Guide to **Protection** for You and Your Family

Larkbridge

MORTGAGES PROTECTION 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

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.

Financial peace of mind for you and your family

We all want to do the best for our families, and 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.

Life Insurance and Life Assurance

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. Banks and building societies usually require some form of life insurance as a condition of granting a mortgage.

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.

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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.

So, in this case, the surviving partner would no longer have any life cover under this policy. If instead each had their own policy, the survivor would still have life cover in place.

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. As the policy cannot be split, each would need to take out a new policy. This could mean that their premiums would be much more expensive, as the cost of insurance increases with age.

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.

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.

What you need to know – With statutory sick pay set at just £85.85 and only payable for up to 28 weeks, many families would struggle to meet their mortgage payments if disaster were to strike. The amount payable under the policy is usually around £1,500 to £2,000. So, if you have a large mortgage, you will need to consider how you would cover any shortfall.

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.*

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 per cent 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.*

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.*

Private Medical Insurance

What it does – Private medical insurance means that you can get access to diagnosis and treatment faster and therefore are more likely to recover quicker. Policies cover the costs of private medical care including seeing consultants and specialists, treatment, surgery, private hospital accommodation and nursing costs.

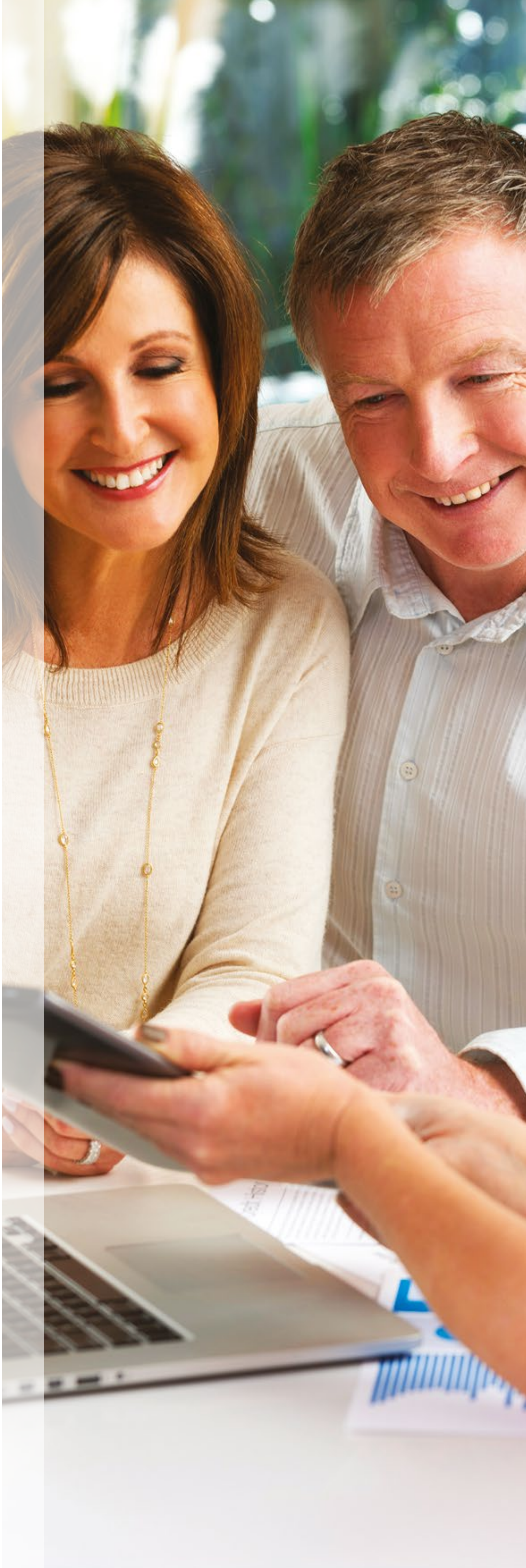
How it works – You will need to decide what level of cover you want for yourself and your family, as this will determine what your premiums will cost. You can choose the level of excess, that's the amount of any claim you are happy to pay yourself. Paying a higher excess will generally bring the cost of premiums down.*

What you need to know – There are conditions which insurers won't payout for, including cosmetic surgery and alcohol or drug-related illnesses. You may find illnesses that you've suffered from in the past are excluded from cover as they are deemed to be 'pre-existing conditions'.

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.

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



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.

