

Income Protection Review

October 2010

Salary

Expenditure gap

Permanent health insurance

Regular benefit

Career break

Accident, sickness and unemployment

Menu plans

Business protection

Essential cover

Sponsored by



About Defaqto

Defaqto is an independent financial research company specialising in rating, comparing and analysing financial products.

Since 1994, Defaqto has built the largest, whole of market, financial product database and become one of the leading providers of financial product data in the UK. We now cover over 30,000 products across banking, life, pensions, investments and general insurance.

Our experts validate and analyse the data to provide insight and consultancy to all layers of the financial services sector including IFAs, mortgage and general insurance brokers, providers, web aggregators and the public sector. Our products and services include the following. For further information please contact us on **01844 295 454**.

Aequos Online

An extensive, independent, financial product analysis and comparison database available in the UK. The database contains feature, rate and fees information on more than 30,000 products from nearly 2,000 providers. Our customers include leading insurance and assurance companies, banks and building societies and investment organisations.

Defaqto Engage

An integrated system for independent financial advisers and insurance brokers. The system makes the reporting, analysis, recommendation and review process easy, delivering the perfect product to meet client needs.

Defaqto Compare

An interactive, comparison tool enabling consumers to easily compare product features against each other on a host of key features, using a simple 'traffic light' system.

Defaqto Star Ratings

Our Star Ratings reflect the quality of a financial product and help to identify the range of features and benefits in each one. We review and assess every financial product across various categories and award a Star Rating from 1 to 5. The ratings are aimed at helping consumers and advisers decide which product suits their specific needs. Providers also use the ratings to ensure they offer products to meet differing consumer demands.

Defaqto Consultancy

Defaqto provides independent and expert consultancy services to assist with planning activities from a corporate level to an individual product level.

Our services are critically backed by our unrivalled market data and underpinned by our consultants' in-depth market knowledge and invaluable management information.

Contents

Foreword	1	Tele-underwriting	19
Industry overview	2	Online application submission	20
Economic context	3	Indexation	21
Regulatory context	3	Deferred periods	21
Challenges of selling income protection	5	Occupation class	22
Lack of client understanding	5	Houseperson's cover	23
Competition from creditor insurance product sales	6	Unemployment/career break	23
Competition from critical illness product sales	6	Linked claims	24
A mismatch of needs and recommendations	7	Hospitalisation benefits	25
Product overview	9	Ancillary benefits and engagement	25
Holloway plans	11	Claims	26
Menu plans	11	Exclusions	27
Business protection	12	Maximising opportunities	30
Accident, sickness and unemployment cover	12	Using the financial objectives quadrant as a starting point	30
Budget-style plans	12	Ranking financial risks	31
Product development highlights	15	Objection handling	31
Bupa	15	"It won't happen to me"	31
Legal & General	15	"I'm already covered"	31
LV=	15	"I don't trust the insurance industry"	32
Friends Provident	16	"I can't afford income protection"	32
Nationwide	16	Additional resources for intermediaries	33
Holloway Friendly	16	Defaqto Star Ratings	33
Product features	17	Defaqto Engage – IFA Edition	33
Maximum benefits	17	Defaqto quick facts	34
Definitions of disability	17	A word from our sponsor	64
Premium rates	17	Recent publications by Defaqto	65
Premium flexibility and guaranteed insurability	18	The Defaqto Insight team	66
Cover termination age	19	About the author	66

Tables and charts

Table 1 – Income protection products by provider	9	Chart 1 – Sales of income protection	2
Table 2 – Plan basis by provider	11	Chart 2 – How the RDR will affect IFA business	4
Table 3 – Business protection plans incorporating income protection	12	Chart 3 – Reasons for poor sales of income protection	5
Table 4 – How income protection compares to MPPI	13	Chart 4 – IFA recommendations to individuals with no dependents	7
Table 5 – Guaranteed insurability options by provider	18	Chart 5 – IFA recommendations to individuals with no dependents and mortgage debt	8
Table 6 – Typical terms applying to Classes 1–4	22	Chart 6 – IFA support for mortgage expenses plans	13
Table 7 – Class 5–7 terms available by provider	22	Chart 7 – IFA support for limited term income protection	14
Table 8 – Relapse periods by provider	24	Chart 8 – Underwriting process by income protection products	19
Table 9 – Hospitalisation benefits by provider	25	Chart 9 – Percentage of IFA business written online in 2007 – 2010	20
Table 10 – Ancillary benefits by provider	25		
Table 11 – Providers publishing claims statistics	26		
Table 12 – General exclusions by provider	27		

Foreword



It is clear that **income protection** is a difficult sell for IFAs compared to other protection products, however it remains an essential cover to consider and one that could add value to a client's portfolio as well as to an IFA's balance sheet.

It would appear that some disposable income is available to purchase protection products, but the gap is again narrowing and the challenge remains in persuading people of the wisdom of using their resources to buy protection.

Providers are looking at direct-to-consumer propositions for protection products and the Retail Distribution Review (RDR) contains models for forms of simplified advice. However, these direct-to-consumer propositions rely upon customers being informed about protection issues and realising what their needs are; many do not and require some form of advice to apprise them of their financial vulnerability.

In this review we set out some of the economic and legislative factors that have an impact on this product area, give a detailed view of the income protection product market and outline the key product development highlights in 2010.

We also look at the key product features and identify issues that are significant when making income protection recommendations.

This review should help set out some useful information for IFAs seeking to advise on income protection, as well as provide some ideas of how to approach clients with this product. For more detailed information or for a bespoke consultation, please contact me on 01844 295 447.

Ben Heffer
Insight Analyst, Life & Protection

Industry overview

While there have been signs of recovery, on balance the economic downturn continues to have a detrimental effect on the protection industry. Increased uncertainty about job security and people's ability to cope in the event of life-changing events does drive the market, however affordability is a major block to purchasing products and the resulting downward pressure on price makes for little value in the market.

Key income protection facts

- Over the past three years, the number of policies sold has decreased by 20%.
- In the same time period, the value of the cover has actually increased slightly by just less than 3%.
- The income protection gap remains at £190m for the second year running¹.
- 111,360 income protection policies were sold in 2009².

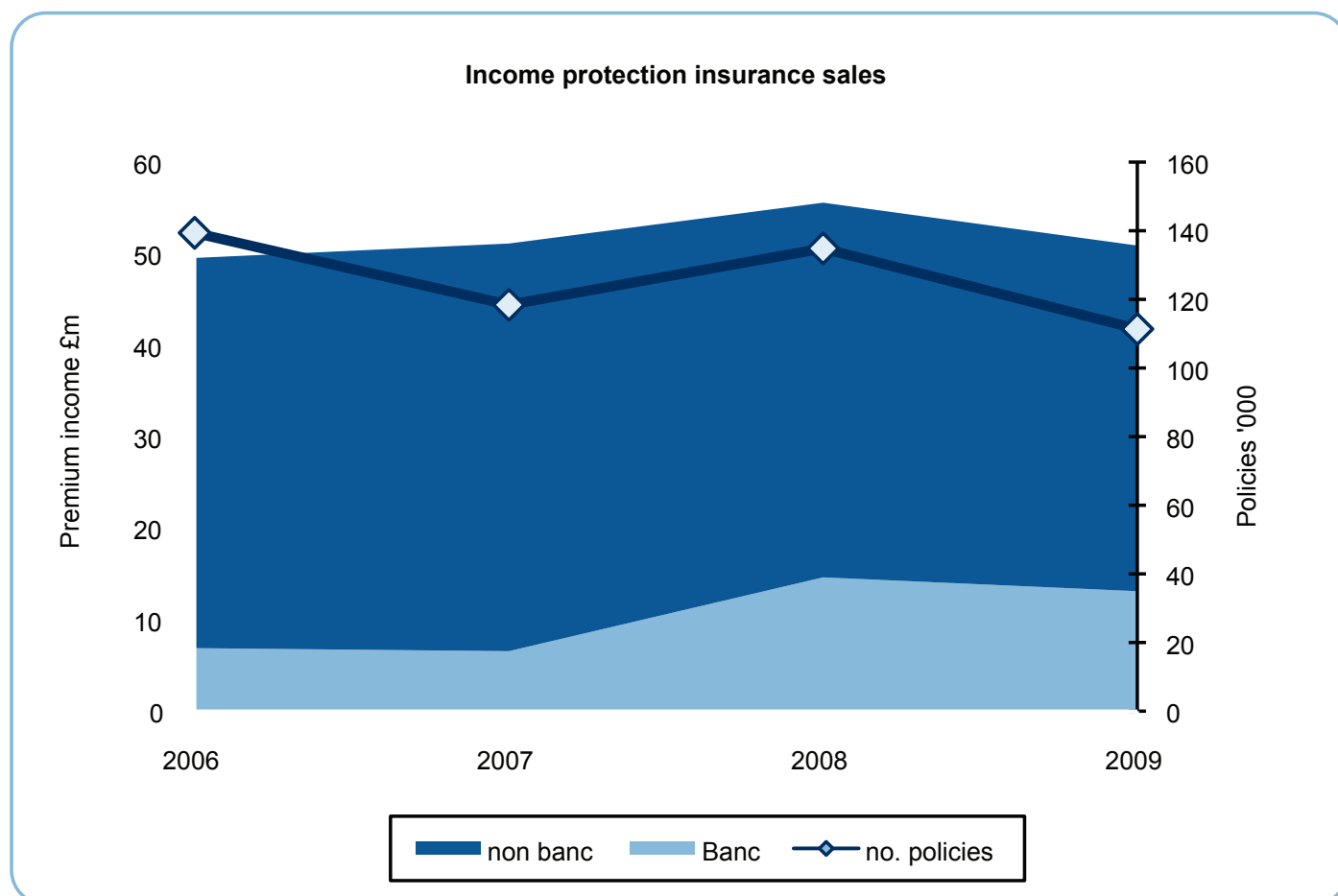


Chart 1 – Sales of income protection (Source: ABI)

¹ Swiss Re "Term & Health Watch Report", June 2010

² Association of British Insurers

Economic context

Low economic growth forecast
Rise in IPT
Rise in VAT to 20%
Wider income and expenditure gap

We believe the following economic factors are set to have an impact on the income protection area.

A potential 'double dip' recession – In the coalition government's Emergency Budget in June 2010, the Chancellor George Osborne lowered the economic growth forecast for the next five years to 2.3% from the previous estimate of between 3% and 3.5%. While the UK is officially out of recession and the economy appears to be improving, indeed growth for July to September was 0.4% above forecast, long-term growth is going to be slower and some commentators fear a 'double dip'.

A rise in Insurance Premium Tax (IPT) – The Chancellor also announced increases in both the standard and higher rates of IPT, from 5% to 6% and 17.5% to 20% respectively. While this represents a disincentive to consumers who might have purchased payment protection insurance (PPI) to cover their loans and mortgages, if it creates a price differential between PPI and long-term income protection, it may provide a greater incentive for income protection take up.

A rise in Value Added Tax (VAT) – The increase in VAT from 17.5% to 20% may hinder the whole-of-market advisers' transition from commission-based to fee-based advice models. This may have positive outcomes for protection if it means more advisers choose to sell protection on commission rather than abandon it altogether in favour of wealth management activities.

A wider income and expenditure gap – Quarterly figures from the Office of National Statistics (ONS) show that the gap between household income and expenditure has widened significantly since Q1 2008, when incomings actually dipped below outgoings. The discredited 'debt is cool' notion of the previous 10 years has given way to a new austerity typified by consumers curbing their spending and reducing borrowings where they can.

Regulatory context

The most significant regulation to affect the adviser community is the Financial Services Authority's (FSA) RDR.

Initially, the debate focused on the separation of 'advice' and 'sales'. Would pure protection be placed in the 'advice' category, where products can only be distributed by truly independent, whole-of-market advisers with higher minimum educational standards and client agreed remuneration with no input from the product provider, or would it be placed in the 'sales' channel where no advice could be given?

The clearest statements on how the RDR would apply to protection were contained in the FSA's consultation paper, CP10/8, issued on 26 March 2010. There are four key points worth noting from this document:

- The FSA proposed that retail investment firms should explain to customers how they are to be remunerated for pure protection advice and sales when given in association with investment advice (they can employ adviser charging or commission) and disclose the amount of any commission taken.
- The FSA also proposed that after the implementation of the RDR, adviser charging would not apply to pure protection sales under the Conduct of Business Sourcebook (COBS). These proposals were confirmed in the policy statement published on 24 September 2010.
- The read-across of the adviser service labelling was effectively shelved. In the course of a review by the FSA into the implementation of ICOBS, it was identified that advisers were failing to explain the extent and limitations of cover properly, particularly in connection with critical illness policies. As a result of this, the FSA's priorities have changed and it now wants to address these more pressing issues first.
- The FSA identified a trend of mortgage intermediaries and others wishing to move into pure protection sales. It is concerned that these intermediaries may not be sufficiently experienced in these products and as a result it will be reviewing the sales standards of mortgage intermediaries.

The key point from CP10/8 is that after the RDR is implemented, advisers will not have to charge fees for protection advice and will be able to continue to take a commission. In our research, the majority of IFAs (55%) believed that the RDR would have no effect on their protection business. We may assume that the

quarter of respondents that said it would cause sales to decrease are those that believed the demise of commission on protection would make it an unattractive proposition for advisers and clients.

prepared to pay fees for protection advice at levels commensurate with the commission earned and advisers would have therefore moved away from protection, which would have resulted in fewer people having their protection needs met. The clarification from the FSA is therefore a positive indicator for protection.

Many believed that consumers would not have been

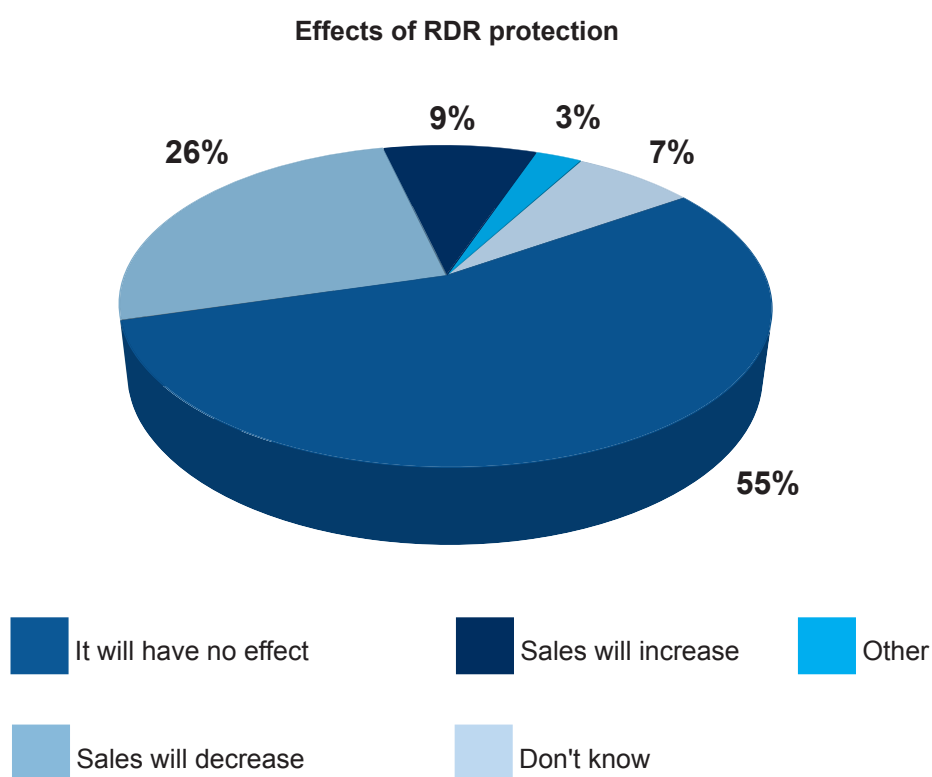


Chart 2 – How the RDR will affect IFA business (Source: Defaqto IFA Survey, June 2010)

Challenges of selling income protection

Our research has identified income protection as the protection product that is most difficult to sell. In this section we examine some potential reasons for this.

Lack of client understanding

The RDR contains models for forms of simplified advice and, on the back of this, providers will no doubt be seeking out direct-to-consumer propositions for protection products. However, these propositions rely on the consumer being informed about protection issues and having an understanding of what their potential needs are.

Many consumers do not, and will therefore require some form of advice and guidance.

In addition to clients' failure to see the need for income protection, our research with IFAs cited affordability as another primary reason for their lack of purchase.

