



# GUIDE TO PROTECTION INSURANCE



Email: [info@turneyassoc.co.uk](mailto:info@turneyassoc.co.uk) | Phone: 01223 329666

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## WORKING WITH TURNNEY & ASSOCIATES LIMITED

- 30 years plus experience in the mortgage and protection industry.
- Access to the whole of the market for protection providers.
- Relieving your stress and supporting you during a significant financial investment.
- Ongoing monitoring and advice as your needs change during your lifetime.
- Topical newsletters to keep you up to date with the latest financial news.





## WHAT IS PERSONAL AND FAMILY PROTECTION INSURANCE, AND WHY IS IT IMPORTANT?

If you have a mortgage, people who depend on your income, or you want to protect your lifestyle in the event of an accident or illness, protection insurance could help you and your family avoid a financial disaster.

Life and protection insurance is the best way to secure your financial future against the risk of an unexpected loss of income. Having this cover in place can also help you to deal with any financial difficulties that may arise, such as not being able to keep up with your mortgage repayments.

Nobody likes to imagine the worst happening, but sometimes the difficult questions need to be considered. If you were to die, would your loved ones be able to maintain their current lifestyle without your income? If not, then a lump sum life assurance payment could be the answer, helping your family to continue living in the way they're accustomed to at a very difficult time.

If you or your family were to come up against a situation that meant you would lose your regular income, a protection policy could help you to:

- Pay off your mortgage or continue making mortgage repayments
- Maintain you or your family's lifestyle
- Pay for replacement childcare
- Cover school or university fees
- Pay for specialist nursing support

You may already have life and protection insurance in place, but it's always worth reviewing your policies to ensure the type and amount of cover provided still matches your personal circumstances. For example, you may have moved home or had children since you originally obtained the policy.



## LIFE INSURANCE

### What it Does

Life insurance will pay out either a single lump sum (sum insured) or a regular income when you die.

It can help provide financial security for people who depend on you if the worst happens.

### Why You Might Need It

Although no amount of money can replace a loved one, it can help those left behind to weather the financial storm left in your absence. For example, it could pay off your mortgage or provide an income to go towards regular household expenditure.

## Term Insurance

This is the simplest type of life insurance. You choose how long you're covered for, e.g., 20 years (the term), and the policy pays out if you die within the agreed term. You can also take out term cover as a couple, with the policy paying out on the first death only during the term. The premium is cheaper compared to level cover, however the premiums will remain the same throughout the term whilst the amount of cover reduces. There are several different types of policy:

- **Level:** The amount of cover and premiums (if guaranteed) remain the same.
- **Increasing:** The amount of cover and premiums gradually rise in line with inflation.
- **Decreasing:** The amount of cover will reduce over the policy term; this is often used in conjunction with a repayment mortgage, where the amount of the loan outstanding reduces each year.
- **Renewable:** You can extend the original term of the policy.
- **Convertible:** Lets you convert the policy to whole of life insurance.

## Family Income Benefit Insurance

### What it Does

This is essentially the same as term insurance, but instead of a lump sum payout on death, there is a regular income paid to your beneficiaries. This type of policy may be more suitable if your main requirement is to ensure that your dependents are provided with ongoing financial support.

## Whole of Life Insurance

### What it Does

Whole of life insurance pays out a lump sum when you die, whenever that is, as long as you are still paying the premiums.



# SERIOUS AND CRITICAL ILLNESS INSURANCE

## What it Does

Serious illness and critical illness insurance plans pay out a tax-free lump sum on the diagnosis of a range of serious (but not fatal) conditions. These conditions include things like heart attack, stroke, cancer, major organ transplants, and many others. The conditions covered will vary depending on the insurer. Serious and critical illness insurance often comes as an optional addition to a life insurance policy but can also be purchased on its own. Some policies will pay out a partial amount of your sum assured, while others will only pay out once. This means that although they won't necessarily replace your regular income, you can still use the money towards medical treatment, mortgage repayments, or anything else you choose.

## Why You Might Need It

Many people buy serious and critical illness insurance when they take on a major commitment, like a mortgage, or when they start a family. However, as any of us could suffer a serious illness at any time and would most likely appreciate our financial burden being lightened, it's fair to say that this type of cover is relevant for most of us, no matter what life stage we're at.

## Other Factors You Need to Consider

The amount of critical illness insurance premium you pay depends on many factors, including your age, the type of policy you choose, how much you want the policy to payout, and whether you smoke.

The policy usually includes permanent disability. Some insurers define permanent total disability as being unable to work as usual due to illness, while others consider it incapable of doing certain activities independently.

## Replacing an Existing Critical Illness Policy

If you already have critical illness insurance, you should think carefully before you cancel your existing policy and take out a new one. This is because your health may have deteriorated since taking out the cover, and pre-existing medical conditions would not be covered by the new policy.

Recent advances in the treatment of certain conditions, such as cancer, are also worth considering, as a new policy might be more restrictive than an older one when it comes to paying out on claims for certain conditions.

We will be able to identify whether any of these issues are applicable to your own circumstances and advise you accordingly.



# INCOME PROTECTION INSURANCE

An income protection policy will pay out a regular tax-free income if you're unable to work because of an accident or sickness.

## What it Does

Income protection insurance pays out a regular tax-free income if you become unable to work due to illness or injury. It could help you keep up with your mortgage repayments or rent and cover other day-to-day living costs until you are able to return to work.

You can arrange cover to replace a percentage (normally up to 70 per cent) of your lost income until you reach retirement, return to work, or die, whichever happens first. Alternatively, cover can be arranged that only pays for a limited period of time, resulting in a cheaper premium.

The premium you'll pay will vary depending on factors such as your age, health, the nature of your job, and, of course, the level of income you wish to protect.

