

Your guide to Life and Protection Insurance.



Getting financial protection for you and your family.

Life can throw all kinds of unexpected curveballs our way. Knowing you've got the right financial protection in place, is a great way of giving yourself peace of mind for the future – for you and your family.

Having the right measures in place can make it easier for you, any dependents or next of kin that may become financially responsible for bills, outstanding debts or expenses like childcare costs, a mortgage or rental payment, ongoing medical or care costs.

It's so important that you know what protection options are available and which best suit your needs. The key insurance products that can provide financial protection support are life insurance, income protection and Critical Illness Cover. Sometimes you may have these insurances in place through your employer's employee benefit scheme, so check this in the first instance. If you would like to talk through the cover you have in place through your organisation to ensure its suitability for your circumstances, call our Albany Park team.

These three insurances work to cover different life events and circumstances and in the event of you claiming against the policy, the amount paid to you (referred to commonly as a 'payout') can also be paid in differing ways.

This guide gives you more information around the three core types of financial protection cover that you can buy, highlighting the different options available to you.

Life Insurance



What is Life Insurance?

Life insurance pays a cash sum out if you die. Policies are generally designed to help families cope with the financial pressure of losing the household's main earner.

There are many different varieties of life cover including:

- Cover to last for a defined period or for the rest of your life
- Cover just for you or for you and your partner.
NB: be aware that any joint policy will only pay out for one policyholder. You can also purchase dual policies whereby there would be a payout for each of the two individuals covered by the policy.
- Cover that stays at the same level, decreases over time or increases with inflation
- Cover that pays out as a lump sum or as an income

Why take out Life Insurance?

Life insurance can offer a relatively cheap and straightforward way of ensuring that the financial needs of your family or any other dependents are met in the event of your death.

There are many examples of when someone may need life insurance, including:

- Ensuring your children are looked after in the event of your death
- Couples without dependents but who wish to protect their partner
- Those who want a policy which will ensure that their funeral costs can be met
- Those considering retirement
- Those buying a house
- Those who experience a change in health circumstances

Types of Life Insurance

There are different types of life insurance; ultimately they all aim to offer financial protection for when the policy holder dies, however they offer slightly different insurance cover.

- **Whole of Life Insurance** – provides a fixed lump sum that will pay out in the event of your death at any stage in your life, so there is no policy “term”.
- **Family Income Benefit** – provides a monthly or yearly amount to your dependants in the event of death for the remainder of the policy term. This could be used to cover school fees, for example.
- **Level term** – The payout and cover with a level term policy stays the same throughout the amount of time you are insured for. Put simply, you decide the amount of cover to take out and that's what the policy pays. This is often taken out for families, who want to cover for costs such as protecting their family's lifestyle or child care costs as well as monthly outgoings such as a mortgage.
- **Decreasing term** – This means the cover amount decreases each year to pay off an outstanding mortgage or loan by the end of the term based on a fixed interest rate. This is because your debt should be decreasing as you repay it over time.
- **Increasing term** – Increasing term policies, as the name suggests, increases the payout the longer the policy runs. The cover amount increases each year and your premiums increase each year to pay for the increased cover and age. The increasing option helps to provide some degree of protection against the risk of inflation.

If you're not sure what type of insurance cover is right for you and you'd like to talk it through with someone, then there are a number of advised protection brokers across the UK, who will be able to support you.

We have an inhouse financial protection brokerage called **Albany Park**, who would be happy to speak to you – to talk to one of our expert advisers call **0203 540 5800**.

Benefits of taking out a life insurance policy

The main benefits of taking out a life insurance policy are:

- In the event of your death, your family members are taken care of financially.
- Peace of mind knowing that any outstanding debts or financial commitments are taken care of should the worst happen.
- Death benefits are normally income-tax-free to the beneficiaries.
- A life insurance policy can sometimes be exchanged for another insurance policy without incurring taxation.

What isn't covered?

Life insurance usually only covers death – double check your insurance cover with your provider.

TOP TIP!

Always check your life insurance policy to see what is, and isn't, covered.

Most policies have something they don't cover (known as 'exclusions'). For example, you might have to pay extra if you take part in extreme sports, or it might not pay out if you die due to drug or alcohol abuse.

If you have a serious health problem when you take out the policy, your insurance might exclude any cause of death related to that illness.

