

Disability Insurance for Military Physicians

[Editor's Note: This post is written by Joel Schofer, MD, MBA, and his colleagues Andy Borgia, CLU and DK Unger of www.DI4MDS.com. Joel is an Emergency Physician and Commander in the US Navy who blogs about personal finance for military members at MilitaryMillions.com. Andy and DK are disability insurance specialists for physicians. Their company, DI4MDS is a regular advertiser on this site. I get variations of this question all the time and try to answer, but these guys were able to write this post much better than I could have.]



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Statistics show that approximately one in three people will be [disabled](#) during their working career and more than one in four of today's 20 year-olds can expect to be out of work for at least a year because of a disabling condition before they reach the normal retirement age of 65.[\[1\]](#) The most common temporary or permanent disabling conditions are musculoskeletal disorders (29%), cancer (15%), pregnancy (9.4%), mental health conditions (9.1%) and injuries (9%).[\[2\]](#) For this reason, until a physician is [financially independent](#), individual disability insurance for physicians, defined as a policy that will pay a monthly benefit in the event of a disability, is a necessity and universally recommended.

Is the Military's Disability Insurance Enough to Cover a Physician?

[Military service](#), while known for its [substantial benefits package](#), has one area where its benefits package is inadequate for physicians...[disability insurance](#). This is even more of a critical situation for military physicians [about to leave the military](#). When their service ends, so does their disability protection. Due to this situation, it is imperative for military physicians to seriously consider establishing disability protection that will remain in effect when their military service ends.

If a military physician becomes disabled, any military disability pay received will not include physician-specific bonuses and other forms of additional income such as incentive pay or moonlighting. Obtaining supplemental individual disability insurance to cover this income gap can be quite a challenge when you're in the military. For some reason, perhaps because of things like deployments and war, the majority of individual disability insurers will not insure military physicians. The Veterans Administration (VA) has a disability system that would compensate a disabled military physician, but would that compensation be enough? If not, can a military physician even get supplemental individual disability insurance? Let's find out.

An Example of a Military Physician's Income

One of the authors (Dr. Schofer) is a [military Emergency Physician](#). He graduated from medical school in 2001 and from emergency medicine residency in 2006. Here is how his approximate annual income shakes out:

Monthly Income: \$16,000

Annual Lump Sum Bonus: \$40,000.00

Annual Total: \$230,000



If he was to be 100% disabled, [what would the VA pay him?](#) That's a good question because as he wrote this sentence he really had no idea!

The VA Disability System

VA disability benefits only cover base pay and do not include incentive, special, or bonus pay, allowances, or income earned while moonlighting. These extra forms of income often provide the majority of a military physician's pay and should and can be protected until financial independence is achieved. For example, Dr. Schofer's base pay is \$100,000 or 43% of his annual compensation. It would comprise an even lower percentage if he [moonlighted](#) (but he doesn't).

From a disability planning perspective, a military physician is at a much higher risk of suffering from the financial consequences of a disability due to being underinsured than a civilian physician. This is where individual disability insurance can help fill the income gap.

The military system uses a disability severity rating and the

number of dependents you have to determine the monthly benefit you receive. This is similar to the definition of disability to qualify for Social Security Disability. Each type of disability is given a rating based on severity (10% being least severe and 100% being most severe). The maximum monthly payable benefit ranges from as little as \$133 (10% disability with no dependents) to \$3,447 (100% disability with multiple dependents). Considering all components of pay (base/special/incentive/bonus pay, civilian pay, etc.), those disability benefits are probably far from adequate. In Dr. Schofer's case, the max benefit would cover only 18% of his annual compensation. Experts recommend having at least 50% of your income insured with disability insurance.

There is an additional program called the [Special Monthly Compensation \(SMC\)](#) that is paid in addition to regular disability compensation. To qualify, you must have incurred the loss or loss of use of specific organs or extremities as a consequence of your military service. The payments range from \$3,617 to \$8,859 per month, depending on the nature of the disabilities. You can find additional information on this program [here](#).

As previously indicated, military physicians should be aware that the day after they resign or retire, VA disability coverage will cease and they will be completely unprotected without supplemental individual disability insurance.



To answer the original question...how much would the VA pay Dr. Schofer if he was 100% disabled? Since he has multiple dependents, it seems it would be approximately \$3,447 per month. Perhaps he'd get extra compensation from the SMC, as

high as another \$8,859 per month, depending on the nature of his disability. This ranges from \$41,364 to \$147,672 per year, which is 18% to 64% of his annual income.

