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# Health Insurance

News and Tips for America's Benefits Professionals

*Underwriter*

**DISABILITY INCOME INSURANCE**

The New Age of DI | Successfully Selling LTCI | The Future of Self-Funding

HEALTH INSURANCE UNDERWRITER  
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MAY 2012

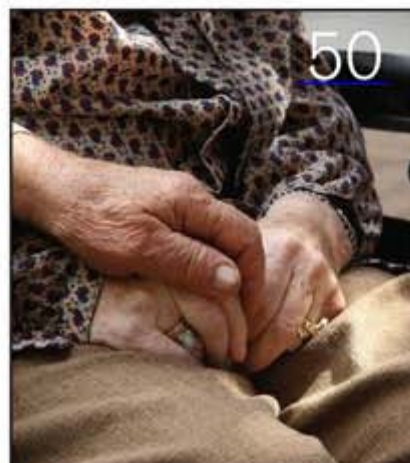
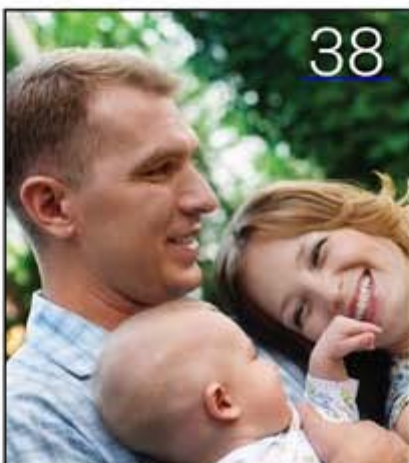
ON THE COVER



May is Disability Insurance Awareness Month. Do your clients protect their paychecks?

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# It's a Tough Pill to Swallow When Physicians

High-income heart surgeons, orthopedic surgeons, heart doctors and the high-priced nip-and-tuck specialists from Beverly Hills to Park Avenue are highly trained and highly compensated professionals. But although they possess the skills to put Humpty Dumpty back together again, when they fall off a wall themselves—whether it's as a result of an injury or an illness that impacts their ability to do their job—we find that most have not taken the necessary steps to protect their lifestyle.

# Lose Their Income

by Ted Tafaro  
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A doctor's ability to earn a sizeable income is predicated on the ability to see patients, perform surgery and further his education. And a tops-in-his-field physician can pull down salaries in the \$700,000-\$1,000,000 range. But if a heart surgeon becomes disabled, most traditional carriers will cap the monthly disability income at \$15,000-\$25,000 per month. To the manager at Wal-Mart, this sounds like hitting the lottery. But to a surgeon used to bringing in over \$60,000 per month—one who has built a lifestyle for his family that revolves around that figure—to suddenly drop his monthly income by 75% is (pardon the pun) a hard pill to swallow.

And it doesn't have to be an injury that puts a physician out of the game. In reality, it is more likely that an illness will be the culprit. Case in point: a cardiac surgeon who was young, healthy and loved to ski. If you think the end result of this story is a broken leg as a result of a sharp turn gone wrong, guess again. The doctor was diagnosed with stomach cancer and was eventually unable to trust himself with a scalpel in his hand. He was not able to earn a living.

So why don't most doctors have the kind of coverage that exists to compensate for lost wages when they can't perform their job?

You would think in some ways it would be the easiest insurance to sell. After all, who knows more about the frailty of the human body than those charged to mend it? Physicians deal with this scenario every day.

Part of the reason is they are so busy, and so focused, that they don't see the possibility that everything they have built up over their career could come crashing down on them. Another reason is that most traditional insurance brokers don't realize there exists a viable option. I can't tell you how many times they've said to me, "I didn't even know this type of coverage exists." If they don't know, how can their clients know?

We recently worked with a surgeon earning \$900,000 per year. When he became disabled, he found out that he would only be covered for \$20,000 per month through traditional outlets. We were able to secure for him and his family an additional \$25,000 per month, followed by a lump sum of \$900,000 of disability coverage. This type of specialized disability insurance covered the gap between what his income used to be and what he was now receiving after his disability so that his family's lifestyle wasn't affected.

It doesn't do any good just to insure one particular part of a physician's body. It might have been a great idea back in the 1940s when Betty Grable had her legs insured for \$1 million, but what good is insuring just a surgeon's hands if his back goes out and he can't bend over a patient on the operating table? Or he gets a knee replacement and can't stand for long periods while performing his job? What they need is full-body coverage.

This type of coverage can protect where the surgeon works as well as the surgeon himself. Hospitals and medical facilities can often bring in upwards of \$25 million from the work performed by their surgeons, particularly if there is a "rock star" doctor on staff. For instance, we worked with a leading cancer surgery center that employed an elite surgeon responsible for a significant portion of revenue to the hospital. They were able to secure a \$10 million key-person disability policy that would pay the hospital if the surgeon suffered a disability.

Although the numbers may appear intimidating, high-income coverage isn't all that hard to obtain and, as a matter of fact, the process is pretty straightforward. But it is a specialized coverage that not all traditional insurance advisors can initiate, so you need to find an advisor who works in that particular field.

The phrase "Physician, heal thyself" might be good advice, albeit impractical. It's up to you to do the healing by protecting your high-income clients to the best of your capabilities. ■