

The Big Picture

A snapshot of your insurance needs for each life stage.



TEXAS MEDICAL ASSOCIATION
INSURANCE TRUST

When your life changes, your insurance should, too.

“There is nothing permanent except change,” said the Greek philosopher Heraclitus. The longer you live, the more you realize the truth of this concept. Whether it’s marriage, the birth of a child, divorce, retirement, or the death of a loved one, life events force us to make adjustments and be flexible.

As you adapt to each of these life changes, it’s a good idea to take a look at your financial situation—especially your insurance policies. As your family changes throughout the years, your insurance should, too. This guide will help you, as a physician, know the role that health-, life-, and long-term disability insurance play in each stage of life, and will give you tips on how to make the most of your coverage during each important life transition.

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Tying the knot

Big events like a marriage are the perfect time to start thinking about protecting what you have, including your income and health. As a physician, you have a lot to lose. Whether you get married when you're 25 or 45, tying the knot is a good time to make sure you have the right insurance policies in place.

Health insurance

Of course, it's important to have health insurance. But it's also important to have the right insurance for your needs. As you merge your life with that of your significant other, start by figuring out whose health-insurance policy is the best fit for you as a couple.

If you both have your own policies through an employer, consider the following:

- Which plan has the best co-insurance options?
Co-insurance is the percentage of costs you pay after you meet your deductible.
- Look beyond the premium. While one policy may have a lower premium, it may exclude important coverage you may need, or have higher co-insurance.
- If you're planning to have children, find out which plan has the best maternity and prenatal coverage.
- Which plan offers better coverage of mental health care, prescription drugs, and dental care?
- In some cases, it might make more sense for each of you to keep your own insurance policy.

If neither you nor your spouse has insurance through an employer, you may apply for an individual policy. Individual health-insurance policies can be pricey and coverage confusing. So it may be wise to consult an insurance advisor who can help you wade through the various policy options and navigate the application process.

Life insurance

If one of you is dependent on the other for financial security, now is the time to buy a life-insurance policy to protect the dependent spouse.

- If you purchase life insurance when you're young and in good health, the premiums may be more affordable.
- Term life insurance is often cheaper than a whole-life plan. You can purchase term life insurance in 1-, 5-, 10-, 15-, 20-, or 30-year increments.

Often, people buy term life insurance when they get married or have children, and keep it until their kids are grown. However, you may want to convert your term life policy once the term is over, if your plan allows for that and it makes sense for you financially.

Long-term disability insurance (LTD)

Disabilities are more common than you might think. In fact, 3 in 10 workers entering the work force today will become disabled before retiring.¹ If you become disabled and are unable to work for a long period of time, LTD insurance can help you to pay your mortgage, interest on school loans, and everyday expenses.

- Many physicians purchase LTD insurance while they are still in residency, which is wise, because it may be easier to meet the health requirements as a younger person.
- For physicians, it's important to purchase a policy that has a feature called "own-occupation." A policy with an own-occupation definition of disability will pay you the benefit if you're unable to practice medicine, even if you can do other kinds of work.
- While your employer may provide LTD insurance, you may want to purchase an additional policy to make sure you're adequately covered.

1 Council for Disability Awareness website, Disability Statistics page at http://www.disabilitycanhappen.org/chances_disability/disability_stats.asp, updated 2009. Accessed April 6, 2010.

Welcoming a new baby

There are many things you need to do to get ready for a new addition to your family. In the midst of buying a new crib and deciding on baby names, don't forget to update your insurance policies. In fact, it's important to call your insurance advisor *before* you're expecting, because in some cases it may be too late to make changes when a child is already on the way.

Health insurance

Before you start your family, find out what your health-insurance plan covers when it comes to maternity. Maternity insurance can be difficult to come by:

- Many individual policies—insurance you buy yourself or through a broker—do not cover the medical expense of giving birth to a child.
- Individual plans that do offer maternity coverage may do so with an expensive rider that adds cost to your basic premiums.

You may have better luck getting maternity coverage through an employer-sponsored medical plan or an association-group plan. However, make sure you have coverage before you and your spouse are expecting a child, because you could be denied an insurance policy if you apply for an association-group plan while pregnant.