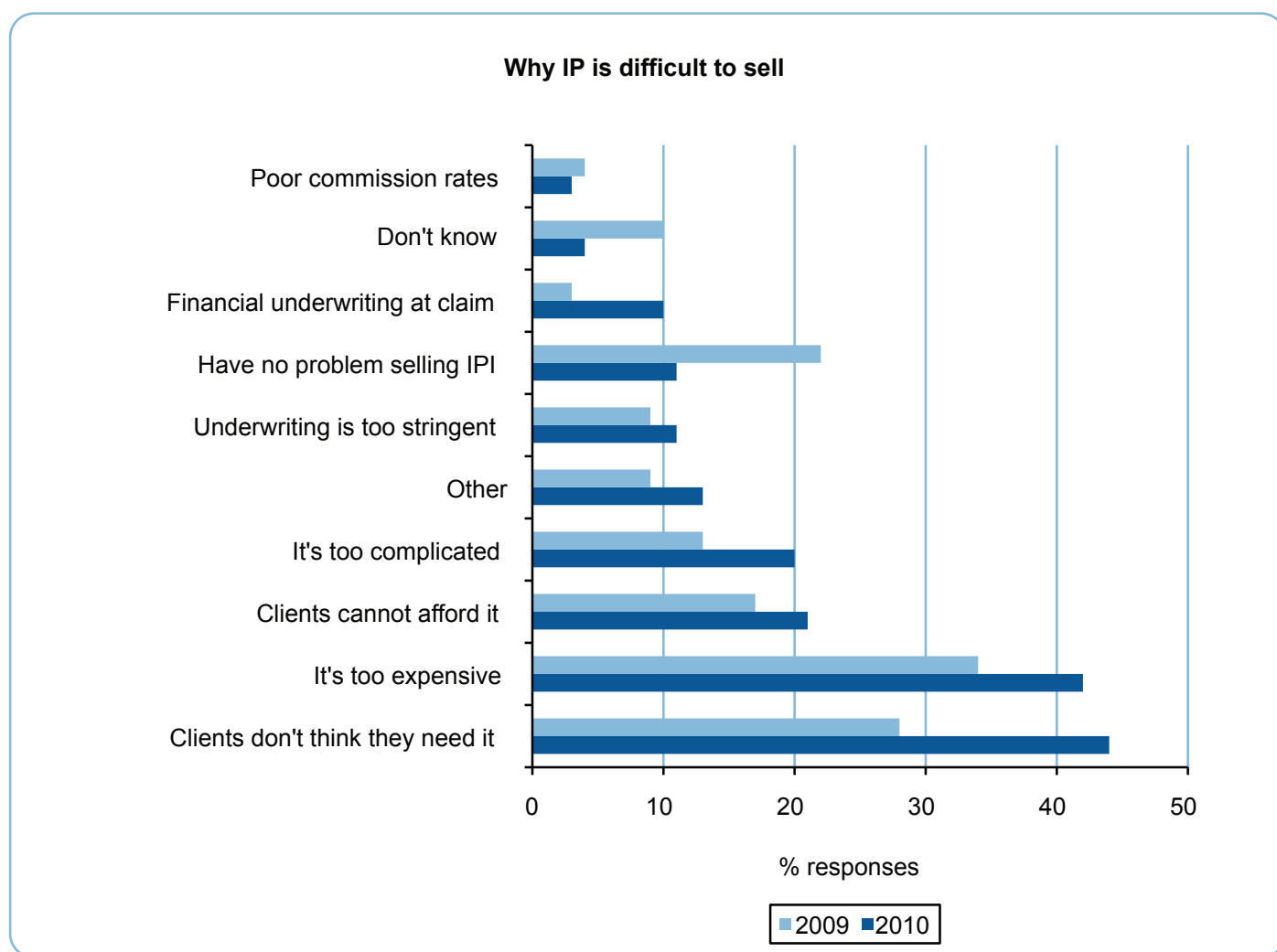


Chart 3 – Reasons for poor sales of income protection (Source: Defaqto IFA Survey, June 2010)

Competition from creditor insurance product sales

In January 2009, prompted by the mis-selling scandal in the payment protection market and following a detailed investigation, the Competition Commission published a number of measures to address lack of competition in the PPI sector.

The most controversial among these was the Point of Sale Prohibition (POSP). In future, PPI cannot be sold by a lender at the same time as the mortgage or loan is arranged. Instead, there must be a period of seven days to give the client an opportunity to shop around and thus encourage more competition in the market.

While this may be of little concern to IFAs selling long-term income protection, there has been a knock-on effect of an increase in short-term income protection (STIP) products. Creditor insurers see this development as an opportunity to establish a more vibrant standalone market for creditor insurance and there has been a rise in the number of STIP products being brought to market. The name may confuse consumers into thinking that they are buying a quality, permanent, long-term income protection product from a life insurer. Aggressive direct-to-consumer marketing of STIP products threatens to further undermine the income protection market and it is important that advisers are able to apprise their clients of the important differences between these products.

That being said, the POSP also presents an opportunity, as advisers could be well placed to provide quality income protection recommendations to clients taking on mortgage liabilities.

Short-term income protection

With STIP products the benefit is expressed as a percentage of client income rather than being defined by a mortgage payment. Products are issued by general insurers and typically pay out for 12 or 24 months only. They are not permanent, being subject to cancellation clauses and variation clauses whereby the policy can be discontinued or the premiums increased if the insurer suffers adverse market conditions.

Competition from critical illness product sales

Critical illness cover

Critical illness cover does not replace income if the policyholder is unable to work due to sickness but rather pays out a lump sum on the diagnosis of one of a number of predefined serious illnesses, for example heart attack, cancer or stroke. Most critical illness cover is sold as an accelerated add-on benefit to a life assurance policy so that the policy pays out on death or earlier diagnosis with a critical illness.

Income protection has suffered as a result of the rise of critical illness cover. The lines between products have often become blurred in the advice process. It's important that advisers move away from selling critical illness cover as a substitute for income protection, which our research found to be happening. Were these critical illness clients to suffer back or mental health problems and be unable to work, critical illness cover alone would not be sufficient and so it's important that IFAs have a clear understanding of the product differences.

A mismatch of needs and recommendations

Our research also demonstrates a mismatch of needs and recommendations. We asked IFAs what would be their first, second and third product recommendations for an individual with no dependents and no mortgage debt.

Income protection was the most common answer given for the first recommendation, with just over 40% of respondents saying it would be their first recommendation; just over 30% said that critical illness would be their second recommendation and about 20% said life cover would be their third. However, a sizeable proportion of IFAs believed life assurance and critical illness would be the first consideration.

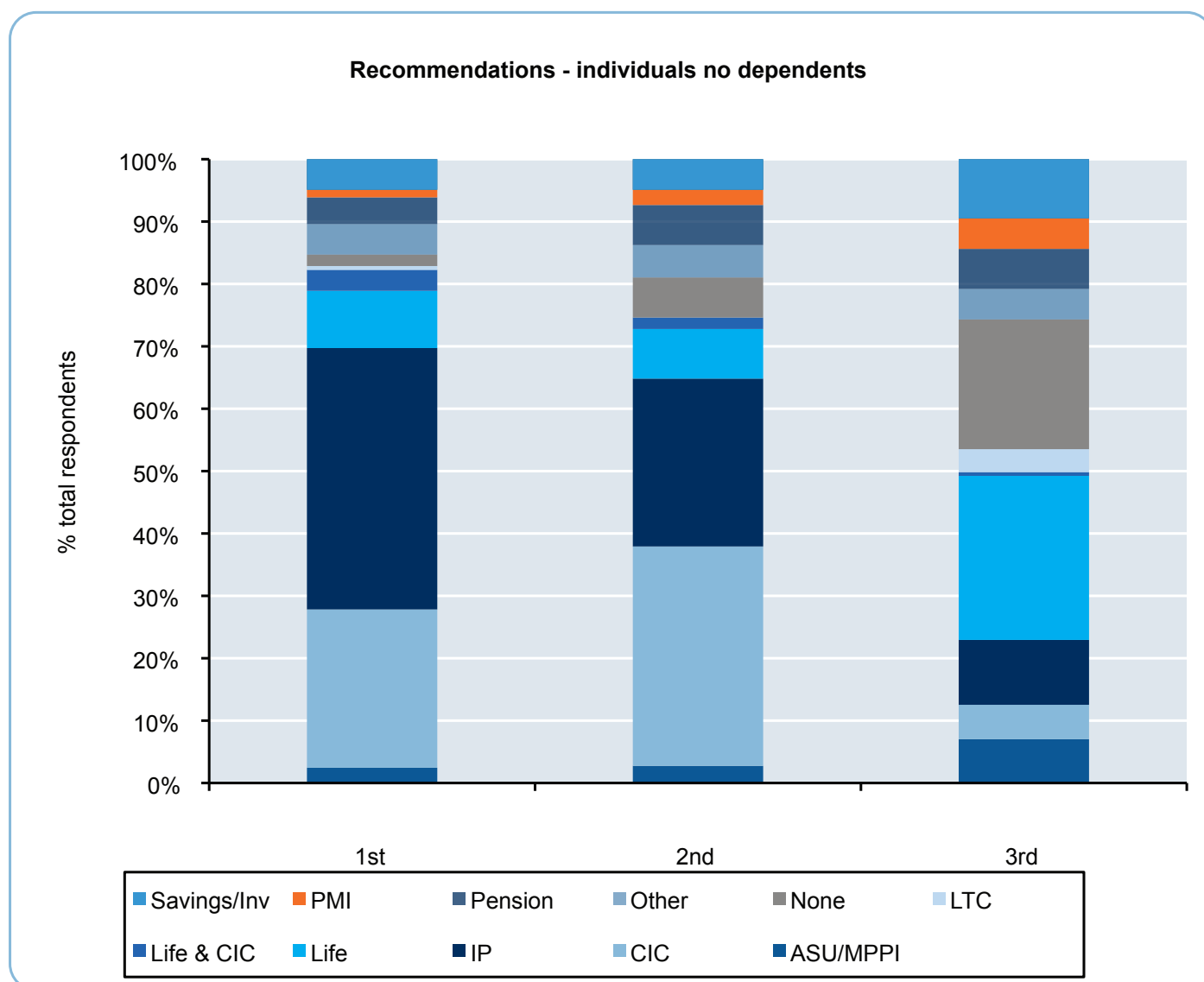


Chart 4 – IFA recommendations to individuals with no dependents (Source: Defaqto IFA Survey, June 2010)

For individuals with no dependents and a mortgage, there was a greater emphasis on life assurance in the recommendations at the expense of income protection,

which could leave these individuals without means to pay their mortgage if they were long-term sick and unable to work.

Recommendations - individuals with mortgage no dependents

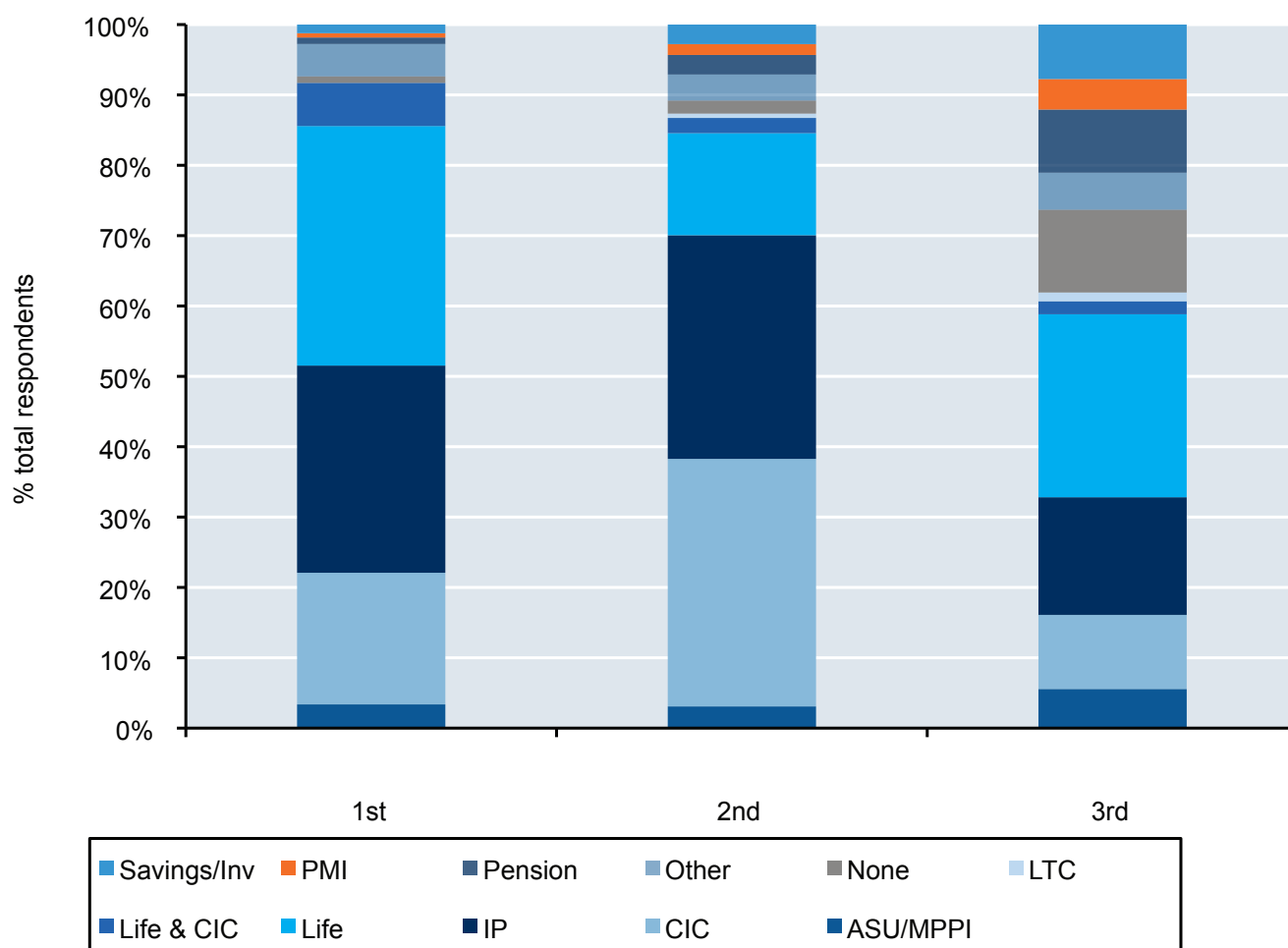


Chart 5 – IFA recommendations to individuals with no dependents and mortgage debt
(Source: Defaqto IFA Survey, June 2010)

Product overview

Our product database, Aequos Online, indicates that there are currently 53 income protection products offered by 31 different providers, including business protection policies. This includes long-term policies with an unlimited benefit term, long-term products with a limited benefit term and policies designed to cover just mortgage-related expenses.

All 31 providers offer products that, subject to a maximum benefit limit, insure a chosen level of income. These policies are the classic income protection contracts that cover the insured person against sickness and disablement for as long as they

are ill, until they either return to work or retire. They also permit multiple claims, providing benefits for subsequent bouts of ill health or periods of disablement.

