENERALLY LESS EXPENSIVE?

Group/association coverage is an excellent way to supplement your disability protection, but the coverage has weaknesses. Understand that group/association coverage is a rehabilitative contract and the definitions generally are not occupationally-specific. In addition, group/association policy rate structures are not guaranteed, increase with age, and are cancelable. However, group/association coverage is an economical way to supplement your individual disability policy when you need more coverage than the budget will allow. If you plan to protect yourself this way, make sure your individual coverage will replace group benefits without proving insurability.

HOW WILL MY PRACTICE COVER THE OVERHEAD EXPENSES OR PAY TO BUY-OUT A DISABLED PARTNER?

Individual disability is meant to only replace income. Business overhead expense (BOE) insurance covers overhead expenses of a disabled partner, avoiding the need to make up lost revenue. It provides the liquidity needed to keep your practice viable while your partner rehabilitates or while you make plans to sell the practice.