Wherever you buy your maternity coverage, make sure that it includes:

- Hospitalization, including the costs of your room, board, and incidentals
- The cost of delivery (C-section and traditional)
- Surgeon fees and other surgical expenses
- Prenatal doctor visits, neonatal screenings, and tests
- Prenatal vitamins
- Well-baby care
- Emergency procedures related to the pregnancy or birth

Life insurance

If you don't already have life insurance, you may want to purchase a policy so that, if anything happens to you or your spouse, the surviving partner will have the resources necessary to care for your child.

- If you're a woman, it's important to apply for life insurance before you're expecting a child. Life-insurance companies still consider it a risk to insure a pregnant woman and may not insure you if you're pregnant. Or, if they do insure you (which is unlikely), they may charge you a much higher rate.
- Because it limits coverage to a predetermined number of years, term life insurance is often the cheapest option. You can choose a term that's right for you—either 10, 20, or 30 years. Often, families buy a term life policy for a time period that's long enough for them to get their children raised and out the door.
- If you purchase term life insurance, make sure you get a policy where you have the option to convert it into a permanent life policy at the end of the term, if you choose to do so.

LTD insurance

With a child dependent on you, it becomes more important than ever to have an LTD policy that will help you continue to care for your family if you can no longer work.

- If you already have an LTD policy, make sure you have enough coverage. With a baby, your monthly expenses may increase, which means you may need a higher monthly benefit if you become disabled.
- If you have a policy through your employer, you may want to purchase additional LTD coverage, as employer LTD typically only covers 50 to 60 percent of your income.
- If you don't have LTD coverage yet, now is a good time to purchase a policy. It may be easier to pass the physical exam, and your premiums may be lower, when you're young and in good health.

Experiencing the death of a loved one

There aren't many things in life that are as difficult as grieving the death of a loved one. While it may be difficult to make decisions right away, you may need to take care of some important insurance matters, including:

Life insurance

Life insurance was created for times just like this. If your loved one has life insurance and you are the beneficiary, you will have peace of mind knowing you have the financial resources to help you stay afloat financially during this difficult time.

- If your loved one dies, and you are the beneficiary on his or her life-insurance policy, contact your life-insurance advisor or provider to find out how the benefit will be distributed to you.
- If you are the sole financial provider for your family and don't already have a life-insurance policy, you should consider purchasing one.
- If you already have a life-insurance policy, consider whether additional life-insurance coverage is needed.

Health insurance

If one partner in a marriage dies and he or she provided insurance for the family through an employer with over 20 employees, living dependents who were on the insured's policy may qualify for COBRA coverage. COBRA (which stands for the Consolidated Omnibus Budget Reconciliation Act), gives the dependents the right to continue group health-benefits provided by their group health plan for a limited time after a loved one's death.²

- The employer will notify the insurance plan's administrator within 30 days after the employee's death. Then the surviving partner will receive a notice of COBRA eligibility and rates by mail. The surviving partner will have 60 days to decide whether he or she wants to continue insurance coverage through COBRA and 45 days after electing

coverage to pay the initial premium.³

- COBRA will help the surviving partner retain insurance coverage for 36 months after the death of the loved one. After that, the surviving partner will need to obtain another health-insurance policy through an employer or purchase an individual plan.³
- To find out more about COBRA coverage, visit the U.S. Department of Labor online at <http://www.dol.gov/dol/topic/health-plans/cobra.htm>.

Although not required by law, some association-group plans allow surviving dependents to remain on health- or life-insurance plans through the association-group after the insured spouse has died. Check with your plan's administrator to find out if your plan has this feature.

LTD insurance

If a loved one dies and leaves you as the sole provider for your dependents, you may want to purchase an LTD policy so that your family's income is protected if you experience a disabling injury or illness.

Also, if your loved one was receiving disability benefits at the time of death, you should check with the insurance carrier to see if there is a survivor benefit.

² United States Department of Labor website, Continuation of Health Coverage – COBRA page at <http://www.dol.gov/dol/topic/health-plans/cobra.htm>, updated 2010. Accessed on April 6, 2010.

³ United States Department of Labor website, Employee Benefits Security Administration at http://www.dol.gov/ebsa/publications/life_changes.html. Accessed April 6, 2010.

Going through a divorce

Going through a divorce can be difficult, and it's important to understand your options when it comes to insurance coverage. For all of your insurance policies, it's a good idea for the party receiving financial support to pay the premiums to ensure that each policy remains in force and that the beneficiaries are not changed. Also, make sure the cost of the premiums is included in the divorce settlement. Here are some other things to think about when it comes to managing your insurance policies after a divorce.