Income protection					
Provider	Provider product name	Channel	Covers income	Covers mortgage	Limited benefit term
AEGON	Business Protection	IFA	Yes		1 - 5 years
AEGON	Personal Protection	IFA	Yes		
Aviva Health UK	Income Protection Solutions	IFA	Yes		5 years
AXA	Protection Account	IFA	Yes	Yes	
Bright Grey	Business Protection Menu	IFA	Yes		1 - 5 years
Bright Grey	Personal Protection Menu	IFA	Yes		1 - 2 years
British Friendly Society	Century Earnings Replacement	IFA	Yes		
Bupa	Income Protection	IFA	Yes		2 years
Cirencester Friendly	Income Assured Plus	IFA	Yes		
Dentists' Provident	Individual Income Protection	IFA	Yes		
DG Mutual	Income Protection Insurance	IFA	Yes		
Exeter Family Friendly	Bills & Things	IFA	Yes	Yes	1 - 2 years
Exeter Family Friendly	Income Protection	IFA	Yes		
Exeter Family Friendly	Professional Income Protection	IFA	Yes		
Exeter Family Friendly	Pure Protection	IFA	Yes		
Forester Life	Lifestyle Protection Options	Direct	Yes		
Foresters Friendly Society	Sickness Policy	IFA	Yes	Yes	6 months or 1 year
Fortis Life	YourLife Plan	IFA	Yes		
Fortis Life	Real Life Cover	IFA	Yes		7 years
Friends Provident	Income Protection Plan	IFA	Yes		
Friends Provident	IP - eSelect Protection	IFA	Yes		
Friends Provident	Select Protection	IFA	Yes		
Holloway Friendly	Classic Plan	IFA	Yes		

Table 1 – Income protection products by provider (Source: Defaqto product database, Aequos Online)

Income protection					
Provider	Provider product name	Channel	Covers income	Covers mortgage	Limited benefit term
Holloway Friendly	Classic Plus Plan	IFA	Yes		
Holloway Friendly	Personal Income Protection Plan	IFA	Yes		
HSBC Life (UK)	Business Protection Plan	Direct	Yes		1 year
HSBC Life (UK)	Individual Income Protection Plan	Direct	Yes		
HSBC Life (UK)	SicknessChoice	Direct	Yes		1 year
Legal & General	Income Protection Benefit	IFA	Yes		5 years
LV=	Flexible Protection Plan	IFA	Yes	Yes	2 years
LV=	Mortgage & Lifestyle Protection	IFA	Yes	Yes	
Nationwide BS	Income Protection Plan	Direct	Yes		
NatWest Life	Income Protection Plan	Direct	Yes		
NFU Mutual	Essential Abilities Policy	Direct	Yes		
NFU Mutual	Personal Income Protection	Direct	Yes		
PruProtect	Comprehensive Income Protection	IFA	Yes		
PruProtect	Primary Income Protection Cover	IFA	Yes		
Royal Bank of Scotland	Income Protection Plan	Direct	Yes		
Scottish Provident	Self Assurance Term (Business)	IFA	Yes		
Scottish Provident	Self Assurance Term	IFA	Yes	Yes	
Shepherds Friendly Society	Income Protection Plan	IFA	Yes		
Sun Life Financial of Canada	Financial Foundations	IFA	Yes		
The Co-operative Insurance	Earnings Protection Plan	Direct	Yes		
The Co-operative Insurance	Expenditure Protection Plan	Direct	Yes		
Unum	Essential Ability Cover	IFA	Yes		
Unum	Personal Income Replacement Plan	IFA	Yes		2, 3 or 5 years
Unum	Primary Income Replacement Plan	IFA	Yes		
Wesleyan	Premier Income Protector Plan	Direct	Yes		
Wesleyan Medical Sickness	Dental Income Protector Plan	Direct	Yes		
Wesleyan Medical Sickness	Medical Career Protector	Direct	Yes		
Wesleyan Medical Sickness	Professional Expenses Plan	Direct	Yes		6 months or 1 year
Zurich Assurance	Essential Cover	IFA	Yes		2 years
Zurich Assurance	Premier Cover	IFA	Yes		

Table 1 (continued) – Income protection products by provider (Source: Defaqto product database, Aequis Online)

Holloway plans

Holloway plans

Largely overlooked by the adviser community, Holloway plans are funded income protection policies that also provide a tax-free lump sum at retirement. With no differentiation in rates between occupation classes and the availability of back-to-day-one cover, they are suitable for self-employed clients and clients in more risky occupations.

Six providers offer Holloway plans either as their sole offering or alongside other income protection products. These plans are affordable alternatives to income protection, with the added benefit of being able to accrue a lump sum through the invested element of the plan. Typically aimed at less well-off clients, it is these types of plans that may lose out under the RDR proposals because these customers may not be able to afford to pay for advice. The providers of Holloway plans are currently lobbying the FSA to allow them to be sold under ICOBS rather COBS rules so that they can continue to pay commission after the implementation of the RDR.

Menu plans

Menu plans

Typically, a menu plan incorporates three or more distinct cover options within one plan, including life cover, critical illness cover and income protection insurance. The client benefits from only having to complete one application form for all their cover and from paying only one policy fee.

There are 15 providers offering standalone income protection products and 13 that offer income protection as part of a protection menu plan alongside life assurance and critical illness options. Menu plans are an effective way of selling to meet all client needs, however much depends upon the order in which the needs are explored. Used properly, menu plans can increase sales and provide a better range of cover for the client. Having ascertained budget, IFAs can quote for life assurance, critical illness and income protection under a menu plan. If the client wants to reduce the cost, they can discuss scaling back some of the benefits but at least the client will have all three essential covers.

This is an effective method of delivering cover to those who need it. The danger with quoting for cover under separate plans is that one may be discounted in favour of the others.

Income protection plan basis	
Provider	Plan type
AEGON	Menu
Aviva Health UK	Standalone
AXA	Menu
Bright Grey	Menu
British Friendly Society	Holloway
Bupa	Menu
Dentists' Provident	Holloway
DG Mutual	Holloway
Exeter Family Friendly	Standalone & Holloway
Forester Life	Menu
Foresters Friendly Society	Standalone
Fortis Life	Menu
Friends Provident	Standalone & menu
Holloway Friendly	Standalone & Holloway
HSBC Life (UK)	Standalone & menu
Legal & General	Menu
LV=	Standalone & menu
Nationwide Building Society	Standalone
NatWest Life	Standalone
NFU Mutual	Standalone
PruProtect	Menu
Royal Bank of Scotland	Standalone
Scottish Provident	Menu
Shepherds Friendly Society	Holloway
Sun Life Financial of Canada	Menu
The Co-operative Insurance	Standalone
Unum	Standalone
Wesleyan	Standalone
Zurich Assurance	Standalone

Table 2 – Plan basis by provider
(Source: Defaqto product database, Aequos Online)

Business protection

Four income protection products are specifically designed for business protection purposes. Such policies offer benefits suitable to the small business person's needs such as key man income protection and executive income protection. Key man IP premiums are paid by the employer and if the key employee is too ill or disabled to work, the benefit is paid to the employer to be used to pay for a replacement employee or to cover the loss in profits.

Additionally, LV=, Sun Life Financial of Canada, Wesleyan and DG Mutual offer key man cover by virtue of being able to write policies on the life of another basis.

Specific executive income protection plans are offered by AEGON, AXA, Friends Provident, HSBC and Unum. The premiums are paid by the employer and, in the event that a key employee is unable to work due to disability or sickness, a benefit is paid to the employer. The employee who is sick and unable to work can be kept on the company payroll, yet the costs of a continuing salary are funded by payments from the plan. As an extra benefit, the employer can also cover, within certain limits, the other payroll costs of the National Insurance and pension contributions in respect of the employee.

Accident, sickness and unemployment cover

A number of providers also offer accident, sickness and unemployment (ASU) cover as part of their menu. This is usually offered via an arrangement with a general insurer in the group and complements the sickness and disability cover afforded by income protection. While now may not be best time to arrange unemployment cover, it is valuable and, judging by the explosion of claims in recent months on PPI, it has proved very helpful to people who have lost their jobs. Unemployment cover is one advantage that PPI has over income protection, and so combining income protection and unemployment cover makes for a powerful recommendation to the client.

The income protection providers that offer redundancy insurance as an additional benefit are HSBC, LV=, PruProtect and Scottish Provident.

Budget-style plans

The provision of full long-term income protection can be expensive and certainly requires careful underwriting to fully assess the risk associated with providing permanent long-term benefits. In response to this, some providers offer budget plans.

Typically, these fall into two types: those that limit the benefit term and those that limit the amount of the insurable income to mortgage costs.

Business protection plans incorporating income protection				
Provider	Product	Key man accident & sickness	Key man IP	Executive IP
AEGON	Business Protection		Yes	Yes
Bright Grey	Business Protection Menu		Yes (payable to employee)	
HSBC Life (UK)	Business Protection plan	Yes (payable for 12 months)		Standalone & menu
Scottish Provident	Self Assurance - Business		Yes	

Table 3 – Business protection plans incorporating income protection
(Source: Defaqto product database, Aequos Online)

Six providers offer policies that are designed to cover just mortgage expenses and represent a quality alternative to MPPI, which typically only pays out for a maximum period of 12 months.

In our research in 2009, we found that more than half of IFAs who favoured budget-style products favoured mortgage expenses plans. This year, there was slightly less enthusiasm for them and more respondents expressed antithesis; over a quarter said they did not favour them at all.

Income protection (aka permanent health insurance)	MPPI
Issued by life assurance companies	Issued by general insurers
Benefit defined as a percentage of earnings	Benefit defined by the mortgage payment plus an additional percentage of the mortgage payment for insurance and other lifestyle costs
Mortgage expenses-only plans available	Short-term benefits (12 or 24 months)
Long term benefits (<40yrs +)	Multiple benefit periods (up to 12 or 24 months worth of benefit)
Limited benefit term products available	Plan can be cancelled by giving notice to policyholder (e.g. 30 days)
Multiple benefit periods	All premiums are effectively reviewable
Permanent benefit (no cancellation clauses)	Unemployment cover often included
Guaranteed premiums (no variation clauses)	
Reviewable premiums as can be offered	
Unemployment a separate policy	

Table 4 – How income protection compares to MPPI

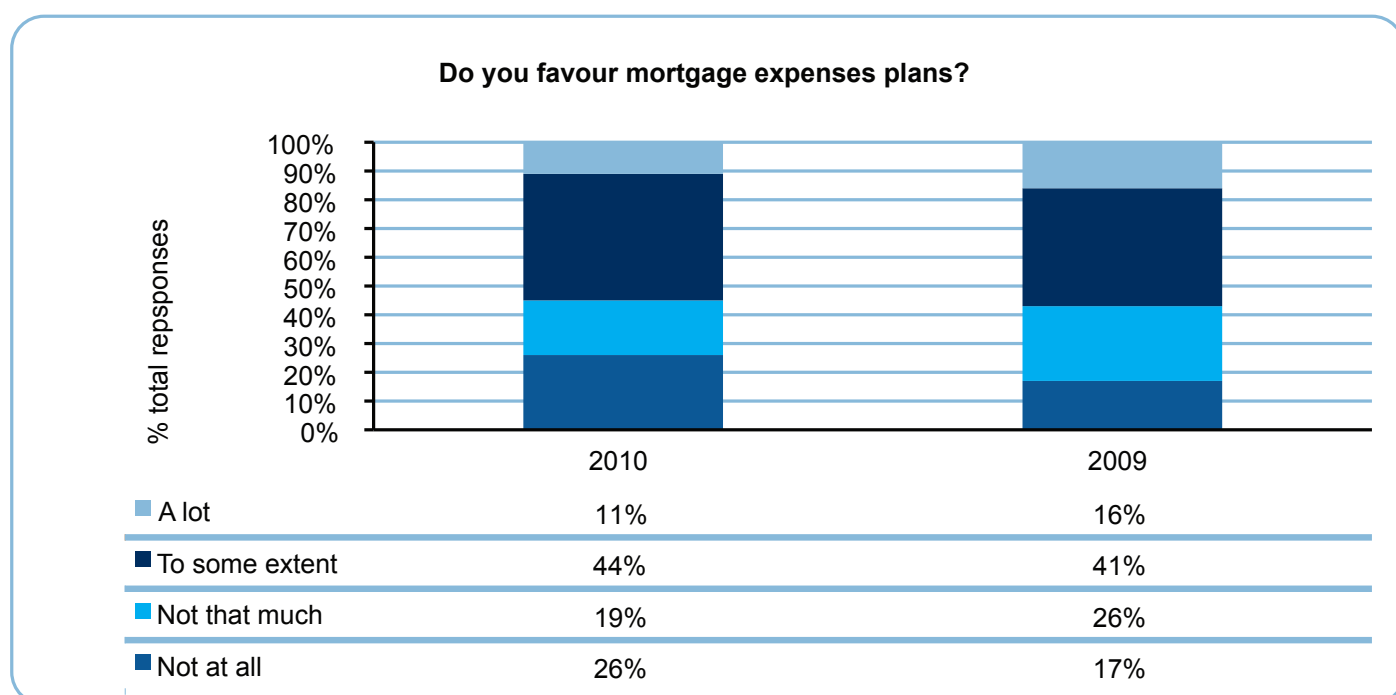


Chart 6 – IFA support for mortgage expenses plans (Source: Defaqto IFA survey, June 2010)

13 providers offer policies that, in return for a lower premium, have one or more limited term options. All these providers offer both long-term and limited term products, or as benefit options within one product, giving clients who cannot afford the full cover a viable cheaper alternative. Unlike the PPI market, limited term products from income protection providers typically have longer benefit periods (up to five years) and are permanent contracts.

In our IFA research, limited term products had about as much support as they did in 2009. The purest commentators question the wisdom of offering limited term options on a policy that is designed to cover people for long-term sickness or disability. In an ideal world, all income protection would be sold as a long-term benefit, however, in the face of a sceptical client base that does not believe long-term sickness will happen to them and as a result question the cost of the benefit, the reality is that some cover is better than no cover.

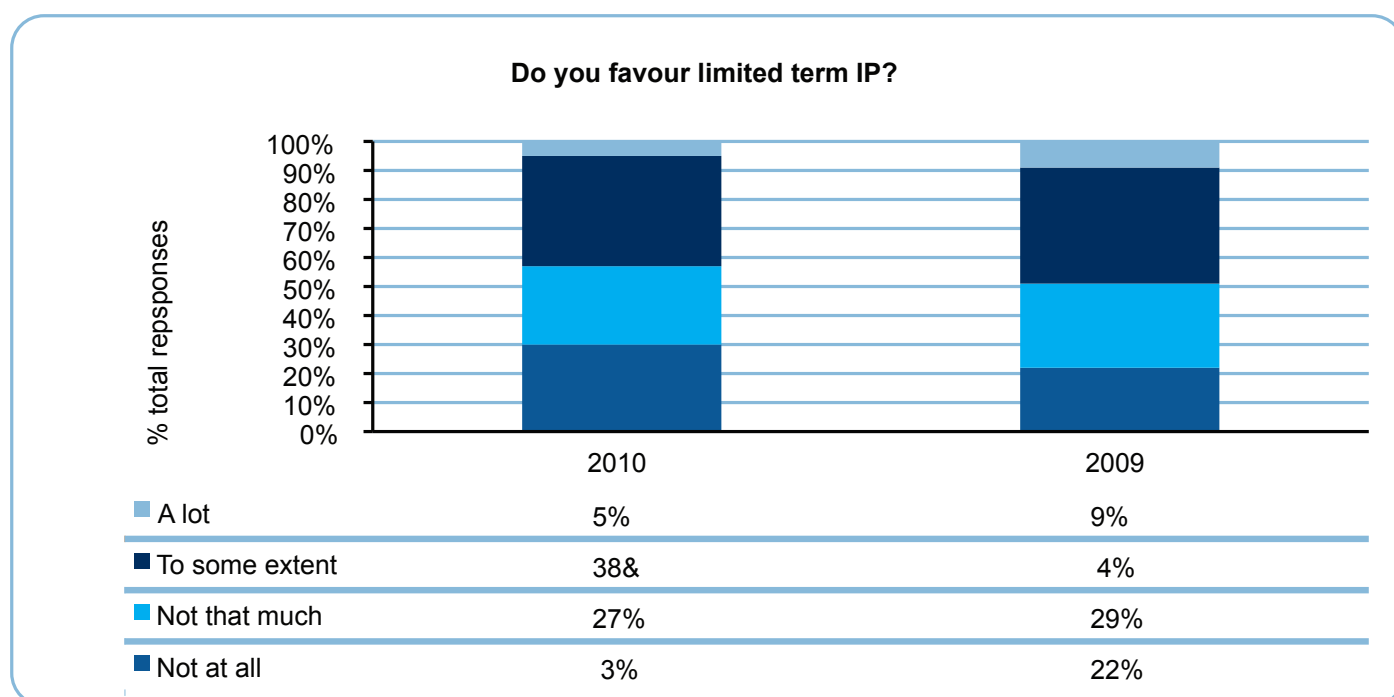


Chart 7 – IFA support for limited term income protection (Source: Defaqto IFA survey, June 2010)

Product development highlights

There have been a number of product developments in 2010. The highlights are given in the following sections.

Bupa

In January, Bupa added 130 new 'own occupation' definitions to its income protection plans to more closely cater for a range of professional jobs. Bupa will look at the duties of the insured's occupation, their ability to do them and whether adjustments can be made to help do them. They will qualify for benefit if they are unable to perform the essential duties of their occupation. In any other case Bupa will consider the incapacity against relevant activities.

In May, Bupa introduced trauma benefit to its income protection contract, a hospital benefit, access to the Best Doctors service, a benefit guarantee and discounts for exclusions. The hospital benefit pays up to £200 per night for up to 90 nights if the policyholder is hospitalised. The benefit guarantee ensures that if the policyholder chooses to verify their income at outset, Bupa will guarantee the benefit up to £15,600 a year. A choice of six deferred periods including split deferred periods is now available and premiums are discounted if exclusions have to be imposed for total spine or mental illness conditions. At the same time, Bupa removed the Mortgage Outlay Cover option.

Legal & General

In February, Legal & General introduced a major overhaul of its income protection plan as well as integrating the contract with its other protection contracts to form a menu-based offering through Online Protection (OLP) Connect and incorporating discounting where income protection is purchased with other protection products within a menu application. Tele-medical interviewing for income protection was also introduced to speed up the application process.

