

PHYSICIAN FINANCIAL PROTECTION SERIES | OWN-OCCUPATION DISABILITY INSURANCE 2026

# Physician Own-Occupation Disability Insurance Checklist

What to verify before buying or renewing own-occupation disability coverage

<p><b>1 in 4</b></p> <p>Adults disabled before retirement (SSA, 2024)</p>	<p><b>64%</b></p> <p>SSDI initial applications denied in FY 2025 (SSA, Jan 2026)</p>	<p><b>90 days</b></p> <p>Standard elimination period — your liquid reserve target</p>	<p><b>40–50%</b></p> <p>Extra premium women pay without GSI unisex pricing</p>	<p><b>\$140,000+</b></p> <p>Extra cumulative benefit: compound vs simple COLA, 20yr</p>
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## PART 1 — BUYING A NEW POLICY

**What physicians must verify before signing a disability insurance policy:** Confirm the True Own-Occupation definition, Non-Cancelable and Guaranteed Renewable (NCGR) terms, Future Increase Option (FIO) rider, compound COLA rider, and residual rider without a total disability prerequisite. This checklist covers all phases from pre-meeting preparation through contract verification and renewal review.

**1 Before You Meet the Agent**  
Gather these documents before the first conversation

**Gather income documentation [REQUIRED]**  
Have your most recent tax return, two recent pay stubs, and your employment contract or partnership agreement ready. Carriers require proof of earned income to set your maximum benefit.

**Review any existing coverage — employer group LTD and individual policies**  
Pull full policy documents. Note the benefit amount, definition of disability, elimination period, and benefit period. Identify coverage gaps before buying.

**If in residency or fellowship — check whether your programme offers a GSI plan [KEY FOR WOMEN]**  
Contact your GME coordinator before approaching any individual carrier. GSI programs offer no-medical-underwriting coverage and unisex pricing for female residents — typically 40–50% lower than gender-specific individual rates, and in some cases more depending on carrier and specialty. This window closes permanently when training ends.

**Choose an independent broker — not a captive agent of one carrier**  
An independent broker can compare all Big 5 carriers (Guardian, MassMutual, Principal, The Standard, Ameritas) side by side. Policy structure differs meaningfully across carriers.

**Calculate your target monthly benefit**  
Target: 60–70% of gross monthly income. Note that benefits from individually-purchased policies paid with after-tax premiums are generally received income-tax-free, increasing their effective value.

**2 During the Agent Meeting**  
Ask these five questions verbatim — request written confirmation for each

**Q 1 ON THE DEFINITION CLAUSE**

***"Does this policy use a True Own-Occupation definition — and can you show me the exact definition clause in writing before I sign?"***

**Why it matters:** Agents routinely describe Modified Own-Occ policies as "own-occupation coverage." That framing is not false — but it conceals the difference that matters at claim time. If the agent hesitates to produce the clause before you sign, take note.

## Q 2 ON THE RESIDUAL RIDER

**"Does the residual benefit rider require a prior period of total disability before it activates — and can you confirm that in writing from the carrier?"**

**Why it matters:** The total disability prerequisite clause strips most of the residual rider's value for partial and gradual disabilities, which represent the majority of physician claims. The written carrier language governs at claim time. Nothing else does.

## Q 3 ON THE FUTURE INCREASE OPTION

**"At what age does the Future Increase Option rider expire, what are the exercise windows, and what is the maximum benefit I can accumulate?"**

**Why it matters:** The FIO expiry age is typically 45 or 50. A physician who never exercises the option windows may find the rider permanently lapsed by the time it matters most. Get the full schedule in writing before you sign.

## Q 4 ON THE COLA RIDER

**"Is the COLA rider calculated on a simple or compound basis — and can you provide a written illustration showing 10-year and 20-year projections under both structures?"**

**Why it matters:** Both types carry a 3% headline rate. Over a 20-year claim, the compound structure pays out more than \$140,000 in additional cumulative benefit on a \$10,000/month base. A written projection locks a concrete figure into your file.

## Q 5 ON PORTABILITY

**"If I leave my current employer or change practice settings, does this policy remain in force under exactly the same terms — and does my premium or definition change?"**

**Why it matters:** Group LTD tied to hospital employment is not portable — and is typically ERISA-governed, which further limits legal rights in any dispute. An individual policy travels with you. If the answer is not an unqualified yes, ask for the portability clause in writing.