## Why You Might Need It

If you become ill or suffer an injury during your working life, an income protection policy can help protect against possible loss of income and give you the peace of mind you need to concentrate on recovery.

## Other Types of Income Protection Insurance

Payment protection insurance and short-term income protection insurance (along with mortgage payment protection insurance and accident and sickness insurance) can provide a monthly income if you can't work due to an accident, illness, or injury.

There are important differences between these products and income protection insurance, the most notable being that they will only pay a percentage of your income for a limited period of time, usually between 12 and 24 months. In contrast, income protection insurance will pay out for as long as you are unable to work (up until the policy expires).

Shorter payment periods are available from some insurance companies, which reduces the cost of these plans.





# WHAT IS BUSINESS PROTECTION?

Business protection is a form of insurance designed to shield a business from financial setbacks in the event of severe illness or death of its owners or employees. By incorporating business protection into their business plans, owners can ensure the continuity and resilience of their business during challenging circumstances.

Unlike personal protection, business protection is customised to meet the unique needs of the business. For instance, it can provide coverage in the case of the death of a key employee, safeguarding against potential loss of earnings or aiding recovery from a serious illness. Additionally, business protection can be utilised to secure the ability to repay loans under similar challenging circumstances.

Determining eligibility for business protection depends on the type of business. Various protection options cater to the distinct requirements of different business structures, such as limited companies, sole traders, partnerships, and limited liability partnerships (LLP). Policyholders can opt for either a “life of another” or an “own life” policy, depending on their specific circumstances, and the policy is typically placed in a trust for business purposes.

Our comprehensive range of solutions includes:

- Key person protection
- Business loan protection
- Shareholder protection
- Partnership protection

To understand how the ownership of the policy is influenced by the type of business, refer to the table below, which provides an overview of the legal structures of different business types:

Business Type	Subjects	Definition
Limited company	Public limited company (Plc),	These business types constitute a legal entity, and can own insurance policies on the lives of their employees, including directors or the business owners.
	Private limited company (Ltd) and Partnerships in Scotland	
Partnership	Partnerships (England and Wales)	These businesses do not constitute a separate legal entity from the partners/business owner. Although the partnership may have a name and a bank account, the business cannot own property or insurance policies in its own name. In a partnership, these assets may be held by one or more partners as nominee(s) for the partnership; these policies would not usually be owned personally if they are a partnership asset.
	Limited liability partnerships (LLP)	
Sole trader	Business owner	

This information equips businesses with the knowledge needed to make informed decisions about the most suitable business protection strategy based on their unique circumstances and legal structure.

# WHAT ELSE DO YOU NEED TO KNOW?

It's not just the type of protection insurance that's important. You'll want to know the likely cost, whether you need a trust document, and how to make sure your cover stays appropriate for your circumstances.

## What Cover Will You Need and How Much Will It Cost?

This will depend on your own personal circumstances, but we can quickly help you calculate an appropriate level of cover by considering things like:

- Your mortgage and/or any other outstanding loans.
- Your current income and your household.
- Any likely childcare needs if you or your partner were to die or suffer serious illness or injury.
- Included in our service, we will periodically review your cover to ensure that it still fits your needs and is the most competitive premium available.

Clearly, the higher the level of cover you decide you need, the more it will cost. Your age, medical history, and occupation are among the other factors that will have an impact on cost. However, most policies are extremely good value for money, and many people are surprised at how affordable putting cover in place can be.

## Keeping Your Cover Up-to-Date

You should always review your level of protection insurance whenever there are significant changes in your life. Getting married or moving in with a partner, buying a home, having children, or changing your job can all have an impact on your financial obligations. Even if your circumstances don't change significantly, it can be worth reviewing your arrangements to see if you can find a more suitable policy. Having said that, it's important to ensure the cover of any new policy meets your needs, and that you're aware of any benefits you may lose compared to your existing policy.

## Writing Your Life Insurance in Trust

A trust is a legal document that allows you to specify what will happen to your money after your death. If your life insurance policy is written in trust, any sum assured will be paid to your trustees, who will ensure the funds are distributed to the correct beneficiaries. A life insurance policy that has been written in trust doesn't form part of your legal estate and is therefore not subject to Inheritance Tax, ensuring that more of your hard-earned money is passed on to your chosen beneficiaries. Life insurance companies also tend to pay the money out more quickly under a trust, making things easier financially for your beneficiaries.

Even if your partner is your beneficiary (and therefore the life insurance payment would be exempt from Inheritance Tax under current rules), it can be worth putting your life insurance in trust to ensure payment is made as quickly as possible. We can advise you on the benefits of placing your policy in trust and can even arrange it for you. There is normally no charge for arranging a trust if it is arranged when the policy is taken out. The Financial Conduct Authority does not regulate Trust Advice. Both the law and HM Revenue and Customs guidelines, relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

## Look Beyond the Price

It may be tempting simply to opt for the cheapest policy available. But it is important to bear in mind that while many products may look the same, there can be important differences between them that can be difficult to spot. This is particularly important with serious and critical illness cover and income protection insurance, where the cover available from different providers varies more significantly. Care should be taken to select a policy that is most suitable for your particular needs. We can help you make the right selection.

# WORKING WITH YOU

Trusted Support from Recommendation to Application and Beyond.

## Getting to Know You

A comprehensive Client Profile will need to be completed by email, either face to face, over the phone, or on a video call so we can identify your current needs and your future plans.

## Researching the Options

Using our expert product knowledge, we will put together a personal recommendation for you.

## Recommending the Right Solutions

Once we have identified the options available, we'll talk with you again to discuss our recommendations. We'll also provide full recommendations in writing, allowing you time to review these.

Assuming you're happy with our recommendation, we'll work with you to complete the application forms and stay in touch throughout the process—and into the future.

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