

Personal protection



Protection insurance is important because it's about protecting you, and the future financial security of those closest to you.

If you had an accident, died or suffered a critical illness, have you thought how your family would cope financially? What could become of the family home, and how might they pay off any outstanding debts?

With the right protection in place, your loved ones won't have to worry about money when money is the last thing they want to worry about.



1. Income Protection

Being unable to work for medical reasons could present a serious financial challenge for many of us. A loss of earnings could have a real financial impact on any family's lifestyle - how

would you cover your outstanding bills like rent, mortgage or other living costs?

An Income Protection policy can give you peace of mind should the unforeseen happen.

What is Income Protection?



Provides a regular income if you are unable to work due to illness

Can cover up to 80% of your income

You can choose how long it lasts for

It's tax free

Can claim as many times as you need

How does Income Protection work?

Lets look at an example of how Income Protection works and why it is important.

Sandra earns £4,000 a month, or £1,000 per week. In January, Sandra is diagnosed with severe depression and stress and she isn't able to work. As part of her employee benefit package her employer continues to pay her a full salary for the first four weeks.

At the end of the four weeks, Sandra is still not fit to return to work, so she now receives Statutory Sick Pay of £99.35 per week for up to 28 weeks. That comes to an end in September, and if Sandra is still not able to return to work she will have

to use her savings or consider claiming alternative benefits assuming she is eligible.

How would Sandra's situation be helped by Income Protection?

Her employer pays her normal salary for the first four weeks. During this time Sandra contacts her insurer to update them on her circumstances.

Sandra's financial adviser has set up the income from her policy to start after the first four weeks of sick leave, known as the deferred period. A deferred period can be set to be between four weeks and two years, and will be unique to each individual. In Sandra's case, her income policy starts to pay out after four weeks, when her employer stops paying her full salary.

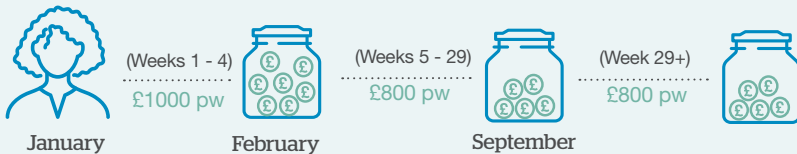
Sandra could receive up to £800 per week for as long as she had chosen to receive the benefit – this might even be all the way

to retirement. Her Income Protection policy has removed any financial worries as a result of her suffering a long-term illness.

Without income protection ...



With income protection ...










How much does Income Protection cost?

Income Protection is very flexible and the cost is dependent on each individual's circumstances.

Key questions:

- **How much income is needed?**
– The lower the amount of income needed, the cheaper the policy will be. Covering 50% of your income for example will be cheaper than covering 80%.
- **How soon does the policy need to start?** – The length of the deferred period will affect the price of the policy. The shorter the deferred period, meaning the income begins to be paid earlier, the more expensive the policy.
- **How long does the income need to last?** – A policy that provides income to retirement will be more expensive than one that stops after a few years.
- **Medical history** – If you have previously suffered from various illnesses, the premium will be more costly, than if you are healthy.
- **Occupation** – If you have a less risky occupation, for example, office-based, your policy will be cheaper than for example an airline pilot.

What benefits are included?

-  **Minimum benefit guarantee**
Guarantees to pay at least £1,500 a month, even if your salary has reduced at the date of the claim.
-  **Return to work package**
Helps with a phased return to work or to a different occupation.
-  **Rehabilitation benefit**
The policy pays for a team of rehabilitation nurses to help with recovery and sometimes for treatment if needed.
-  **Career break**
Option to reduce cover for up to 12 months.
-  **House person benefit**
If you are not working when you fall ill, you can still receive cover if you can't perform daily living tasks.
-  **Maternity, Paternity**
If you are ill during maternity/ paternity leave, the policy will cover your salary as normal.
-  **Doctors and surgeons**
A minimum benefit guarantee of £3,000 for doctors and surgeons and NHS sick pay guarantee.

Added benefits

There are further benefit options you can add to your policy for an additional cost.

- **Family carer benefit** – Pays the lower of the monthly benefit or £1,500 if your spouse, civil partner or child is too ill to perform certain activities of daily living.
- **Funeral benefit** – Pays the lower of 6 times the monthly benefit or £10,000 if you pass away.
- **Hospital stay benefit** – Pays £100 per night you are in hospital (over 6 consecutive days).
- **Needlestick benefit** – Pays the lower of 6 times the monthly benefit or £50,000 if an accident at work gives you HIV, hepatitis B or hepatitis C.
- **Trauma benefit** – Payment of the lower of 6 times the monthly benefit or £50,000 if an accident or illness leaves you with certain life changing conditions.
- **Multi fracture cover** – Payment of up to £6,000 if you break a bone, dislocate a joint, rupture your Achilles tendon or tear a cruciate ligament in your knee.