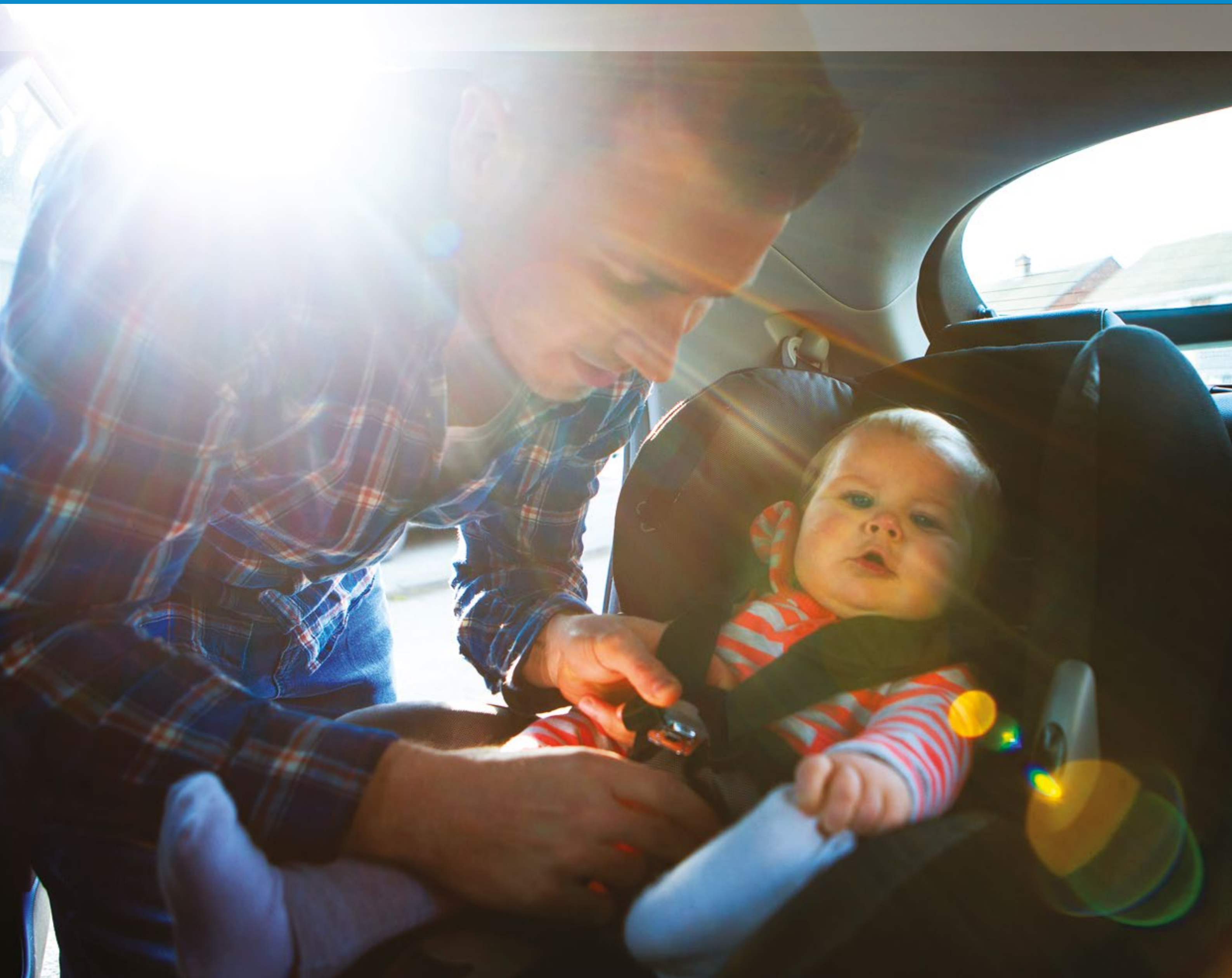
In addition, the payment wouldn't have to wait until the grant of probate, the legal document required to administer your estate, has been granted. Obtaining probate can be a lengthy and time-consuming process. However, if a policy is written in trust, there is no need to wait for probate as the proceeds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



Cover for your home and contents

Home insurance is vital to protect the roof over your head and all your possessions. It's simple to arrange and acts like a shock-absorber, protecting thousands of families each year from the financial effects of life's unwelcome events like burglary, loss, fire and flood.

Choosing from the hundreds of policies on offer can be bewildering and time-consuming. That's where using an adviser can be of real help in finding you the best and most suitable deal for your needs.

Buildings Insurance

This type of policy covers the bricks and mortar and permanent fixtures of your home. So, if it's damaged as a result of events like storms and floods, fire, vandalism or water damage from leaking pipes, your policy will cover the cost of repairs to your property.

The amount of buildings insurance you need should represent the cost to rebuild your home, not its full market value which can often be a lot higher. Your adviser will be able to help you calculate the right level of cover for a property of your type, size and construction.

You will generally need to have buildings insurance in place under the terms of your mortgage loan, and you will be required to include the name of your insurer on the policy schedule.

Contents Insurance

Contents insurance policies are designed to cover your possessions from loss, damage or theft.

Insurers define 'contents' as all those things that you'd take with you if you moved house. So, most policies include things like furniture, carpets, curtains, electrical goods, clothes and valuables such as watches and jewellery.

The cover available falls into two types: 'new for old' policies which means that, if for instance, something is stolen then the payout will be enough to buy an equivalent new item. Indemnity policies, which are often cheaper, payout a reduced amount if you make a claim as they take into account the wear and tear or the depreciation in the value of an item. So, if you lost something you'd owned for a while, you would get back the current value, not what it would cost to buy new.

The amount of cover you'll need, referred to as the 'sum assured' needs to be adequate for your needs so that you don't risk being underinsured. Being underinsured would mean that your insurer might restrict the amount they would payout in the event of a claim.

Simply walking around your home with a notebook and pen can help you compile a comprehensive list of what you own. Don't forget to include those things you store away in cupboards, basements and attics too.

Valuable items away from home - You can get cover for belongings you have with you when you're away from home. When taking out a policy, you'll be asked if you require insurance for various items such as mobile phones, laptops, jewellery and cameras. There is usually a limit on the value of any one item, and you may need to specify the items you want to insure.

Cover for additional risks - For further peace of mind, many people opt to pay for additional cover under their policy. You can, for instance, add insurance for legal expenses, home emergencies, drains and plumbing, freezer breakdown, accidental damage to home contents and accidental damage for personal possessions away from home.

Help is at hand

Although there's a lot to think about when insuring your home, you'll be surprised at how much easier it can be to get the right policy in place if you get some good advice. The key to getting the right home insurance in place is to focus on the features, not just the price, and with your adviser's help you can get the most cost-effective deal for your needs.

As your circumstances are likely to be subject to change year-on-year, your adviser will be on hand to ensure your home insurance needs continue to be properly covered at all times.

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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