Protection Distributors Group

Protection Review

Association of Mortgage Intermediaries

Protection insurance – What should I know?

Why should I consider protection insurance?

Each individual has different needs and circumstances, however some common reasons why you might decide to purchase protection insurance include:

- To protect your family financially should you die.
- To pay off specific financial commitments in the event of your death, such as a mortgage.
- To provide a lump sum or income if you are seriously ill.
- To provide sick pay cover. Statutory Sick Pay is currently £96.35 per week.
- To ‘top up’ sick pay cover provided by your employer.
- To continue to be able to pay outgoings in the event of accident or illness.
- To avoid having to use your savings in the event of accident or illness.

What products are available?

The term ‘protection’ refers to a range of insurance products that include:

Income protection:	long term ‘sick pay’ cover that pays a regular replacement income if you are unable to work due to accident or illness, potentially until you retire although shorter term policies are available.
Life insurance:	cover that pays out if you die, typically during the policy term.
Critical illness:	cover that pays out a lump sum when a potentially life-threatening event happens, such as heart attack, stroke, or cancer.

Good to know

The difference between an insurer and an adviser

An insurer is a company that provides insurance cover in return for an insurance premium (the amount you pay for the policy). They are the company that will pay out in the event of a claim.

An adviser helps customers find suitable products based on their specific needs. They do this by using their knowledge and expertise of the different insurers and products available. Some may also provide support in the event of a claim.

An adviser may be tied to a particular insurer or may be independent (also known as whole of market) with access to different insurers. It's important to note that even if an adviser is independent, they won't have access to all insurers in the market. If you're unsure, you should check with the firm to make sure you understand the breadth of insurers and products available.

It's important to note that coverage differs between insurers and can also differ based on whether the product is sold directly by the insurer or through an adviser.

What do I do next?

How can I buy cover?

Advised: you can speak to a regulated expert who is able to find suitable products based on your specific needs and circumstances and provide a recommendation. This could be someone like a protection adviser, financial adviser or mortgage adviser.

Non-advised: you make your own choices about which products you need and which is most suitable.

Firms must be regulated by the Financial Conduct Authority (FCA). You can check if a firm is regulated and the activities they are permitted to undertake on the Financial Services Register: https://register.fca.org.uk.

The Financial Services Register provides information on whether you are protected by the Financial Ombudsman Service (FOS) and Financial Services Compensation Scheme (FSCS) when dealing with a firm.

Answering questions truthfully and accurately

It's very important to answer all questions asked as part of an insurance application process fully and accurately.

Accurate disclosure of information such as whether you smoke, how much you drink and how much you weigh (as examples, not an exhaustive list) is necessary to ensure that the insurer charges you the correct price for your policy (known as a premium) and to avoid a claim not being paid due to non-disclosure.

Only about 2% of protection claims are declined annually, with non-disclosure of relevant medical information one of the top reasons for a claim not to be paid.

Who created this leaflet?

AMI Association of Mortgage Intermediaries

PDG Protection Distributors Group

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