

# A hard pill to swallow

Your high-income doctor client has disability insurance – but it's probably not enough.

By Ted Tafaro



Cardiologists, orthopedic surgeons, physicians, and the pricey nip-and-tuck specialists from Beverly Hills to Park Avenue are all highly trained and highly compensated professionals. Although they possess the skills to put Humpty Dumpty back together again, what happens when they themselves fall off the wall?

The results are not so fairytale like: the injury or illness will in turn impact their ability to save lives and do their job. We find that most physicians have

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not taken the necessary steps to protect their storybook lifestyles.

A doctor's ability to earn a sizeable income is predicated on the ability to see patients, perform surgery and further his or her education. A distinguished physician can earn in the \$700,000 to \$1,000,000-plus range. But if a heart surgeon becomes disabled, most traditional disability income insurers will cap the monthly disability income at

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\$15,000 per month. To the manager at Wal-Mart, this sounds like hitting the lottery. But to a surgeon used to bringing in more than \$60,000 per month — 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.

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. A good case-in-point is 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, rendering him unable to earn a living.

So why don't most high-income physicians have adequate coverage to compensate for lost wages when they can't perform their job due to an injury or illness?

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.

### **Coverage isn't the problem**

The reality The reality is that the primary problem is not one of buying the insurance. In fact, physicians are great believers and purchasers of disability income protection. The primary problem is underinsurance. In many cases it is a bit like owning a house that has a replacement cost of \$2 million, yet only insuring it for \$500,000. The really scary part is that the greatest asset most high-income surgeons have is their ability to earn sizable income, yet they rarely insure the risk appropriately.

Compounding this problem is a flaw in our insurance distribution system — most traditional insurance brokers don't realize there exists a viable option to protect these high-performing surgeons, above and beyond what traditional disability income carriers will underwrite. I can't tell you how many

times highly experienced and successful insurance advisors have said to me when the topic comes up, “I didn't even know this type of coverage exists.” And if they don't know, how can their high-income surgeon client know a more comprehensive solution exists?

We recently worked with an insurance advisor who had an orthopedic surgeon earning \$1,200,000 annually as a client. The surgeon's existing disability portfolio consisted of five traditional disability income policies, with a combined value of \$15,250 per month in disability income protection. Although considered a solid disability income insurance program, this represents less than 16% of the surgeon's income. Taking into account the surgeon's income, the analogy would simply be like having a \$10 million home and insuring it for \$1.6 million, which would make no sense.

After making the client aware of this shortfall, he was able to obtain an additional \$40,000 per month of disability income insurance. This type of specialized disability insurance covered the gap between the surgeon's primary disability insurance program and his income, so that his family's lifestyle isn't affected in the event of a disability.

### **Hospitals need protection, too**

Furthermore, 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 also protect where the surgeon works as well as the surgeon himself. 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. Key person life insurance

was easily secured to the tune of \$10 million, but the corresponding risk of loss to the center due to a disability is a risk that falls on deaf ears with traditional disability carriers. Carriers such as Lloyd's are highly proficient at designing and underwriting such large exposures, the result of which was a key person disability policy that would pay the cancer center \$10 million if the surgeon suffered a permanent 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 straight-forward. 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.

"Physician, heal thy self" might be good, albeit somewhat impractical, advice. It's up to *you* to do the healing by protecting your high-income client to the best of your capabilities. 



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