## 3 Before You Sign — Contract Verification

Confirm each item in the actual policy document, not the summary sheet

- Definition clause is True Own-Occupation [REQUIRED]**  
The language must name your medical specialty and confirm benefits pay even while working in another capacity.
- Policy is Non-Cancelable AND Guaranteed Renewable [REQUIRED]**  
Both terms must appear. Non-cancelable = carrier cannot raise premiums. Guaranteed renewable = carrier cannot cancel coverage.
- Benefit period runs to age 65 or 67 [REQUIRED]**  
A 2-year or 5-year benefit period leaves a career-ending disability at age 40 unprotected for 25+ years.
- Future Increase Option (FIO) rider is attached [REQUIRED]**  
Verify exercise windows, expiry age, and maximum benefit ceiling. Put the expiry date in your calendar immediately.
- COLA rider is confirmed compound — not simple [REQUIRED]**  
Request written 10-year and 20-year illustrations under both structures. On a \$10,000/month base, compound COLA produces more than \$140,000 in additional cumulative benefit over 20 years vs. simple interest.

- Residual benefit rider does NOT require prior total disability [CRITICAL]**  
 Get written confirmation from the carrier — not the agent. This clause alone determines whether a partial claim pays or is denied.
- Elimination period confirmed and liquid reserve in place**  
 90 days of expenses must sit in liquid savings outside retirement accounts. At \$22,000/month spending: \$66,000 in accessible reserves.
- Occupation class is locked at purchase — not re-evaluated at claim**  
 Confirm the policy locks your occupation class permanently at issue. Some policies reclassify if you change specialties or practice settings.
- If female — GSI availability confirmed through your programme [KEY FOR WOMEN]**  
 This is the only window for unisex pricing. Once closed at end of residency, it does not reopen. Contact your GME coordinator today.
- Confirm whether your group LTD plan is governed by ERISA [CRITICAL]**  
 Most employer-sponsored group LTD plans are ERISA-governed federal benefit plans. Under ERISA: no jury trial, no state-law consumer protections, no punitive damages, and the judge reviews only the insurer's administrative record. Additionally, when the plan grants the administrator discretionary authority (as most do), courts apply an 'arbitrary and capricious' standard — the denial stands unless plainly unreasonable. Individual policies fall outside ERISA and retain full state-law protections including jury trial rights.
- Do NOT rely solely on employer group LTD [AVOID]**  
 Group plans are Modified Own-Occ (any-occ after 24 months), not portable, and employer-paid benefits are typically taxable income.

## PART 2 — RENEWING / REVIEWING AN EXISTING POLICY

**When to review:** Annually, and after any income increase of 20%+, change of employer, marriage or new dependents, completion of fellowship, new health conditions, or reaching age 40.

**A**

### Review Your Current Coverage

Confirm your policy still matches your financial exposure

- Confirm current monthly benefit relative to current income**  
 Divide your current benefit by current gross monthly income. If it has fallen below 50–60%, you have a coverage drift problem. Calculate the gap.
- Check whether any FIO windows are open or approaching**  
 Locate your FIO schedule. If a window is open or within 12 months, act now. FIO increases require income documentation but no medical underwriting.
- Confirm the FIO rider has not expired**  
 Most FIO riders expire at age 45 or 50. If you are approaching that age, contact your carrier or broker immediately to confirm remaining options.
- Verify the definition of disability has not changed**  
 A non-cancelable policy prevents this. A guaranteed-renewable-only policy may allow definition changes for an entire rate class. Check your current policy document.

**Check whether your COLA rider offers an upgrade at renewal**

Some carriers allow an upgrade from simple to compound COLA at defined renewal intervals. On a \$10,000/month base, that upgrade is worth more than \$140,000 in cumulative benefit over 20 years. Ask your broker.

**B****Coverage Gap Analysis & Action Items**

Identify gaps and take action before the next policy year

**Calculate your current income-to-benefit gap**

Target benefit = monthly essential expenses x 1.1. If current benefit is below target, document the gap and bring it to your broker.

**Confirm your 90-day liquid reserve is still adequate**

If your income has grown, recalculate: 90 days x current monthly spending. Update the reserve as income increases.

**Review employment change portability risk**

If you have changed employers, confirm your individual policy remains portable. Confirm whether new group LTD offsets or replaces your individual benefit.

**If a coverage gap exists — exercise FIO or explore supplemental coverage**

Contact your broker with income documentation. Do not allow new coverage to offset existing benefits without reviewing the coordination terms.

**Document this review and schedule the next one in 12 months**

Record the date, your current benefit, your current income, and any actions taken. Disability insurance is a living document in your financial plan.

**Disclaimer:** This checklist is for educational purposes only and does not constitute insurance, financial, tax, or legal advice. Case study figures, premium estimates, and benefit projections are illustrative estimates based on published industry benchmarks and are subject to change. Actual policy terms and outcomes will vary by carrier, state, specialty, health history, and individual circumstances. Before purchasing or modifying any disability policy, consult a licensed independent broker, a qualified fee-only financial advisor, and if appropriate, a licensed attorney. Policy contract language governs all claim determinations.

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