A Small guide to some Insurance products that you have heard of, but, not sure what they mean!

Helping you to understand Insurance

Please find our guide to some Insurance Products which we know you have heard about, but, maybe not understand! And we are trying to bridge that gap and hopefully be of help when it comes to making your decisions

We know that this is not a definitive guide, but, enough to help you make some choices in what could be the most important decisions you will make in your life time.

The guide is designed to give you a quick overview and just add to your knowledge of insurances if you already have it and if you don't then let us help you.

If unsure just contact us and we will discuss your needs

All our contact details are available at the back of this leaflet

Life Insurance

Do you need life insurance?

Not everyone needs life insurance (also known as life cover and death cover). But if your children, partner or other relatives depend on your income to cover the mortgage or other living expenses, then the answer is yes – you probably do want life insurance, since it will help provide for your family in the event of your death.

What is Life Insurance

Life insurance can pay your dependents money as a lump sum or as regular payments if you die. It is designed to provide you with the reassurance that your dependents will be looked after if you're no longer there to provide.

The amount of money paid out depends on the level of cover you buy. You can also decide how it is paid out and whether it will cover specific payments, such as mortgage or rent.

There are two main types of life insurance:

Term life insurance policies run for a fixed period of time (known as the 'term' of your policy) – such as 5, 10 or 25 years. These kinds of policies only pay out if you die **during** the policy. There is no lump sum payable at the end of the policy term.

A guaranteed **whole-of-life policy** will pay out no matter when you die, as long as you keep up with your premium payments.

What isn't covered?

Life insurance only covers death – if you can't provide for your family because of illness or disability, you won't be covered.

Most policies have some exclusions (things they don't cover). For example, they may not pay out if you die due to drug or alcohol abuse, and you normally have to pay extra to be covered when you take part in risky sports.

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

You can buy other insurance products for these issues, which cover total and permanent disability, long term illness or critical illness cover.

Do you need it?

If you have dependents – such as school age children, a partner who relies on your income or a family living in a house with a mortgage that you pay – a life insurance policy can provide for them if you die. You might also want a policy which covers your funeral expenses.

You can't rely on the government to take care of your family – the money they would get from the state is much lower than you'd probably expect. If you want to provide for your family financially if you die, life insurance is a must.

Critical Illness

Do you need critical illness cover?

Critical illness cover, also known as critical illness insurance, is a long-term insurance policy to cover specific serious illnesses listed within a policy. Should the worst happen, it gives a tax-free 'lump sum' – a one-off payment, to help pay for your mortgage or rent, debts, or pay for alterations to your home such as wheelchair access should you need it, but it's your choice how you spend it.

What is critical illness cover?

Critical illness insurance will pay out if you get one of the specific medical conditions or injuries listed in the policy. But be aware that not all conditions are covered and policy will also state how serious the condition must be.

Examples of critical illnesses that might be covered include:

- Heart attack
- Stroke
- Certain types and stages of cancer
- Conditions such as multiple sclerosis

Most policies will also consider permanent disabilities as a result of injury or illness. It only pays out once and then the policy ends. Some policies will make a smaller payment for less severe conditions, or if one of your children has one of the specified conditions.

What isn't covered?

Some serious illnesses might not be covered, for example, some cancers and conditions not listed in the policy.

You probably won't not be covered for health problems you knew you had before you took out the insurance and this type of insurance does not pay out if you die, unless it's a life and Critical illness policy

What's covered and what's not, will be set out in the policy details so make sure you're fully aware of them and that they cover your needs.

Do you need it?

State benefits might not be enough to replace your income if something goes wrong. If you're eligible, welfare benefits range from around £70 a week to just over £100 a week, depending on your circumstances (i.e. whether or not you have children, a certain level of savings, or if your partner works).

Critical illness cover could be considered if:

- You don't have savings to tide you over if become seriously ill or disabled
- You don't have an employee benefits package to cover a longer time off work due to sickness

Income Protection Insurance

Do you need income protection insurance?

No one likes to think that something bad will happen to them. But each year close to a million people find themselves unable to work due to a serious illness or injury. If you couldn't work due to a serious illness, how would you manage? Could you survive on savings, or on sick pay from work? If not, you'll need some other way to keep paying the bills – and you might want to consider income protection insurance.

What is income protection insurance?

Income protection insurance is a long-term insurance policy to help you if you can't work because you're ill or injured.

- **It replaces part of your income** if you can't work because you become ill or disabled.
- **It pays out until you can start working again**, or until you retire, die or the end of the policy term - whichever is sooner.
- **There's 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 payments.
- **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).
- **You can claim as many times as you need to**, while the policy lasts.