The expiry age for cover was increased from 65 to up to 70. The maximum monthly benefit was increased to £200,000 a year, up from £120,000. Now 60% of the first £30,000 of income can be covered, with 50% of income above £30,000. The previous limits were 55% of the first £50,000, and 35% of any excess income.

Two new guaranteed insurability option (GIO) events were added – a Mortgage Event increase, and an Every 3rd Policy Anniversary option. The limits for these GIOs also increased from a maximum of 33% of the sum insured or £6,000 a year, to 50% of the sum insured or £10,000 a year. All exclusions were removed, except for drugs and alcohol abuse.

LV=

In May, LV= also introduced guaranteed insurability options to its Flexible Protection Plan and added a career break clause. GIOs are now available on marriage/civil partnership, childbirth/legal adoption and increases in salary. The maximum increase without medical evidence is the lower of 50% of the original amount of cover and £10,000 a year benefit. For career break, cover will reduce to a maximum of £1,500 per month if the insured individual is not in work, but cover can be reduced to less than this, if required, and the premium will change to reflect the reduced sum insured. The cover can return to its original level if the insured goes back to work within 24 months of when they stopped working and the premium will change back to the level that was being paid before the insured stopped working.

In June, LV= made changes to its Mortgage & Lifestyle Protection contract. A GIO was introduced for salary increase; the maximum age to effect GIOs increased from 49 attained to 55 attained; and the maximum increase in GIOs rose from £6,000 to £10,000 a year. The contract now has an option to choose different waiting periods for accident and sickness cover and unemployment cover; and the introduction of a mortgage guarantee means that if a person's income at claim stage is insufficient to support their level of cover, then LV= will use the average of the monthly mortgage repayments paid over the 12 months prior to claim as the basis for working out the maximum cover, instead of using 50% of income.

In October, LV= introduced an offer of a 5% discount on its income protection products. The offer applies to Flexible Protection Plan and Budget FPP income protection until 31 December 2010.

Friends Provident

In August, Friends Provident added a GIO relating to salary increases of at least 5% due to a change of job or promotion. This and the existing GIOs are available to those under age 55; they may be exercised a maximum of six times in total and each GIO is subject to a maximum of 30% of the original sum insured.

Nationwide

Also in August, Nationwide started selling Aviva's Income Protection Solutions. The plan is designed to provide a regular benefit if the insured suffers an illness or accidental injury leading to incapacity and a loss of earnings. In addition, the plan includes back to work benefit, hospitalisation benefit, death benefit, retirement benefit, index-linking, linked claims, guaranteed insurability options and career break, and waiver of premium is automatically included.

Holloway Friendly

In October, Holloway Friendly introduced telephone medical underwriting for income protection.

Product features

In the following section we set out the key product features of income protection plans, also indicating issues that may be significant to advisers making recommendations to clients.

Maximum benefits

Mortgage expenses plans apart, income protection products base benefits on the income of the insured. There appears to be real concern among providers that they may pay claimants too much and discourage them from returning to work. As a result, the way in which maximum benefits are calculated is complicated and confusing, often making it difficult for clients and advisers to compare policies.

All except Forrester Life impose a monetary benefit cap; the most common levels are £120,000 and £150,000 but can be as much as £250,000. These are generous and are sufficient for most people's requirements. However, most providers also limit the maximum benefits to a percentage of income, which is typically 50%. Additionally, a significant number of policies express the maximum benefit as different percentages of two or more bands of earnings.

Benefits are further limited by the deduction of continuing income. To avoid the sum of all claimant's benefits and sources of income exceeding what they would be earning if working, insurers reduce the benefits payable by the value of State benefits, continuing income, pension income and other insurance.

Definitions of disability

The way in which illness or disability is defined by the insurer is probably the most critical part of an income protection policy.

All plans except DG Mutual's Income Protection Insurance, HSBC's SicknessChoice, NFU Mutual's Essential Abilities Policy and Unum's Essential Ability Cover have, as standard, an 'own occupation' definition of disability.

This typically means that the policyholder may claim if they are unable (because of illness or injury) to perform the material and substantial duties of their employment and are not engaged in any other work.

Less generous is a 'suited occupation' definition, whereby the insured would be expected to take another (potentially less well paid) job for which they are suited by education or experience if they are unable to do their own job. A claim would only be admitted if they couldn't take alternative employment for which they are suited.

Some providers apply an 'own occupation' definition for an initial period, for example 12 months, thereafter applying a less generous test. Others employ the 'confined to home' definition in certain circumstances.

Premium rates

With the lack of consumer (and adviser) confidence in income protection, it is hardly surprising that reviewable rates are deeply unpopular. Approximately a third of products offer just reviewable rates and two-thirds of policies offer guaranteed rates either as the only option or as a choice of premium costing bases. We have included in this figure those policies offered by DG Mutual, Exeter Family, Holloway Friendly and Shepherds Friendly Society, which have guaranteed rates that increase proportionately with age rather than subject to review.

Premium flexibility and guaranteed insurability

Most providers permit the term or benefit levels to be increased or decreased subject to underwriting. However, great care should be taken by advisers when approaching this aspect of flexibility.

Providers frequently imply that policy changes can be easily effected within the existing plan; in reality a further plan is often required.

These ad-hoc alterations to policies in force increase flexibility and help match the policy to needs, but are usually subject to underwriting and a change in premium. If it is perceived that requirements will change once the policy is in force, it is appropriate to choose one with GIOs. GIOs enable the cover to be increased after inception of the plan without further medical underwriting. Advisers reviewing a client's income protection cover should consider exercising any GIOs they may have on their existing policies before writing a new policy.

Regardless of when cover under the policy ceases, the option to exercise a GIO will not be permitted beyond a certain age. More than half of policies do not permit GIOs to be exercised beyond age 55. The amount by which cover can be increased under a GIO is limited. By far the most common limit is the lower of 50% of the sum assured or £8,000 a year.

GIOs are a good feature of income protection policies but one needs to question the logic of linking them to life-changing events like marriage and childbirth as it suggests that too little cover was effected in the first place. While it can be argued that income protection set up just to cover mortgage payments needs an option to increase cover when the mortgage increases, guaranteed insurability available at set intervals or on salary increase is more relevant to a plan that protects income.

Of the 23 providers that offer guaranteed insurability, only eight offer it at set intervals.

Guaranteed insurability			
Provider	Set Ints	Mortgage or loan	Promotion or salary
AEGON	No	Yes	Yes
Aviva	No	Yes	Yes
AXA	No	Yes	Yes
Bright Grey	No	Yes	No
Bupa	No	Yes	Yes
Dentist Provident	Yes	No	No
Exeter Family	Yes	Yes	No
Forester Life	No	Yes	No
Fortis Life	No	Yes	Yes
Friends Provident	Yes	Yes	Yes
Holloway Friendly	No	Yes	Yes
HSBC	Yes	No	No
Legal & General	Yes	Yes	Yes
LV=	No	Yes	Yes
Nationwide	No	Yes	Yes
NatWest Life	No	Yes	Yes
NFU Mutual	No	Yes	Yes
PruProtect	Yes	Yes	Yes
RBS	No	Yes	Yes
Scottish Provident	No	Yes	Yes
The Co-operative	No	Yes	Yes
Unum	Yes	Yes	Yes
Wesleyan	Yes	No	Yes

Table 5 – Guaranteed insurability options by provider
(Source: Defaqto product database, Aequos Online)

Cover termination age

The population is ageing and people are going to have to work longer, yet only 19 income protection products permit cover to run beyond 65. The providers offering cover to age 70 are Aviva, British Friendly Society, Bupa, Dentists' Provident, Fortis, Friends Provident, Holloway Friendly, Legal & General, LV=, Nationwide Building Society, PruProtect and Unum. A number of providers still have termination of cover fixed on the traditional retirement ages for men and women, however this is completely outdated.

Tele-underwriting

One of the reasons cited by advisers for the poor take-up of income protection is the protracted underwriting that is sometimes required. The quality, long-term benefits of income protection are a double-edged sword. On the one hand they provide complete peace of mind by providing for multiple long-term claims in the event of sickness and disability; on the other, that risk is awkward to underwrite. Many providers have addressed these issues by introducing some form of automation or tele-interviewing, thus taking control of the information gathering process and speeding up this process for the benefit of the adviser and the client.

Of the 61 products analysed by Defaqto, the majority now use some form of online submission or tele-underwriting, or a combination of the two. However, some of the smaller societies or those with products where the risk is limited still employ traditional paper-based applications.

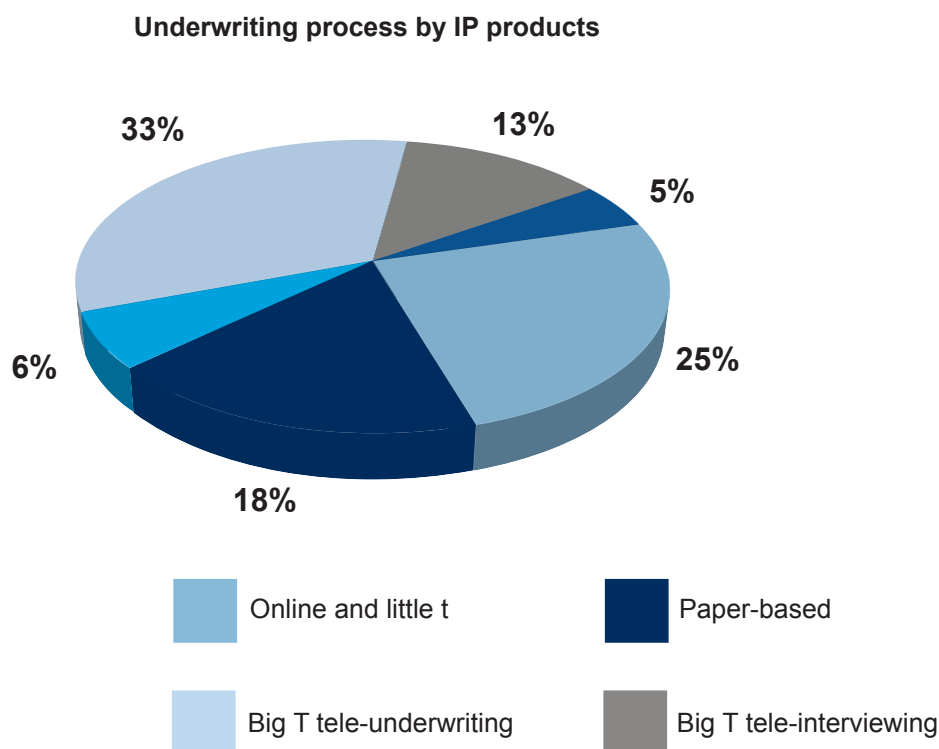


Chart 8 – Underwriting process by income protection products (Source: Defaqto product database, Aequos Online)

Online application submission

Online automated processes are very popular with insurers and advisers because they speed up the application process. Indeed, the number of IFAs writing more than half their business online has increased for the past three years and now stands at 72%. However, the data collection is effectively outsourced to the adviser in most cases, who is acting as an agent of the client, and for this reason the risk mitigation issue is not addressed. More sophisticated online underwriting systems are being developed with reflexive questioning, which should go a long way to

addressing the risk of non-disclosure, however that is dependent upon the client entering the data online. Where advisers continue to collect information on paper and subsequently enter up the data, there is still no guarantee that the risk profile of the client will be accurately captured.

A die-hard core of 8% of IFAs continues to eschew online techniques and these may be a target for introducing other underwriting processes, such as tele-underwriting.

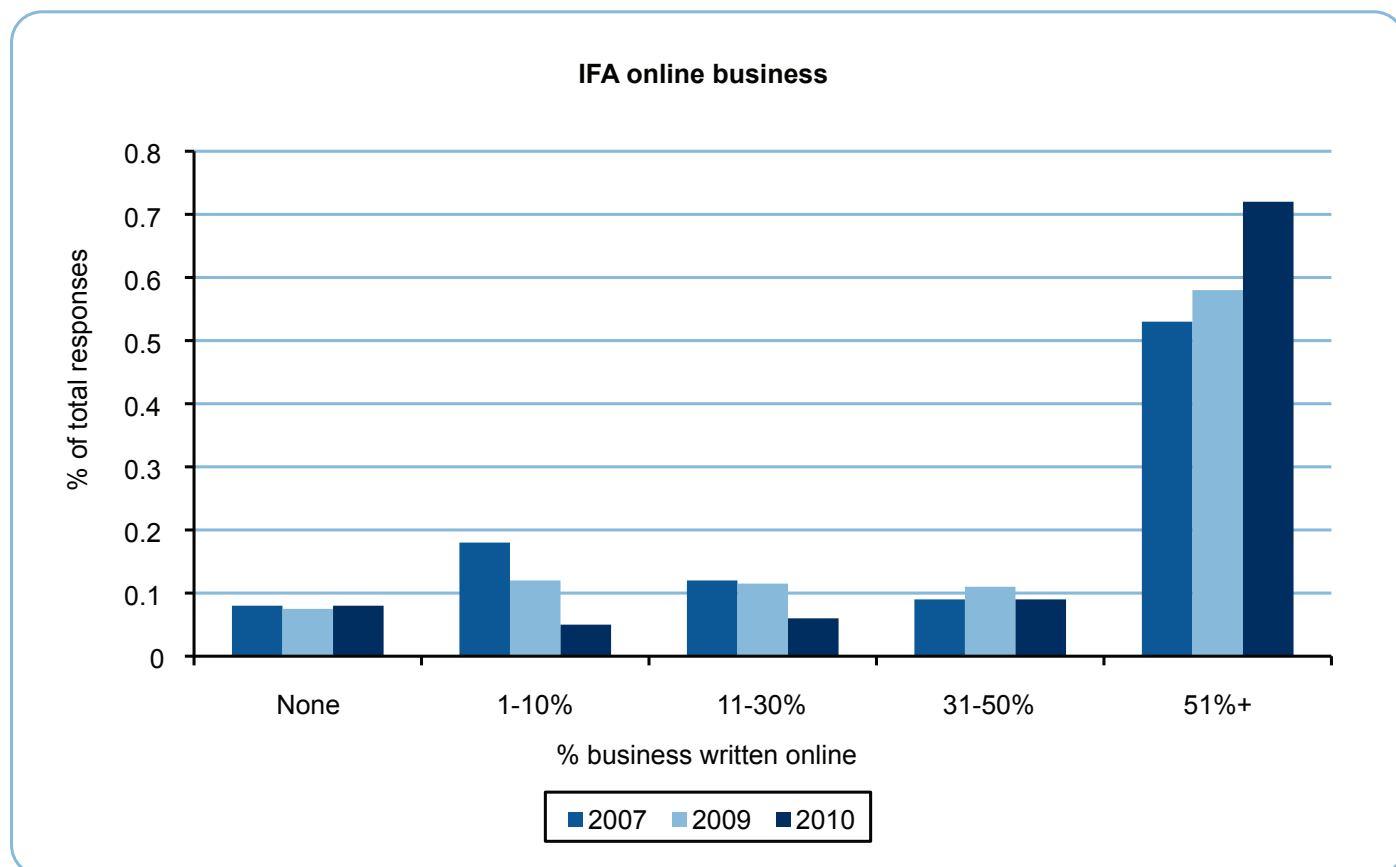


Chart 9 – Percentage of IFA business written online in 2007 – 2010 (Source: Defaqto IFA Survey, June 2010)

Indexation

It is essential that the level of cover keeps pace with the rising cost of living. A small number of providers have plans where indexation is automatically included: Exeter Family Friendly, Forester Life, Unum and Wesleyan. The majority of plans allow it to be added as an option. Care should be taken when selecting a product to identify whether indexation applies to the cover pre or post claim, or the benefits in payment, or a combination of these.

Having selected indexation, on the policy anniversary the policyholder will be offered the increase in cover and advised of the new premium. The majority of plans permit the offer to be refused once or twice before the option is discontinued. Aviva, AXA, British Friendly Society, Dentists' Provident, Exeter Family, Forester Life, Nationwide Building Society, NatWest Life, Royal Bank of Scotland and Scottish Provident are completely flexible, allowing any number of refusals.

The majority of plans that offer indexation do so linked to the retail price index (RPI). The remainder allow indexation to be linked to NAEI, fixed percentage or a combination of bases. Typically, earnings increase at a greater rate than prices and so while the benefits indexed by the RPI will maintain their buying power in years to come, they will not necessarily represent the same level of income.

Additionally, the government's move to linking benefits to the consumer price index (CPI) rather than the RPI may in time be adopted by product providers. An overriding factor is affordability. At the point at which cover increases, the client will have to decide whether they can afford to pay the higher premium.