Health insurance

If you and your spouse each have your own health-insurance policy and you don't have children, then insurance shouldn't be an issue if you get a divorce—each of you would remain on your current insurance policy. However, if you're both on one policy, and you have children who are also on that policy, things can get a bit complicated. Here are some things to consider:

- If one spouse is dependent on the other for health insurance sponsored by an employer, the dependent spouse may be eligible for COBRA coverage after the divorce. The COBRA coverage could last up to 18 months. The divorce decree should state who will pay the premiums.⁴
- The divorce decree should also state a plan for how insurance will be provided after COBRA coverage ends.⁴
- COBRA only applies to employers with over 20 employees. So if the couple's health insurance is sponsored by a small practice with fewer than 20 employees, the dependent spouse may not be eligible for COBRA. However, the dependent spouse may be able to obtain a court order known as a Qualified Medical Child Support Order requiring the former spouse's insurer to continue covering the children.⁵

Although not required by law, some association-group plans allow an insured's ex-spouse to remain on the existing health-insurance plan for a short amount of time after the divorce. Check with your plan's administrator to find out if your plan has this feature.

Life insurance

If you and your spouse get divorced before having any children, you may not want or need a life-insurance policy at all. However, if you have children and you and your former spouse are raising them together, you may want to consider some of the following factors:

- If the former spouse who is providing alimony and child support dies, this loss of income could negatively affect the dependent spouse and children.
- If the former spouse who bears the primary responsibility for raising the children dies, costly childcare will need to be arranged.

For these reasons and others related to the financial support of your children, you and your former spouse may want to keep each other as beneficiaries on each other's life-insurance policies.

LTD insurance

As with life insurance, you and your former spouse may want to continue carrying LTD insurance if you have children, so you can continue to provide for them if either of you experience a long-term illness or injury. The funds for this insurance should be represented in the amount of financial support the spouse and children receive.

⁴ Insurance Information Institute website, Life Stages/Divorce page at www.iii.org/services/life_stages/divorced.htm. Accessed May 17, 2010.

⁵ United States Department of Labor website, Employee Benefits Security Administration, Qualified Medical Child Support Orders page at <http://www.dol.gov/ebsa/publications/qmcsco.html>. Accessed April 6, 2010.

Enjoying an empty nest

Sending your last child off to college or a new career can be bittersweet. You're leaving behind your role of a day-to-day parent, but also gaining more time to do other things you love to do. While you're going through this transition, it is important to consider how you want to change your insurance coverage to fit your new lifestyle.

Health insurance

If your children are still dependent on your income, they can remain on your health-insurance plan until age 26. Once your children leave your plan, it's a good time to re-evaluate your health insurance to make sure it meets your needs.

- You may want to add optional coverage types, like dental or vision.
- If you have an individual policy, you may also want to shop for a new insurance provider that better fits your needs and budget.
- Be sure to talk to an insurance advisor before you cancel any current policies, however. It may not be as easy as you think to switch plans.

Life insurance

Once your children leave home and become financially independent, re-evaluate whether you still need life insurance, or need to adjust your benefit amount.

- If you're single, you may no longer need life insurance, unless you have other loved ones who are financially dependent on you.
- If you're married and have a spouse who is dependent on your income, you may want to keep your policy to help provide for him or her.

LTD insurance

- As long as you're still dependent on your income to pay for daily living expenses, it's wise to continue carrying LTD insurance, in the event of a long-term illness or injury.
- If you no longer have children in your home, you may not need as much coverage because you no longer have to pay their living expenses. However, you'll still want to keep enough coverage for your own expenses. Talk to your insurance advisor to see if you can lower your monthly benefit coverage, which could lower your premium.

Preparing for retirement

As you near retirement, take a look at your insurance. There may be some policies you no longer need, and others that can help you feel more secure in your golden years.

Health insurance

Anyone enrolled in Social Security can sign up for Medicare when he or she turns 65. Medicare helps you pay hospital bills (Medicare Part A) and doctor bills (Medicare Part B).⁶ Also, you can sign up for Medicare Part D to help you cover the expenses of prescription drugs.

When you turn 65, there are some things to think about, including:

- If you continue working after age 65, you can still receive coverage through your employer-sponsored plan and you may not need your Medicare coverage.⁶
- If you are retired and no longer have group coverage, you may want to purchase an additional policy to help supplement your basic Medicare coverage. These policies are called Medicare Supplemental or Medigap policies. These policies are sold through private insurers, but are standardized so that they're easier to compare.
- There are 12 different types of Medigap policies (Medigap Plans A-L). To find out more, go to <http://www.medicare.gov/medigap/default.asp>, or talk to an insurance advisor.

