



FINANCIAL



Protection Guide

This guide will provide you with a useful insight into the various levels of mortgage and family protection along with other valuable insurances such as building insurance, contents insurance, landlord insurance and the various forms of business protection. This guide will explain the potential benefit each of these will have to you and why they should not be overlooked.

Life Insurance

Although not compulsory, Life Insurance is often seen as the staple for mortgage protection, particularly in the case of joint mortgages, when it can be the case that one borrower's income is significantly higher than the other. In the event of death, this cover is designed to pay out a lump sum, often equal to the outstanding mortgage, enabling the remaining mortgage holder to repay the entire debt and live mortgage free. Cover can be arranged on either a level or decreasing basis which is typically tailored to either a repayment or interest only mortgage.

Critical Illness

This type of cover is often linked to a life cover policy and is designed to provide a lump sum on diagnosis of one the lender's dedicated list of Critical Illnesses, for example specific cancers, heart attack, Parkinson's Disease, Multiple Sclerosis etc.

This cover can prove useful for either repaying a mortgage, providing important funds to pay for treatment or helping to maintain lifestyle if a household's income reduces.

Critical Illness Cover is substantially more expensive than standard Life Cover, but this is because it is statistically so much more likely to occur within the mortgage term than a premature death.

Family Income Benefit

Family Income benefit will pay out a set, permanent income (rather than a lump sum) in the event of death/diagnosis of a critical illness. Some people tailor the term to match the period they feel their children would be most financially dependent.

Income Protection

This cover would provide you with a replacement income should you become unable to work due to long-term sickness or disability.

Permanent Health Insurance (PHI) will pay out a set amount of income (generally up to 50% of your gross annual salary per annum) until you are well enough to return to work, retire or die, whichever comes first. It is set up with a 'deferred period' (the period between you becoming unable to work and the policy paying out) which is usually 4, 13, 26 or 52 weeks, and is usually determined by the sickness benefits you receive from work (or your savings).

If for example, your work provides you with six months' full pay, six months' half pay in the event of long-term sickness, you would select a 52-week deferred period, which would help to keep your premiums as low as possible.

A cheaper alternative is Accident and Sickness Cover, which is designed to cover your mortgage/loan payment only (as opposed to a set percentage of your salary) in the event accident or sickness prevents you from working. The deferred period on these types of policies tends to be much shorter (usually 4 weeks) but significantly, will only pay out for a short, defined period, typically 12-24 months rather than the duration of your mortgage.

Unemployment Cover operates in a similar way to Accident and Sickness Cover (and can often be linked to this type of policy) but will pay out in the event of involuntary redundancy, rather than sickness.

Building Insurance

The only compulsory insurance you are required to have in place as a part of your mortgage is Buildings Insurance. When you own a freehold property, you are responsible for ensuring that an acceptable Property Insurance policy is in place from the point of exchange. It will protect both you and your lender if an event occurs that affects the structure of your property, e.g. fire or flood.

If you own the property on a leasehold basis (as is often the case with flats and maisonettes) it is likely that this cover will be included as part of the building service charges.

Contents Insurance

This is often linked to a Buildings Insurance policy and will protect the contents of your property. Choosing the right amount of cover for your needs is essential and additional options such as accidental damage or cover for items you carry with you away from your home can be included.

Optional extras such as Legal Expenses Cover and Home Emergency Cover are also available for an additional costs.

Landlord Insurance

This is Buildings and/or Contents Cover (for furnished homes) for mortgagors renting out their properties to tenants.

You may also wish to protect yourself against a tenant breaching their tenancy agreement and failing to maintain their rent.

Business Protection

The most valuable asset to any business is its staff, without them, a company's survival can be at serious risk. You may wish to consider Key Man Cover or Share/Partnership Cover. The proceeds from a policy could enable the remaining owner/s to buy the affected person's share of the business or act as a cash injection which could help to repay debt, replace lost profits or recruit a replacement member of staff.

In addition, you may wish to consider Relevant Life Cover which is a tax-efficient life insurance policy, allowing companies to offer death-in-service benefits to their staff.

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