

# Long-term safety

Peter Dunn of Heritage Financial Advisers puts the recent radical changes to Dentist Provident Society's Income Protection Policy under the microscope and concludes that it's great news for dentists

As a dentist, you will be aware of the need to protect your income should you fall ill or become disabled, especially without the long-term safety net of the NHS, and an income protection policy is the usual means of securing it. In its simplest form the policy will compensate you for your loss of drawings in the event of your illness through regular income payments that continue until you return to work.

## Who will protect your income?

Historically the income protection market for dentists has been dominated by three companies: Dentists Provident Society (DPS), Dentists and General, and Wesleyan (formerly Medical Sick-ness). Their domination exists for good reason; they are all companies with a good understanding of the needs of the dental profession.

Wesleyan provides insurance services for a wide range of professionals but DPS is unique in that it focuses solely on insuring dentists. Probably for this reason, and a reputation that stretches back over 100 years, they insure almost half of all currently registered dentists. As opposed to other insurers who limit their liability by passing off some of the risk to re-insurers, DPS insure all the risk themselves. For you the dentist it means the process of claiming remains solely a matter between you and DPS with no third party interference.

## A new era in protection

In the last few months DPS has completed probably the most important revamp in its history. In one giant leap it has confidently established its mark in the 21st century while maintaining its 'members first' core values (note that policyholders are still referred to as 'members' – a throwback to its 'Holloway Society' roots of the 19th century).

The DPS contract now includes virtually unlimited flexibility with benefits that can be paid from the first day of sickness or deferred for any period up to one year and they've even thrown in a two-year deferral option, along with any combination of benefits. The maximum initial benefit is the lower of 60 per cent of pre-incapacity income or £1,200 per week.

A flaw of the former contract was that it had no indexation of cover or benefits in payment so over time the benefits would reduce in value because of inflation. The new plan provides indexation of the cover and/or benefits in payment, increasing in line with the Consumer Price Index (CPI) subject to a limit of five per cent per annum.

Opportunities now exist to increase cover without further evidence of health. These occasions occur on the 6th, 12th and/or 15th anniversaries of the policy following an event such as marriage/civil partnership, the purchase of a new home or practice, parenthood, or an increase in income. This is a great feature but means you will need to plan your personal and business partnerships pretty accurately to reap the benefits!



It's never too late to get protection

## All-in-one opportunity

It really is an all-singing, all-dancing contract that includes every possible permutation across a huge array of scenarios and while that's great, in attempting to offer the ideal solution to satisfy every dentist, the contract has changed from one of relative simplicity to one of considerable complexity.

Still not convinced? Let's add in severe disability benefit, enhanced death benefit, retirement age extension, alternative currencies, packaged contracts for various dental occupational classes, discounted packages, level premiums. Oh, and the rates are now different for males and females, smokers and non-smokers making it undoubtedly fairer. To take real advantage of the benefits within this new contract we would encourage dentists to work closely with their financial advisers.

A major benefit of this new-found flexibility is that DPS can now accept members previously considered uninsurable, such as diabetics, either by loading the premium or deferring the claim period rather than simply declining a dentist outright.

Another substantial advantage is that dentists no longer need go to other companies to top-up or index-link their benefits which can cause immense problems in the event of a long-term claim because different insurers allow different benefit levels and one insurer may choose to honour a claim which another declines.

## And investment too!

An under-rated benefit and

one where DPS really score highly is the ability to save in a tax-efficient way. It is possible to purchase up to 2,000 shares, separately from the sickness cover, that are invested through leading fund management groups into a portfolio of UK and international equities, fixed interest stocks and commercial property.

The shares earn a combination of dividends and interest, and a possible terminal bonus, and the proceeds are paid to members at retirement, free of income tax and capital gains tax. They can form a very useful component of a dentist's retirement portfolio. The historic results have been pretty impressive too with ten year annualised returns of 10.8 per cent to 31 December 2006 (source: Dentists Provident).

## An opportunity worth pursuing

Our experience with Dentists Provident Society is that they stand out amongst income protection insurers with their ethical and principled approach to business and, wherever possible, they try to pay their members' sickness claims rather than avoid payment.

We also love the fact they only insure dentists and are small enough to still offer a very personal service to their members. In making these enormous changes, DPS has ensured that all dentists will be able to purchase the exact amount of protection they require.

We would encourage dentists to consider the benefits inherent within the new policy by discussing the opportunities in the first instance with their financial advisers. We would be more than happy to hear from any dentist interested in learning more. [DT](#)

## About the author



**Peter Dunn** is director and senior consultant for Heritage Financial Advisers; a team of independent, fee-based financial planning specialists dedicated to the dental sector. Peter has over 20 years experience working in the dental industry, in financial services companies allied to Dental Business Solutions and Practice Plan. In 2001 he relocated to Newbury with Heritage Financial Advisers and assumed joint control of the company in 2006.

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