

THE ORIGINAL AND AUTHENTIC PRACTICE **VALUE** INDEX

Business interruption cover

Lis Hughes, explains why you might need to check what your surgery insurance covers

Your business has been going well and your turnover has increased, making more profits. What you may not have taken into account is to review your surgery insurance, in particular the business interruption part of the policy. Generally dentists keep renewing the same surgery insurance policy and, if it is not reviewed, the policy may not be fit for purpose.

When a major incident occurs at the practice, such as a fire or flood, you may instantly think about the buildings or contents or specialist dental equipment that will be damaged and the cost of replacing it. But what you need to consider is the impact the incident may have on your loss of gross revenue. If you have to close for a period of time you need to ensure you have adequate provision

within your insurance to cover this, it is known as business interruption cover.

An underinsured practice

We do come across many practices where the turnover has increased significantly, however the insurance cover has never been reviewed and updated resulting in an under-insured practice. If the worst happens and you are under insured, you may not get sufficient funding to repair the surgery and get yourself up and running as soon as possible. It's essential to review the policy and make sure your cover is up-to-date.

Business interruption cover covers a number of potential scenarios that could lead to the loss of revenue at the practice, and you should ensure your policy covers the following:

- Prevention of access to the property
- Failure of public utilities
- Loss of deeds and documents
- Compulsory closure
- Problems with unspecified suppliers
- Loss of property in transit
- Issues at contract sites
- Book debts
- Loss of property (temporarily removed).

Additional cover

You will also need to check with your current insurance provider what excess period your policy has under the business interruption section. The excess period is the time frame that needs to expire before your policy will cover you.

Finally, do check you have adequate cover in respect of the indemnity period

your practice has should it need to close for repairs. Whilst it may be possible to get your practice back up and running within 12 months, for many properties this isn't possible. Consideration needs to be made in respect of the planning regulations and processes, particularly if you have a listed property, as the process can take significantly longer than a year. We would recommend for listed properties an indemnity period of between two to three years and for all other properties a minimum of 18 months. **ID**

FOR MORE INFORMATION call Frank Taylor & Associates on 0845 612 3434 or the regional office on 0161 638 0875, email team@ft-associates.com or visit www.ft-associates.com.

Practice one – Kent

This practice was only established in 2010, so as you can imagine, the practice is extremely well presented with 'almost' brand new equipment. The practice sits in a fantastic location, within a busy shopping parade and with residential homes in close proximity.

Practice type: This is a two-surgery mainly NHS practice, which has room to expand. There is an NHS-GDS contract in place with a UDA (units of dental activity) value of £25.58. The practice is being sold with a 15-year lease contract.

Practice financials: The gross fee income from the management information is shown to be in the region of £400,000 and comprises 99% of an NHS-GDS. The gross has been generated from the principal working five days per week. The practice also has one self-employed hygienist working one to 1.5 days per week. Professionals complementary to the clinical team comprise of two full-time dental nurses, one full-time receptionist and a part-time practice manager.

Price achieved: A price of £670,000 was achieved, which was in excess of the asking price.

Agent's comments: At less than four-years-old, the practice has a modern, sleek feel and is firmly established within the local community. The incoming principal can see opportunities to grow and develop the practice and, with an opportunity to add an additional surgery, he is keen to develop the private dentistry.

Practice two – central London

This practice occupies a prominent shop fronted premises on a busy and cosmopolitan road. There is a dense local residential population ranging from local authority accommodation through to exclusive apartments. The practice facilities comprise of two surgeries, a combined reception and patient waiting room, washroom and cupboard.

Practice type: This is a fully NHS practice, being sold as a leasehold with 13 years left on a 25-year term. The lease is protected inside the Landlord's and Tenants Act 1954.

Practice financials: The annual gross fee income is shown to be in the region of £150,000 and comprises solely of an NHS-GDS contract. The gross has been generated from the principal working five days per week and one part-time associate who works one day per week. Professionals complementary to the clinical team comprise of one part-time practice manager/receptionist and three part-time dental nurses.

Price achieved: A price of £240,000 was achieved, which was in excess of the asking price. The finance for the purchase was arranged by FT&A Finance.

Agent's comments: The area itself is in high demand for both NHS dentistry and private dentistry. The principal has been contacted regularly by the area team in regards to increasing the number of UDAs on his contract, which demonstrates the potential to increase UDAs in the future.

Practice three – north Wales

The practice occupies a three-storey, terrace property, within a residential area with local shops in close proximity. The practice benefits from having free street parking to the front and a 'pay and display' municipal car park within a five-minute walk.

Practice type: This is a three surgery mixed practice, being sold with a freehold.

Practice finance: The gross fee income for the 12-month period is shown to be in the region of £350,000 and comprises of 43% of fee-per-item, 43% of an NHS-GDS contract and 14% of a capitation scheme. The gross has been generated from the principal working 4.5 days per week. Professionals complementary to the clinical team comprise of two full-time dental nurses, one full-time trainee dental nurse and one part-time receptionist.

Price achieved: A price of £440,000 was achieved, which was slightly less than the asking price.

Agent's comments: This practice came to the market to facilitate the retirement of the principal and with the benefit of a superb UDA rate of £30.71. Another benefit was the location, as not having CQC (Care Quality Commission) regulation in Wales meant the legal transaction for the sale was far more straightforward, this was seen by the short time the transaction took to complete.

Practice four – Sussex

The practice occupies the first floor of a grade II listed property, on a prominent corner site, situated in the heart of the town with all its amenities and train station in close proximity. The practice has on-street parking directly outside, with additional car parks within a five-minute walk of the practice.

Practice type: This is a mixed income two-surgery practice being sold with a 10-year lease. The lease is protected with the Landlords and Tenants Act 1954.

Practice financials: The gross fee income from the management information for the 12-month period is shown to be in the region of £350,000, comprises 56% of private fee-per-item income, 33% income from an NHS-GDS contract, 8.5% of DPAS fees and 2.5% of sundries. The gross has been generated from the principal working 31 clinical hours per week, with the support of a part-time associate working three days per week. Professionals complementary to the clinical team comprise of two full-time dental nurses/receptionists and one part-time receptionist.

Price achieved: A price of £315,000 was achieved, which was in excess of the asking price and finance was funded via FT&A Finance.

Agent's comments: This practice came to the open market to facilitate the principal's retirement. The practice demonstrated obvious growth in the form of its turnover and profits.

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