

Protecting Your Practice

As a professional with a private practice, you know your presence in the office is crucial to your clients or patients...to your family's financial well-being...and also to the health of your practice overall. It's obvious that you need to protect your income in case an accident or injury makes it impossible for you to work – which is why most professionals do carry some form of disability income insurance. Personal DI insurance or salary continuation covers key living expenses while you're disabled –mortgage payments, tuition, automobile leases or payments and the real basics like utilities and groceries.

But what about the many professional expenses that would need to be met somehow during a disability? Staff salaries, office rent or mortgage payments, utilities and other practice-related costs would still need to be paid, while the income that normally pays those expenses would decrease or even disappear during the time you could not work.

To deal with these obligations, you could shut down your practice temporarily – and risk losing both your valued staff and your hard-earned patients or clients. Or you could dip into your capital – or go into debt – in order to meet your ongoing overhead expenses.

Clearly, these alternatives are pretty grim. However, there's an easier and much more cost-effective solution...a relatively inexpensive type of disability income insurance, specifically designed to reimburse you for your practice's overhead expenses and keep your practice running if you should become disabled. This type of insurance is called Overhead Expense Insurance. And for a professional in private practice there's an even more customized form of that insurance known as Professional Overhead Expense Insurance (POE).

Professional vs. Standard Overhead Expense Insurance

Quite simply, standard or business overhead expense insurance provides reimbursement for the expenses of operating your practice if you are disabled and cannot work. These expenses may include mortgage payments or rent, electricity, telephone, heat, water, laundry and other fixed costs normal to the operation of the practice.

Professional overhead expense insurance, on the other hand, pays some additional costs – including the salaries of all regular employees except those who are members of your professional. In a Dental partnership, for example, salaries for the receptionist and Dental Assistant would be covered, but not the salary of your Dentist partner or employee. However, high quality professional overhead policies will cover at least part of the salary of a professional temporary replacement for you, such as a Dentist retained to fill in during your total disability.

Look for These Features in Your Coverage

Here are some of the extras you can find in high-quality professional overhead expense policies:

The Carry-over Provision... To accommodate fluctuating Monthly expenses

Overhead expense benefits reimburse the expenses incurred in keeping your office open during your disability. However, in many practices these expenses fluctuate, so one month they might be less than the policy benefit, other months more.

Building a carry-over provision into the policy solves this problem. When monthly expenses are less than the maximum monthly expense benefit, the unused benefits are simply carried over and made available for use in months when expenses exceed the maximum monthly benefit. Under certain conditions, overhead expenses may actually continue to be reimbursed even beyond the indemnity period.

The Residual River... To cover partial disability

If you suffer a disability that limits you to part time work, your practice's gross revenue may decrease to the point where you cannot meet your office expenses. In such a case you would certainly need help to pay your office bills, just as you would if you suffered a total disability. Yet many overhead expense policies require you to be totally disabled to be eligible for benefits.

To avoid this problem, look for an optional policy provision for what are called "residual benefits" – paying the difference between current gross revenue and current expenses if you are partially disabled. These benefits are payable when your practice's monthly expenses exceed gross income and you have lost at least 20% of your prior gross monthly revenue.

Future Purchase Option... To help benefits keep up with inflation

As your practice grows, expenses are bound to increase too – sometimes to the point where they can no longer be handled by your POE coverage. One very valuable optional provision to help with this is a Future Purchase Option – giving you the right to increase coverage each year, without proof of medical insurability, until age 55.

Coverage for all reasonable expenses

With a high-quality policy, more expenses are eligible for reimbursement during disability than with more standard policies. When your evaluating plans, check to make sure the following are covered:

- Both principal and interest on your practice's mortgage payments.
- Cost of equipment leased or purchased prior to disability.
- Up to 80% of salary for the qualified replacement for you – for up to six months.
- Depreciation or scheduled installment payments of principal and interest on debts.

Tax Considerations

Professional Overhead Expense Insurance offers several tax advantages to your practice.

- Premium payments are tax-deductible as a reasonable business expense.
- Overhead expense benefits received during disability, while taxable upon receipt, are used to pay practice – related expenses which are tax – deductible. The net tax result is a “wash.”

Affordable Protection for Your Practice

The good news is that quality Professional Overhead Expenses coverage is both available and surprisingly affordable...especially when compared to other monthly services you already pay for.

An Example of Cost*
Overhead Expense Policy for a 40 year old male

Monthly benefit \$10,000
Monthly premium \$64.25
Includes both the carry over provision and the optional residual rider.

*Male age 40, non-smoker, top occupation class, 90 day wait, 12 month benefit.

Completing Your Practice's Protection

You've devoted long hours and years to your education and training, and to building your practice and keeping it healthy. You've insured the building and contents, the lives of yourself and your key employees, and probably protected your family's lifestyle against the possibility of your becoming disabled. Isn't it time to take the next step and ensure that your practice won't suffer a disability just because you have?

This information is intended to provide general information. Please consult the actual policy for all terms, conditions and exclusions.

For additional information please contact:

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Request for proposal:

Professional Overhead Expense
Monthly Benefit Requested \$ _____

Disability Income Insurance
Annual Income \$ _____
Monthly Benefit Requested \$ _____

Name

Practice Name (PA, PC, LLC, LLP etc.)

Address:

Telephone

Fax

E-Mail

Date of Birth

Additional Information available at:

DentistFile.com

Professional Overhead Expense Insurance

Completing Your Practice's Protection

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