You Probably Need Supplemental Individual Disability Insurance

As you are likely aware, as a physician your greatest asset is your ability to practice your specialty. As we've established, military physicians are not adequately protected in the event they become disabled from practicing their specialty. To make certain you and your family are protected, it would be prudent to establish a supplemental individual disability insurance policy.

The individual policy contractual provisions should protect you in your chosen medical specialty for the entire benefit period, provide both total and partial disability benefits, allow for an increase in coverage upon completion of duty without additional medical requirements, and be non-cancelable and guaranteed renewable. This means that the policy cannot be canceled, premiums changed, or contractual provisions altered by the insurance company. Residents and fellows may be eligible for discounted policies if they are established prior to the completion of training.

What Supplemental Individual Disability Insurance Options Exist?

For years Dr. Schofer struggled to find supplemental disability insurance. At first, he used the American Medical Association (AMA) group plan because they'd give him up to \$2,500/month of additional coverage and it was all he could find. Per a recent e-mail exchange with them, this is still their policy.



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In addition to the \$2,500 maximum monthly benefit, their website notes, "No monthly benefit will be paid for disability due to...a declared or undeclared war or an act of war." Many of the ways a military physician could get disabled would likely fit this definition and be excluded. Furthermore, the AMA disability plan premium rates increase with age, the policy and its contractual provisions can be canceled/modified, and it doesn't pay benefits for partial disabilities until after total disability benefits are received which eliminates coverage for virtually all illnesses.

He continued with this \$2,500 AMA coverage until he contacted another one of the authors, [Andy Borgia, CLU](#), who has written a Military [Physician Disability Insurance Guide](#), available on the site. Mr. Borgia was able to get Dr. Schofer the amount of supplemental coverage he needed, which was \$6,000/month of extra coverage that protected him in his medical specialty.

Currently, there are two companies offering specialty specific coverage to military physicians/dentists – MassMutual and Lloyd's of London. Of the two, MassMutual is the only one which offers a non-cancelable and guaranteed renewable policy to age 65. The Lloyd's policy is non-cancelable and guaranteed renewable for a 3 or 5 year term and then must be renewed. It

does contain many of the same contractual provisions including a specialty specific definition of disability as well as benefits for partial disabilities.

Recently, MassMutual released a new policy series containing a provision specifically excluding coverage for disabilities caused or contributed to by active military duty. Partly due to the efforts of the authors, this provision has been removed from all future policies and any policies issued with the exclusion have been sent an Endorsement removing the exclusion.

[Agents who specialize in disability insurance](#) are able to provide a solution to the military physician under-insurance problem by designing plans with supplemental monthly benefits that enhance the disability benefit protection. They can also design plans with a lump sum benefit if additional protection is desired. For example, Dr. Schofer's Lloyd's plan included a \$500,000 lump sum payment if he was still disabled after 5 years.



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As a military physician, you must also consider pre-emptively protecting yourself from the loss of your military disability coverage when you retire or resign your commission. By then,

it may be more difficult for you to establish disability coverage because of injuries and/or disorders that developed during your time in the service. While the government will provide a percentage of disability benefits for such conditions, any individual disability insurance policy you obtain will likely include exclusions or your coverage will be declined entirely. For example, by the time Dr. Schofer received his policy he had a herniated disk in his neck. His policies would not cover any conditions related to his neck. That is why it is critical for you to establish coverage while young and healthy.

What's the Bottom Line?

We recommend that all military physicians immediately explore establishing supplemental disability insurance. Doing so protects you while you're in the military and from the risk of not medically qualifying for additional coverage after completion of service. It also secures your coverage at lower premium rates when you are young and healthy.

*NOTE: The views expressed in this article are those of the authors and do not necessarily reflect the official policy or position of the Department of the Navy, Department of Defense or the United States Government.

[\[1\]](#) Social Security Administration, Disability and Death Probability Tables for Insured Workers Born in 1997, Table A

[\[2\]](#) Integrated Benefits Institute, Health and Productivity Benchmarking 2016 (released November 2017), Long-Term Disability, All Employers. Condition-specific results.

[Editor's Note: Great article huh? One other option, and the one I used, was to buy a policy BEFORE going on active duty. I was assured by the company that my policy would cover me for any disability that occurred while I was on active duty, so long as it didn't involve an act of war. Since I was far more

likely to get a concussion from playing disc golf than to get mortared in Chile, I thought that was still worth paying premiums for.]

What do you think? Are you a member of the military with experience purchasing supplemental disability insurance? What was your experience like? Have you been frustrated with the limited options available? Which insurance company did you end up going with? Would you recommend them to readers? Comment below!