Long-Term Disability Insurance - An Important Protection for Any Size Veterinary Practice

What is your most valuable asset? Many people would say their home or retirement accounts (at least before 2008), while practice owners point to the value of their business.

In fact, your most important asset is your ability to earn an income.

A 38-year-old client of mine discovered this in 2008 when he was disabled by a brain tumor that caused him to lose his speech. He quickly learned that his financial future was not secured by the equity in his home or a loan against his retirement plan. However, within 60 days he was collecting $3,600 a month from GHLIT. With that money, he maintained his lifestyle, preserved his dignity (he did not need to ask for money from his family) and kept his four-child family intact. (By the way, he eventually recovered and is now back at work full time. You can see his story in this video).

Veterinarians can buy disability insurance from several fine companies, but the Long-Term Disability coverage available through GHLIT has several unique features that set it apart:

**30-day waiting period** – Typical waiting periods (time period before benefits are paid for covered disabilities) for long-term disability insurance are 60 days, 90 days and 180 days, with most buyers selecting the 90-day option. GHLIT offers a 30-day waiting period, which is a significant benefit when you analyze the time it takes to process a claim and receive your first check. Assume you become disabled Aug. 1 with a 90-day waiting period. That means no paycheck for August, September and October while you satisfy the waiting period. And probably no paycheck for November, since disability payments are made in arrears, after a claim is filed. So you need the month of November to accrue your first month’s benefit. That means you likely may not file a claim until Dec. 1, so now you have not had a paycheck for four months. Under the best of circumstances, an insurance company will take 30 days to process an initial disability claim. So with the most commonly selected waiting period used by other insurance companies of 90 days, you most likely will go five months without a paycheck.

GHLIT, however, offers a very affordable 30-day waiting period with a premium that is often about the same as a 90-day waiting period offered by other companies. That means you likely would be without a paycheck for just 90 days.

**Modified lifetime benefit** – Under GHLIT’s long-term disability plan, if you suffer a covered disability before age 50 and do not recover, you can collect disability benefits for as long as you live. It is very difficult to find a lifetime benefit with other carriers. (If disability occurs after age 50, your benefits generally can be paid to age 70 in many cases). Nearly all other insurance companies pay benefits only to age 65 or age 67.

**Gender neutral rates** – GHLIT does not distinguish disability premiums by gender, even though women pose a higher risk of disability than men. This means that if you are a woman, your premiums for disability insurance through GHLIT will likely be lower than those offered by companies that rate premiums by gender.

**Rate stability** – A common criticism of group disability plans like those offered by GHLIT is that the carrier can increase premiums. While New York Life does have the contractual right to raise rates, it has
not done so since the trust was founded in 1957. Higher-than-expected losses over the last 20 years caused turmoil in the disability industry, leading to consolidations, mergers and rate increases, but GHLIT rates have stayed the same and loss ratios have been within actuarial projections. GHLIT insurance products are underwritten by New York Life Insurance Company, a Fortune 100 company with an excellent record of financial strength.

**Higher replacement ratio** – Most disability insurance companies will insure 60 to 65 percent of your income up to $75,000 or $80,000. If your income is higher, however, many of these companies reduce the “replacement ratio” to as low as 45 percent. For those under age 50, GHLIT will insure 60 percent (when combined with other disability income coverage in force at the time of application) of your income up to and through $200,000 of wages or net income, which is a monthly benefit of $10,000. (This maximum benefit grades down for new coverage issued at higher ages.) So if you are earning $200,000 and apply for coverage with another insurance company, you may be issued a benefit as low as $7,500 a month versus potentially $10,000 through GHLIT.

**Occupational equality** – Some carriers charge higher premiums for large-animal veterinarians. GHLIT does not make a distinction between specialties.

**An individual certificate** – GHLIT issues an individual certificate of coverage, which means veterinarians can choose to pay premiums with personal, after-tax dollars. This is significant because benefits paid under this scenario are tax-free to the insured. If your disability insurance is a group employer plan with premiums paid by your employer and you become disabled, the benefits you receive will be subject to income tax.

**No reduction for other benefits** — Many disabilities trigger payments from workers compensation or social security. Some individual and group disability policies reduce benefits to a policyholder dollar-for-dollar if she or he collects benefits from these “social insurance” sources. GHLIT does not make this reduction, so a veterinarian can collect both GHLIT payments and other disability insurance benefits.

**A friend in the Home Office** – Because GHLIT is run by veterinarians, you can get a more empathetic response if a problem arises. The nine trustees, all practicing or retired veterinarians, buy the same coverage you do. Should you ever experience a problem with your insurance program, the trustees also act as a Review Board. You can think of it as having a “Board of Directors” that puts your needs first.

When you stack up these unique features, long-term disability insurance through GHLIT provides significant advantages over the competition.

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