Dynamic Chiropractic

BILLING / FEES / INSURANCE

Insurance Potpourri

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I know you don't want to do this, but you have put this off long enough. So you get those keys, head downtown to the bank, get into that safety deposit box, and pull out those insurance policies. You know, the ones in that genuine plastic holder that your agent gave you. Here are a few areas for you to review.

Some insurance companies have improved their classifications for disability protection for chiropractors, and some have made their classifications worse. What does this mean to you? If your company has improved the class, you need to contact them and have your policy updated to reflect the improvement, with better rates and improved definitions. If your company has not changed, maybe you should consider a change if it is in your best interest. That will depend on your current health status, how old the policy is, etc. If your company is one that made rates worse and you have a non-cancelable policy, hold onto it for dear life. You have a jewel, and they cannot change it.

Read your policy carefully. The definitions are really the most important part of the policy. If you aren't sure what to look for, read my column titled, "How Much and What Kind, Part 1," from the July 1, 1989 issue of Dynamic Chiropractic. If you did not keep this, shame on you! Drop me a line in care of "DC" and I will send you a copy. This time put it away for safekeeping.

How about your overhead? No, not what you are paying to run your practice, your special disability policy to cover that overhead. If you don't have one, don't waste time reading this. Spend your time getting one fast! If you do have one, continue. Has your overhead gone up since you purchased it? Unless you practice in a cave, I'm sure it has. Is your coverage still adequate? Check the definitions as in the personal disability policy, and also check the rates you are paying to see if your policy is still a good one.

Do you have any outstanding loans on your life insurance policies? You realize, I hope, that the deductions for consumer interest is being phased out and in 1989 you can only deduct 20% of the interest, in 1990 ten percent, and thereafter nothing. With that in mind, what should you do about that loan? That depends, because you do have some options. You can always pay it off, which could be the best or worse thing to do depending on your particular situation. You can roll the loan to a home equity loan to retain the full deductibility of the interest. Remember by doing this you also incur a higher interest rate and now the loan becomes a demand note. How about just cutting off part of the policy to eliminate the loan. That can work depending on the size of the loan and the policy. You might even be able to use dividends to pay off most or all of the loan. If the loan is huge and the policy is small, someone may recommend just canceling the policy. If you do that, you could trigger a taxable event on the profit of that contract. As you can see, there aren't any simple conclusions, and if someone suggests there are -- beware. All that person is trying to do is not help you, but create a commission for themselves. If you have a good agent, ask him to review your program and make suggestions. If you aren't sure about his suggestions, there is nothing wrong in seeking a second opinion. Ask a lot of questions and remember my rule about being an educated consumer.

Let me make a comment about term insurance. There are many types and if used properly, term insurance can be a reasonable way to cover a short term need. The "Greenfield rule of economics" on term insurance is, "Show me an old term insurance policy, and I'll show you an expensive policy." If you need coverage for a long-term, more than ten years, term insurance is an expensive way to cover that risk. Term insurance riders on permanent policies work the same way. In the beginning you get a lot of protection, but as time goes by the cost remains the same and the coverage decreases. Don't hang onto a rider until the end.

How much insurance do you need? I will refer you back to my article, "How Much and What Kind, Part 2." If you don't have a copy, drop me a line. It will help you to do a "quick and dirty" analysis of your needs. You should review your needs every two years. You might be paying for insurance coverage you don't need. Likewise, you may have a need and it's a lot cheaper for you to purchase the coverage now than it will be for your spouse to try to make up those dollars later.

I hope this little exercise has been helpful. If nothing else, you have an opportunity to do some spring housecleaning in your safety deposit box!

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