The majority of policies calculate the new premium with reference to the age of the client at the time rather than the age at outset, or for convenience they may use the age at outset plus a factor. A factor of 1.4 is roughly equivalent to using current age.

Deferred periods

The deferred period or waiting period for benefits is an important decision for clients to make and one that significantly affects the cost of cover.

The most commonly offered deferred periods are one month, three months, six months and a year. These are principally derived from the lengths of time that employers typically continue to pay employees that are long-term sick, although clients can choose a longer deferred period and fund the interim period from their own resources in order to reduce costs. More than half of policies permit two deferred periods to be selected within one plan. This caters for the scenario where an employee is paid a reduced wage for a period of time before wages cease completely. Policies that offer a short deferred period are usually the preserve of Provident societies and Holloway societies and cater for workers who have little or no employer sponsored protection.

Occupation class

The underwriting of income protection cover is heavily dependent upon the kind of work that the applicant is engaged in, more so than other insurances. For this reason, occupations are categorised into classes. Table 6 shows the type of occupations contained within each class and the terms that typically apply.

Most providers cover classes 1 to 4. Class 1 and 2 occupations have the most favourable terms and typically shorter deferred periods can be selected, and 'own occupation' definitions are widely available.

Class 3 and 4 occupations are covered by the majority of providers but there are restrictions on the shorter deferred periods and less favourable definitions of disability are employed. 'Back to day one' cover is provided by those providers with Holloway-style plans and PruProtect.

Five providers cover Class 5 occupations and only four extend cover to Class 6 and 7, as shown in table 7.

Occupation classes 1–4			
Class	Occupation type	Deferred period	Definition
1	Professional/ managerial	4w	Own
2	Professional/managerial small degree manual work/ driving	4w	Own
3	Supervisory craftsmen/ tradesmen	4w/13w	Own/suited
4	Skilled operatives with heavier manual duties	13w/26w	Own/suited/ ADLs/ADWs

Table 6 – Typical terms applying to Classes 1–4 (Source: Defaqto product database, Aequos Online)

Occupation classes 5, 6 & 7			
	Class 5 Mainly manual work or driving over 25000m pa	Class 6 Heavy manual work	Class 7 Specialised occs
Bright Grey	13w ADW	13w ADW	26w ADW
British Friendly	1day own	1day own/suited	1day own/suited
Cirencester Friendly	1day own	1day own	1day own
Unum	4w ADL	4w ADL	4w ADL
Zurich	13w own	-	-

Table 7 – Class 5–7 terms available by provider (Source: Defaqto product database, Aequos Online)

Houseperson's cover

The industry has recognised the financial risks of the homemaker being unable to fulfil their role and the financial impact on the family, and the majority of policies can be used to insure housepersons.

The maximum benefit is typically between £15,000 and £18,000 a year, which corresponds with the level of net worth attributed to homemakers by the Washington-based National Network for Women's Employment; it calculates that the average homemaker would make \$30,000 if she were paid for all the varied tasks undertaken. Not all housepersons are women and there are other methods of calculating the liability, not least attributing half the salary of the working partner to the non-working partner.

The same choice of deferred periods is available for houseperson's cover but an Activities of Daily Living (ADL) test is employed to validate a claim under the policy.

Houseperson's cover is also a way of continuing cover to policyholders who become unemployed. Four providers – Bupa, Fortis, Holloway Friendly and LV= – offer Carers benefits that become payable when the policyholder leaves work to care for a sick family member.

Unemployment/career break

The majority of products purport to offer a career break option. During periods of unemployment, maternity leave and career breaks for other reasons, many will continue cover at a reduced level equivalent to the houseperson's benefit. AEGON, Bupa, Exeter Family, Friends Provident, LV= and Wesleyan also reduce the premium payable, where many do not.

However, what may be required at times of unemployment is a suspension of cover. 11 providers offer a genuine career break, allowing premiums and benefits to be suspended: Cirencester Friendly, Dentists' Provident, Exeter Family, Holloway Friendly, HSBC, NatWest Life, NFU Mutual, PruProtect, Royal Bank of Scotland, The Co-operative Insurance and Unum. Premiums must be resumed again within a period of time, typically one or two years.

Linked claims

Almost all products incorporate a relapse benefit whereby, if soon after returning to work the life assured becomes incapacitated from the same cause, benefits resume immediately without a second deferred period.

Almost half of policies extend relapse cover if the claimant experiences incapacity within six months. A significant number of providers offer a 12-month relapse period.

Relapse benefit	
Provider	Period (months)
AEGON	6
Aviva	12
AXA	12
Bright Grey	6
British Friendly Society	N/A
Bupa	12
Cirencester Friendly	1
Dentists' Provident	13
DG Mutual	3
Exeter Family Friendly	6
Forester Life	3
Foresters Friendly Society	6
Fortis Life	6
Friends Provident	12
Holloway Friendly	6

Relapse benefit	
Provider	Period (months)
HSBC Life (UK)	12
Legal & General	12
LV=	6
Nationwide Building Society	12
NatWest Life	12
NFU Mutual	12
PruProtect	6
Royal Bank of Scotland	12
Scottish Provident	6
Shepherds Friendly Society	3
Sun Life Financial of Canada	6
The Co-operative Insurance	12
Unum	12
Wesleyan	6
Zurich Assurance	6

Table 8 – Relapse periods by provider (Source: Defaqto product database, Aequos Online)

Hospitalisation benefits

Seven plans incorporate hospitalisation benefit, which pays a cash sum to the policyholder if they have to spend a certain number of consecutive nights in hospital.

The benefit is expressed as an amount per night and commences on the night following the deferred period.

Hospitalisation benefit			
Provider	Deferred	£pn	Max nights
Aviva	7	£75	90
AXA	6	£200	91
Bupa	6	£200	90
Friends Provident	7	£150	91
Holloway Friendly	~	~	~
Legal & General	7	£150	84
Nationwide	7	£75	90

Table 9 – Hospitalisation benefits by provider
(Source: Defaqto product database, Aequos Online)

Ancillary benefits and engagement

In addition to the regular product features, a number of providers offer ancillary services to their policyholders and sometimes the policyholder's family members to assist them at the time of their claim and other times. We have categorised these as health and wellbeing services, claims support services and second opinion services. Table 10 shows which are offered by provider.

The introduction of health and wellbeing services for policyholders by some insurers is a welcome move in engaging with the customer. An accurate assessment of current health and an understanding of how current lifestyle can affect future health risks has clear benefits for the policyholder, who not only has peace of mind from owning their protection policy but also as a result of living healthier may never need to claim.

Claims support services have a more direct application to income protection in that it is in the interests both of the policyholder and the insurer for the policyholder to get well and return to work as soon as possible.

They vary considerably from provider to provider but typically provide confidential telephone-based support services to help with a range of problems including stress counselling, access to GPs and advice on relationship breakdown, diagnosis of a critical illness, family issues, alcohol and substance abuse, life transitions, and tax and legal issues.

While income protection is primarily designed to pay out a monetary benefit in the event disability or sickness, the provision of health and wellbeing services and support services helps to engage with the client even before that becomes necessary and enables policyholders to benefit from their plan, whether or not they are unfortunate enough to have to claim.

Health and claims services			
Provider	Second opinion service	Claims support services	Health and wellbeing services
AEGON	No	Yes	No
Aviva	No	Yes	Yes
AXA	No	Yes	No
Bright Grey	No	Yes	No
British Friendly	No	Yes	No
Bupa	Yes	Yes	No
Exeter Family Friendly	No	Yes	No
Fortis Life	No	Yes	No
Friends Provident	No	Yes	No
LV=	No	Yes	Yes
NFU Mutual	No	Yes	No
PruProtect	No	Yes	Yes
Scottish Provident	No	Yes	No
Unum	No	Yes	Yes

Table 10 – Ancillary benefits by provider
(Source: Defaqto product database, Aequos Online)

Claims

One of the ways in which the industry has responded to the lack of confidence in the critical illness market is to publish claims statistics, detailing the percentage of claims paid and, of the remainder, the percentage declined due to non-disclosure. The same lack of confidence that claims will be paid causes problems in the income protection market, yet fewer providers publish claims statistics.

A straw poll among income protection providers identified nine that have published figures. The percentage of claims paid range between 86% and 98%, with an average of 91%. Those declined due to non-disclosure are in the region of 4% or 5%. This compares favourably with critical illness, where the claims paid average only 90%.

Claims statistics	
Provider	Stats published
AEGON	Yes
Cirencester Friendly	Yes
DG Mutual	Yes
Exeter Family Friendly	Yes
Holloway Friendly	Yes
Legal & General	Yes
LV=	Yes
Scottish Provident	Yes
Unum	Yes

Table 11 – Providers publishing claims statistics
(Source: Defaqto product database, Aequos Online)

Exclusions

There are 14 general exclusions on income protection plans, as listed in table 12. The most common exclusions are HIV/AIDS and war/civil commotion, although alcohol, drug abuse and self inflicted injury are common. On average, policies include four exclusions.

In our IFA research, one of the reasons given for poor take-up of income protection was a lack of trust among clients that the insurance will pay out. Unfortunately, exclusions are seen by some as a way for the insurer to turn down a claim, which in turn contributes to the bad reputation of the product.

General exclusions															
Provider	Number	War/civil commotion	Alcohol abuse	Drug abuse	Self inflicted injury	Attempted suicide	Criminal acts	Pregnancy	HIV/AIDS	Refusal med advice	Racing	Flying not passenger	Excl pre-exist conditions	Hazardous activities	Living abroad
AEGON	5	Yes	Yes	Yes	No	No	No	No	Yes	No	No	No	No	No	Yes
Aviva	0	No	No	No	No	No	No	No	No	No	No	No	No	No	No
AXA	7	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes	No	No	No	No	Yes
Bright Grey	2	No	No	No	Yes	No	No	No	No	No	No	No	No	No	Yes
British Friendly	8	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No	No	Yes	No	No
Bupa	1	No	No	No	No	No	No	No	No	No	No	No	No	No	Yes
Cirencester Friendly	10	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No
Dentists' Provident	9	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	No	Yes
DG Mutual	12	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	No	Yes	No

Table 12 – General exclusions by provider (Source: Defaqto product database, Aequis Online)

General exclusions															
Provider	Number	War/civil commotion	Alcohol abuse	Drug abuse	Self inflicted injury	Attempted suicide	Criminal acts	Pregnancy	HIV/AIDS	Refusal med advice	Racing	Flying not passenger	Excl pre-exist conditions	Hazardous activities	Living abroad
Exeter Family Friendly	4	No	No	No	No	No	No	Yes	No	No	No	No	Yes	No	Yes
Forester Life	10	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No	Yes	No	Yes	Yes
Foresters Friendly	9	Yes	No	No	Yes	No	Yes	Yes	Yes	No	No	Yes	No	Yes	No
Fortis Life	0	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Friends Provident	0	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Holloway Friendly	8	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No	No	No	No	Yes
HSBC	8	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	Yes	No	No
Legal & General	2	No	Yes	Yes	No	No	No	No	No	No	No	No	No	No	No
LV=	0	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Nationwide	0	No	No	No	No	No	No	No	No	No	No	No	No	No	No
NatWest Life	4	Yes	Yes	Yes	No	No	No	No	Yes	No	No	No	No	No	No
NFU Mutual	2	No	No	No	No	No	No	Yes	Yes	No	No	No	No	No	No
PruProtect	0	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Royal Bank of Scotland	4	Yes	Yes	Yes	No	No	No	No	Yes	No	No	No	No	No	No

Table 12 (continued) – General exclusions by provider (Source: Defaqto product database, Aequis Online)

General exclusions															
Provider	Number	War/civil commotion	Alcohol abuse	Drug abuse	Self inflicted injury	Attempted suicide	Criminal acts	Pregnancy	HIV/AIDS	Refusal med advice	Racing	Flying not passenger	Excl pre-exist conditions	Hazardous activities	Living abroad
Scottish Provident	1	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Scottish Provident	1	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Shepherds Friendly Society	8	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	No	Yes	No	Yes	No
Sun Life Financial of Canada	7	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No	No	No	No	No
The Co-operative Insurance	2	No	No	No	No	No	No	Yes	Yes	No	No	No	No	No	No
Unum	0	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Wesleyan	2	Yes	No	No	No	No	No	No	Yes	No	No	No	No	No	No
Wesleyan Medical Sickness	4	Yes	No	No	No	No	Yes	Yes	Yes	No	No	No	No	No	No
Zurich Assurance	6	Yes	No	No	No	No	Yes	No	Yes	Yes	No	No	No	No	Yes
TOTAL		16	14	14	14	3	11	9	18	8	1	4	4	4	9

Table 12 (continued) – General exclusions by provider (Source: Defaqto product database, Aequos Online)

Maximising opportunities

Income protection is more difficult to get on the books than other protection products, however it is as essential cover to consider for many clients, so IFAs need to tackle the common reservations that clients have and educate them about the need for adequate cover. We've set out some ideas to support this below.

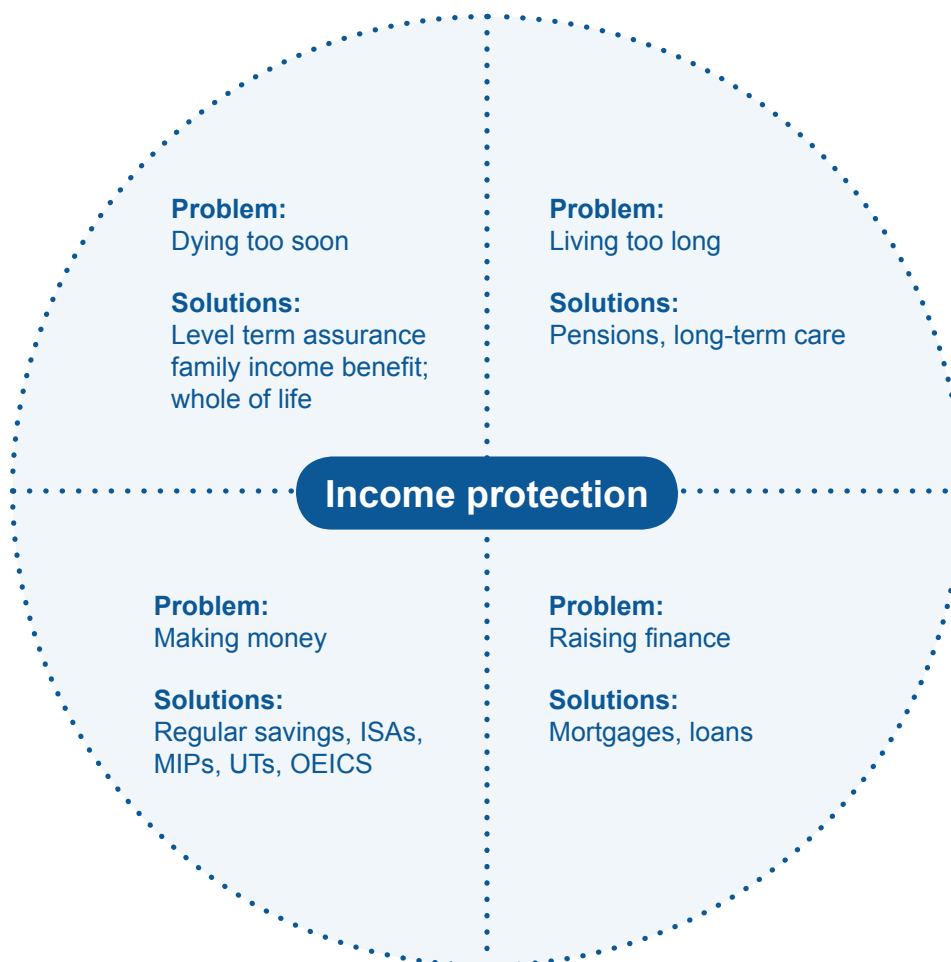
Using the financial objectives quadrant as a starting point

Many advisers use the financial objectives quadrant to get their clients thinking about their needs. This is a useful way to help clients consider what their needs are and identify potential solutions.

Once a client's financial plan has been agreed, it is important for them to understand that it is dependent upon their continuing income to fund savings, to service their loans and to pay for their life assurance. Income protection therefore underpins the whole plan.

If the client says that being unable to work would disrupt their financial plans, then they should seriously consider income protection.

A long-term income protection recommendation provides important cover for a client, as well as an additional sales opportunity.



Ranking financial risks

In a financial planning consultation, a client should rank their major risks in order of importance.

Hopefully, they will regard their income as important – but very often it is one of the few areas that they have not insured.

A reality check for a client is to remind them that if their house contents were uninsured and lost, they might have a bill of hundreds of pounds, perhaps thousands. However, if they were unable to work, they could find themselves needing tens of thousands.