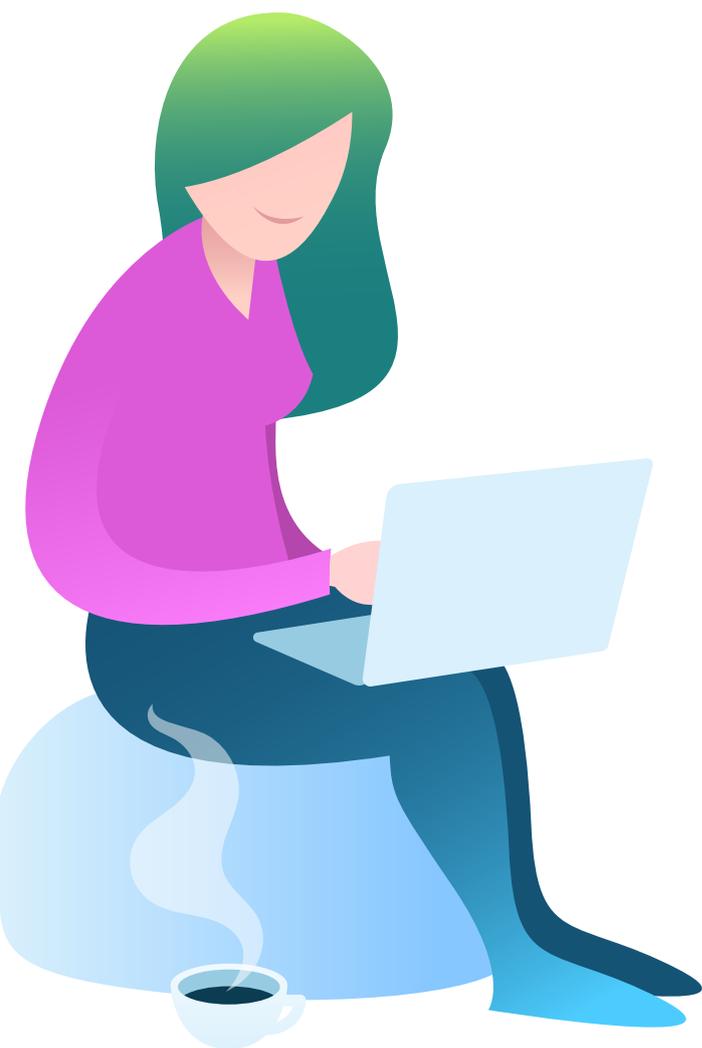
Is a Life Insurance pay-out taxable?

No. Life Insurance pay outs aren't taxable – they're not subject to Income Tax or Capital Gains Tax. The only tax implications of a Life Insurance policy would be an Inheritance Tax liability; however, this is easily avoided by writing your policy into a Trust.

Have you already got it?

Before taking out a life insurance policy, check to see if you have an employee package that includes 'death in service' benefits - this will cover you for a multiple of your salary. If so, depending on what you require, you may not need additional life insurance.

Remember: *if you leave that employment, your employee package will stop, and you won't be covered.*



Income Protection



What is Income Protection?

Income Protection can help cover your outgoings and replaces part of your income if you are unable to work due to an accident or sickness, until you retire or are able to return to work.

Taking out this insurance cover can help make sure essential outgoings continue to be paid and that your family would continue to be provided for. Your Income Protection plan would begin to pay a monthly benefit after a chosen period (see cover types for more information), if you suffer illness or an accident – then continue to pay either until the policy ends or you return to work.

Why take out Income Protection?

If you think you would struggle with your financial commitments if you were unable to work, then you may need to consider some form of Income Protection insurance.

Income Protection pays out up to 70% of your pre-tax pay if you're unable to work due to being sick or disabled. This could be a huge weight off your mind when you cannot work, as it would cover essential outgoings.

You might not need income protection insurance if:

- Your sick pay cover is enough.
- You could survive on government benefits.
- You have ample savings to support yourself.
- Your partner or family would support you.

Remember: *If you're self-employed or employed but don't have employees sick pay in place, Income Protection is something you should seriously consider purchasing.*

Types of Income Protection

There are a range of options to tailor your Income Protection policy to suit your situation and budget. The policy length and payout arrangements can vary dependent on the type of policy you choose. If you're unsure of the insurance cover you require, a protection advisor can help put together a policy tailored to you. Below are a few of the factors that will be taken into consideration;

- **Short term or long term** – The 'term' of the policy is the period of time it lasts. As the name suggests, a short-term policy will pay out your benefit amount for 1-2 years. A long-term plan could cover you all the way up to your retirement age.
- **Increasing or level cover** – This influences whether the monthly payout changes throughout the duration of your cover. A policy with level cover will remain constant. Increasing cover goes up by a fixed percentage each year and can help to provide some protection against the risk of inflation.
- **Deferred commencement period** – This is how long you have to be off work before you start to receive your monthly benefit. The 'deferred' period can range from 1 week to 12 months – generally, the longer you wait, the cheaper your monthly premiums will be.

