

The Physician's Guide to Individual Disability Insurance:

Why Employer-Provided Group Disability Insurance Falls Short for Physicians

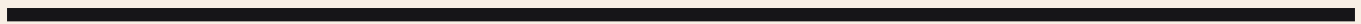


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Your ability to practice medicine is your most valuable asset. If illness or injury prevents you from working, disability insurance helps secure financial stability by replacing a significant portion of your income. This income replacement is crucial – not only because of student loans, but also due to other financial obligations such as mortgage payments, family responsibilities, practice overhead, and building retirement savings.

Many of life's unforeseen circumstances can be so financially catastrophic that it's worth paying a price to avoid them. As a doctor, two of the biggest financial catastrophes worth insuring against are disability and loss of life.



Ensuring you have enough income to support your family if you're ever unable to work due to illness or injury is a key part of a solid financial plan. This is where [disability coverage](#) comes in. According to the [Social Security Administration](#), one in four 20-year-olds will experience a disability before retirement.

While many people recover and return to work, some may need to take lower-paying jobs or, in some cases, may not be able to work again. Having a plan in place can provide peace of mind and financial stability during tough times.

The two most common [disability insurance](#) offerings come in the form of a group or individual plan. Group disability insurance is typically purchased through an employer and covers multiple people, while individual disability insurance is a private insurance policy you purchase on your own. If you already have employer-provided disability insurance, you can still be eligible for an individual policy. The individual policy is "portable," meaning it's yours even if you change employers.

Physicians must understand the key differences between these policies, as choosing the right one can significantly impact your financial future in the event of a disability. Relying solely on employer-provided group disability insurance leaves gaps in your coverage and exposes you to risk.

At Pattern, we specialize in helping physicians secure the best disability insurance policies tailored to their unique needs and specific specialties.

Navigating the complex world of disability insurance can be time-consuming and overwhelming. At Pattern, we work on your behalf to simplify the process and secure the best policy for your needs so you can focus on what matters most. Our trusted, efficient, and unbiased approach eliminates the hassle of comparing options on your own, saving you both time and effort.

There’s a good reason more than 30,000 doctors over the last 10 years have trusted Pattern to help them quickly find the right policy at the best price:

We are committed to empowering you with the knowledge and resources you need to make the best insurance choices for your career and future.

Individual vs. Group Disability: How Do They Stack Up?		
	Individual	Group
Custom Financial Planning	Tailored to You: Individual disability insurance policies offer customizable coverage tailored to you as a physician. You can choose from different options to suit your plan to your specific needs.	Standardized Plans: With group plans, rates are based on employees’ average age and health. Your policy options, such as riders, benefit amounts, and disability definitions, are chosen by your employer to address the average employee.
Recognizing Physician Specialization	True own-occupation: With an individual policy, you have the option to select true own-occupation coverage, which defines total disability as the inability to perform the duties of your specific medical specialty, even if you can work in another capacity. Specialists will not be expected to practice outside their specialty, or in a non-clinical role.	Unfavorable Policy Provisions and Limited Definitions: Group policies don’t account for a physician’s medical specialty when defining disability and eligibility for benefits. Even though a highly specialized physician has different compensation than non-clinical staff or even general practice providers, they all have the same coverage and policy terms.

Individual vs. Group Disability: How Do They Stack Up?

	Individual	Group
Consistent and Reliable Benefits	Full Benefit Amounts: Individual policies offer consistent benefit amounts and clear, well-defined terms that minimize the risk of surprises if you need to file a claim.	Reduced Benefits: Group policies may have broad definitions of disability and coverage limits, restricting your ability to claim benefits. Benefit amounts are further reduced by any other income you receive while claiming disability.
Continued Coverage	Full Control Over Your Policy: Individual policies follow you if you switch jobs. They're also typically non-cancelable and guaranteed renewable, meaning they can't be canceled or changed.	Coverage Tied to Employment: With group policies, you have no control over policy changes or cancellations made by your employer. Employer-provided group insurance is not a portable benefit, meaning you lose coverage if you switch jobs.
Full Payouts (Taxes)	Tax-Free Benefits: Individual policy benefits are not taxed in most cases, meaning more money in your pocket and increased financial security.	Taxable Benefits: Group benefits are most often taxable as income, reducing the financial support you receive when you need it the most.