What's most important?	Is it insured?
My car	✓
My house	✓
My possessions	✓
My holiday plans	✓
My dog/cat	✓
My central heating	✓
My income	✗

Objection handling

Here are some common statements advisers may hear from clients, and some facts, figures and suggestions for handling them.

“It won’t happen to me”

Clients commonly think that the worst will not happen to them – that they will not be rendered long-term sick and left unable to pay their monthly outgoings. Here are some facts that may help convince them otherwise:

“

“I am unlikely to be ill for an extended period of time”

“I could cope until I was well enough to go back to work”

“The State will cover me if I fall ill and can’t work”

”

- In February 2010, the Department for Work and Pensions (DWP) reported that there are 2.61 million people of working age in receipt of disability benefits, which is 4% of the population. That means in an average village, 24 people would not be able to work.
- According to the DWP, the average length of disability claim since 2005 is three years. A client needs to think about whether they have enough savings to pay their mortgage and household bills for that long. Long-term sickness is typically much longer than that.
- Employment and Support Allowance (ESA) is typically only £96 per week. Also, fewer people can claim since the rule change in 2008; now 39% of claimants are being adjudged as ‘fit to work’ and can’t claim, compared with only 17% who were declined prior to 2008.

“I’m already covered”

“

“I have life cover for my mortgage – I don’t need income protection as well”

“I have critical illness cover – I don’t need income protection as well”

”

Protection products are complex, and confusion reigns between consumers over the differences between different products and what they do and don’t provide cover for. Here are some facts for clients who may feel incomes are already protected:

- According to the ONS, you are 15 more times likely to suffer a long-term illness or disability than to die.
- Most long-term disability is due to back and mental health problems; no critical illness policy covers these. The lump sum required to produce enough income for a long-term sickness claim is likely to be far in excess of that provided by most critical illness policies.
- A critical illness cover pay-out of £100,000, invested at 3%pa, would produce an income of just £250 per month, which is very little compared with a household’s typical monthly expenditure.

“I don’t trust the insurance industry”



“I don’t trust the insurance companies; they’ll take my money but turn down my claim”



In 2009, the UK insurance industry paid out the equivalent of £18m per day in death and disability claims. Latest claims-paid statistics show that insurers, on average, pay 90% of their income protection claims. 4% of those declined were due to non-disclosure, so it is of course important that the client answers the questions on the application openly and honestly.

“I can’t afford income protection”

Many clients may regard income protection as too expensive, but in reality the question they should be asked is whether they can afford not to have income protection. Help your clients consider the “never going to happen” scenario as a possible reality. There has never been a bigger need for protection products than in the current economic climate, and many clients are deluded about both how they would fare if their situation changed for the worse, as well as about just how much adequate cover would cost.

The following questions and considerations help illustrate income protection premiums as affordable and essential costs for clients:

Can you afford a cable TV package for approximately £50 per month?

The same amount per month would buy £900 a month worth of income protection cover.

Do you buy a lottery ticket?

People spend an average of £15 on lottery tickets³ each month and have a one in 14 million chance of winning. Twice that amount could buy income protection cover.

If you and your family are having a tough time getting by on your husband’s salary, how would you get by without it?

Who will take the strain when you are under stress?

Stress and mental disorders are the main cause of income protection claims. Imagine the stress for a client if their income is not protected.

Who will provide the back-up, when you’re on your back?

Back problems account for around one-fifth of all income protection claims and they are generally not covered by critical illness policies. So, if a client insures their car on a fully comprehensive basis, why would they insure their health on a ‘third party’ basis?

³ Theos, the theological think tank, found that people in the earning bracket of £15,000 to £20,000 spend on average £174.53 on the lottery each year.

Additional resources for intermediaries

Defaqto Star Ratings

Defaqto's Star Ratings review and assesses the features and benefits of various financial products, including income protection. Products are awarded a rating between 1 and 5 indicating the level of cover, features and benefits that are available. Intermediaries can use the Star Rating system to help their customers make a more informed decision about which product suits their needs.

We assess criteria including:

- Number of exclusions
- Deferred period
- Underwriting process
- Services available such as claims support and health and wellbeing

Income Protection Star Ratings – in particular 5-Star Rated products – have been used extensively by the direct players in the sector for many years as part of their sales process. Intermediaries can do the same in order to boost customers' awareness of important features.

As with all insurance policies, there are various conditions, excesses and exclusions that are applicable in income protection insurance. It is essential that intermediaries educate their customers and make them fully aware of the features of policy they are buying to make sure that they are not in for a shock if they have to make a claim.

Defaqto Engage – IFA Edition

Defaqto Engage IFA Edition is an integrated software tool for financial advisers. The system makes the reporting, analysis, recommendation and review process easy, delivering the perfect product to meet a client's needs.

The simplicity of the traffic light system, combined with the exporting and comparison features of Defaqto Engage allow you to move beyond price alone. These features enable you to truly demonstrate the strengths of your recommended product against the potential weaknesses of alternative, less expensive products across the whole of market. The system lets you export or print a product or a policy's range of features. You can use these to reason with your client at point of sale or to produce Demands and Needs reports.

For more information or to arrange a free trial, call 0808 1000 804 or email sales@defaqto.com.

Defaqto quick facts

Research category	Product facts
Provider name	AEGON
Product name	Personal Protection/Business Protection
Plan type	Part of menu (available as standalone plan)
Product target market	Business Individuals
Provider financial strength¹	B+
Underwriting process	Little t underwriting (Business Protection) Online & Little t underwriting (Personal Protection)
Minimum premium	£5pm, £60pa
Premium basis	Guaranteed and reviewable at five year intervals are offered
Age at entry	Minimum: 18 attained Maximum: 59 attained
Termination of benefits	Any age up to 65 (maximum term 10 years for Business Protection)
Maximum benefit	55% of total income subject to a maximum of £130,000pa (75% of employee's earnings for Business cover)
Limited benefit term	1-5 years (Business Protection) None (Personal Protection)
Guaranteed insurability	<ul style="list-style-type: none"> On marriage/civil partnership (Personal Protection Only) On child birth/adoption (Personal Protection Only) On increase in mortgage/loan On promotion/salary increase £10,000pa or 50% of sum assured up to age 54
Indexation	Indexation option of RPI subject to a maximum 10%
Waiver of premium	Waiver of premium automatically included
Other benefits	<ul style="list-style-type: none"> Career break – houseperson reduced premium Houseperson cover (Personal Protection Only), maximum benefit £15,000, deferred period 13, 26 or 52 weeks Proportionate benefit (Personal Protection Only) Rehabilitation benefit Relapse benefit within 6 months Total Perm Disability optional with menu plan
Additional services	Claims support services
Definition of disability	Choice of Own Occupation, Any Suited and ADWs (Own may not be available for some occupations)
Deferred periods	4, 8, 13, 26, 52 weeks
Exclusions	War/civil commotion Alcohol abuse Drug abuse HIV/AIDS Living abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Aviva Health UK
Product name	Income Protection Solutions
Plan type	Standalone product
Product target market	Individuals
Provider financial strength ¹	B+
Underwriting process	Big T tele-underwriting available
Minimum premium	£10pm, £120pa
Premium basis	Guaranteed premiums available and premiums reviewable after initial 5 years and annually thereafter
Age at entry	Minimum: 18 attained Maximum: 54 attained
Termination of benefits	Any age between 50 and 70
Maximum benefit	60% of the first £25,000 of the pre-incapacity earnings plus 50% of the remainder limited to £180,000pa
Limited benefit term	5 years option
Guaranteed insurability	<ul style="list-style-type: none"> On marriage/civil partnership (£3,000) On child birth/adoption (£3,000) On increase in mortgage/loan (to max) On promotion/salary increase (£6,000)
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium is automatically included
Other benefits	<ul style="list-style-type: none"> Career break - houseperson Accident benefit Houseperson cover, max benefit £15,000, deferred period 13 weeks Proportionate benefit/Rehabilitation benefit Relapse benefit within 12 months Hospitalisation benefit, £75pn for 90nts after 7 days
Additional services	Health & wellbeing services, claims support services
Definition of disability	Own Occupation, Any Suited and ADLs
Deferred periods	4, 8, 13, 26, 52, 56, 104, 112 weeks
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	AXA
Product name	Protection Account – Mortgage & Personal
Plan type	Part of menu (available as standalone plan)
Product target market	Individuals Mortgage expenses
Provider financial strength ¹	B+
Underwriting process	Big T tele-underwriting available
Minimum premium	£5pm, £60pa (Mortgage) £7pm, £84pa (Personal)
Premium basis	Guaranteed premiums available and premiums reviewable after initial 5 years and annually thereafter
Age at entry	Minimum: 18 attained Maximum: 59 attained
Termination of benefits	Any age between 50 and 65
Benefit	Mortgage – lower of 150% of the regular monthly mortgage repayment; 30% of pre-incapacity monthly earnings; £18,000pa Personal – 65% of yearly earnings up to £30,000 and 40% of yearly earnings over £30,000 limited to £132,000
Limited benefit term	None
Guaranteed insurability	On marriage/civil partnership (Personal Only) On child birth/adoption (Personal Only) On increase in mortgage/loan On promotion/salary increase (Personal Only)
Indexation	Not available (Mortgage) Optional indexation of benefits offered by RPI (Personal)
Waiver of premium	Waiver of premium available
Other benefits	<ul style="list-style-type: none"> ▪ Career break - houseperson ▪ Houseperson cover, max benefit £15,000, deferred period 26 weeks (or 52/104 weeks mortgage only) ▪ Proportionate benefit/Rehabilitation benefit ▪ Relapse benefit within 12 months ▪ Hospitalisation benefit, £200pn for 91 nts after 6 days ▪ Total Perm Disability – optional with menu
Additional services	Claims support services
Definition of disability	Own Occupation
Deferred periods	4, 8, 13, 26, 52, 104 weeks
Exclusions	Alcohol abuse Drug abuse Self inflicted Pregnancy HIV/AIDS Refusal of medical advice Living abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Bright Grey
Product name	Protection Menu – Personal & Business
Plan type	Part of menu (available as standalone plan)
Product target market	Business Individuals (Personal)
Provider financial strength ¹	B+
Underwriting process	Big T tele-underwriting or online and little t
Minimum premium	£10pm, £120pa
Premium basis	Guaranteed premiums rates
Age at entry	Minimum: 18 attained Maximum: 59 attained
Termination of benefits	Any age between 50 and 65
Benefit	Key man – 75% of earnings limited to £250,000 pa Personal – 50% of earnings limited to £150,000 pa
Limited benefit term	1, 2 or full term 2, 3, 4 or 5 (Key Person; Business Only)
Guaranteed insurability	<ul style="list-style-type: none"> On marriage/civil partnership (Personal Only) On child birth/adoption (Personal Only) On increase in mortgage/loan £8,000pa or 50% of sum assured up to age 54 (£10,000 for key man)
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium optional
Other benefits	<ul style="list-style-type: none"> Houseperson cover, max benefit £16,800, deferred period 4, 13, 26, 52 weeks (Personal Only) Proportionate benefit/Rehabilitation benefit Relapse benefit within 6 months Total Perm Disability available with menu option
Additional services	Claims support services
Definition of disability	Own Occupation, and ADLs or ADWs for disability beyond 65
Deferred periods	4, 13, 26, 52 weeks
Exclusions	Self inflicted injury Living abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	British Friendly Society
Product name	Century Earnings Replacement Plan
Plan type	Holloway Plan
Product target market	Individuals
Provider financial strength ¹	C
Underwriting process	Online and little t underwriting
Minimum premium	£4.80pm, £57.60pa
Premium basis	Premiums reviewable at any time
Age at entry	Minimum: 16 attained Maximum: 59 attained
Termination of benefits	The plan may be encashed at any age after 60
Maximum benefit	100% of the member's salary limited to a maximum of £31,200pa
Limited benefit term	None
Guaranteed insurability	Not available
Indexation	Optional indexation benefit of 5% increase per year
Waiver of premium	Not available
Other benefits	None
Additional services	Claims support services
Definition of disability	Own Occupation
Deferred periods	1 day, 4, 8, 13, 26 weeks
Exclusions	War/civil commotion Alcohol abuse Drug abuse Self inflicted Criminal acts HIV/AIDS Refusal of medical advice Pre-existing conditions

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Bupa
Product name	Income Protection Fixed Term & Term to Retirement
Plan type	Part of menu (available as standalone plan)
Product target market	Individuals
Provider financial strength ¹	B
Underwriting process	Big T tele-underwriting
Minimum premium	£8pm, £84.50pa
Premium basis	Guaranteed premiums or premiums reviewed every 5 years
Age at entry	Minimum: 18 attained Maximum: 59 attained
Termination of benefits	Any age up to 70 (Fixed Term) 50, 55, 60, 65 and 70 (Term to Retirement)
Maximum benefit	70% of the first £10,000 gross income; 50% of gross income between £10,000 and £60,000; and 40% of gross income over £60,000. Limited to £150,000pa
Limited benefit term	None or 2 years
Guaranteed insurability	<ul style="list-style-type: none"> On marriage/civil partnership On child birth/adoption On increase in mortgage/loan On promotion/salary increase £9,000pa or 50% of sum assured up to age 54
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Offered as standard
Other benefits	<ul style="list-style-type: none"> Career break – houseperson reduced premium Houseperson cover, max benefit £15,600, deferred period 13 weeks Carers benefit Proportionate benefit/Rehabilitation benefit Relapse benefit within 12 months Hospitalisation benefit, £200pn for 90nts after 6 days Total Perm Disability available with menu plan
Additional services	Health & wellbeing services, best doctors, claims support services
Definition of disability	Own Occupation, Any Suited or ADLs
Deferred periods	4, 8, 13, 26, 52, 104 weeks
Exclusions	Living abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Cirencester Friendly
Product name	Income Assured Plus
Plan type	Holloway Plan
Product target market	Individuals
Provider financial strength ¹	B-
Underwriting process	Big T tele-underwriting
Minimum premium	£2.10pm
Premium basis	Guaranteed premiums increase with age
Age at entry	Minimum: 16 attained Maximum: 60 attained
Termination of benefits	Any age between 50 and 65 (minimum term 5 years)
Maximum benefit	60% of income limited to £40,950pa
Limited benefit term	None
Guaranteed insurability	Not available
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium is included
Other benefits	<ul style="list-style-type: none"> ▪ Career break ▪ Accident benefit ▪ Houseperson cover, max benefit £2,730, deferred period 1 day or 1, 4, 8, 13, 26, 52 weeks ▪ Proportionate benefit/Rehabilitation benefit ▪ Relapse benefit within 1 month
Additional services	None
Definition of disability	Own Occupation, Any Suited or Houseperson's
Deferred periods	1 day or 1, 4, 8, 13, 26, 52 weeks
Exclusions	War/civil commotion Alcohol abuse Drug abuse Self inflicted Attempted suicide Criminal acts Pregnancy HIV/AIDS Pre-existing conditions Living abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Dentists' Provident
Product name	Individual Income Protection
Plan type	Holloway Plan
Product target market	Individuals
Provider financial strength ¹	B-
Underwriting process	Big T tele-underwriting
Minimum premium	£2.37pm, £28.44pa
Premium basis	Premiums reviewable annually
Age at entry	Minimum: 18 attained Maximum: 49 attained
Termination of benefits	Standard age is 60, however members can stop cover from age 50 and in certain circumstances cover can be extended to age 70
Maximum benefit	60% of income limited to £62,400pa
Limited benefit term	None
Guaranteed insurability	Available on 6 th , 12 th or 15 th policy anniversaries up to a maximum of 30% cumulative increase in cover
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Not available
Other benefits	<ul style="list-style-type: none"> ▪ Career break ▪ Houseperson cover, max benefit £1,500, deferred period variable ▪ Proportionate benefit/Rehabilitation benefit ▪ Relapse benefit within 13 months
Additional services	None
Definition of disability	Own Occupation, Own then Any Suited, ADLs
Deferred periods	1 day or any weeks from 1 to 52, and 104
Exclusions	War/civil commotion Alcohol abuse Drug abuse Self inflicted injury Attempted suicide Criminal acts Pregnancy Refusal of medical advice Living abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	DG Mutual
Product name	Income Protection Insurance from DG Mutual
Plan type	Holloway Plan
Product target market	Individuals
Provider financial strength ¹	C
Underwriting process	Paper-based underwriting
Minimum premium	Dependent on member's age and type of bond chosen
Premium basis	Premiums increase every 5 years according to age
Age at entry	Minimum: 16 attained Maximum: 49 attained
Termination of benefits	Either 55 or 60 only
Benefit	66% of the member's pre-tax earnings limited to £61,400pa
Limited benefit term	None
Guaranteed insurability	Not available
Indexation	Indexation of benefit at 3% during claim available as an option
Waiver of premium	Not available
Other benefits	<ul style="list-style-type: none"> Houseperson cover, max benefit £5,200, deferred period 1 day Proportionate benefit/Rehabilitation benefit Relapse benefit within 3 months
Additional services	None
Definition of disability	Own Occupation and Suited
Deferred periods	1 day, 4, 13, 26, 52 weeks
Exclusions	War/civil commotion Alcohol abuse Drug abuse Self inflicted Criminal acts Pregnancy HIV/AIDS Racing (not on foot) Flying (not passenger) Hazardous activities

