

THE
MORTGAGE
COMPANY

GUIDE TO
INSURANCE

WELCOME!

By reading this guide you're taking an important step in protecting your family from life's unwelcome events. No-one can be sure what life has in store for us, that's why it's important to have in place plans that would provide financially for you and your family should the unexpected occur.

Most of us are aware that there are policies available that provide life insurance, protect us in the event of a critical illness, payout if we had an accident and were unable to work, and can protect our home and possessions. However, with so many different types of policy available in the market place it can be hard to know which one is right for your circumstances and offers the best value for money.

However, putting off the decision to take out cover could jeopardise your family's financial future should the worst happen.



ABOUT THIS GUIDE

This guide covers the main types of mortgage related insurance. Life cover, Critical illness cover and income protection. With our help and advice, getting the right plan in place can be simple and straightforward. In this guide, we'll explain a little about how policies work and the different types of cover available. By taking expert advice you can be confident that you're making the right decision and have the type and level of insurance protection you need.

OUR SERVICE TO YOU

We offer a full, no obligation insurance review. Once we've agreed on the insurance type, we will submit the application on your behalf and provide regular updates on the policy as it progresses through the application process with the insurer. We will maintain copies of your insurance so that we can help you with your policy in the future.

We will:

- Review your circumstances
- Make a recommendation
- Submit the application on your behalf
- Manage your application with the lender

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FINANCIAL PEACE OF MIND FOR YOU AND YOUR FAMILY

LIFE INSURANCE AND LIFE ASSURANCE

We all want to do the best for our families, and to keep them properly protected on every occasion. Overlooking the need for life cover could mean that you'd leave your family with money worries at the worst possible time.

If you need convincing that life insurance is a good product to buy, ask yourself this question. If you were to die, how much money would your family have to live on? Many families would find themselves running short of money very quickly. Your salary would stop, but the household bills would keep coming in.

A payout from a policy could make the difference between your loved ones facing a financial struggle at a challenging and emotional period in their lives, and being able to maintain the sort of lifestyle they enjoyed when you were still around.

The terms life insurance and life assurance are often interchangeable and both often known simply as 'life cover'. People often ask what the difference is, so here's how it works:

Life insurance is cover you take out for a set number of years. You agree the term of the policy at the outset, usually between 10 and 25 years. That's why you'll often find this type of policy referred to as term insurance.

Most people tailor their policy to ensure that their financial commitments would be met in the event of their death, so policies are often aligned with the term of a mortgage or other loan.

Families often opt for life insurance to cover them whilst the children are growing up, taking a policy that will end when they become financially independent. With life insurance, you aren't guaranteed to receive a payout as you could outlive the term of the policy. However, what you do get is the continuing peace of mind and the guarantees that protection policies give you and your family.

Life assurance, by contrast, is designed to provide cover until you pass away. It can be more expensive than life insurance as it covers you for a longer term and pays a lump sum in the event of death, whenever that occurs.* You may have heard the phrase 'whole life' or 'whole of life' used in relation to this type of policy.

**Subject to premiums being maintained.*

OTHER TYPES OF COVER THAT PROVIDE VALUABLE PROTECTION

When people think about protection insurance, they typically think about a traditional life policy that can protect for a specified number of years or for a whole lifetime, and pays out a lump sum on the death of the policyholder. But nowadays there are many other types of policy that can also have a major part to play in protecting and providing for the financial needs of you and your family.

MORTGAGE PAYMENT PROTECTION

What it does – Mortgage payment protection policies are designed to cover the cost of your mortgage payments if you're sick, have an accident or become unemployed and can't work.

How it works – Generally, the policy will start paying out either 31 or 60 days after you are unable to work. Most policies will payout for a maximum of one year.

You can choose the date at which the policy would payout in the event of a claim. This can range from a month to up to a year. Policies that payout sooner will have higher premiums. We can explain how this works.*

INCOME PROTECTION

What it does – This type of policy pays a monthly income tax-free if you are unable to work due to an illness or injury.

How it works – The monthly income under the policy will be between 50% and 70% of your salary and will be paid until you are fit enough to return to work or reach retirement age.

What you need to know – State benefits aren't generous and only a few employers will continue to support their staff through a long illness, so income protection policies can help families through difficult financial times.

You can choose the date at which the policy would payout in the event of a claim. This can range from a month to up to a year. Policies that payout sooner will have higher premiums.*

CRITICAL ILLNESS

What it does – Critical illness cover pays out a tax-free lump sum if you are diagnosed with a major illness, including cancer and heart disease. Actual illnesses covered in a policy may vary between providers.

How it works – Many insurers will make a part payment on an early-stage diagnosis of a condition specified in the policy, the percentage will vary from company to company.

What you need to know – Many people buy a combined life and critical illness policy, and it makes sense to do so. In this case, a payment would be made on either diagnosis of a critical illness as defined in the policy, or death, whichever is the sooner. If the cover is combined in this way, the policy premium is usually cheaper than it would be for separate policies, as there is only ever one lump sum paid out by the insurance company.*

IF THE POLICY HAS NO INVESTMENT ELEMENT THEN IT WILL HAVE NO CASH IN VALUE AT ANY TIME AND WILL CEASE AT THE END OF THE TERM. IF PREMIUMS ARE NOT MAINTAINED, THEN COVER WILL LAPSE. THE POLICY MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. FOR DEFINITIONS PLEASE REFER TO THE KEY FEATURES AND POLICY DOCUMENT.

FAMILY INCOME BENEFIT

What it does – Family income benefit policies work in a similar way to ordinary life cover, but instead of a lump sum, the policy pays out a regular income if you die.

