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## Changes in own-occupation disability insurance

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Each year, individual disability income insurance for physicians gets more expensive, less comprehensive and harder to purchase. This year is no different. Effective February 15, 1997, Paul Revere Life Insurance Company, the nation's largest provider of individual disability policies to physicians, joined many of the top disability carriers that already discontinued the sale of "own occupation" coverage to physicians or anyone else.

Is this just another log being put on the 4-year-old "fire sale" in this industry, or should you be seriously concerned? Before you run out and buy a policy with "own occ" (and there are just a few still being offered) read on. This article discusses, in detail, the true meaning of "own occupation" coverage in an effort to help you decide if you really need this benefit. If you decide that you don't need this benefit, your choice of companies/policies increases tremendously and the cost of your policy may be lowered significantly.

The definition of total disability in a policy with "own occ" usually states that you will be considered totally disabled if you are unable to perform the substantial and material duties of your regular occupation and are under the care of a physician. Your occupation refers to the one you were engaged in at the time of the illness or accident. Most companies will waive the requirement that you be under the care of a physician if this care would not improve your condition.

This definition clearly states that if you cannot do your job, you would be entitled to full benefits. It does not matter if you work in another job; your benefits would not be affected.

The definition of total disability in many newer policies (referred to as "loss of earnings" policies) states that you will be considered totally disabled if you are unable to perform the substantial and material duties of your regular occupation, are not gainfully employed and are under the care of a physician.

This definition also clearly states that if you cannot do your job, you're entitled to full benefits. As you can see, the difference between these types of policies lies in what you choose to do once you are considered totally disabled in your regular occupation.

So the first important point of this article is the following: For most policies, regardless of whether you have "own occupation" coverage or not, if you cannot do your regular job (for example neurosurgery, obstetrics or pediatrics), you will get paid your policy's full benefit!

If you don't have "own occ" and you choose to work elsewhere, then the insurance company will base your benefits on your "loss of earnings" (pre-disability income vs. post-disability income). Let's look at an easy to understand example.

Let's assume that you're an internist earning \$15,000 per month and a year ago you severed tendons in your dominant hand during a freak skiing accident. Without the ability to fully utilize your hand, you have been classified as totally disabled in your occupation by your disability carrier and you are currently receiving \$7000 per month in disability benefits. After a year of not working, you are contemplating whether or not to take a job as head of research for a high tech company at a salary of \$10,000 per month.

If your policy includes "own occ" and you decide to take the new job, the salary from your new job will not affect your monthly benefits. Since you are disabled as an internist you would receive a total of \$17,000 per month: \$7000 per month from your disability policy and \$10,000 per month from your new job. This is \$2000 more per month than your pre-disability earnings!

If your policy does not include "own occ", the insurance company would pay a proportional benefit based on your loss of earnings. Since your pre-disability earnings were \$15,000 per month and your post-disability earnings would be \$10,000 per month, you would have a loss of earnings of 33 percent and you would, therefore, receive

33 percent of your policy's benefit. Under this scenario, you would receive a total of \$12,333 per month: \$2333 per month from your disability policy (33 percent of \$7,000) and \$10,000 per month from your new job. This amount represents 82 percent of your pre-disability earnings (taxes have been ignored for simplicity).

I feel that for certain specialties, this scenario is significantly less likely than for others. For example, there are very few (if any) injuries or illnesses that would disable a psychiatrist to such a degree that he or she could not work as a psychiatrist, but could, and would choose to, earn money in another profession or occupation. If a psychiatrist could not talk, listen, write, think and/or reason (as opposed to other specialties that must cut, manipulate, be more mobile, etc.) I doubt another job could be found. For this reason, I feel strongly that "own occ" is unnecessary for a psychiatrist.

Lately, we have seen some radiologists, internists, pediatricians, pathologists and family physicians opt out of "own occ" coverage because they feel that they fit into the above example or they feel that if they chose to work, they would only be entitled to a proportional benefit. On the other hand, anyone who cuts (surgeons, obstetricians, ophthalmologists, urologists) should have "own occ" because while an injury or illness might prevent them from cutting, it would not necessarily prevent them from working in another job.

Ask your agent if his or her company's loss of earnings policy will reduce or discontinue benefit payments if you are able to work, but choose not to, in a job that you may be qualified for by your training, education or experience. These policies are prohibitively restrictive and should be avoided.

In summary, "own occupation" coverage is meaningless if you are disabled in your regular occupation and are unable to, or choose not to, work in another occupation. It can be beneficial, though, if you want to work in another job.

I am urging all physicians to examine their disability coverage as soon as possible because insurance companies are changing policies rapidly and making them less comprehensive. If you don't have enough protection, get additional coverage now—with or without the "own occupation" option. If you are covered by a group policy through your employer, check to see if your

"own occ" coverage is for 2 years, 5 years, or to age 65.

Other areas to explore if you decide to get additional coverage are the new "endorsements" (limitations) for claims resulting from mental/nervous conditions, including stress, adjustment disorder, anxiety and depression. These type of claims have been increasing at an alarming rate over the past 5 years.

The endorsements usually state that benefits payable from a claim of mental or nervous disorders, or from drug abuse or alcoholism, are subject to a lifetime maximum of 24 months. Payments usually will continue past 24 months only if you are confined to a hospital. Additionally, most companies will cover dementia, such as Alzheimer's, as if it were any other sickness and continue to pay benefits beyond the 24 month period.

You may be familiar with the above endorsements because they have been standard on almost all group disability policies and many association policies for many years.

Association policies should also be examined very carefully before purchasing. Specifically request a specimen policy (not the promotional material) and read it carefully. Many of them have clauses stating that benefits are payable only if you are totally and continuously disabled throughout the entire elimination period. The elimination period, usually 90 or 180 days, is like a deductible; it is the amount of time that must pass before benefits become payable. Total and continuous disability means that if you attempt to work for even for one day, your elimination period starts over again.

In summary, "own occupation" may not be as necessary as you once thought. It is an extra layer of disability protection, the cost of which must be evaluated. At this point in time, a few companies are still offering it and, if you are convinced that you need it, get your coverage now! I wouldn't make a bet that "own occ" for physicians will be available a year from now, from any company.

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