If you were faced with illness, accident or injury for an indefinite period of time, an income-protection policy would support you and your family until you returned to work, allowing you time to fully recover without the stress of coping with your finances. Without this comprehensive cover in place, or worse, no cover at all – how would you cope? A self-employed dentist without substantial savings, who cannot rely on an employer or anyone else, should view comprehensive income protection as a priority.

So what should you consider when choosing or reviewing an income protection policy, and how do you get cover? The three most important things to consider when choosing the correct income protection plan are: Plan Type, Premiums, and Policy Exclusions.

Plan Type
All insurance companies base their claims on how ill you have to be prior to any benefit being paid out, and currently offer three plan types to consider; ‘Own occupation’, ‘Suited occupation’ and ‘Any occupation’.

An ‘Own occupation’ definition of disability means that if you are ill, you will receive your claim based on your inability to perform your duties as a dentist. ‘Own occupation’ will provide you with the most comprehensive cover, and an increased likelihood that you will receive a benefit payout if you do become unable to work.

The majority of plans carry a ‘Suited’ by training, education or experience definition, in which case benefits would be paid only if you were unable to perform an alternative role, such as research or working for a pharmaceutical company.

‘Any’ occupation plans should be avoided at all costs – as the wording of the plan suggests, you will have to be very ill/injured, and not to be able to do any work whatsoever before you receive benefit.

Paying premiums
Income protection cover is usually payable on a monthly basis, and is either on guaranteed rates or reviewable rates (which actually tends to be guaranteed for the first five years).

Reviewable rates effectively put the insurance company in charge of future premiums, with review of rates normally taking place every five years, although...
they can be conducted annually. Reviewable rate products tend to be cheaper at first and may be suitable for those looking to move abroad at some point in the near future, or for those who don’t foresee a long-term future in dentistry.

However, it is important not wait too long to consider ‘reviewing’ your premium after five years has expired, because after this, the insurance company can increase (or theoretically decrease) your premium based on their overall claims experience. This figure is derived from the number of claims they have paid out and their predicted future claims.

Choosing a guaranteed rate means you will pay a set amount for your cover over the duration of your plan (usually to age 60). This rate never changes, regardless of how many claims you make or the company receives in general. Considering this, you should consider guaranteed premiums if you plan to remain a UK dentist in the medium to long term.

What’s excluded
By checking policy exclusions, you can reduce the risk of being tied into a plan that may not provide you with comprehensive cover. Some plans on the market have as many as 15 exclusion policies, with common ones including: excessive alcohol, failure to seek medical advice, and dangerous activities such as mountaineering or scuba diving.

What inclusions should you expect from your policy? Basic comprehensive policy features may include:

- Worldwide cover – ideal for non-domicile dentists
- HIV cover – included to cover needle-stick injuries, some plans include cover regardless of how infection occurs
- Inflation protection – if you are in your 20s, 50s or early 40s, you may want to ensure your standard of living against inflation. This is called Index Linking
- Insuring to age 60 – or tie in with your NHS retirement date aged 60 or 65 depending if you joined pre or post April 2008
- Deferred period – most dentists select to have immediate cover from day one.

Once you have considered your options, how do you ensure you find the correct policy that will provide comprehensive cover? The most reliable way to guarantee you are insured on a policy best suited to your needs is by employing the services of a specialist Independent Financial Adviser. Simply put, an IFA’s role is to make choosing the right income protection cover as painless as possible and help you get the best value for money. They can also assist from the beginning of an application to after approval, including policy research, negotiating with insurers, and removal of exclusions.

About the author

Thomas was brought up in Hong Kong and studied at Aston University in Birmingham and in Tokyo. Thomas started working as a financial adviser in 1993, became an independent financial adviser in 1998, and is now a director of Essential Money Limited. Essential Money provides independent financial advice to dentists throughout the UK. Thomas has been awarded the Advanced Financial Planning Certificate by the Chartered Insurance Institute and is a Certified Financial Planner. For advice, call Essential Money on 0202 895 5000, email Thomas@essentialmoney.co.uk or visit www.essentialmoney.co.uk.

Having a safety net in place can give peace of mind.