How it works – A typical policy might be taken out by the parents of young children, so that if one parent were to die during the term of the policy, then an income would be paid out for a predetermined period of time. So, if you had a 20-year policy and were to die five years into it, then the policy would payout a regular income for the remaining 15 years.

What you need to know – Family income benefit insurance is a simple way to provide your family with an ongoing income rather than a lump sum if you were to die. Critical illness can also be added that would provide a payout if one of the parents were to be diagnosed with a serious illness.*

ACCIDENT, SICKNESS AND UNEMPLOYMENT

What it does – This policy provides cover so that if you are unable to work because you're injured or sick, or through no fault of your own, you have lost your job.

How it works – In the event of a claim, you will receive a predetermined percentage of your monthly income, usually for a period of up to 12 months. Payments are made after a waiting period of at least a month. If you choose a longer waiting period, your premiums are likely to be lower.

What you need to know – Accident, sickness and unemployment cover differs from mortgage payment protection which is designed specifically to cover your repayments on a specific debt such as your mortgage. It differs from income protection insurance in that it includes unemployment cover.*

** Premiums must be maintained for cover to remain in force.*

HOW WE CAN HELP

Choosing the right policy, or combination of policies to provide the right level of protection you need can be a daunting task if you try to do it on your own. Your adviser will be able to review your personal circumstances and recommend the type of insurance you need, giving you and your family the reassurance and peace of mind that protection insurance can bring.



ONE POLICY OR TWO?

Couples have a lot of things in common, and that can include financial commitments like bank accounts and mortgages.

However, when it comes to life insurance it can make sense for each partner to have their own separate policy.

A 'single' life policy provides cover for that person only, and pays out the amount of cover provided under the policy if the insured dies during the policy term.

By contrast, a 'joint' policy covers two lives, normally on what's referred to as a 'first death' basis. This means that the policy pays out if during its term one of the policyholders dies. As the policy is designed to payout only once, it will come to an end.

JOINT POLICIES AND DIVORCE

It's also important to consider what might happen if there was a joint policy in place and the relationship breaks down. There may be options available to you, such as keeping the policy as it is, splitting the policy (although many providers do not allow this) or cancelling the current policy and taking out new single life policies. However, this will all depend on individual circumstances and needs and we recommend you seek financial advice.

THE RIGHT COVER FOR BOTH OF YOU

Whilst one joint policy could be more affordable than two single policies, depending on personal circumstances, it makes sense to think about each partner's life cover needs separately. With many families these days reliant on two incomes, it can make financial sense for each partner to have their own policy in place. That way, they can each tailor the amount of cover and the length of the term to their own specific needs. This can be particularly relevant if you and your partner are different ages and in different states of health.

THE IMPORTANCE OF DISCLOSING ALL THE FACTS

When you take out any form of insurance, you will be required to complete an application form and answer various questions, so that the insurer can assess the risk they'd be taking on by insuring you.

You'll be asked to disclose any information or material fact that could have a bearing on that risk. So, it's vitally important that you disclose all relevant information; if you don't, the insurer could declare the contract null and void, and wouldn't pay any claims made under the policy.

Material facts include any information from your medical history or lifestyle, such as medication you've been prescribed, treatment, tests and investigations you've undergone. The onus is firmly on you, you'll need to be entirely honest about important details like your smoking and alcohol consumption, and dangerous hobbies or pastimes.

ASSESSING YOUR NEEDS

Your adviser will be on hand to help you, explaining everything you need to know in plain English, so you can be sure you're getting the cover you need for your specific needs.

**We are always happy to discuss your needs and circumstances, feel free to give us a call today.
01993 834700.**

WRITING A POLICY IN TRUST

When it comes to planning for the future, your adviser will be able to explain how taking the simple step of putting your policy into a trust* could, in certain circumstances, make good sense for you and your family.

If you thought you had to be incredibly rich to need to set up a trust, you'll be pleased to know that this simple formality is now widely used to help pass money on swiftly and efficiently to loved ones on death.

A trust is a legal arrangement that helps ensure that the payout from your life policy goes to whoever you choose to receive it, meaning you can control where your money goes.

HOW TRUSTS WORK IN PRACTICE

Under normal circumstances, the proceeds from a life policy form part of your estate on your death and could therefore be subject to Inheritance Tax if the amount you leave, referred to as your estate, exceeds the threshold at which Inheritance Tax becomes payable.

By doing what's called 'writing the policy in trust', the payout from the policy can be made directly to your beneficiaries, for instance your wife or your children, and

doesn't form part of your estate and therefore isn't subject to Inheritance Tax.

In addition, the payment wouldn't have to wait until the grant of probate, the legal document required to administer your estate, has been granted. Obtaining probate can be a lengthy and time-consuming process. However, if a policy is written in trust, there is no need to wait for probate as the proceeds can be paid out once a death certificate has been obtained.

CREATING A TRUST

Most insurance companies will offer this option at no extra cost when you take out a policy. Your adviser will explain the process and help you fill out the necessary documentation to set up this simple but effective arrangement.

There is a certain amount of jargon used to refer to trusts, but don't worry, as your adviser will be able to explain the technicalities in a down-to-earth way so the details are clear.

** 1. Not all protection policies can be written in trust.*

2. If the policy includes Critical Illness, writing the policy can be more complex. Your adviser will be able to help with this.

WE CAN GIVE YOU PEACE OF MIND

As this guide demonstrates, there is a range of different protection cover which is available to protect you and your loved ones from life's unfortunate events. We can give you advice on the right protection cover for you and, if you decide to go ahead, arrange this for you giving you one less thing to worry about. If you would like to know more or would like to arrange an appointment with an adviser who can help you, please get in touch.

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