



# The Name of the Game Is the Claim

## Part 1: The Gap in Long Term Disability Plans

by Mark D. Mousty, President, Benefits Corporation of Indiana



As a physician, you have invested time, energy and money pursuing a lifelong dream — to practice in the field of medicine. Your lifestyle now reflects the income you have been earning as a physician, and your family is enjoying the benefits of what your skills, efforts and education can provide. **But what will you do if you become disabled and cannot perform the duties of your specialty?**

Most physicians purchase individual disability insurance (IDI) early in their careers, but most IDI policies are limited to providing just a small percentage of what physicians earn monthly — typically only \$10,000 to \$15,000. **As income increases, a “gap” may exist between a physician’s income and the income the IDI policy replaces.**

I have been in the disability income marketplace for about 20 years, and the questions many asked me about DI back then are the same ones I hear today. The two most commonly asked questions are, **“Do I really need disability income insurance?”** and **“What policy is the best one for me?”** Fortunately for me, and in the spirit of consistency, the answers to each of those questions haven’t changed.

When I am asked about the need for DI, I usually turn it around by asking my own question, which is: **“If you got sick or hurt and couldn’t go to work for a lengthy period of time and, therefore, couldn’t earn an income, how would you pay your bills?”**

The answers to that question can vary, but for the most part I hear:

- “I have savings I can use.”
- “I can always borrow money from the bank.”
- “Social Security will be there for me.”

These are all sincere answers, and they all have a flaw in one area or another, by pointing out:

- The length of time a disability could last
- The fact that borrowing money is predicated on repayment, and if you are disabled and not working, how can you set up a repayment plan?

- The definition of disability for Social Security is so restrictive that many will never qualify (and there is a five-month waiting period before the benefit is even payable)

### Did You Know?

- While many people think disabilities are typically caused by freak accidents, the majority of long-term absences are due to back injuries and illnesses, such as cancer and health disease, causing major limitations in daily living for more than 25 million Americans<sup>1</sup>
- One out of seven workers will suffer a five-year or longer disability before age 65<sup>2</sup>

The answer to why someone needs disability insurance is this — **when you get sick or hurt and cannot work (and earn an income), your DI policy is the best financial alternative available.**

*Once you understand, the next question is about the policy itself.*

Many want to know what they should look for in a DI policy. My reply to this is simply: **“The name of the game is the claim.”** That is, you should buy the policy that has the best chance of paying you at claim time.

So what factors go into this “claim-paying ability”? I look at four key factors – the **reputation** of the carrier, the **experience** that carrier has in the DI marketplace, the financial stability of the carrier and the **contract language**.

Let’s explore each of these in greater detail.

1. **Reputation of the carrier** — does this carrier have a good reputation of paying claims?

2. **Experience in the marketplace** — the fact is there are carriers that have been in and out of the market like a yo-yo the past 20 years.
3. **The financial stability of the carrier** — this ties into the previous factor. Look for a carrier that has the financial strength to sustain the ups and downs of the business. If a carrier has rates that are significantly lower than most of the other carriers, it is usually not because it knows something no one else does. It is usually because the carrier is trying to gain market share by buying business with low rates but will have no choice but to raise them in the next few years.
4. **Contract language** — this might be the most important factor of all. You want to look for a contract that gives you the best chance of getting paid. Unlike many other types of insurance, there are a few phrases and words that can mean the difference between a claim being paid or not being paid.
  - *Mental/Nervous/Drug/Alcohol Abuse Conditions* – most contracts (especially in the group LTD arena) will have a lifetime benefit period of 24 months for disabilities related to mental, nervous, drug abuse, or alcohol abuse conditions. Look for a contract that pays these **per occurrence** instead of lifetime.
  - *Offsets* – there are some contracts that will offset for other benefits payable and, in the group arena, may offset for any individual disability income policy owned. The best language here is the contract that has the least amount of offsets to the benefit.
  - *Exclusions* – this is really the same scenario as the last bullet on “Offsets.” You want to look for contract language that has the least amount of conditions and situations that exclude the benefit being paid.
  - *Rehabilitation Provisions* – look for policy language that gives the choice of going through a rehabilitation process to get back to work versus a contract that requires it.

**The common factor in all of the above bullets is this — there are phrases and language that will either help you get paid at claim time or hinder that claim payment.** That is why I counsel people looking for the “best” disability income policy to consider buying the one that gives them the best chance of getting paid.

**In our next issue, Part 2 will cover what are probably the most important components of a long-term disability contract language:** (1) Definition of Disability, (2) Definition of Earnings and (3) Residual or Partial Disabilities.

**“The name of the game is the claim.”**

#### References

1. *Council for Disability Awareness (Long-Term Disability Claims Review, 2007).*
2. “Benefits: Focus on Total Compensation.” [www.salary.com](http://www.salary.com).

#### About the Author

Mark Mousty is the president of Benefits Corporation of Indiana. Mark has been in the employee benefits business for more than 20 years and has committed himself to both personal and client education.

## 2010 Call for Nominations for Officers

At least 90 days prior to the IAFP Annual Assembly each year, the Nominating Committee shall announce nominations as required by the Bylaws. These nominations shall be formally presented at the first meeting of the Congress of Delegates, which this year will be July 23 and 24 in French Lick. At the time of the meeting, additional nominations from the floor may be made. The said election of officers shall be the first order of business at the second session of the Congress of Delegates on July 24.

Offices to be filled for 2010-2011 are: president-elect, second vice president, speaker of the Congress of Delegates, vice speaker of the Congress of Delegates, one AAFP delegate (two-year term) and one AAFP alternate delegate (two-year term).

The Nominating Committee’s objective is to select the most knowledgeable and capable candidates available. The committee is also responsible for determining the availability of those candidates to serve, should they be selected.

If you are an active member of the IAFP and are interested in submitting your name as a candidate, you must submit a letter of intent, a glossy black-and-white photo and a curriculum vitae. This information must be received prior to Monday, April 12. If you have questions, please contact Kevin Speer or Deeda Ferree at 317.237.4237.

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