Comparing Disability Insurance Policies Part 1 of 2

Editor’s Note: I get submissions several times a week for guest posts. I turn down almost all of them. I find the best guest posts tend to be those that I solicit from others. This post is a good example. When I got to the end of my series on disability insurance, I found myself at a loss to give specific details of policies from the various companies that offer long-term disability insurance to physicians. As much as I try to keep up on this stuff, I simply don’t look at enough of these policies to know the benefits of one company over another. Based on the number of emails I get from readers on this topic, I know many of you will find this post very helpful. It will be presented in two parts.

Lawrence B. Keller CFP®, CLU®, ChFC®, RHU®, LUTCF sells insurance for a living, specializing in advising physicians about insurance and investing. Many of you will recognize his name from his helpful comments sprinkled about the site, particularly on insurance related topics. He sells disability insurance from all the companies mentioned in this article, although he has a particularly close business relationship with Guardian, a major player in the physician disability insurance industry. (See comments section for more details.)
He has nine times as many letters behind his name as I do, which ought to mean something. I could do an entire post on the alphabet soup of the financial advising world but the bottom line is that CFP, CFA, and ChFC are the designations that really mean something and CLU is the top designation for an insurance agent. Disclosure: Larry and I have no financial relationship. I did not pay Larry to write this post, nor has he paid for it to be published here. If you’d like to say thanks, send some business his way.

Now, without further ado- Larry Keller on Comparing Disability Insurance Policies.

When it comes to purchasing “Own-Occupation” disability insurance, physicians have several companies to choose from including:

- Berkshire Life (Guardian)
- MetLife,
- Union Central Life (First Ameritas Life Insurance Corp. of New York, when purchased in New York)
- Principal
- MassMutual
- Standard Insurance Company (not available in New York).

While many of the provisions in each policy are similar, there are some distinct differences between them that may influence which policy is ultimately purchased. This post will serve as means to help you compare one company’s policy to another when shopping for coverage.

**Occupational Classification and Pricing**

Proper classification of your occupation or medical specialty is of primary importance in determining the premium rate that you will be charged by the insurance company. Generally, the higher the occupational classification assigned to your profession, the lower the premium rate. It is also important to note that different insurance companies may assign a
different occupational class to the same occupation and, as a result, the premium rate may vary greatly from one company to another. Insurance agents or financial planners that specialize in disability insurance should be very familiar with which company or companies assign the most favorable occupational classification to your medical specialty.

Premium Structure

Berkshire (Guardian) offers a graded premium structure and MetLife offers a “term” disability insurance premium to lower your initial premium outlay. You can then convert from a graded or “term” premium structure to one with a level premium rate when you can more easily afford to pay a higher premium.

Principal does not offer a graded premium option nor does MassMutual. Union Central (First Ameritas in New York) offers a “step rate” where the premiums are lower for the first five policy years and then increases to a (higher) fixed premium rate from policy year 6 to the age of 65 or 67.

Non-Cancelable and Guaranteed Renewable

Generally, any policy purchased should be both Non-Cancelable and Guaranteed Renewable (premiums can’t be raised and contract can’t be changed) instead of just Guaranteed Renewable (contract can’t be changed). While most companies include these provisions in their policies, others such as Union Central (First Ameritas in New York) and Standard Insurance Company also sell policies that are just Guaranteed Renewable. Standard’s base policy is guaranteed renewable and the noncancelable rider must be purchased in order to guarantee both the policy provisions and premium rates. Otherwise, the insurance company reserves the right to change the premium rates as long as the change applies to all policies with similar benefits insuring the same risk class, although changes have to be approved by the state insurance department.
“Own-Occupation” Definition of Disability

Berkshire’s (Guardian’s) ProVider Plus policy and Standard’s Protector Platinum policy series contain this definition as part of the base policy. However, in the Protector+ policy series, it must be selected (along with the purchase of the noncancelable rider or it is not available). Union Central (First Ameritas in New York) also makes this definition of disability available. You must purchase the “Your Occupation” Rider with MetLife’s policy. You must purchase the “Regular Occupation Rider” with Principal’s policy. You must purchase the “Own Occupation” Rider with MassMutual’s policy. However, generally, the “Own Occupation” Rider is not available to Neurosurgeons, Orthopedic Surgeons, Anesthesiologists, Emergency Medicine Physicians and Thoracic Surgeons. (Editor’s note: Hmmm….seems like those specialties are the ones who need it the most.) Berkshire (Guardian) and Standard’s policy also have medical specialty language included in their contracts.

Residual Disability Rider

Most companies require a loss of income of at least 20% compared to your pre-disability income in order to qualify for residual disability benefits. Two companies, Berkshire Life (Guardian) and Union Central (First Ameritas in New York) only require a 15% loss of income. Generally, for the first six months of a residual disability claim, you will not receive less than 50% of your monthly benefit. This is not the case with MassMutual’s policy as they will not pay less than 50% of the monthly benefit for the first 12 months of a residual disability claim. Also note that Standard’s Protector Platinum policy series will pay 100% of the base monthly benefit, regardless of your earnings, for the first six months of a residual disability.

Berkshire’s (Guardian’s) ProVider Plus policy series will
provide dollar for dollar reimbursement to a claimant for the first 12 months of a residual disability claim. For example, if prior to your disability, your income was $20,000 month and you are now earning $10,000 month, you have lost $10,000 of income during that month. As a result, for that month, Berkshire would pay 100% of your income loss ($10,000) up to 100% your policy’s monthly benefit. After the first 12 months of a residual disability claim, benefits would then be paid proportionate to your loss of income.

MassMutual’s Residual Disability Rider is referred to as the Extended Partial Disability Benefit Rider. Standard’s Protector Platinum policy series includes the Residual Disability Rider as part of the base policy and it is referred to as the Partial Disability Benefit.

Recovery Benefits

A recovery benefit continues to pay benefits (in the same fashion as the residual disability rider) if you return to work on a full-time basis with no loss of time or duties but continue to suffer a loss of income. If there is a demonstrable relationship between your current loss of income and your prior disability, most companies will continue to pay benefits to age of 65 or longer as long as the required income loss is met. Other companies limit these types of claims – even if the loss of income continues. Companies with limited recovery benefits include MetLife (24 or 36 months if the recovery benefit is purchased as part of the residual disability rider) and policies issued in Standard’s Protector+ policy series.

Stay tuned for part 2.