



# Texas Residents, Interns & Fellows

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INSURANCE 101: PROTECTING CURRENT AND FUTURE INCOME

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# What Insurance Products to Consider?

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1. Term Life Insurance – may be more affordable compared to other types of life insurance because it provides coverage for a certain “term” of your life, such as 10, 20, or 30 years with level premiums.
2. Long Term Disability Insurance - protects your income if you become disabled. It’s wise to purchase a long-term disability plan when you’re young and healthy, so you can qualify and get lower rates.
3. Personal Accident Insurance – protects your family’s financial security against accidental death or dismemberment.
4. Business Overhead Expense - protects your employees and practice partners from the effects of your disability.

# Term Life Insurance

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1. Affordable.
2. Protects you and your family for a specified time frame – generally anywhere from 5 to 30 years.
3. Recommended product for anyone wanting to protect their family from financial hardship in the event of an untimely death.
4. Product of choice during times when protection needs are higher than normal, for instance, when starting a family.

# Accidental Death & Dismemberment Insurance

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1. Affordable protection above and beyond your typical health care plan, long-term disability and/or life insurance coverage.
2. Coverage for specific injuries that could affect you as a physician, including losing of finger(s), hand or foot, or eyesight.
3. Cash benefit that you can use however you wish – whether you need to pay mortgage payments and student loan debts, out-of-pocket costs, groceries, living expenses, etc.
4. A death payment to your loved ones should you die in a covered accident.

# Business Overhead Expense Insurance

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1. TMA Member Business Overhead Expense Insurance helps keep your business running, even when you can't be there due to a serious illness or injury.
2. BOE reimburses your actual office overhead expenses, up to the monthly benefit you select.
3. Designed to help you pay employee salaries, rent, business insurance premiums, utilities and additional practice expenses.
4. Offers security to your staff, your patients, your partners and you, the physician.
5. BOE Insurance can prevent you from having to use personal savings or long-term disability benefits to help cover your office expenses while you heal.

# What Causes Most Disabilities?

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- Diseases of the Musculoskeletal/Connective Tissue (28.5%) i.e. Arthritis, Herniated or Degenerated Disc, Back Pain, Spine/Joint Disorders, Cartilage Sprain
  - Cancer and Neoplasms (14.6%) i.e. Breast Cancer, Prostrate Cancer, Lymphoma, Tumors
  - Diseases of the Circulatory System (8.2%) i.e. Hypertension, Heart Disease, Heart Attack, Stroke
  - Complications of Pregnancy and Childbirth (5.1%) i.e. Normal Delivery, Caesarean Section
  - Injuries and Accidents (10.6%) i.e. Fractures, Sprains, Dislocations, Burns, Allergic Reactions
  - Mental/Psychiatric Disorder (8.9%) i.e. Depression, Schizophrenia, Drug/Alcohol/Substance
  - Diseases of the Nervous System and Sense Organs (6.9%) i.e. Multiple Sclerosis, Epilepsy, Parkinson's Disease, Eye and Ear Disorders
1. For more information go to Council for Disability Awareness [www.disabilitycanhappen.org/](http://www.disabilitycanhappen.org/)

# Why Do You Need Disability Insurance?

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- Your ability to earn an income is your most valuable asset and the foundation of any financial strategy. You protect your car & home, but how about your income? **INCOME PROTECTION**
- You have invested years in training, have higher than normal earnings and lots of obligations.
- Your income pays your living expenses and enables you to build wealth for the **FUTURE. EARNINGS**
- What would you do if starting tomorrow you were unable to work in your occupation due to illness or injury? Your chances are 1 in 4. Be prepared if the unexpected happens. **PROTECT AGAINST RISK**
- How would you pay your bills if your paychecks stopped? **YOUR EXPENSES DON'T STOP**
- Would your spouse's or partner's income be sufficient to make up the shortfall?
- What lifestyle changes would you or your family be forced to make?
- What about your dreams for the future – college for your children, travel, a comfortable retirement?

# Designing The Coverage You Need

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- How much monthly benefit will you need? (Monthly Expense Tool to Determine Risk)
- Does the coverage protect my ability to perform my own occupation? (True Own Occupation)
- Do you want a policy to keep pace with increased earnings? (Future Increase Option)
- Do you have student loan payments that need protection? (Student Loan Protection Rider)
- How soon will you need the benefits following the disability? (Elimination Period)
- How long should the benefit last? (Benefit Period)
- Will your benefits keep pace with inflation? (Cost of Living Adjustment Rider)
- As long as I pay my premiums, can my policy be terminated? (Renewability Provision)

# Key Features to Understand in a LTD Plan

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- Total Disability – You are not able to perform the material and substantial duties of your **Own-occupation**, even if you are gainfully employed in another occupation.
- Future Increase Option Rider – Increase your benefit as your income grows without medical underwriting.
- Student Loan Protection Rider – Meet student loan obligations if you become too ill or injured to work.
- Renewability provisions – A policy that is both Non-Cancellable and Guaranteed Renewable.
- Residual Disability – Receive a partial benefit if you are not able to perform all of your job duties or work full time.
- Cost of Living Adjustment Rider – Will adjust benefits each year (typically 3%) while you remain disabled and eligible for benefits.
- Waiver of Premium – Any premiums due while you are disabled and receiving benefits are waived.
- Benefit Period – This is the longest period of time for which your benefits will be paid for if you are disabled.

# Next Steps

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- Once you determine you want to apply for LTD and what features you want, there are several ways you can do this:
  1. Through your employer
  2. Directly from an insurance provider
  3. Through a professional association
  
- Remember these steps when protecting your current and future income:
  1. Create a budget to see if income protection is right for you
  2. Be sure to include any alternate sources of income you have
  3. Buy young when you are more likely to be healthy and still connected to an institution
  4. If you have employer group disability insurance be sure to supplement that with an individual policy as your group is not portable when you leave and your individual is
  5. Make sure your policy provides the option to insure you future income as you age