Have more questions about disability insurance?

Our Resident's Guide to Disability Insurance is an excellent resource for physicians looking to understand the mechanics of disability coverage.

Individual Disability Insurance

| Customizable Coverage Tailored to Early-Career Physicians

You have a bright financial future as a physician completing your residency or fellowship. As you become established in your specialty, you will likely see significant income jumps at several points in your career.

Individual disability insurance secures your income now and as it grows. As a physician, you have seen firsthand that an illness can be more or less severe. So, too, disabilities range in severity. An individual disability policy can provide residual or partial disability benefits, to address loss of income even if you're not fully disabled.

Individual disability offers an option to increase your disability benefits as your income grows—without medical underwriting. The “future increase option” ensures your ability to increase your coverage in the future based on your current health profile.

Another critical option is the Cost-of-Living Adjustment (COLA) rider, which ensures that your benefits keep pace with inflation and rising living costs, preserving your financial security over time.

You can also enhance your policy with other provisions:



Return of Premium: A feature that refunds a portion of your premiums if no claims are made over a certain period.



Waiver of Premium: This exempts you from paying premiums after being disabled for 90 days.



Elimination Period Customization: You decide how long you must wait before receiving benefits after a disability, offering flexibility in structuring your policy.

With these customization options, individual disability policies offer higher benefits and greater flexibility than group policies, typically one-size-fits-all.

Favorable Policy Terms and Definitions

An important distinction with individual policies is that you control the definition of disability. This means you decide what qualifies you for benefits rather than relying on an employer's group policy, which might have less favorable or narrower definitions.

For physicians, we recommend opting for a true own-occupation policy. This type of coverage defines total disability as the inability to perform

the duties of your specific medical specialty, even if you can work in another role or field.

For example, if a surgeon develops a hand tremor and can no longer operate but can teach or consult in a different capacity, a true own-occupation policy would still pay full disability benefits. This is crucial for specialists whose skills are highly specific and may not easily translate to other roles.



Consistent and Reliable Benefits

With individual disability insurance, premiums and benefit amounts remain consistent. Group policies, on the other hand, may have fluctuating definitions of disability or coverage limits, which could reduce the benefits you receive. Individual policies, however, offer clear, well-defined terms that minimize the risk of surprises if you need to file a claim.

The leading providers of individual, true own-occupation disability insurance for physicians provide meaningful limits for total and permanent (TPD) disability, e.g., from 40% to 60% annually.



Full Control Over Your Coverage

Because you own your individual policy, you won't lose your coverage if you change jobs—a critical advantage for physicians in a field where over 50% leave their first job within five years. Your individual disability insurance moves with you, providing stability throughout your career, no matter where you practice.

Over 50% of physicians leave their first job within five years. Individual Disability Insurance moves with you.

Once your policy is in effect, it's protected from changes that might affect group policies, such as alterations or cancellations by your employer. Individual policies are often noncancellable (meaning your premiums and renewability are guaranteed) or guaranteed renewable (renewability is guaranteed, though premiums may change). In either case, the insurance company cannot cancel your policy as long as you continue paying the premiums.



Keep All Your Benefits

If your benefits are from a private disability insurance policy, then the benefits are typically not taxable.

Why? Because the premiums are usually paid with after-tax dollars. Freedom from income taxes on benefits means more income in your pocket and greater financial security if you cannot perform your specialty.



Group Disability Insurance

Group disability insurance is employer-provided or association-based coverage, typically offered for purchase as part of the overall benefits package offered to all employees, and it's tied to your employment.

