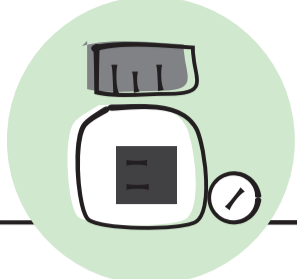


# PROTECTION PRODUCTS Guide

Comparing protection insurance products can be confusing. This guide gives you an overview of each main type of product: income protection, life insurance and critical illness. Use it to help you decide which suits you best and if you need it.



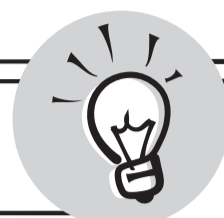
## INCOME PROTECTION INSURANCE (IP)



## CRITICAL ILLNESS INSURANCE (CI)



## LIFE INSURANCE (LI)



### What is it?

Pays you a percentage of your salary if you are unable to work due to illness, injury, or involuntary redundancy.

Pays a lump sum if you are diagnosed with a critical illness or disability. Only covers critical illnesses set out in your policy, (usually long term/serious conditions).

Pays a tax-free lump sum to your dependants if you die.

### How does it work?

You will receive monthly, tax-free payments after you have been unable to work due to illness or injury, for a set period of time. Usually 3 or 6 months.

Cover lasts for the period you choose, i.e. until your mortgage is paid or your pension is due to start.

Payments stop when you are able to return to work, retire, or the policy ends.

You choose the sum paid out – the larger the amount, the higher the cost of the premium.

Cover lasts for the period you choose, e.g. until your mortgage is paid, or until you retire.

Payments stop when you are able to return to work, retire or the policy ends.

You choose the amount paid out – the larger the amount, the higher the cost of the premium. Term life insurance lasts for the period you choose and pays a fixed sum if you die in the policy term. Whole of life insurance lasts until you die, but this is likely to cost more.



### Can you claim more than once?

Yes. You can make as many claims as you need during the policy.



No. The policy only pays out for one claim, for the total amount of cover. Some policies also pay out a smaller amount for less serious conditions.

No. The policy only pays out if you die, or in some cases, get an illness which you are not expected to survive for more than 12 months.

### Why might I need it?

State benefits for those unable to work are low. If you would struggle to cope with between £70 and £100 per week, you should consider income protection insurance.

To pay off the mortgage, pay bills or adapt your house, if you are diagnosed with one of the serious illnesses set out in the policy.

To provide financial support to your dependents if you die unexpectedly so they can pay off mortgages and loans or pay the bills.

### Don't forget

There is a limit to the amount of income you can claim – usually half your take home pay. Make sure you don't pay for more cover than you can claim. There might be exclusions on when you can start claiming - usually you wait 4 weeks, but it will be set out in your policy.

All insurers use the same definitions for the critical illnesses most commonly covered. Pre-existing conditions are unlikely to be covered.



If your estate could be liable for inheritance tax, you can use a trust to stop the life insurance payout adding to your inheritance tax bill. Ask an adviser or insurance company for more details.

### Next steps

Want to find out more about income protection insurance? Visit [moneyadviceservice.org.uk](http://moneyadviceservice.org.uk) and search for income protection insurance.

Want to find out more about critical illness insurance? Visit [moneyadviceservice.org.uk](http://moneyadviceservice.org.uk) and search for critical illness insurance.

Want to find out more about life insurance? Visit [moneyadviceservice.org.uk](http://moneyadviceservice.org.uk) and search for life insurance.

### FACTS AND FIGURES

It's vital that you take care to answer all the questions honestly and give the insurer the full facts to the best of your knowledge. It could be the difference between getting a payout and getting nothing.

You might find it useful to speak to a financial adviser to help you make the right choice.

- Every 1 million workers in the UK are unable to work because of injury or illness.
- 97% of all individual protection claims were paid out in 2013.



- Protection insurance policies can cost just a few pounds a month.
- State benefits may be less than you think. If you would struggle on £70 to £100 per week you might to consider income protection.