

# Risk management considerations for physicians

As a physician, your day is likely packed with various demands—from treating patients to managing your professional development, all while taking care of business administration needs and staying current with the latest medical advancements. Thinking through your own asset and wealth management probably falls to the bottom of the list.

Yet, safeguarding your personal wealth is a vital step toward preserving it, and even more important, providing you peace of mind. Having a robust risk management plan in place can help you focus on your career, knowing you're protected for the unexpected bumps that may come on your road to financial success.

For physicians, having a variety of risk management strategies in place provides the greatest amount of assurance for all the curveballs the future may hold. A comprehensive risk management plan includes life, disability, professional liability and personal umbrella insurance, and is the ultimate preventive care for the wealth and life you've worked hard to build. Here's an overview of each insurance type, along with how they can insulate you from life's ups and downs.

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## Life insurance basics

Life insurance is an important part of any risk management plan, because it provides reassurance that your family and loved ones will be protected and cared for should you die unexpectedly. No matter where you are in your career, life insurance is a key component for transferring wealth and ensuring a secure future for all family members.

Life insurance needs are determined by considering your family situation (married or single, number of children), career stage, and current lifestyle and goals. A life insurance policy can help ensure that your children receive the type of education you wish for them, and that your spouse will not have to change his or her career or lifestyle.

**When thinking about life insurance, ask yourself these questions:**

### How much do I need?

- What immediate expenses would my family face if I died (funeral expenses, paying off mortgages and existing debt)?
- What amount of funds would my spouse and other survivors need to meet their standards of living?
- Do I have any education costs to cover for my children or loved ones, like daycare, private schools, college or graduate school?
- Am I planning on providing any donations to charity or inheritances?

### How much do I have?

- Will my surviving spouse continue to work or re-enter the workforce? What spousal income would likely be there to meet my family's needs?
- Will there be any survivor pension benefits available?
- How much do I have in investments, whether in the form of nonretirement or retirement accounts?
- What can I expect from Social Security survivor benefits?
- What is my current level of insurance coverage?

If your needs are greater than your goals, securing new life insurance or updating your current policy can ensure your family's needs would be met even if you're not there with them.

## Disability insurance basics

Disability insurance offers another layer of protection for financial and personal stability within your risk management strategy and is essential no matter your age or career stage. Knowing that you and your family will still have a reliable income should you become unable to work provides an important level of comfort and stability. An evaluation of your need for disability insurance should focus on reviewing your current preparedness and possible future needs.

**When thinking about disability insurance, ask yourself these questions:**

### How much do I need?

- If you have a mortgage, what funds are needed to continue to pay it?
- What living expenses would you need coverage for if you were unable to work?
- Particularly if you are a solo practitioner, what are the fixed professional costs you need to maintain should you be unable to work for a period of time?
- Do you have education and daycare costs for children and family members that you will need to continue paying? Do you have education loan payments of your own you are still responsible for?
- What would your responsibility be for health insurance costs and premiums, as well as uncovered medical expenses should you experience a significant illness or disability that makes you unable to work?

### How much do I have?

- Do you have any existing disability insurance coverage through an employer, the state or a private policy? Does it specifically provide coverage for being unable to practice in your chosen specialty?
- What are the tax consequences of your existing disability insurance (some are taxable, some are not)?
- What about Social Security Disability Insurance (SSDI)—do you know how you might qualify for that as well as the types of benefits it pays?
- Would your existing assets provide lasting income?

Answering these questions can provide a complete picture of how much disability insurance you need as part of your risk management plan to protect yourself and your family.

## Professional liability insurance basics

Professional liability insurance is essential for protecting yourself as a physician, and shielding your wealth and your family from claims. A single malpractice claim, even if it is meritless, could devastate your financial security due to the cost of defense. Professional liability insurance is a cost-effective resource to include in your risk management plan so you won't need to worry about any potential impact from a liability case.

**When thinking about professional liability insurance, ask yourself these questions:**

### How much do I need?

- What is the average amount of a claim in your particular specialty? What coverage amounts are typically recommended for your type of practice?
- What are the sizes of your assets and the levels of protection you want for them?
- What funds do you have available for premiums?

### How much do I have?

- Do you have an existing policy? What are its claim limits and what exactly does it cover? Does it include malpractice insurance, as well as coverage for billing errors or omissions?
- If you own your own practice, does your policy also cover business liability such as employee theft, fire or business interruption?
- Does your insurance include occurrence and claims-made coverage? (Occurrence insurance covers any claim arising from any incident, whereas claims-made covers only claims made during the term of the policy.)
- Does your policy include the cost of legal defense?

Professional liability insurance is essential for achieving comfort and confidence that your medical decisions are protected, and that your personal and professional assets cannot be harmed by frivolous lawsuits. A policy with comfortable limits ensures you can maintain a stable wealth outlook now and in the future. Your risk management plan is not complete without professional liability insurance.

## Personal umbrella insurance basics

Your homeowner's and automobile insurance policies provide important protections against loss from accidents, theft and damages, but these policies have liability limitations that mean you and your family could be left unprotected. An umbrella policy protects you, your family and your wealth from lawsuits involving personal injury or property damage after your existing policies have been tapped out. For example, if you are involved in a car accident and the other person's bodily injury claim is \$1.3 million but your automobile insurance policy only provides coverage for \$300,000, you could potentially face \$1 million in liability with no coverage. An umbrella policy steps in and covers the claim so that you are protected. For complete risk management protection, you need a personal umbrella policy with coverage for up to \$1 million or more.

**When thinking about personal umbrella insurance, ask yourself these questions:**

### How much do I need?

- What are the common amounts you could face in uncovered liability if you are in a car accident or an accident, injury or damage occurs on your property?
- What assets do you need to protect?

### How much do I have?

- How much coverage does your homeowner's insurance provide for injuries or damages that occur on your property?
- What are the bodily injury liability limits for your automobile insurance?

Choosing a personal umbrella policy as part of your risk management plan ensures that your family and your carefully curated wealth will not be impacted by liability for injury or damage. Knowing you have an umbrella policy in place provides a significant shield for your assets and your future.

## Planning for the future

The risk management plan you develop provides protection based on your current and projected situation. Things change though, so the financial experts at Key Private Bank encourage physicians to regularly review their plans based on their personal and professional lives, and goals, to ensure they have the complete protection and security they need.

After all, what you need today may not be what you need in a few years. Retirement, divorce, opening or closing your own practice, the addition of children or grandchildren, as well as adjustments in your goals, are all possibilities that can impact your strategy. Regular checkups will keep your risk management plan healthy and robust so that you can continue to feel secure and confident your wealth is carefully protected.

**For more information, please contact your Key Private Bank Advisor.**

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