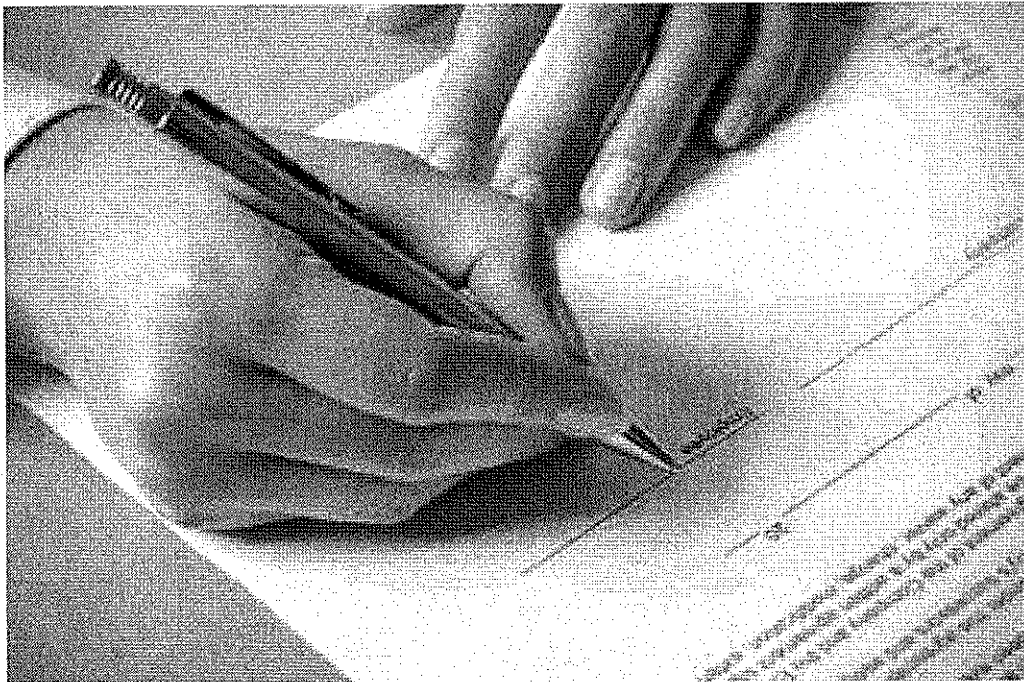


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Employee Recruitment and Contracting

Physician Disability Income Insurance Policies — Are All Policies Created Equal?

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The life and disability insurance industry is composed of two main groups: those that are profit-oriented/stockholder-owned and those that are mutual insurers. Because the latter are primarily operated for the benefit of their policy holders, this particular business orientation has allowed mutual insurers to better weather the economic storm of the past few years. With declines in equity markets and large investment losses in insurers' portfolios, stockholder-owned life insurance firms have suffered more than mutual insurers, who tend to have higher quality capital and a longer-term focus, thus being able to stand against unexpected downturns in the economy; mutual companies tend to use more traditional approaches that survive fluctuations in market cycles and are thereby less prone to the affects of economic stressors.

As a result of all of these factors, some experts feel that mutual insurers are providing more stable and beneficial disability income insurance policies in these challenging economic times. This particularly affects physicians who understand the importance of protecting their income and practices in the event they ever become disabled. Some carriers are offering insurance options that afford injured physicians the flexibility to choose between continuing to work and receiving partial benefits or not working at all and receiving full benefits. This differs from typical "own occupation" disability insurance (contingent on the individual being employed at the time the disability occurs), which does not provide that option at the time of claim.

Research has suggested that there are great discrepancies between what physicians expect of their "own occupation" disability insurance and what it actually is in practice. Physicians are often unaware of the stipulations and restrictions found in their own insurance contracts. One of the most important factors to consider

when searching for the right disability income insurance policy is the definition of "total disability." The contractual definition of this term has a significant impact on the types of benefits you are able to receive if you ever become disabled. Different disability insurers often use different terms (for example, *modified own occupation*, *pure own occupation* and *specialty own occupation*) to describe their own definitions of total disability, which can add to the confusion around this important consideration.

"Total disability" is broadly defined as the inability to perform all principal duties related to your regular occupation. When considering "own occupation" definitions of total disability, you must take into consideration your ability to perform the "principal duties" of your occupation *at the time of the claim*. These duties include tasks and aspects of the job that you perform on a regular basis and impact your ability to earn income. Also, the definition takes into consideration the actual duties you are performing (not just your title) when determining your eligibility for total or partial benefits. For instance, if, as a physician, you examine and diagnose but also perform procedures on a patient, if you are unable to perform all of those activities, you would be considered totally disabled. However, if you are still able to examine and diagnose (but not perform procedures) or are able to examine, diagnose and perform procedures, but now only a few days a week instead of full-time, you would likely be considered only partially disabled. Note that the insurance company decides what makes up a physician's principal duties, and physicians do not have control over these definitions.

As mentioned above, there are different terms used by insurance companies to describe total disability. These differences come into play especially if you choose to work in a different occupation when you are

unable to perform the principal duties of your "regular occupation" (defined as the specific occupation you are in *at the time a disability starts*, e.g., certain subspecialties, neurosurgery, pediatrics, etc., not generally "practicing medicine"). Under modified own occupation, pure own occupation and specialty own occupation terms, if you are unable to work in another occupation, or even if you are *able* to work in another occupation but choose not to, you will receive your full disability benefit. In some cases, if you are both able and choose to work in another occupation, under modified own occupation, you can earn a percentage of your pre-disability income yet still receive your full disability benefit. If you earn more than a certain set percentage of your pre-disability income, you will receive a proportionally reduced benefit. However, under pure or specialty own occupation, you will still receive your full disability benefit, no matter if you are able or choose to work and regardless of additional income. It is important to note that it is your choice as a physician, once deemed fully disabled, whether or not to work in a new occupation. Be sure to weigh your options and realistically evaluate how important and relevant the differences are in your particular circumstances.

In the end, the definition of total disability used by the insurance carrier is an important factor to keep in mind. So too is your decision whether to work in another occupation when you are unable to perform the principal duties of your regular occupation. Be sure to

pay close attention, not only to the definition of "total disability" used by the disability income insurance policy carrier, but also to all the terms of the policy as a whole when making a decision about what plan to use. Some important factors to consider are whether the carrier itself is one that is highly rated, with a consistent reputation for excellence and longevity. In its special comment, *Moody's Insurance – Revenge of the Mutuals*, August 2009, Moody's Insurance Financial Strength (IFS) Rating History provided a history of the IFS ratings for 14 mutual insurers.^[1]

Be sure to discuss your concerns with representatives from your carrier to address specific questions and nuances in your circumstances and match you with the best policies to guard your future interests.

(Footnotes)

^[1]<http://www.investmentnews.com/article/20090810/REG/908109992>; see also http://www.alacrastore.com/research/moodys-global-credit-research-Revenge_of_the_Mutuals-PBC_118506

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