



# Things you need to know or do when thinking about protection

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It's probably fair to say nobody particularly likes paying for insurance, especially car insurance. It's often seen as expensive, unfair and possibly a waste of money, as claims only seem to lead to punitively higher premiums! But not all insurance is the same, - insurance comes in many forms. When it comes to Life or Illness insurance, thankfully things are a little different.

### So why have protection as a dentist?

Well, if you need it, you'll wish you had it. So, its back to those bumps in the road and how they can have a material effect on your hopes and dreams. Short of having suitable funds available, the next viable course of action is to have insurance to smooth those bumps and take the sting out of life's challenges. The ideal scenario would be

to fully insure yourself for every possible bump in the road you can think of, to the maximum amount of suitable cover – and some do. But for most, it's a balance. A balance of personal and financial priorities, perhaps influenced by fear, perhaps family health history, knowledge, experiences, etc. and of course cost.

This is where an adviser can be of significant help, in guiding you through the different possible scenarios, along with the most appropriate cover to best match your own needs and situation. As you go through your working life, hopefully building wealth along the way, through savings or investments, paying mortgages off early, etc the need for these insurance policies and associated costs, can subside to the point where cancellation becomes the suitable option.

An employee of a company with a well-established employee flexible benefits scheme, will have an extensive list of core and optional benefits they can call upon when in need, whilst the self-employed private dentist will need to provide what they feel is important, themselves.

When it comes to Inheritance Tax Planning, protection insurance is often called upon as a convenient, cost-effective solution to help mitigate potential tax on an estate being passed on to beneficiaries. This is often used when the donor wishes to keep control of their capital and retain full access.

So, what are the four main types of insurance cover you need to understand as a dentist?

### *Income protection*

This protects your income against illness or injury. For a dentist, it should be set up on an 'Own Occupation' basis. It is set up to start paying a claim after a chosen 'waiting period'. This is how long after losing your income you feel you could survive on savings. Understandably, the longer you can leave it until income is needed, the cheaper it is. This can be extensively tailored to match individual requirements.

If a proportion of your work involves the NHS, then a matching level of sick pay should be available to you, for a relatively short amount of time. Any private cover can dove-tail this arrangement taking cover if needed, right up to retirement.

### Life cover

The minimum requirement to run alongside a mortgage or loan. As the name suggests, pays out on death to the beneficiaries who may use it to pay off an outstanding mortgage, or keep the family's finances buoyant or use it to pay inheritance tax. This is the cheapest form of long-term cover.

### Critical illness

Usually linked to a life policy, is set to pay out on diagnosis of a specific critical illness whilst alive, which again can be used for all sorts of reasons, paying off debt, used for medical treatments or just a great family holiday.

Critical Illness is the more expensive and harder to obtain than life cover, as looking at the odds, it's more likely to pay out. As Critical Illness is linked to specific illnesses, it's important to fully understand the quality of cover available between the different providers. According to the Association of British Insurers all policies should cover heart attack, cancer, and stroke.<sup>1</sup> In addition to these core illnesses there is a wide variety of other conditions included, dependent on the provider.

Although cost will rise with a more comprehensive list of conditions covered, it is not always the case that the cost is an indication of quality. Therefore, a full comparison using suitable software is crucial in getting the best value for money.

### Whole of life

Unlike the other insurances mentioned which have a term or end date where they cease,

whole of life only ends on death or stopping the premiums. This is designed to pay out to selected beneficiaries, a lump sum for any use, including funeral costs, a legacy, or used to pay inheritance tax if written in a trust.

As with income protection, 'Own Occupation' creeps into Critical Illness when associated with a policy option known as 'Total Permanent Disability.' For surgeons and dentists this is quite a valuable option, however it is only offered by a few providers in the marketplace. This adds an additional level of cover to the prescribed critical conditions, by effectively saying, any permanent illness or disability which prevents you doing your own job as a dentist is covered. For example, as a result of a car accident.

Generally, any benefits paid from the plans above are tax free. However, if a business, (limited company) pays the premiums then the benefits are likely to be taxed. Once you've decided on the most appropriate cover for your needs, most policies will have a list of additional features, some very important and some not so.

The main options to consider as a dentist:

- TPD: Total Permanent Disability – Included on an 'Own Occupation' basis with Critical Illness, especially important for highly specialised roles such as surgeons and dentists, adds a valuable enhancement to cover
- WP: Waiver of premium – A popular relatively cheap inclusion, which pays your premiums after a stated waiting period should you be unable to work due to illness or injury

## Insurance cover terms explained

**Short Term** – Usually for Personal Accident, Travel, and Private Medical Insurance.

**Decreasing Term** – Usually linked to a mortgage being gradually paid off.

**Level Term** – Usually used for personal or family cover over a specific period of time.

**Whole of Life** – Used in estate planning and for IHT.

- **Indexation** – A useful option to help keep the value of cover in line with inflation. Note, the premiums will also rise in the same way
- **Deferment Period** – linked to Income Protection is the waiting period you choose before benefits are paid.
- For further information contact MediDen on 01772 785657 or visit [www.mediden.co.uk](http://www.mediden.co.uk).

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### Reference

1. Association of British Insurers. Abi Guide to Minimum Standards For Critical Illness Cover. 2022. Available online at: <https://www.abi.org.uk/globalassets/files/publications/public-protection/abi-guide-to-minimum-standards-for-critical-illness-cover-2023.pdf> (accessed October 2024).

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