Speak To An Adviser – These policies should be discussed to meet your needs effectively

With income protection insurance, everything depends on getting the right policy – so it's best to get advice from an independent financial adviser or broker.

It's **not the same as critical illness insurance**, which pays out a one-off lump sum if you have a specific serious illness.

It's **not the same as short-term income protection**, which also pays out a monthly sum related to your income, but only for a limited period of time (normally between two and five years) and can cover fewer illnesses or situations.

Do you need it?

It doesn't matter whether or not you have children or other dependents – **if illness would mean you couldn't pay the bills**, you should consider income protection insurance.

You're most likely to need it if you're self-employed or employed and you don't have sick pay to fall back on.

Check what your employer will provide for you if you're off sick.

Payment Protection Insurance (including Mortgage MPPI)

Do you need payment protection insurance (PPI)?

Payment protection insurance, also known as PPI, is a type of short term protection. This type of policy covers you for a loan payment if you are made redundant or find yourself unable to work due to an illness or accident. The right policy means you will be able to meet your payments if something goes wrong.

What is payment protection insurance?

Payment protection insurance (PPI), is designed to help you keep up with a loan or credit repayment if you're unable to work because you're ill, had an accident or made redundant.

Most people use PPI to cover financial commitments such as their mortgage, credit card payments or loan repayments. Making sure you're able to cover these debts will help keep you out of debt if you do find yourself unable to work.

PPI policies **only cover a specific debt**, for example your current credit card bill. If you spend on another card, it won't be covered. If you claim, the money will usually go straight to pay off that loan – you can't use it for anything else.

Policies typically cover:

- Illness or disability
- Unexpected redundancy
- Circumstances that stop you working (i.e. becoming a carer)
- Death (depending on your policy)

For example, if you have PPI for your mortgage and find yourself unable to work due to an accident, you should receive a regular sum of money to cover your mortgage repayments.

What isn't covered?

Usually, PPI won't cover:

- The **first 90 days** after you stop working – you need to be able to keep paying for this period yourself (some policies are available for day one cover)
- **Certain illnesses** – check the list in your policy before you buy
- **Pre-existing conditions** (illnesses you know about already)
- People who are **retired or unemployed**

Do you need it?

You might want to consider PPI if you have a mortgage, a loan or credit card repayments, and you want to make sure you can continue to pay them if you fall ill or are made redundant.

If you think you need PPI, make sure you understand the policy details. Read through the policy documents and ask the insurance company – or an independent financial adviser or insurance broker – to explain anything that isn't clear

Buildings and Contents Insurance

Buildings insurance – Do you need it?

If you own your own home, you'll need to have buildings cover just in case your home is damaged and needs a repair. It's usually a condition of your mortgage and, if you're a landlord, it's your responsibility – not your tenants. Although it's not compulsory, if you own your own home this sort of insurance should be a top priority. (Some Mortgage lenders demand that you have it in place prior to the completion and release of any mortgage funds)

What is home insurance?

This is a general term used to describe **two very different types of insurance:**

- **Buildings insurance** – for permanent fixtures and fittings, like kitchens and bathrooms
- **Contents insurance** – for things you keep in your home, like furniture, TVs, personal belongings and some types of flooring including carpets

You can buy both types of insurance separately, or in many cases, you can get them as a joint policy from one insurance company.

What is buildings insurance?

This is a policy which covers damage to the structure of your home such as the walls, roof and floors.

It usually covers damage to fixtures and fittings too. So if you've got a fitted kitchen or bathroom, your insurance is likely to pay for any repairs you need.

Buildings insurance – What does it cover?

It covers the cost of repairing or rebuilding your home if it's damaged. Policies vary from one insurer to another in exactly what events you're covered for, but generally speaking, you'll be able to claim if your home is damaged by:

- Natural events such as storms and floods
- Fire, smoke, explosions
- Vandalism
- Subsidence
- Car and lorry collisions
- Falling trees
- Water damage from leaking pipes
- Oil leaking from your heating system

Depending on the type of policy you get, it may also cover other structures around the home such as garages, fences, outside walls and driveways.

Buildings insurance – What doesn't it cover?

You won't be covered for general wear and tear and **each policy will have its own exclusions** (things you won't be able to claim for). These often include damage caused by:

- Frost (unless it causes damage from a burst pipe)
- Leaking gutters
- Insects, birds and pests

You can't normally claim for loss or damage which happens whilst your property has been left unoccupied for more than 30 or 60 days. Many insurers will let you arrange cover if you let them know in advance.

Storm damage to gates and fences is also unlikely to be covered.

Exclusions vary from one policy to the next so **make sure you read the policy** carefully.