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Exeter Family Friendly
Product name	Bills & Things
Plan type	Standalone product
Product target market	Individuals Mortgage expenses
Provider financial strength ¹	B-
Underwriting process	Online and little t underwriting
Minimum premium	£9.99pm
Premium basis	Reviewable after 3 years and every year thereafter.
Age at entry	Minimum: 16 attained Maximum: 60 attained
Termination of benefits	Any age between 50 and 68
Benefit	Based on regular monthly bills limited to £12,000pa
Limited benefit term	1 or 2 years only
Guaranteed insurability	Not available
Indexation	Automatic indexation of benefits offered by RPI
Waiver of premium	Waiver of premium included
Other benefits	Proportionate benefit/Rehabilitation benefit
Additional services	None
Definition of disability	Own Occupation for class 1 and 2; ADL for classes 4, 5, 6
Deferred periods	4 weeks
Exclusions	Pregnancy Living abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Exeter Family Friendly
Product name	Income Protection
Plan type	Holloway Plan
Product target market	Individuals
Provider financial strength ¹	B-
Underwriting process	Online and little t underwriting available
Minimum premium	£1.89pm, £22.68pa
Premium basis	Premiums increase with age and are reviewable at any time
Age at entry	Minimum: 16 attained Maximum: 59 attained
Termination of benefits	Any age between 50 and 65 (minimum term 5 years)
Maximum benefit	65% of gross income limited to £37,440pa
Limited benefit term	None
Guaranteed insurability	Not available
Indexation	Optional indexation of benefits offered by average of RPI & AEI
Waiver of premium	Waiver of premium automatically included
Other benefits	<ul style="list-style-type: none"> ▪ Career break - Houseperson ▪ Houseperson cover, max benefit £10,200, deferred period 1 day or 4, 8, 13, 26, 52 weeks ▪ Proportionate benefit/Rehabilitation benefit ▪ Relapse benefit within 6 months
Additional services	None
Definition of disability	Own Occupation (first 52 weeks) and Any Suited (after 52 weeks)
Deferred periods	1 day or 4, 8, 13, 26, 52 weeks
Exclusions	War/civil commotion Pregnancy HIV/AIDS

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Exeter Family Friendly
Product name	Professional Income Protection
Plan type	Standalone product
Product target market	Individuals in low risk occupations (professionals)
Provider financial strength ¹	B-
Underwriting process	Online and little t underwriting available
Minimum premium	Based on the minimum benefit amount
Premium basis	Guaranteed premiums that increase with age
Age at entry	Minimum: 16 attained Maximum: 59 attained
Termination of benefits	Any age between 50 and 65 (minimum term 5 years)
Maximum benefit	50% of income up to £100,000pa
Limited benefit term	None
Guaranteed insurability	<ul style="list-style-type: none"> Once every 3 years On marriage/civil partnership On child birth/adoption On increase in mortgage/loan £10,000pa or 20% of sum assured up to age 49
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium automatically included
Other benefits	<ul style="list-style-type: none"> Career break – Houseperson reduced premium Houseperson cover, max benefit £10,400, deferred period 1 day or 1, 4, 8, 13, 26, 52 weeks Proportionate benefit/Rehabilitation benefit Relapse benefit within 6 months
Additional services	Claims support services
Definition of disability	Own Occupation
Deferred periods	1 day or 1, 4, 8, 13, 26, 52 weeks
Exclusions	Pregnancy Pre-existing conditions Living abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Exeter Family Friendly
Product name	Pure Protection
Plan type	Standalone product
Product target market	Individuals
Provider financial strength ¹	B-
Underwriting process	Online and little t underwriting available
Minimum premium	£1.89pm, £22.68pa
Premium basis	Premiums increase with age and our reviewable at any time after the first 3 years
Age at entry	Minimum: 16 attained Maximum: 59 attained
Termination of benefits	Any age between 50 and 65
Maximum benefit	65% of the income up to £60,000, and 40% of any income in excess of £60,000 limited to £120,000pa
Limited benefit term	None
Guaranteed insurability	Not available
Indexation	Optional indexation of benefits offered by RPI and AEI
Waiver of premium	Waiver of premium automatically included
Other benefits	<ul style="list-style-type: none"> ▪ Career break ▪ Houseperson cover, max benefit £10,200, deferred period 1 day or 1, 4, 8, 13, 26, 52 weeks ▪ Proportionate benefit/Rehabilitation benefit ▪ Relapse benefit within 6 months
Additional services	None
Definition of disability	Own Occupation
Deferred periods	1 day or 1, 4, 8, 13, 26, 52 weeks
Exclusions	Pregnancy Pre-existing conditions Living abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Foresters Friendly Society
Product name	Sickness Policy
Plan type	Standalone product
Product target market	Individuals Mortgage expenses
Provider financial strength ¹	B-
Underwriting process	Paper underwriting only
Minimum premium	£9.12pm
Premium basis	Premiums reviewed after five years and at anytime thereafter
Age at entry	Minimum: 20 attained Maximum: 59 attained
Termination of benefits	65 only
Maximum benefit	The life insured can choose a benefit of £100, £200, £300 or £400 a week
Limited benefit term	None, 26 or 52 weeks
Guaranteed insurability	Not available
Indexation	Not available
Waiver of premium	Not available
Other benefits	<ul style="list-style-type: none"> Proportionate benefit Relapse benefit within 6 months
Additional services	None
Definition of disability	Own Occupation
Deferred periods	1, 4 weeks
Exclusions	War/civil commotion Self inflicted Criminal acts Pregnancy HIV/AIDS Flying (not as passenger) Hazardous activities

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Fortis Life
Product name	YourLife Plan
Plan type	Part of menu (available as standalone plan)
Product target market	Individuals
Provider financial strength ¹	B
Underwriting process	Online and little t underwriting is used
Minimum premium	£5pm, £50pa
Premium basis	Guaranteed premiums
Age at entry	Minimum: 17 attained Maximum: 54 attained
Termination of benefits	Any age up to 69 attained
Benefit	50% of pre-tax income limited to £150,000pa
Limited benefit term	None
Guaranteed insurability	<ul style="list-style-type: none"> On marriage/civil partnership On child birth/adoption On increase in mortgage/loan On promotion/salary increase £7,500pa or 50% of sum assured up to age 54
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium is automatically included
Other benefits	<ul style="list-style-type: none"> Houseperson cover, max benefit £20,000, deferred period 4, 8, 13, 26, 52 weeks Carers benefit Proportionate benefit/Rehabilitation benefit Relapse benefit within 6 months Total Perm Disability available in Menu option
Additional services	Claims support services, Best Doctors
Definition of disability	Own Occupation, Suited and Daily Activities
Deferred periods	4, 8, 13, 26, 52 weeks
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Friends Provident
Product name	Income Protection Plan
Plan type	Standalone product
Product target market	Individuals
Provider financial strength ¹	B
Underwriting process	Online and little t underwriting is available
Minimum premium	£10pm, £112pa
Premium basis	Guaranteed premium rates
Age at entry	Minimum: 18 attained Maximum: 54 attained
Termination of benefits	Any age between 50 and 70
Benefit	70% of the first £10,000pa of earnings, plus 60% of the next £20,000pa, plus 50% of the next £40,000pa, plus 40% of earning in excess of £70,000pa, limited to £156,000pa
Limited benefit term	None
Guaranteed insurability	<ul style="list-style-type: none"> Option on 3rd, 6th, 9th, 12th, 15th, 18th anniversaries On marriage/civil partnership On child birth/adoption On increase in mortgage/loan On promotion/salary increase 30% of the sum assured up to age 54
Indexation	Optional indexation of benefits offered by 5%
Waiver of premium	Waiver of premium included
Other benefits	<ul style="list-style-type: none"> Career break – houseperson reduced premium Houseperson cover, max benefit £15,600, deferred period 4, 13, 26, 52 weeks Proportionate benefit/Rehabilitation benefit Relapse benefit within 12 months Hospitalisation benefit, £150pn for 91 nights after 7 days
Additional services	Claims support services
Definition of disability	Own Occupation, ADLs, Confined to Home
Deferred periods	4, 13, 26, 52 weeks
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Friends Provident
Product name	IP – eSelect Protection
Plan type	Standalone product
Product target market	Individuals
Provider financial strength ¹	B
Underwriting process	Online and little t underwriting is available
Minimum premium	£10pm, £112pa
Premium basis	Guaranteed premium rates
Age at entry	Minimum: 18 attained Maximum: 54 attained
Termination of benefits	Any age between 50 and 70
Benefit	70% of the first £10,000pa of earnings, plus 60% of the next £20,000pa, plus 50% of the next £40,000pa, plus 40% of earning in excess of £70,000pa, limited to £156,000pa
Limited benefit term	None
Guaranteed insurability	<ul style="list-style-type: none"> Option on 3rd, 6th, 9th, 12th, 15th, 18th anniversaries On marriage/civil partnership On child birth/adoption On increase in mortgage/loan On promotion/salary increase 30% of the sum assured up to age 54
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium included
Other benefits	<ul style="list-style-type: none"> Career break – houseperson reduced premium Houseperson cover, max benefit £15,600, deferred period 4, 13, 26, 52 weeks Proportionate benefit/Rehabilitation benefit Relapse benefit within 12 months Hospitalisation benefit, £150pn for 91nts after 7 days
Additional services	Claims support services
Definition of disability	Own Occupation, ADLs, Confined to Home
Deferred periods	4, 13, 26, 52 weeks
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Holloway Friendly
Product name	Classic & Classic Plus Plans
Plan type	Holloway Plan
Product target market	Individuals
Provider financial strength ¹	B-
Underwriting process	Online submission is available
Minimum premium	£10pm, £120pa (Classic) £12pm, £144pa (Classic Plus)
Premium basis	Premiums increase with age every 4 years from the age of 31
Age at entry	Minimum: 18 attained Maximum: 54 attained
Termination of benefits	Any age between 50 and 65
Benefit	Classic Plan – 60% of gross earned income limited to £36,400pa Classic Plus Plan – 50% of gross earned income limited to £26,000pa
Limited benefit term	Under the Classic Plan, 50% of the benefit is paid after the first 12 months
Guaranteed insurability	Not available
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium available as an option (Classic Plus Only)
Other benefits	<ul style="list-style-type: none"> ▪ Career break (Classic Plus Only) ▪ Proportionate benefit/Rehabilitation benefit ▪ Relapse benefit within 6 months
Additional services	None
Definition of disability	Own Occupation (changing to Any Suited after 24 months for the Classic Plus Plan)
Deferred periods	1 day (Classic Only), 4, 8 (Classic Plus only), 13, 26, 52 weeks
Exclusions	War/civil commotion Alcohol abuse Drug abuse Self inflicted Criminal acts HIV/AIDS Refusal of medical advice Living Abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Holloway Friendly
Product name	Personal Income Protection Plan
Plan type	Standalone product
Product target market	Individuals
Provider financial strength ¹	B-
Underwriting process	Online submission is available
Minimum premium	The minimum annual premium is based upon the minimum benefit amount, which is £3,600pa of benefit
Premium basis	Guaranteed premiums
Age at entry	Minimum: 18 attained Maximum: 54 attained
Termination of benefits	Any age between 50 and 70
Benefit	50% of total earnings, subject to a maximum benefit of £120,000pa
Limited benefit term	None
Guaranteed insurability	<ul style="list-style-type: none"> On marriage/civil partnership On child birth/adoption On increase in mortgage/loan On promotion/salary increase £9,000pa or 50% of sum assured up to age 54
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium included
Other benefits	<ul style="list-style-type: none"> Career break Carers benefit Proportionate benefit/Rehabilitation benefit Relapse benefit within 6 months Individual consideration for hospitalisation benefit
Additional services	None
Definition of disability	Own Occupation for classes 1, 2 and 3; for class 4, Own Occupation for 12 months then Any Suited
Deferred periods	4, 8, 13, 26, 52 weeks
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Legal & General
Product name	Income Protection Benefit
Plan type	Part of menu (available as standalone plan)
Product target market	Individuals
Provider financial strength ¹	A
Underwriting process	Big T tele-underwriting
Minimum premium	£6pm, £60pa
Premium basis	Guaranteed premiums (reviewable not offered)
Age at entry	Minimum: 18 attained Maximum: 59 attained
Termination of benefits	Any age between 50 and 70
Maximum benefit	60% of gross earnings up to £30,000 plus 50% over £30,000, limited to £200,000
Limited benefit term	None or 5 years
Guaranteed insurability	Every three years On increase in mortgage/loan On promotion/salary increase £10,000 or 50% of sum assured up to age 49
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium is automatically included
Other benefits	<ul style="list-style-type: none"> Career break/Houseperson cover, max benefit £20,000, deferred period 4, 13, 26, 52 weeks Proportionate benefit/Rehabilitation benefit Relapse benefit within 12 months Hospitalisation benefit, £150 per night for 84 nights after 7 days Optional Total Perm Disability lump sum benefit
Additional services	Claims support services
Definition of disability	Own Occupation for classes 1 & 2; Own Occupation converting to Tasks after 12 months in claim for classes 3 & 4 and housepersons
Deferred periods	4, 13, 26, 52 weeks
Exclusions	Alcohol abuse Drug abuse

