



**Teachers**  
Financial Planning

## Protection for individuals

A guide to insurance options available to individuals and their family



Protection UPDATE

Most of us take out insurance in the belief that if the worst happened, our nearest and dearest would gain a grain of comfort from the payout of the protection policy we took out whilst fit and healthy.

It is important to be honest on your forms as failing to disclose even a small medical problem can mean a policy does not pay out. For example, a man died suddenly at the age of 45. "Never drank or smoked in his life," said his widow.

However, it turned out that her husband had told his doctor that he smoked occasionally when out with friends but his wife didn't know. Even though his death was non-smoking related the insurance company, as was their right, refused to pay out.

Instead of having the mortgage paid off and receiving a substantial amount to live on to ease the burden, the man's widow had to sell their home in order to survive.

In fact, saying you don't smoke when you do, even if only very occasionally, is one of the most common reasons why insurance claims are declined. Another is failing to list all medical conditions, even those you only mentioned in passing to your GP.

### Time for a check-up

The belief that your insurance policy will automatically pay out is a misconception according to the Association of British Insurers (ABI). They report that 97% of individual claims were paid out in 2013.

At first glance, this seems an impressive figure. However, the actual percentage of successful claims varies considerably, with 37.8% being declined for total permanent disability.

When it comes to critical illness payouts, one of the most frequently cited as being denied, the payout rate has improved over the past

8 years, from just 80% in 2005 to almost 92% in 2013.

The ABI states that this rise is due to the introduction of their Code of Practice on non-disclosure, first issued in 2008, which clarified which medical information customers needed to share with insurers.

### Close to home?

If you are thinking about your own protection policies, the first step is to get hold of a copy of the proposal form you completed. If you didn't keep a copy, as many people did not in the past, you can ask your insurance company to send you yours - if they still have a copy. You can then check what you disclosed at the time.

If you find you have made a mistake, then talk to us to see the best way of rectifying it with your insurers. Ignoring the problem won't make it go away and by continuing to pay the premiums, all you will be doing is leaving a legacy you didn't intend.

Keep a copy of any application or proposal forms you complete from now on. This can either be as PDF on your computer or copies of a paper document. Then you'll know what you have declared and never need to worry about what whether you're covered or not.

### Life insurance

Life insurance offers financial support to your dependents if you die unexpectedly. It is split into 2 main types:

**Whole of life insurance** will pay out when you die provided you've kept up with your payments.

**Term life insurance** will pay out a lump sum to your beneficiary if you die within the terms of your policy (usually 10-25 years). However, if you live longer, the policy will not pay out.



# Protection for individuals

Term life insurance is split into 3 main types:

- **level term:** cover and premiums remain the same throughout the term
- **decreasing term:** protection decreases over time. This type of policy is typically taken out to cover mortgages or other types of loan that decrease over time
- **increasing term:** cover increases during the term of the policy. This can either be at set intervals or when a specific event takes place such as a marriage or birth.

## Income protection insurance

This type of protection can provide you with support if you find yourself unable to work due to illness or disability.

This is particularly useful for those that are self-employed or employed but don't have sick pay available to them, but applies to anybody who may not be able to pay their bills if their income stopped.

There are 2 main types of income protection:

### Long-term income protection

This will replace part or all of your income until you can start working again. The 3 main levels of cover determine when the policy pays out:

- **own occupation** means that you are unable to do your own job
- **suited occupation** means you can't do your job or a similar one that suits your qualifications
- **any occupation** only pays out when you are too ill to do any kind of paid work.

### Short-term income protection

Short-term income protection provides cover if you can't work for a short period of time.

These policies pay you an agreed monthly amount over a short period of time - typically 1 year - in the event of accident, illness or unemployment.

Short-term income protection products include:

- **payment protection insurance:** covers the cost of a specific debt
- **mortgage payment protection insurance:** covers mortgage repayments for a set length of time.

## Critical illness cover

Critical illness cover pays out you if you're diagnosed with a specific type of serious illness.

Policies will vary but most will include a range of diseases and conditions.

This type of protection might be worth considering if you don't have savings to fall back on if you become seriously ill and are unable to work.

## Private medical insurance

This covers the cost of private medical treatment for 'acute' medical conditions - diseases, illnesses or injuries likely to respond quickly to treatment.

Private medical insurance can ensure prompt consultations, referrals and treatment. Most policies will include the costs of in-patient treatments such as tests and day-care surgery. Some will extend to out-patient treatments but this will depend on the policy and the monthly premiums you pay.

## Cost of insurance

Protection insurance is often cheaper than most people imagine. Basic life insurance can start at just a few pounds a month. In most cases, some cover is better than none at all.

Contact us to discuss your protection options.

## Important Information

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. The value of investments can fall as well as rise and you may not get back the amount you originally invested.

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