For physicians beginning residency, many facets of their career are changing. The heightened need for life and disability insurance is among them.

What do you need to know about these essential insurance coverages as you transition from medical school to residency? AMA Insurance Agency Inc., a wholly-owned subsidiary of the AMA that is licensed as an insurance producer in all 50 states, has outlined three key questions that resident physicians should be asking.

Is your employer coverage enough?

When you look at the disability insurance plans your training institution offers, a good place to start is by asking one question: What are your needs?

“Based on working with physicians, it’s really important to understand how much they need in insurance coverage,” said Mike Hegwood, director of brokerage marketing at AMA Insurance. “A rule of thumb can be about 66.5% of your gross income is what ends up coming to you in a disability insurance policy, so if you are making $100,000 that is providing about $66,000 in coverage.”

To understand what your full disability benefit would be, it’s also important to know how the benefits paid from your plan are taxed. If your employer pays for a policy and you become disabled, you are likely to be taxed on your insurance benefit as income. If you pay the policy’s premium, that is unlikely to be the case.

Find out the four disability insurance details physicians often overlook.
Should you mix and match?

With disability insurance, there is likely to be some employer coverage. For residents, considering a lifetime of earning potential is at stake, the employer coverage is unlikely to be robust enough.

If that is the case, you will want to augment employer-sponsored coverage with a supplemental disability insurance policy that fills the gaps. AMA Insurance offers a resident disability income plan that offers own-specialty protection. That means benefits can be payable if you’re unable to perform the duties of your own medical specialty, even if you could work in another job inside or outside the medical profession.

The need for adequate insurance coverage, Hegwood believes, has been heightened by the pandemic.

“It’s as critical today as it has ever been to have disability coverage. With the added stress and increased workloads that young physicians have endured through the COVID-19 pandemic,” he said. “It could certainly leave them more susceptible to a disabling illness or injury.

Learn why COVID-19 uncertainty shouldn’t stop young doctors’ financial plans.

What are your life insurance needs?

Your life insurance needs will be heavily determined by personal circumstances. Do you have family that is dependent on your income? Do you own a home on which you have a mortgage? These are questions that may dictate the amount of coverage you need or if you need to buy coverage at all right now.

If your training institution doesn’t provide life insurance or doesn’t offer adequate coverage, there is some good news: Coverage for residents tends to be inexpensive. Your options may be a term-life plan, which offers the most face amount for the premium paid – but comes with a set time period of coverage. A whole life insurance plan, on the other hand, provides a more permanent solution to your coverage needs. These plans are designed to always pay some form of benefit to you or your beneficiary, as long as you continue to pay the premiums. But they also tend to be more expensive than term life insurance plans.

To best determine your coverage needs, you should speak with an insurance broker.

“Go to a trusted source. Look at a couple options,” Hegwood said. “Unlike most insurance agents, our
insurance specialists are noncommissioned, salaried employees. Their job is to help you get the coverage you need, with the type of plan that best fits your needs.”

Learn more about the AMA Resident and Fellow Section, which gives voice to—and advocates for—issues that affect resident and fellow physicians.