

Updates in the Disability Insurance Marketplace – Part 11

[Editor's Note: This is a guest post from [Lawrence B. Keller](#), CFP®, CLU®, ChFC®, RHU®, LUTCF, a frequent contributor and advertiser on the blog. This is Part 11 in his long-running series updating you on some of the intricate details of the disability insurance marketplace. This post deals with recent changes with Principal, MassMutual, Standard, and Ameritas.]

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Principal no longer offers unisex rates to Medical/Dental Students or Residents/Fellows as of Monday, February 6, 2017. Originally, this was changed to a 10% discount off of gender distinct (male/female) rates to those institutions that have an existing discount plan in place or for new ones that are established. However, as of yesterday, January 22, 2018, Principal has increased the discount for Medical and Dental Residents/Fellows to 20% off of gender distinct rates.

If you are a Medical/Dental Student or Resident/Fellows that purchased a Principal policy that was applied for in January,

2018, and the policy was issued with the 10% sex-distinct discount, it can be adjusted to the 20% sex-distinct discount.

Unisex (gender neutral) rates and a 20% Multi-Life discount continue to be available to Attending Physicians and Dentists working for employers or institutions that have an existing discount plan in place or for new ones that are established.

The occupation class for several occupations/medical specialties has also been downgraded (causing an increase in premium rates compared to their previous occupational classification).

- Pharmacists (downgraded from 5A-Select to 5A)
- The following occupations have also been downgraded to 3A-M (from 4A-M)
 - Dentists, including all dental specialties
 - OB/GYNs
 - All surgeons with the exception of Cardiothoracic Surgeons and Neurosurgeons
 - Pain Management Physicians
 - CRNAs

Fortunately, as a result of this change, all 3A-M occupations now qualify to purchase the Regular Occupation Rider ("Own-Occupation" definition of total disability), with the exception of those in occupation classes 3A-M and 4A-M in the State of California (this remains unchanged). This change is beneficial to Podiatrists and CRNAs who could not previously purchase this rider due to the occupational classification previously assigned to their occupations.

The limit for the Future Benefit Increase (FBI) Rider to be included on a policy has now been increased to \$14,000 (up from \$13,000). This Rider allows insureds to increase their monthly benefits 4-10% based upon changes in the Consumer Price Index, regardless of their earned income and/or other disability insurance inforce (individual, group or

association) for the first six policy years. The limit is different for those policies written prior to the introduction of the 700 policy series.



The Issue Limit for all 3A-M occupations has now been increased to \$17,000 month (participation with other individual disability coverage to \$25,000 month or up to \$30,000 month with group Long-Term Disability coverage).

MassMutual

MassMutual introduced their Radius Choice policy series which now includes a “to age 70” benefit period along with a choice of two increase options – their usual Future Insurability Option (FIO) Rider and their “new” Benefit Increase Rider (BIR).

The Future Insurability Option (FIO) Rider provides insureds the ability to increase their coverage each year to age 60, regardless of their health, as their incomes rise. Since the insured pays for this rider, they can either choose to exercise it or not based upon their individual needs, goals, and budget.

The Benefit Increase Rider (BIR) is very similar to Principal’s Benefit Update (BU) Rider which provides insureds the ability to increase their coverage, every three years, to

age 55. Analogous to Principal's Benefit Update Rider, certain requirements must be met in order for it to be included and maintained on the policy.

As long as the insured purchases at least 75% of what they qualify for based upon their income and other disability insurance in force, the BIR is included on the policy at no additional cost. Most other companies charge for their increase option and use a multiplier (typically 2-4X the base policy) in order to determine the amount of additional coverage that can be purchased in the future (up to the individual carrier's maximum issue limit). Under the BIR, MassMutual allows insureds to increase their coverage to the maximum monthly benefit, subject to their maximum issue limit consistent with the occupation class in which the policy was issued.

Under this rider, every three years the insured will then have the ability to increase their coverage. However, unlike the other companies offering an FIO Rider, the insured must "check-in" with MassMutual every three years in order to keep the BIR on the policy. If an insured does not send in the application to increase their coverage, after multiple attempts, it will be removed from the policy permanently.



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If an insured does send the form back (as they should) and

does not qualify for additional coverage, they will be declined from a financial underwriting perspective, the BIR will remain on the policy, and they will go through the same process three years later. If, however, an offer is made for additional coverage, the insured must purchase at least 50% of the eligible amount or, again, the BIR will be removed from the policy permanently.