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	LV=
Product name	Flexible Protection Plan
Plan type	Part of menu (available as standalone plan)
Product target market	Individuals (Flexible Protection & Flexible Protection Budget Only) Mortgage expenses (Flexible Protection Mortgage Health Only)
Provider financial strength ¹	B+
Underwriting process	Big T tele-underwriting
Minimum premium	£5pm
Premium basis	Guaranteed premiums or reviewable after first five years and any time thereafter
Age at entry	Minimum: 17 attained Maximum: 59 attained
Termination of benefits	A specified expiry age between 50 and 65 (classes 1 & 2 with own occupation definition) and between 50 and 60 (classes 1 & 2 with suited or work tasks definition of incapacity, and classes 3 & 4, and homemakers)
Maximum benefit	50% of income limited to £150,000pa £1,500 per month or 50% of income for Mortgage PP Health
Limited benefit term	None (Flexible Protection) 2 years only (Flexible Protection Budget/Mortgage Health)
Guaranteed insurability	On marriage/civil partnership (Flexible Protection & Budget only) On child birth/adoption (Flexible Protection & Budget only) On increase in mortgage/loan On promotion/salary increase (Flexible Protection & Budget only) £10,000pa or 50% of sum assured up to age 55
Indexation	Optional indexation of benefits offered by RPI (Flexible Protection & Budget only)
Waiver of premium	Waiver of premium is available as an option
Other benefits	<ul style="list-style-type: none"> ▪ Career break – Houseperson reduced premium (Flexible Protection & Budget only) ▪ Houseperson cover, max benefit £18,000, deferred period 3, 6, 12, 24 months ▪ Proportionate benefit/Rehabilitation benefit (Flexible Protection & Budget only) ▪ Relapse benefit within 6 months ▪ Total Perm Disability – Available as menu option
Additional services	Health & wellbeing services, claims support services
Definition of disability	Own Occupation, Any Suited, ADLs
Deferred periods	1, 2, 4, 6, 12 or 24 months
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	LV=
Product name	Mortgage & Lifestyle Protection Plan
Plan type	Standalone product
Product target market	Individuals Mortgage expenses
Provider financial strength ¹	B+
Underwriting process	Big T tele-underwriting
Minimum premium	£10pm
Premium basis	Guaranteed premiums
Age at entry	Minimum: 17 attained Maximum: 65 attained
Termination of benefits	Any age between up to 70
Benefit	50% of gross income limited to £50,000pa
Limited benefit term	None
Guaranteed insurability	<ul style="list-style-type: none"> On marriage/civil partnership On child birth/adoption On increase in mortgage/loan On promotion/salary increase £10,000pa or 50% of sum assured up to age 55
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium automatically included
Other benefits	<ul style="list-style-type: none"> Redundancy cover Career break – houseperson reduced premium Houseperson cover, max benefit £18,000, deferred period 1, 2, 3, 6 months Carers benefit Proportionate benefit/Rehabilitation benefit Relapse benefit within 6 months
Additional services	Health & wellbeing services, claims support services
Definition of disability	Own Occupation, ADLs
Deferred periods	1, 2, 3, 6 months
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	PruProtect
Product name	Comprehensive Income Protection
Plan type	Part of menu (available as standalone plan)
Product target market	Individuals
Provider financial strength ¹	A
Underwriting process	Big T tele-underwriting is used
Minimum premium	£10pm
Premium basis	Level or decreasing guaranteed premiums based on Vitality status or premiums reviewable after 5 years and annually thereafter
Age at entry	Minimum: 16 attained Maximum: 59 attained
Termination of benefits	Any age up to 70
Benefit	60% of the first £30,000 of earnings and 50% of earnings in excess of £30,000 limited £150,000pa
Limited benefit term	None
Guaranteed insurability	Every three years On marriage/civil partnership On child birth/adoption On increase in mortgage/loan On promotion/salary increase £8,000pa or 50% of sum assured up to age 54
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium is automatically included
Other benefits	<ul style="list-style-type: none"> Redundancy cover Career break Houseperson cover, max benefit £18,000, deferred period 4, 13, 26, 52 weeks Proportionate benefit/Rehabilitation benefit Relapse benefit within 6 months Total Perm Disability Back to work benefit
Additional services	Health & wellbeing services, counsellors, claims support services
Definition of disability	Own Occupation, ADLs
Deferred periods	1 day, 7 days; 1, 3, 6, 12 months
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	PruProtect
Product name	Primary Income Protection Cover
Plan type	Part of menu (available as standalone plan)
Product target market	Individuals
Provider financial strength ¹	A
Underwriting process	Big T tele-underwriting available
Minimum premium	£10pm
Premium basis	Level or decreasing guaranteed premiums based on Vitality status or premiums reviewable after 5 years and annually thereafter.
Age at entry	Minimum: 16 attained Maximum: 59 attained
Termination of benefits	Any age up to 70
Benefit	50% of earnings limited to £90,000pa
Limited benefit term	None
Guaranteed insurability	<ul style="list-style-type: none"> On increase in mortgage/loan On promotion/salary increase £8,000pa or 50% of sum assured up to age 54
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium offered as an option
Other benefits	<ul style="list-style-type: none"> Redundancy cover Career break - houseperson Houseperson cover, max benefit £18,000, deferred period 4, 13, 26, 52 weeks Proportionate benefit/Rehabilitation benefit Relapse benefit within 6 months Back to work benefit
Additional services	Health & wellbeing services, claims support services
Definition of disability	Own Occupation, ADLs
Deferred periods	1 day, 7 days; 1, 3, 6, 12 months
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Scottish Provident
Product name	Self Assurance Term – Business/Personal/Mortgage
Plan type	Part of menu (available as standalone plan)
Product target market	Business (Business only) Individuals (Personal only) Mortgage expenses (Mortgage only)
Provider financial strength¹	B+
Underwriting process	Online and little t underwriting is used
Minimum premium	£5pm, £60pa
Premium basis	Guaranteed premiums and premiums reviewable every five years are offered
Age at entry	Minimum: 18 attained Maximum: 59 attained
Termination of benefits	Any age up to 65
Benefit	50% of salary or earned income limited to £126,000pa
Limited benefit term	None
Guaranteed insurability	<ul style="list-style-type: none"> On marriage/civil partnership (Personal & Mortgage only) On child birth/adoption (Personal & Mortgage only) On increase in mortgage/loan (Personal & Mortgage only) On promotion/salary increase (Personal & Mortgage only) On business increase (Business only) £8,000pa or 50% of sum assured up to age 54
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium offered as an option
Other benefits	<ul style="list-style-type: none"> Redundancy cover (mortgage only) Houseperson cover, maximum benefit £12,000, deferred period 4, 13, 26, 52 weeks Proportionate benefit/Rehabilitation benefit Relapse benefit within 6 months Total Perm Disability Menu plan option
Additional services	Health & wellbeing services, claims support services
Definition of disability	Own Occupation, Work tasks
Deferred periods	4, 13, 26, 52 weeks
Exclusions	Self inflicted injury

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Shepherds Friendly Society
Product name	Income Protection Plan
Plan type	Holloway Plan
Product target market	Individuals
Provider financial strength ¹	B-
Underwriting process	Big T tele-underwriting used
Minimum premium	£10pm
Premium basis	Guaranteed premiums increasing with age every 5 years from age 31
Age at entry	Minimum: 16 attained Maximum: 59 attained
Termination of benefits	Any age between 50 and 65
Benefit	60% of gross regular income limited to £36,000pa
Limited benefit term	None
Guaranteed insurability	Not available
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium offered as an option
Other benefits	<ul style="list-style-type: none"> Houseperson cover, max benefit £4,800, deferred period 1 day Proportionate benefit/Rehabilitation benefit Relapse benefit within 3 months
Additional services	None
Definition of disability	Own Occupation for the first 12 months of a claim changing to Any Suited thereafter. ADLs for Housepersons cover
Deferred periods	1 day, 2, 4, 8, 13, 26, 52 weeks
Exclusions	War/civil commotion Alcohol abuse Drug abuse Self inflicted HIV/AIDS Refusal of medical advice Flying (not as a passenger) Hazardous activities

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Sun Life Financial of Canada
Product name	Financial Foundations
Plan type	Part of menu (available as standalone plan)
Product target market	Individuals
Provider financial strength ¹	B+
Underwriting process	Big T tele-underwriting utilised
Minimum premium	£10pm, £100pa
Premium basis	Premiums are reviewable after the first 10 years and at 5 yearly intervals thereafter. Shorter review periods are employed for older ages
Age at entry	Minimum: 17 attained Maximum: 59 attained
Termination of benefits	At ages 50, 55, 60 or 65
Benefit	60% of earnings up to £45,000 and 35% of earnings over £45,000, limited to £120,000pa
Limited benefit term	None
Guaranteed insurability	Not available
Indexation	Optional indexation of benefits offered by RPI
Waiver of premium	Waiver of premium included automatically
Other benefits	<ul style="list-style-type: none"> ▪ Career break - houseperson ▪ Houseperson cover, max benefit £9,000, deferred period 26 weeks ▪ Proportionate benefit/Rehabilitation benefit ▪ Relapse benefit within 6 months ▪ Total Perm Disability menu option
Additional services	None
Definition of disability	Own Occupation throughout for preferred occupations; Own for 2 years then Any Suited thereafter for standard occupations; ADLs for housepersons
Deferred periods	13, 26, 52 weeks
Exclusions	War/civil commotion Alcohol abuse Drug abuse Self inflicted Criminal acts HIV/AIDS Refusal of medical advice

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Unum
Product name	Essential Ability Cover
Plan type	Standalone product
Product target market	Individuals
Provider financial strength ¹	B
Underwriting process	Big T tele-underwriting is used
Minimum premium	£5pm, £50pa
Premium basis	Premiums reviewable at any time
Age at entry	Minimum: 18 attained Maximum: 64 attained
Termination of benefits	Any age between 50 and 70
Max benefit	£25,000pa. The benefit is not linked directly to the policyholder's income
Limited benefit term	None
Guaranteed insurability	Not available
Indexation	Automatic indexation of cover
Waiver of premium	Waiver of premium offered as an option
Other benefits	<ul style="list-style-type: none"> Houseperson cover, maximum benefit £25,000, deferred period 4, 8, 13, 26, 52 weeks Relapse benefit within 12 months
Additional services	Health & wellbeing services, claims support services
Definition of disability	ADLs
Deferred periods	4, 8, 13, 26, 52 weeks
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Unum
Product name	Personal/Primary Income Replacement Plan
Plan type	Standalone product
Product target market	Individuals
Provider financial strength ¹	B
Underwriting process	Big T tele-underwriting used
Minimum premium	£5pm, £50pa
Premium basis	Guaranteed premiums and premiums reviewable at any time are offered
Age at entry	Minimum: 18 attained Maximum: 64 attained
Termination of benefits	Any age between 50 and 70
Maximum benefit	50% of pre-incapacity earnings limited to £250,000pa
Limited benefit term	None 2, 3, 5 years (Personal plan only)
Guaranteed insurability	Every three years On marriage/civil partnership On child birth/adoption On increase in mortgage/loan On promotion/salary increase (Personal plan only)
Indexation	Not available (Primary plan only) Optional indexation of benefits offered by RPI (Personal plan only)
Waiver of premium	Waiver of premium automatically included
Other benefits	<ul style="list-style-type: none"> • Career break • Houseperson cover, max benefit £250,000, deferred period 4, 8, 13, 26, 52 weeks • Proportionate benefit/Rehabilitation benefit • Relapse benefit within 12 months • Total Perm Disability Option (Personal plan only)
Additional services	Health & wellbeing services, claims support services
Definition of disability	Own Occupation or Any Suited; ADLs for housepersons
Deferred periods	4, 8, 13, 26, 52 weeks
Exclusions	None

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

Research category	Product facts
Provider name	Zurich Assurance
Product name	Essential Cover & Premier Cover
Plan type	Standalone product
Product target market	Individuals
Provider financial strength ¹	B+
Underwriting process	Online and little t underwriting is used
Minimum premium	£11pm, £110pa
Premium basis	Premiums are reviewed every year (every five years for Premier Cover)
Age at entry	Minimum: 18 attained Maximum: 59 attained
Termination of benefits	Any age up to 65
Benefit	60% of earnings up to £45,000pa, plus 33.33% of earnings over £45,000pa limited to £100,000pa
Limited benefit term	None (Premier Cover) 2 years only (Essential Cover)
Guaranteed insurability	Not available
Indexation	Optional indexation of benefits offered by RPI or AEI
Waiver of premium	Waiver of premium included
Other benefits	<ul style="list-style-type: none"> Proportionate benefit/Rehabilitation benefit Relapse benefit within 6 months
Additional services	None
Definition of disability	Own Occupation or Any Suited
Deferred periods	4, 13, 26, 52 weeks
Exclusions	War/civil commotion Criminal acts HIV/AIDS Refusal of medical advice Living abroad

¹ AKG Actuaries & Consultants, specialists in this field, have allocated a rating factor to all providers dependent on its financial strength using data from the annual FSA return. These ratings are the results of analysis of a range of key criteria, such as size, free assets, parentage, distribution image and reputation within the IFA market, expenses levels, market share and profitability.

This is for financial advisers only.

I love it when my clients feel secure.

So do we.
Our 5 Star Rated income
protection means you can
choose LV= with confidence.
Put simply, it works when
your clients can't.



To find out more visit LV.com/adviser
or call 0845 602 0690*

*For Textphone, dial 18001
first. We may record and/or
monitor your calls for training
and audit purposes.

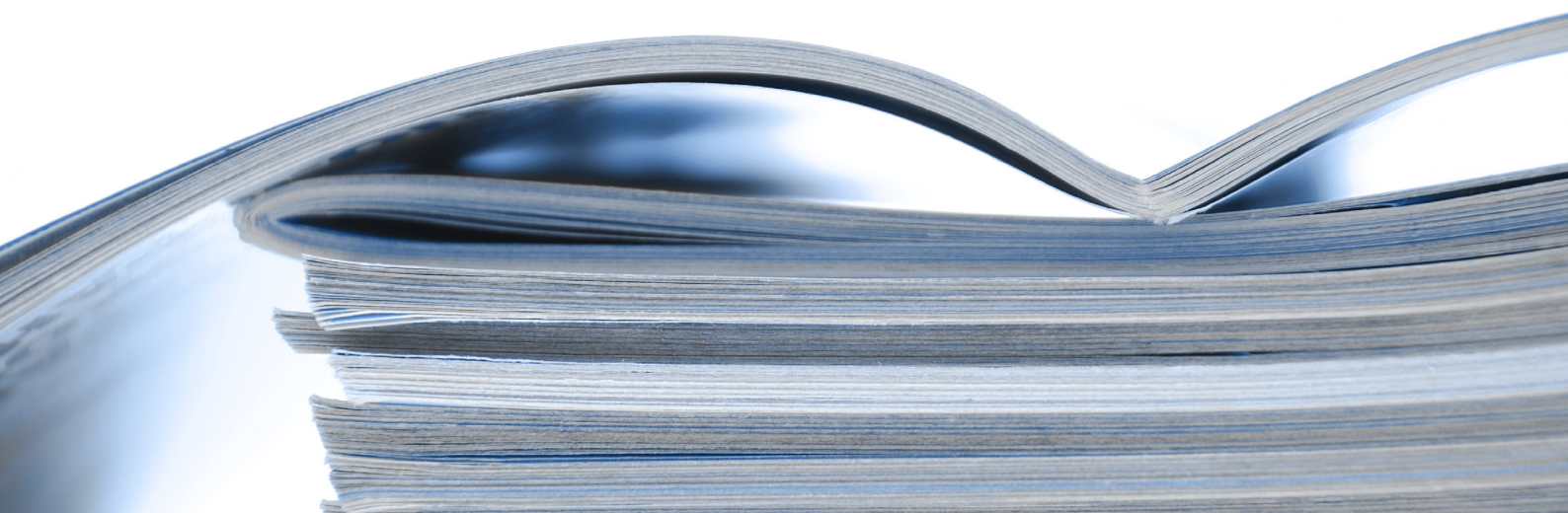
PROTECTION ♥ PENSIONS ♥ ANNUITIES ♥ EQUITY RELEASE ♥ INVESTMENTS

LV= BETTER
BUSINESS

21016896 10/10

Recent publications by Defaqto

Home Insurance Report	A crucial balancing act	Oct 2010
Third Way Guide	A guide to third way retirement products	Sep 2010
Multi-Manager Guide	H2 - Guide	Aug 2010
Protection Report	Opportunity knocks	Aug 2010
Motor Insurance Report	At a crossroads	Aug 2010
Alternative Investments Guide	A guide to alternative investments	Jul 2010
SIPPs Guide	A guide to SIPPs	Jul 2010
Emerging Market Funds Guide	A guide to emerging market funds	Jul 2010
SIPPs Report	Still evolving	Jul 2010
Insurance Bonds Guide	Watch this space	Jun 2010
Absolute Return Guide	A fund for all seasons	Jun 2010
Travel Insurance Report	Turbulence for the foreseeable future	Jun 2010
Discretionary Management Guide	Letting go	May 2010
Platforms Guide	Decision time	Apr 2010
Retail Banking Report	A lack of funding	Apr 2010
Commercial Insurance Report	The future is online	Apr 2010
Platforms Report	The countdown begins	Mar 2010
Payment Protection Insurance	After the storm...	Mar 2010
Critical Illness Guide	IFA Guide to the critical illness market	Feb 2010
Multi-Manager Guide	H1 - Guide	Feb 2010
RSI Report 2009	Retirement, Savings & Income Report 2009	Dec 2009
Web Aggregator Report 2009	The bubble is about to burst	Dec 2009



The Defaqto Insight team

In addition to generating Star Ratings, and a regular series of Insight reports, Defaqto's Insight team offers a wide range of consultancy services, including:

- Product analysis and product positioning
- Whole of market product reviews
- Creation of Best Advice Panels
- Authoring of sponsored market or product guides
- Consumer research.

The team are as follows:

Brian Brown Head of Insight and Research
Ben Heffer Insight Analyst, Life and Protection
Michael Powell Insight Analyst, General Insurance
Kevin Bray Insight Analyst, Banking
David Abbis Insight Analyst, Wealth Management
Matthew Ward Consultant, Wealth Management
Fraser Donaldson Insight Analyst, Funds

For more information about our Insight team please visit www.defaqto.com/media-centre

About the author



Ben Heffer
Insight Analyst, Life and Protection

bheffer@defaqto.com
01844 295 447

Ben Heffer graduated from Leeds University in 1988 and, after a spell in the Civil Service, worked for Bradford & Bingley Building Society and Countrywide Independent Advisers before joining Defaqto at its inception in April 1994.

With 20 years' experience in financial services, Ben has worked primarily in pensions and investment research. In 2008, he became a member of the Defaqto Insight team, with responsibility for the measurement of service standards in protection, pensions and investments.

Ben now specialises in life and protection.

Contributions from
Jonathan Longstaff-Ellis Life & Protection Research Manager
Mark Wilson Life & Protection Researcher

Defaqto Group owns and operates Defaqto Limited and Defaqto Media Limited. Defaqto Group is backed by FF&P Private Equity Limited, the private equity division of Fleming Family & Partners, and Acuity Capital Management Ltd

© Defaqto Limited 2010. All rights reserved.

No parts of this publication may be reproduced in any form by any means, whether electrical, mechanical, optical or any other or be stored in a retrieval system without the express written permission of the publisher. The publisher has taken all reasonable measures to ensure the accuracy of the information and ratings in this document and cannot accept responsibility or liability for errors in or omission from any information given and for any consequences arising.