Life insurance

If you don't already have life insurance, buying it when you're near retirement age can be difficult. You may not qualify for life insurance if you're not in good health. However, it is possible to purchase a life-insurance policy later in life — but be prepared to pay more than you might have expected to pay.

If you already have a life-insurance policy, you may want to think about the following:

- If you have a term life-insurance policy, you may want to convert it to a permanent policy. Permanent life-insurance policies accrue cash value from which you can withdraw or borrow for the rest of your life. Find out if your policy is convertible, and if your premium will be increased if you convert it to a permanent policy.
- While some people let their term life insurance lapse when their children are grown, you may want to keep a life-insurance policy if you're supporting other dependents, like a spouse, parents, adult disabled children, or others who depend on you financially.
- Talk to your financial advisor to see how life insurance fits into the rest of your financial picture.

LTD insurance

Many LTD policies terminate at retirement or will terminate at a predetermined age as specified in the policy. However, once you reach your Social Security retirement age (which is based on your year of birth), Social Security kicks in and your financial situation may not be as precarious if you become disabled and are no longer able to work. At this point in your life, you may choose to drop your LTD coverage, and purchase a long-term care policy instead. (See “Long-term care insurance: Do you need it?” on page 10.)

⁶ Insurance Information Institute website, Life Stages/Senior Years page at http://www.iii.org/services/life_stages/senior.htm, updated 2010. Accessed April 7, 2010.

Long-term care insurance: Do you need it?

As Baby Boomers reach retirement age, more and more will need help with everyday living. Long-term care insurance can help aging people to pay for the help they may need with daily activities, such as dressing, bathing, and using the bathroom.

According to the U.S. Department of Health and Human Services, the average cost per day for a private room in a nursing home was \$209 in 2008.⁷ That adds up to \$76,285 per year, and those costs are expected to rise in coming years. Long-term care insurance can help to defray the expense of assisted living.

Most people purchase long-term care policies when they are in their 50s and 60s. According to AARP, few experts suggest buying long-term care insurance before age 50. However, if you wait until after you turn 70, you may not qualify due to health conditions, or the policies for which you do qualify could be prohibitively expensive.⁸

AARP suggests you may be able to forgo long-term care insurance and pay for long-term care yourself if you have assets over \$1 million (for a single person) or over \$1.5 million (for a couple).⁸

Buying long-term care insurance is a decision only you can make, and it's a tough one. Whatever you decide, you may not want to plan on Medicare to help with long-term care. Generally, Medicare does not provide support services for activities of daily living.⁹ And most health-insurance plans don't cover long-term care, either. You may want to talk with an insurance advisor to find out how you can ensure that you're protected in your golden years.

⁷ U.S. Department of Health and Human Services website, National Clearinghouse for Long-term Care Information Overview at http://www.longtermcare.gov/LTC/Main_Site/Paying_LTC/Costs_of_Care/Costs_of_Care.aspx, updated December 30, 2009. Accessed April 6, 2010.

⁸ Jonathan D. Pond. Long-term Care Insurance: Is it Right for You and Your Parents? Available at: http://www.aarp.org/money/personal/jonathan_pond/articles/pond_long_term_care.html, updated May 28, 2009. Accessed April 6, 2010.

⁹ U.S. Department of Health and Human Services Medical. What is Long-Term Care? Available at: <http://www.medicare.gov/longTermCare/static/home.asp>, updated March 25, 2009. Accessed April 6, 2010.

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Monday-Friday, 7:30 am - 5:30 pm CT,
to speak directly with a TMAIT Advisor.



Getting to know TMAIT

The Texas Medical Association Insurance Trust (TMAIT) was created by the Texas Medical Association (TMA) in 1955 as an exclusive benefit to its members. TMAIT's mission is to help Texas physicians get the insurance coverage and financial planning they need.

What TMAIT offers physicians:

Personalized Service

We pair each physician who contacts us with an experienced insurance Advisor.

Convenience

We do the legwork to find quality, competitively priced insurance products that meet the unique needs of physicians.

Experience

For more than 50 years, we have been helping Texas physicians get the protection they need.

Peace of Mind

We were created by the TMA, an organization dedicated to serving Texas physicians.