2. Critical illness cover

Critical Illness Cover can help minimise the financial impact on you and your family if you become critically ill. A lot of us think we'll never be diagnosed with a critical illness but in reality it could happen to anyone. According to Cancer Research UK, one in two people in the UK will develop some form of cancer during their lifetime, and according to the British Heart Foundation, every five minutes, someone suffers a heart attack.

In the event of being unable to work due to critical illness, having a back-up plan in place can alleviate some of the financial stress.

What is considered a critical illness?

- Cancer
- Heart attack
- Stroke
- Brain tumour
- Heart by-pass
- Multiple Sclerosis

There are many forms of cancer and the majority of policies will only pay out on the more serious kinds. For example, a benign form of skin cancer would not be classed as a critical illness. Pre-existing conditions and hereditary illnesses are generally not covered.

How does critical illness work?



Provides a tax-free lump sum when diagnosed with a critical illness.



You choose how much cover you want. Everyone's need is different and very much based on personal circumstances.



You choose between a single life or joint life policy.



You choose how long the policy lasts.



Once a claim is made, the policy ends.

Single life policy:

Single life policies are most commonly used where someone has no partner or spouse, or where two partners want a policy each that pays out if both were diagnosed with a critical illness.

Joint life policy:

A joint life tends to be cheaper than two single life policies because it will only pay out once and cover for both partners ends with the first claim.

How much does Critical Illness Cover cost?

The cost of Critical Illness Cover is dependent on each individual's circumstances. The following will be taken into consideration:

Key considerations:

- **Type of policy** – Choosing to take out a single or joint policy – buying a joint policy could be cheaper.
- **Age** – Usually the earlier the policy is taken out, the cheaper the premium will be.
- **Occupation** – Some occupations carry a higher risk of health problems, which would add to the cost of the premium
- **Medical history** – An health assessment will determine the risk of the policy paying out.
- **Lifestyle** – Some lifestyle habits, such as smoking, will affect the price of the cover.
- **Level of cover**

Added benefits

There are also further benefit options you can add to your policy for an additional cost.

- **Waiver of Premium** – Pays the premiums on the policy if you are too ill or injured to work for more than six months and you can't perform their current job.
- **Multi-Fracture Cover** – Payment of up to £6,000 if you break a bone, dislocate a joint, rupture your Achilles tendon or tear a cruciate ligament in your knee.
- **Renewal Option** – Ability to extend the current policy with the same terms when the cover ends without answering any questions about personal circumstances. Only available on policies which have level or increasing cover.
- **Total Permanent Disability** – Pays your cover amount if you can't do your current job ever again before a set birthday, normally 60, because of illness or injury.
- **Children's benefit** – Cover for children up to their 22nd birthday.

3. Life Insurance

Life insurance is designed for those who want added comfort of knowing that their family will receive a tax-free lump sum after their death. It can be used to protect their family's lifestyle, living expenses, or to fund inheritance tax liabilities.

There are two types: a Whole of Life policy, which is in place for the whole of your life and pays out when you pass away, and a Term policy, which has a set lifespan (decided at the start of the policy) and ends on a specific date. Once a claim is made on either policy, the policy ends.

Life Insurance policies are typically used to:

- Repay a mortgage or other debt
- Pay an inheritance tax bill
- Provide a legacy or gift

How does Life Insurance work?

At the start, your adviser will work with you to help you decide, how much you require as a lump sum, whether that lump sum remains the same throughout the lifespan of the policy (or increases or decreases), and how long you need the cover in place for.

You can choose between a single life or joint life policy. Single life policies are most commonly used where someone has no partner or spouse, or where two partners want a policy each. A joint life policy can either be set up to pay out when the first person passes away, for example to repay a mortgage or a loan, or after both policy holders have died, usually to cover the inheritance tax bill.

How much does Life Insurance cost?

The cost of the policy is dependent on a number of factors that are unique to you. These include the amount of the lump sum required, the length of the policy, your medical history, and your age. You may expect a Whole of Life policy to be more expensive than an Term policy as it lasts longer.

Added benefits

There are also further benefit options you can add to your policy for an additional cost.

- **Waiver of Premium** – Pays the premiums on the policy if you are too ill or injured to work for more than six months and you can't perform their current job.
- **Multi-Fracture Cover** – Payment of up to £6,000 if you break a bone, dislocate a joint, rupture your Achilles tendon or tear a cruciate ligament in your knee.
- **Renewal Option** – Ability to extend your current policy with the same terms when the cover ends without answering any questions about personal circumstances.
Only available on policies which have level or increasing cover.
- **Conversion Option** – Pays you your cover amount if you can't do your current job ever again before a set birthday, normally 60, because of illness or injury.

Further information

For further information on our Personal Protection service and the policies outlined in this brochure, please speak to your Client Director or get in touch with the Protection team:

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