

# Income Protection

What are your options in the event that you are unable to work due to an accident or illness?

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*Many therapists are self-employed and as such do not get the benefits that are afforded to their employed colleagues including sickness cover and pension provision. There can be a tendency to hope or believe that the worst will never happen, however, consideration for how you would cover your fixed costs i.e. business rent or own living expenses if you are suddenly unable to work for a period due to an accident or illness is an important part of your money management. Here we give a general overview of the options.*

As a self-employed Health and Well-being Professional you have a number of different options available to you with regards to covering your business and personal expenses in the event that you are unable to work due to an injury or illness. It's possible that a range of solutions would best suit your personal circumstances, please contact us if you would like further information as it may be that you will need the services of suitably qualified Independent Financial Advisors. However, in brief the main options include:



## Permanent Health Insurance

Permanent health insurance provides a regular income in the event of long-term disability due to illness or injury. Premiums are paid to insurance companies who guarantee to pay income to the policy holder, whose disability lasts beyond a specified deferred period. Up to 60% of income can be usually insured in this way. Once the waiting period is completed (typically 1 to 3 months), and provided medical evidence proves that a person cannot work, the insurance company will pay the employed or self-employed person an income as provided under the policy until such time as the individual returns to work, dies or reaches the specified termination age (usually their retirement age). Should the disabled person return to work part time or in a lesser, lower paid capacity, arrangements can usually be made for the benefit to be proportionately reduced but still payable until such time as full recovery and total return to work is achieved. The income is free of tax, but a claim is subject to proof of income prior to the claim so if the business is new or hasn't made a profit, claims could be refused as there has technically been no loss of earnings. If your income goes down, you need to reduce cover as they will only pay based on your previous 12 months results.

## Personal Accident & Illness Insurance



This covers both temporary total and temporary partial disablement, for up to 2 years benefit (rather than to retirement age). In addition, lump sums for loss of use of limbs, faculties, joints etc. are covered. Premiums are generally cheaper, but cover is annually renewable, rather than permanent and insurers can revise their terms and exclude any serious claims or pre-existing conditions from future renewals. Some policies only pay out at the end of the disablement period, or at the insurers' discretion. Others are more generous in their claims handling and pay at the end of the month. The premiums are not age related, where Long

Term Disability premiums are. Insurers are also more flexible in their underwriting i.e. if you have had a previous claims history, many Long-Term Disability Insurers will decline to insure you, whereas PA & Sickness Insurers may simply just exclude the pre-existing conditions. Previous comments regarding proof of income also apply.

## Private Medical Insurance

Perhaps the most widely known and understood health insurance option, private medical insurance will cover costs of hospitalisation, operations, medicines etc. There are a huge number of options and choices in the market, with varying premiums which will be dictated by the policy. Choices can include policies with an 'excess' (i.e. the policyholder agrees to pay the first £X of any claim) plans that provide cover dependant on the waiting period for NHS treatment and those that cover Complementary Medicine, although for some it may be only upon referral by a GP or a specialist. Cash Plans can be useful also.

Whist they are affordable, especially if you have pre-existing conditions, and can include outpatient private visits, maintenance visits, (e.g. dental, optical etc) they offer no hospital or surgery cover.



## Additional thoughts

The one thing most people put off is making a will. In order to get your affairs in order and not leave difficulties for others to sort out should you die prematurely, this is a basic thing to get done and out of the way. Ensuring you have a safety net of liquid cash is always a sensible goal to work towards.

**Balens** are a *Specialist Insurance Broker* for Health, Well-being, Fitness and Beauty Professionals. Further articles and information regarding insurance and risk management may be found on Balens website at [www.balens.co.uk](http://www.balens.co.uk)