You pay insurance premiums through the group policyholder (your employer) as an employee benefit. While the convenience of enrolling in a group policy may appeal to some, these plans come with significant limitations and disadvantages for physicians compared to individual policies.



Lack of Customization and Flexibility

Group disability insurance differs from individual policies in that it provides standardized coverage for everyone in the group of physicians. Rates are based on the average age and health of all employees, which can be disadvantageous for physicians younger and healthier than their institution's average.

Since group policies are employer-provided, you cannot customize them to fit your specific needs. Options such as riders, benefit amounts, and disability definitions are chosen for you by your employer. Employees are not policyholders and typically don't receive a copy of the policy, so you won't be able to review the contract details.



Limited Definitions and Unfavorable Policy Provisions

Compared to individual coverage, group plans often have more restrictive definitions of disability, limiting your ability to claim benefits.

Group plans do not offer true own-occupation coverage, meaning you may be ineligible for benefits if you're disabled but still able to work in another capacity. In many cases, you must be considered completely disabled, and these

definitions are often vague and less favorable than those in individual plans.

Additionally, group plans cover only a portion of your income and have more restrictions. The definition of income may exclude other types of income, such as bonuses or commissions, reducing the overall benefits you receive.



Limited Benefit Amounts and Payout Reductions

Group policies often limit your benefits by only covering short-term disability for up to six months, and policies with long-term coverage typically don't replace your full salary.

For example, if your pre-disability income was \$12,000 per month and your group plan covered 60%, your benefits payout would be \$7,200. However, if your plan capped your benefits at a maximum of \$6,000 a month, you wouldn't see that full \$7,200 amount, losing even more of your income.

Additionally, group policy benefits are reduced by any other income you receive while claiming disability. Income from Social Security, sick leave, worker's compensation, retirement benefits, lawsuit settlements, or other sources will be deducted from your disability payout.



Coverage Tied to Employment Status

If you ever change employers, you cannot take your group disability insurance with you, meaning you'll lose coverage if you leave or lose your job or take a leave of absence.

With group disability insurance, you're also at the mercy of your employer's decisions. They can change or cancel your policy anytime, leaving you no control over your coverage. Having an individual disability insurance plan ensures continuous protection, so you won't need to scramble for coverage if you lose your employer-provided plan.



Likely Taxation of Benefits from Group Plans

If your employer offers your plan, any benefits from this group disability insurance will be taxed.

Taxation of group disability benefits means less money in your pockets during a time of need—and if your group policy benefits already only cover up to 60% of your salary, you'll see even less than that after taxes. Benefits paid by individually-owned policies are not taxed as income.

The Advantages of Partnering with an Independent Advisor

Partnering with an independent broker, like Pattern, who represents policies from multiple companies, is the easiest and most advantageous way to shop for individual disability insurance.

When comparing coverage and costs, an independent broker plays a crucial role. With no allegiance to any specific insurance carrier, they offer objective advice and a wide range of options, helping you find the best policy that aligns with your unique needs, career trajectory, and financial goals.

Acting as your advocate, Pattern maximizes your purchasing power and simplifies decision-making—all without ever charging you directly. You only pay for your policy when you're ready to purchase, with no added fees from Pattern.

Shopping for and Buying Individual Disability Insurance, Made Easy

Your skills are one of your greatest assets. You have worked for decades to perfect them. Relying solely on employer-provided group disability insurance leaves you vulnerable—with group policies often offering limited coverage and benefits that don't fully protect your income or move with you if you switch jobs.

With individual disability insurance, you stay in control. Your policy is tailored to your specialty, offering comprehensive protection, including true own-occupation coverage, so you're covered even if you can no longer practice in your field.

At Pattern, we make the process simple. You can secure customized coverage that fits your unique needs—no hassle, no confusion. We know your time is precious, so we've streamlined everything to save you time and give you peace of mind.

Don't leave your financial future to chance.

**Get your free quote today and
safeguard your income with
confidence.**

**Or call us at 888-848-0786 to
speak with a licensed advisor.**