How long will an Income Protection policy pay out for?

This depends on which policy you take out. The most comprehensive Income Protection policies will pay out continuously until your chosen retirement age if you are unable to work. There are, however, limited benefit options that will only pay out for one or two years in the event of a claim.

The main benefits of taking out an income protection policy are:

- Peace of mind knowing that you would receive a percentage income replacement payout, in the event that you have an accident or have a long term illness.
- The ability to secure a payout that will provide over a longer period of time eg not many statutory sickness policies would cover extended absence up to a number of years or through to retirement.

What isn't covered?

Income protection insurance does not cover redundancy. The objective of income protection is to provide you with a regular income if you are off work for any length of time due to sickness or an accident.

TOP TIP!

Always check your income protection policy to see what is, and isn't, covered – particularly in respect of your occupation and the definition of your usual activities.

Have you already got it?

Before taking out an income protection policy, check to see what your organisation's sick pay arrangements are in the event you were off for a period of extended absence. In addition, some organisations will provide income protection insurance options as part of their overall employee benefit package. Make sure you are comfortable that you have adequate cover – if you need to speak to an advisor to talk through the cover you need and get them to support you in finding the right insurance product for you, call our Albany Park team, who would be happy to speak to you – to talk to one of our expert advisers call **0203 540 5800**.

Remember: *If you leave that employment, your employee package will stop, and you won't be covered.*



Critical Illness Cover



What is Critical Illness Cover?

Critical Illness Cover pays out a tax-free cash lump sum if you are diagnosed with a qualifying illness listed on your policy. These usually include conditions such as some forms of heart attacks, cancers, strokes or kidney failure, or serious procedures such as a coronary bypass or a transplant.

The one-off lump sum differentiates Critical Illness Cover from Income Protection, which pays a regular income and also covers a wider range of health conditions.

Why take out Critical Illness Cover?

Critical Illness Cover can prove invaluable financial support if you are unfortunate enough to be diagnosed with one of the specified serious illnesses listed on your policy.

Having a policy in place offers the reassurance that in these circumstances you will receive a lump sum which could then be used to pay off the mortgage, make any required adjustments to your home (such as wheelchair access) or to meet your family's monthly outgoings while you concentrate on getting better.

The majority of policies will include the main critical illnesses people suffer from in the UK including coronary artery bypass, major heart attack, kidney failure, major organ transplant, multiple sclerosis, stroke and a defined set of specific cancers.

Types of Critical Illness Cover

Critical Illness Cover can be bought either as a standalone product or in combination with term life insurance.

IMPORTANT: *Always check the specific conditions covered with your provider.*

Critical Illness policies are all designed to pay out a cash lump sum if you are seriously unwell. But, the detail in the terms can be different between insurers - so it's important to compare the 'terms' details carefully to make sure that you take out a policy that's right for you.

Be mindful of:

- Which illnesses are covered: Critical Illness policies commonly cover at least 40 conditions, typically the main critical illnesses people suffer from in the UK including coronary artery bypass, major heart attack, kidney failure, major organ transplant, multiple sclerosis, stroke and a defined set of specific cancers.

- Which illnesses are not covered: Some forms of cancer that are included on some policies may not necessarily be covered on others. There are also circumstances in which an illness must have advanced to a certain stage before a pay-out will be made.
- Whether it provides cover for your children: If you have children, they may be covered on your policy with some providers and not with others.

Remember: *If you're diagnosed with a critical illness you may be eligible for some government benefits. To find out more visit www.gov.uk/browse/benefits.*

Benefits of taking out Critical Illness Cover:

The main benefits of taking out Critical Illness Cover:

- You receive a tax free lump sum payout which you can then choose to use in the way that supports you most.
- When you take out a policy you can decide how long it will last e.g. until your children have grown up, or until the mortgage is paid off.
- Critical Illness Cover is often available as a combined policy with term life insurance. *(NB Check if these are single claim policies; in which case you would only receive a single payout.)*

Have you already got it?

Before taking out Critical Illness Cover double check it isn't already in place with your Life Insurance cover. In addition, some organisations will provide Critical Illness insurance options as part of their overall Employee Benefit package.

If you need to speak to an advisor to talk through the cover you need, call our Albany Park team, who would be happy to speak to you – to talk to one of our expert advisers call **0203 540 5800**.

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