Do you need buildings insurance?

If you own your own home or are renting out a property, then you'll need to have buildings insurance.

Your mortgage will usually include this as a condition, so not having a policy in place could put your mortgage – and your home – at risk.

If you're renting a property, it's your landlord's responsibility to sort out a buildings insurance policy. If you're a tenant, you may want to consider taking out home contents insurance cover

Do you need buildings insurance if you own a flat?

If you own a leasehold flat, the building may be insured by the landlord who owns the freehold. Your solicitor will be able to advise you if your lease means you have to take out buildings insurance.

Even when it's not your responsibility to take out buildings cover, you'll probably be paying the premiums through your service charge.

If you live in a flat where the leaseholders have clubbed together to buy a share of the freehold from the landlord, then **you may have to arrange buildings cover**.

You can do this individually, but it might be cheaper and easier to get together with people in the other flats and **take out a block policy to cover you all**. An insurance broker can help you with this.

Buildings insurance – What are the pros and cons?

- Repairing your home can be very expensive and it makes sense to invest in the protection of your property
- Insurers are adding more and more exclusions to their policies so you'll need to read the small print carefully.
- You may have additional excess limits on your policy, for example up to £1,000 for subsistence claims or a higher excess related to flooding, but this can still be cheaper than paying the whole lot.

Note

Make sure you have enough cover. Being underinsured can be a costly mistake.

Contents Insurance

Do you need contents insurance?

What would you do if you lost everything in your home? Buying everything again would cost a fortune so contents insurance is vital if you're going to cover yourself for unexpected events like a burglary or a fire.

What is contents insurance?

This type of insurance covers loss or damage to all the things in your home which are not part of the structure or the building so you can replace and repair them without having to spend a fortune.

What does contents insurance cover?

All your personal belongings – in other words anything not physically attached to the building – will usually be covered for loss or damage, including:

- Furniture
- Electrical goods
- Clothing
- Jewellery

Different policies offer different levels of cover but generally you'll be covered against theft, fire and flood.

'Accidental damage cover' is usually optional so don't assume it's included in your policy.

'Personal possessions cover' is also an optional extra. This will cover items you take outside your home like cameras, jewellery, laptops and briefcases.

Some insurance policies will also **cover you when you go abroad** so if you lose or damage your possessions while you're away, you'll be able to claim for them on your contents insurance. This is

What contents insurance doesn't cover

As with all insurance policies there are a number of things which won't be covered by contents insurance. Depending on your policy, this could include:

- The structure of your home such as the walls and the roof – you'll need to cover these with a buildings insurance policy
- Damage to a computer caused by a virus
- Wear and tear

Cover for valuables usually consists of:

- A total amount for all of your valuables, and
- A single item limit

Many contents policies have a single item limit of just £1,500 (although for some insurers this can be a high as £15,000). If you've got expensive items such as jewellery or works of art, you may need to buy extra cover for these when you take out your policy.

It's important to fully understand the terms and conditions of your policy and any exclusions (things that aren't covered) so that you know what you can and cannot claim for.

Need a specialist policy**?** Valuables that are worth beyond a certain amount etc.

Do you need contents insurance?

Unlike buildings insurance, your mortgage provider won't insist on you having contents insurance, but it's a good idea in case the unexpected happens and your home is burgled or there's a fire.

You'll have an excess on your contents insurance which means **you'll need to pay a minimum amount every time you claim.** If you make a claim for £300 for example, and your excess is £250, you'll only get £50 from your insurer.

Pros and cons of contents insurance

- You can choose a 'new for old' policy to replace damaged or lost items.
- If you have personal possessions cover you'll be covered if you lose items outside your home such as cameras, laptops and jewellery.
- Some policies include a legal helpline where you can get advice on personal legal matters such as taxation and employment issues.
- You can buy optional extras such as home emergency cover to pay for the call out and cost of parts if you need a plumber or tradesman.
- You'll need to pay an excess on every claim and your premium will probably rise the following year.
- You need to fully understand the terms and conditions of your policy and any exclusions (things that aren't covered) so that you know what you can and cannot claim for.
- Most policies have limits on the amount of cover so it's important to ensure that these are sufficient for your circumstances.

Speak to an expert to help you make the right decisions

PURE PROTECTION AND GENERAL INSURANCE PLANS WILL HAVE NO CASH IN VALUE AT ANY TIME AND WILL CEASE AT THE END OF THE TERM. IF PREMIUMS ARE NOT MAINTAINED THEN THE COVER WILL LAPSE.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS ARE SUBJECT TO CHANGE.

THE MATERIAL CONTAINED IN THIS LEAFLET IS FOR GENERAL INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE ADVICE

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