Fact or Fiction? Quiz Yourself on Personal Insurance Myths & Misconceptions

1. I don’t have a spouse or kids yet, so I don’t need life or disability insurance.
   - Possible. But you likely still have financial responsibilities. Think of your student loans, car payment, credit card debt, rent/mortgage... How would such obligations be handled if you suddenly died or became disabled?
   - This isn’t fun stuff to think about, but it’s very real. Young people die every day in accidents or unexpected events. And it’s widely known that dentists face an above-average risk of disability because of the physical demands of clinical practice. So don’t make the mistake of thinking, “It won’t happen to me.”
   - The fact is, you likely do need life and disability insurance protection even before you start a family. These products also play an important role in business, like providing collateral for a practice loan or funding a buy-sell agreement with a business partner, which are independent of your personal life.

2. When insurance is cheap, the quality is cheap, too.
   - Maybe, but not always! You often hear, “You get what you pay for,” but exceptions do exist. For example, the American Dental Association is able to offer its members group insurance with high-quality coverage features at surprisingly low rates. How? Volume buying power, low overhead, experience-based discounts, and an intimate understanding of dentists that results in focused (and thus efficient) underwriting and claims handling. Some ADA coverage is even free to student members because that’s how the ADA chooses to invest in its future membership.

3. All disability policies are the same.
   - Definitely not true! Disability insurance is a complicated product, and there are lots of variations in quality and price. You have to take time to read the contract, compare features, and ask questions to make sure you know what you’re getting.
   - One of the most important things to examine is how the policy defines disability. An “own occupation” policy, preferred by most dentists, pays a benefit if an injury or sickness prevents you from working as a dentist even if you could hold down a different job.
   - But own occupation policies are not all the same. A “true own occupation” policy will pay full benefits if you can’t work in your special area of dentistry—even if you could do other types of dentistry or could pursue another career like teaching—regardless of how much money you earn while disabled. Also consider the time period you could receive own occupation benefits: Some policies limit those benefits to just a few years, and then switch to a definition of disability that is harder to satisfy. Make sure you know how to spot these differences.

4. A fully loaded policy is always the best choice.
   - False. It may be tempting to go for the deluxe model, but why pay extra for bells and whistles if you don’t need or want them? Budget-conscious dentists often look for a basic policy and then add only the options (also called riders) that fit their particular needs.
   - For example, if you want to guarantee that you can increase your coverage without having to take another medical exam, it could be worth it to add a future increase option to your basic plan.
other hand, a cost of living adjustment (COLA) option may not be the best use of your money when you could rely on other sources of income during a disability (spouse salary, product sales, etc.) to combat inflation. A souped-up policy that over-addresses your needs may be no “deal” after all.

5. Locked-in premiums are better than premiums that change over time.

On the surface, this might seem true. It may feel comfortable knowing you’ll pay the same amount each year for the life of your policy. But if you look more closely at how these policies work, you’ll see that level premium policies charge more in the beginning than your relative risk of death or disability at the time, in order to keep premiums the same as you grow older and your risk increases. If you discontinue your coverage before the term ends, you will have likely overpaid for the time you were insured. And if you need to keep the insurance longer than originally planned, your rates can spike dramatically when you begin a new term (in which case, you’d be “locked in” with no alternative but to pay the higher rates or go without coverage).

In contrast, pay-as-you-go policies, with premiums that gradually increase with your age and subsequent risk, can give you more flexibility and control: You don’t have to determine up front how long you will need the insurance. Plus, your insurance costs are lowest at the very time when you’re starting out and money is tight. (In fact, most financial advisors will recommend you pay as little as possible and invest the rest on your own.) In rare instances, your premiums could even go down in some years, which has been a recurring and pleasant surprise for ADA plan participants throughout the past 10 years.

In addition, policies with graded premiums generally do not make you go through another medical exam to continue coverage, so you know that you can keep your insurance into old age even if you are hit with health problems along the way.

6. I’ll get the best service through a local insurance agent.

Not necessarily. Using an insurance agent or broker is a personal decision. Some people like face-to-face meetings with an agent. However, many dentists discover they can obtain sufficient information from a company’s website and/or call center to make an informed decision and avoid costly agent commissions. In fact, they often prefer doing business online or over the phone so they can get...
information when and how they want it without having to endure time-consuming or uncomfortable sales pitches.

What’s more important is to investigate the company or organization that stands behind the policy—its strength, stability, and reputation among your peers. For example, the ADA demands solid financial management and exemplary service from Great-West Life & Annuity Insurance Company, the company that underwrites and administers the ADA Insurance Plans. Many dentists like the idea of having their insurance selected by a professional association they know and respect.

In the end, it may come down to trust—what company/policy/personnel you trust most to be there for you in a time of need. Everything may look rosy on the front end, but things could get ugly later if you make a poor choice. To confirm your instincts, solicit recommendations from colleagues and mentors, check independent rating services like A.M. Best, and ask the insurance company your most probing questions. How they handle your inquiries may help you predict how they’d handle more serious matters like a death or disability.

Do the smart thing by getting as much insurance as you need as soon as you can… because you will never be younger than you are today.

7. I’m young and healthy, so it will be easy for me to get insurance.

That’s true—most of the time. But you might be surprised at the things that could affect your ability to get insurance coverage at the best rates or without any restrictions.

Family history, an old injury, past illness, or the use of certain prescription medications could raise a red flag when the insurance company’s underwriter evaluates your risk of disability or death, and could affect the price you pay or the coverage features you’re offered. For example, a former back injury might cause the company to exclude back problems from disability coverage but provide coverage for all other causes of disability. (Note: Most insurance companies use similar underwriting processes and information repositories; anything discovered by one carrier’s underwriter will likely be available to other insurers, too.)

What else could affect your insurability? If you use tobacco in any form, your coverage will likely cost more. A driving record with multiple moving violations or DUIs also can raise your rates or even cause your application to be declined. Participating in extreme sports like hang gliding, car racing, or piloting private aircraft could make it more difficult or more costly to get insurance. Even your gender statistically influences the risk of death or disability and can result in higher premiums for some policies. These principles may not sound fair, but this is an area where statistics do rule.

If you ever are considered less-than-perfect health-wise, it’s not the end of the world: You may be able to re-apply at some point in the future, and might qualify for lower rates or lifted restrictions if your situation changes. Also, watch for opportunities for guarantee issue insurance—coverage that does not require a medical exam—because you can’t be turned down.

One final word to the wise: Do the smart thing by getting as much insurance as you need as soon as you can… because you will never be younger than you are today.

Editor’s note: This article does not constitute legal, tax, or financial advice. Please seek professional input as appropriate to your situation.

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