Unfortunately, MassMutual's BIR does not allow for "off anniversary" increases. Therefore, for example, if one completes their training and their income rises substantially or they change employers and lose their employer-provided group LTD coverage, it does not allow them to qualify for an increase in coverage at that time. As a result, their income may far exceed their ability to protect it if they are "off cycle" (not in sync with policy year 3, 6, 9, etc.) when these changes take place.

Additionally, when the BIR is exercised, it is based upon the occupation class at the time of the exercise. Meaning, if the occupation class has been downgraded (become less favorable) by MassMutual since the original policy's purchase, causing an increase in premium rates for new insureds, they would be subjected to the premium rates for the increase associated with the less favorable occupation class.

The Future Increase Option (FIO) Rider does not work like this. The occupation class for additional coverage will be based upon the class at time of the FIO exercise, unless the occupation class at time the original policy was issued was more favorable.

"Off anniversary" increases are also available due to certain life events which include marriage, birth or adoption of a child or children, purchase of a home, a change in employment that results in a loss of group long-term disability insurance, or other similar life events, subject to underwriting approval.

MassMutual now uses an occupation class “modifier” to create additional price points between existing occupation classes. This allows occupations to be more appropriately classified based on their expected morbidity. In some cases, this is beneficial and in other cases, it is not. It all depends upon the occupation class previously assigned to one’s occupation and/or medical specialty.

The occupation class of Physician Assistant has been upgraded from 3A to 4A. This provides a premium savings to those in that occupation.



The new Student Loan Rider (SLR) allows an insured to purchase a rider for \$100-\$2,500 a month for the purpose of paying student loan debt incurred by the insured with either a 10 or 15-year term from the policy date. Keep in mind that the term begins from the policy’s effective date and may not pay benefits for the full 10 or 15 year period.

As of the time of this writing, the Radius Choice policy is NOT APPROVED in California, Connecticut, Florida, Montana, New York, and Puerto Rico.

Standard

Standard introduced their Platinum Advantage policy series with includes a Benefit Increase Rider (BIR) that provides

insureds the ability to increase their coverage, every three years, to age 55, without medical underwriting, to keep pace with income increases. This rider is included with eligible policies for no additional premium, providing vital protection of future income for consumers.

As long as the insured purchases at least 75% of what they are eligible for, the BIR is included on the policy at no additional cost. Insureds age 50 or younger can also qualify for accelerated increases before the three-year anniversary if earnings have increased by at least 30% since the policy effective date or the last option date, whichever is most recent or experienced an involuntary loss of group Long-Term Disability (LTD) insurance.

Residents/Fellows can purchase anywhere from \$1,000-\$5,000 of base benefit during their residency/fellowship. The 75% acceptance of eligible benefit requirement to include BIR will be waived for Residents/Fellows when using Simplified Underwriting. Meaning, a Resident/Fellow that qualifies for \$5,000 under Resident/Fellow limits can purchase as little as \$1,000 of base benefit and still have the Benefit Increase Rider (BIR) included in the policy.

This is extremely beneficial for those physicians that need to minimize their initial premium outlay and/or are not so much concerned about being insured today but, rather, want to protect their future earnings.

Another important application of this would be for a physician looking to "stack" policies and purchase two different policies from two different companies (with increase options included on each) simultaneously. This strategy allows physicians to potentially reach \$25,000-\$30,000/month of individual coverage compared to the \$15,000-\$20,000/month of individual coverage that any one carrier would issue on their own.

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Finally, Standard also introduced a Student Loan Benefit Rider available to physicians and dentists with a 10 or 15-year term. Under the Student Loan Rider, Standard will reimburse the insured for the amount of monthly student loan expense the insured pays under a student loan agreement from \$500-\$2,000/month, depending upon the amount of the rider purchased.

As of this writing, Standard's Platinum Advantage policy is NOT APPROVED in California, Connecticut, Delaware, the District of Columbia, Florida, Montana, New York, North Dakota and South Dakota.

Ameritas

Effective October 2, 2017, the occupation class for Obstetrician/Gynecologists will change from 5M to 4M (increasing the premium rates) and the maximum discount available for General Dentists, including Dental Residents, will be 10% (from the previous 20%). Discounts available to 5M dental specialists remains unchanged.

What do you think? How will some of these changes affect you? What new features are you most likely to add to your current policy? Have you had to use your policy? What company did you end up going with? Comment below!