Underinsurance – your five-step treatment plan

By Perpetual Private Insights

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As a medical specialist, YOU are your biggest asset, so here are five important considerations to help you safeguard against the unexpected:

1. **You may need to claim sooner than you think**

   Did you know that the average age of income protection (IP) claims in 2015 was only 39 – and that, on average, the IP policy was in place for just 3 ½ years before a claim was made?*

   Shocked?

   So were we. But surely trauma claims were different?

   Sorry, same story – the average age of trauma claimants was only 43, with an average policy in place for just under 6 years.*

   These statistics demonstrate the urgency of having the appropriate cover in place earlier than you may think necessary.

   **Source BT Life – Breakdown of 2015 income protection and trauma claims*

2. **Your insurance isn't a 'set and forget' policy**

   While most medical specialists have some personal insurance, we often find it hasn't been reviewed since they started working.

   Given the life changes of a medical specialist – a significantly higher income, higher debt, a family, running your own practice – there's a great deal riding on your ability to keep working.

   That's why it's vital that you're covered by an appropriate level of personal insurance, such as income protection, trauma, total and permanent disability, and life cover.

3. **You should be in control of your policies**

   Insurance policies are usually owned either personally, or through super, in which case they are owned by the Trustee that manages that super account.

   Depending on your circumstances, it may be beneficial to have your insurance policies owned and managed within your super, however it does mean you forfeit some control. Should you need to make a claim, this lack of ownership could prolong the process as well as affecting the ultimate outcome of the claim.

   Additionally there are some specific tax implications for Total and Permanent Disability (TPD) insurance owned via super that you should consider before choosing your policy ownership.

4. **You can't afford to neglect the Ts & Cs**

   Having enough insurance cover is important. Having the *right* insurance is vital, as not all insurance policies are created equal.

   Just like product information documents, it's the fine print within these policies that really matters.

   For example, if your TPD insurance covers 'any' occupation, rather than your 'own' highly-specialised occupation, then you and your family could be left significantly short at claim time.

   It may seem insignificant but in the context of being unable to return to your 'own' highly-specialised occupation due to illness or injury, a TPD policy including an indefinite word such as 'unlikely' may significantly increase the probability of you receiving the right compensation.

5. **Your practice needs protection too**

   We often find medical specialists don't have any business expenses cover in place. If they do it's usually nowhere near enough to keep their practice running, should they be unable to work due to illness or injury.

   That's why it's crucial you have appropriate business expenses cover to ensure you have a practice to return to when you have recovered.

Your treatment plan

If anyone knows the havoc that an accident, injury or illness can cause, it's you. To protect your financial health, you can't afford to neglect your personal insurance.

As medico-specialist financial advisers, we understand the unique risks faced by medical specialists each day. To protect you, your family and your practice, remember to:

- Review your current situation and make sure that your level of insurance covers your needs
- Understand the pros and cons of how your policies can be structured to help you determine what is appropriate for you
- Be clear on **all** policy definitions, as these may influence the success of your claim
- If you run your own practice, make sure you have the right business expenses cover in place so you have a practice to return to

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