



## Insurance options for individuals

Protect yourself against the financial costs of illness, injury, unemployment and death.



When it comes to protecting your family's financial future against a sudden and unexpected loss of income, a solution can be found in insurance.

Whether you're concerned about serious illness, redundancy or loss of life, insurance policies can safeguard an income for you and your loved ones.

This guide will provide an overview of the main types of protection and offer guidance that will help you to choose a policy that works for you.

### An overview

The number of insurance products on the market can make deciding which is right for you a complex process.

A number of factors should be considered, including your job, health, family arrangements and current and likely future financial situation.

Before looking at specific policies, it can be helpful to ask yourself the following questions:

- What do you need to protect?
- How long do you need protection?
- What cover do you already have in place?

Once these questions have been answered it will be easier to work out a sensible strategy with achievable goals.

## Types of protection

### Income protection

Income protection policies pay out if you're unable to work due to illness or injury. Tax-free pay outs are made monthly and are generally based on a percentage of your earnings – usually between 50% and 70%.

The deferral period – the amount of time between putting in a claim and receiving the payments – can be anywhere between 1 and 12 months. In most cases, the longer the deferral period, the cheaper the policy will be.

### Types

There are short-term and long-term income protection policies.

Short-term policies pay out for an agreed period, generally between 1 and 5 years. Long-term policies will provide income until you can return to work, you retire or you die. There are a variety of options for long-term cover including:

- **guaranteed:** the premium will remain the same unless you change the level of cover
- **reviewable:** the premium can increase after a set amount of time
- **age-related:** the premium increases each year as you get older.

### Cost

It's difficult to provide an average cost for income protection premiums since there are big differences between policies and there are many providers in the marketplace. What you pay will depend on a number of factors:

- **occupation:** insurance companies rank occupations based on the likelihood of injury or illness
- **the deferral period:** expect to pay more if you want your pay out quickly
- **health:** providers will factor in your general health when pricing your policy, as well as whether you're a smoker or a heavy drinker
- **your level of cover:** the greater the level of protection, the more expensive the policy.

We can advise on insurance products.



# Insurance options for individuals

## Life insurance

A life insurance policy will pay out a lump sum in the event of your death. Life insurance can be used to provide money for loved ones or pay off existing debts, depending on your policy.

### Types

Term insurance and whole-of-life policies are the 2 most common types of life cover.

Term insurance policies pay out if you die during a set period of time, while whole-of-life policies do just that: cover you for the whole of your life.

There are 3 types of term insurance:

- **level-term:** the level of cover remains the same through the whole period of your policy
- **decreasing-term:** the pay out will decrease over time
- **increasing-term:** the pay out increases over time to compensate for inflation.

Whole-of-life policies (also known as life assurance) are permanent and thus guarantee a pay out after you die. However, as whole-of-life policies are investment backed, many policies include 10 year reviews when, if the investment performance has not been good enough, the level of cover will reduce or a higher premium will be required to maintain the original level of cover.

### Cost

Life insurance providers will price their policies based on similar factors used for income protection. Insurance providers will charge a higher price for individuals who are viewed as higher risk.

Depending on these factors and the term length, fixed-term policies can cost as little as a few pounds a month.

Life assurance policies tend to be more expensive since you are covered for a long period of time and a posthumous pay out is assured.

Contact us today about financial planning.

## Critical illness cover

Critical illness protection provides you with a lump sum pay out should you suffer from a serious illness or condition such as cancer.

The types of illnesses covered vary depending on the insurer and there may be other caveats about the acuteness of your illness.

### Types

Premiums on critical illness cover can either be guaranteed or reviewable.

Guaranteed premiums remain the same over the term of the policy while reviewable premiums may rise over time (usually every 5-10 years).

### Cost

Reviewable premiums tend to be the cheaper option initially since they are likely to rise after each review. With guaranteed premiums, you pay extra for the certainty of knowing the premium for the duration of the term.

## Mortgage protection

Mortgage payment protection insurance (MPPI) policies will cover your mortgage repayments if you are unable to earn an income due to injury, illness or unemployment.

MPPI pays out a fixed sum each month for between 1 and 2 years after you make a claim. These policies also apply a maximum cover limit which is usually 50-75% of gross salary.

## Things to consider

### Know the premium

Premiums are a major factor in how you choose your policy. Remember not to take prices at face value and be aware that not all premiums are fixed.

Reviewable critical illness premiums which are likely to rise over the term are a good example of this.

### Ensure you're covered...

It is essential that you read the small print to ensure that the policy will cover your needs. Buying unnecessary insurance is not only a waste of money but will give you a nasty surprise should you need to file a claim. Thankfully, you are able to cancel a policy within the first 30 days if it's unsuitable.

### ...but don't buy too much coverage

It's surprisingly easy to overestimate the amount of income protection cover you need. Remember that your expenditure is likely to be lower if you're unable to work and it may not be necessary to insure your total income. Drawing up a prospective out-of-work budget will help you work out how much income you'd need.

It's essential that you seek professional advice before purchasing protection insurance. Our team can help you choose a policy fit to protect your family's future.

Talk to us about insurance today.

### 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 insurance decisions based upon its content.

Whilst considerable care has been taken to ensure that the information contained within this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information.