



the importance of protection insurance for your family...

Here's a handy guide to talk you through different types of policies that protect you, your income and ultimately your family...

Protection Insurance can sometimes be way down the list of peoples' priorities when they are reviewing their finances or purchasing a new home. It's easy to forget that we insure our cars and our pets but the mortgage on our home (which is the biggest debt we will probably ever have) is left unprotected.

But let us remind you, if you were taken ill, couldn't work, or worse passed away, your family would lack the financial support they really need. Here's more information on each policy so that you can truly see how they are an essential part of your financial plans.

life insurance

A life insurance policy provides a tax-free lump sum if you were to pass away, within a set term. You could use this to clear your mortgage, debt or to leave your family with some security.

You can have this on a level term basis where you receive a set amount whether the event happens at the beginning, middle or end of the term.

Or you can have it on a decreasing term basis where the sum you will receive will reduce in line with your repayment mortgage.

Single and joint policies are available - a joint policy would pay out when the first person passes away and the policy then ceases at this point.

critical illness insurance

Critical illness Insurance is a long-term policy that covers serious illnesses listed within a policy, for example cancer, heart attacks, MS.

If you are diagnosed with one of the listed illnesses, the policy will pay out a tax-free, one-off payment. This can help pay for your mortgage, rent, debts, or alterations to your home, such as wheelchair access, should you need it.

Did you know that you are more likely to suffer a critical illness than pass away during the life of your mortgage? More and more people are surviving these types of illnesses, but instead they can have life altering consequences.

You should look at getting critical illness cover if:

- ④ You don't have enough savings to tide you over if you became seriously ill or disabled
- ④ You don't have an employee benefits package to cover a long period off work due to sickness

How much do these policies cost?

The cost of the above policies depends on:

- ④ Your age
- ④ The amount of cover you take out
- ④ Whether you smoke or have previously smoked
- ④ Your health (history, your weight, your family's medical history)
- ④ Your job (some occupations carry a higher risk than others and might mean you have to pay more each month)

If you do take one of these policies its important to note: The policy may not cover all definitions of a critical illness. For definitions of illnesses covered please refer to the Key Features and Policy Documents.

income protection insurance

Income protection insurance (sometimes known as permanent health insurance) is a long-term insurance policy designed to help you if you can't work because you're ill or injured. It ensures you continue to receive a regular income until you retire or can return to work.

- ④ It replaces part of your income - if you can't work because you become ill or disabled
- ④ It pays out until you can start working again - or until you retire, die or the end of the policy term - whichever is sooner
- ④ There's often a waiting period before the payments start - you generally set payments to start after your sick pay ends, or after any other insurance stops covering you. The longer you wait, the lower the monthly premiums.
- ④ It covers most illnesses that leave you unable to work - either in the short or long term (depending on the type of policy and its definition of incapacity).
- ④ You can claim as many times as you need to - while the policy lasts

Income Protection is not the same as critical illness insurance, which pays out a one-off lump sum if you have a specific serious illness.

protection insurance myths

When it comes to protection insurance it can be difficult to separate fact from fiction. That's why we've decided to debunk some of the most common myths.

“insurance companies don't pay out.”

- ④ One of the most common myths about protection insurance is that policies seldom pay out. This is a myth.
- ④ Data from the Association of British Insurers (ABI) shows that in 2016, 97% of all individual claims were paid out.
- ④ In the same year the insurance industry paid out an average of £13m a day for individual life, critical illness and income protection insurance claims.
- ④ The most common reason why insurance claims are declined is non-disclosure of information by the customer. For example, saying that you don't smoke, when in fact you are a social smoker, or not telling your insurer about a potential medical condition as you're still waiting for test results from your doctor.

“It doesn't matter if you don't tell your insurer everything.”

- ④ It is necessary for you to tell your insurer everything relevant. Not being open about something might knock a few pounds off your monthly payments but could also invalidate your policy.
- ④ So if you take part in a dangerous sport, or you have a history of health problems, you need to share this information with your insurer.
- ④ Common reasons people don't disclose relevant information, include: waiting for a test result, they are/were a social smoker, unsure how much alcohol they drink, answered for their partner who wasn't present or embarrassed to discuss an issue in front of a partner.

The golden rule is that if you're not sure about something, it's always best to tell your insurer.

“the state will take care of me.”

- ④ Don't expect the state to replace your income if something goes wrong.
- ④ If you can't work because of an injury or illness you might be eligible for Employment and Support Allowance. Payments range from around £70 to just over £100 a week, depending on your circumstances and the seriousness of your illness or disability.
- ④ Find out more about Employment and Support Allowance.

“I can't afford it.”

- ④ Protection insurance is generally cheaper than most people think, as little as a few pounds a month.
- ④ It's well worth weighing up the cost against the potential benefits, including peace of mind and financial security for you and your family.

“I'll never need it.”

- ④ It's tempting to think that you'll never need insurance, but unfortunately no one is immune to things going wrong.
- ④ According to 'Mind' one in four people in the UK will suffer from a mental health problem this year.
- ④ Every year close to 1m workers in the UK unexpectedly find themselves unable to work because of injury or illness.
- ④ Studies by Cancer Research UK have shown that one in two people born after 1960 will be diagnosed with a form of cancer during their lifetime.

If you would like to chat about putting protection in place for you and your family, give us a call 01633 987070