

Intermediary Product Guidance

# Short-term Income Protection Plan

# What does this Plan do?

This is an insurance plan that:

- Provides a monthly income if the Member can't work in their normal job because of illness or injury.
- Allows Members to choose how long they need to wait before the plan pays out if they are unable to work. For example, they can tie this in with their existing sick-pay arrangements.
- Pays the monthly income until earliest of:
  - the Member being able to return to work,
  - the benefit payment term end date, currently 1 or 2 years (selected by the client when applying for cover), or
  - the plan end date which can be set at any age between 50 and 70.
- Allows Members to insure up to 60% of their earnings before tax, up to a maximum benefit of £60,000 per year – this means that they can cover earnings of up to £100,000 per year.
- Allows Members to select whether their benefit should remain fixed throughout the term of the plan, including any claim, or for the benefit to rise in line with inflation as measured by the Retail Prices Index.

The price of the plan increases every January as the Member gets older.

## Key additional features

The product also offers the following additional features:

- Premiums are refunded when the benefit is being paid
- Benefit guarantee - members can guarantee a benefit of up to 60% of their earnings before tax, up to the maximum of £60,000 by providing acceptable proof of earnings within 6 months of starting the plan
- Repeat claims can be made, subject to policy conditions
- An additional payment if the Member is diagnosed with a terminal illness
- Rehabilitation support to help the Member recover so they can return to their job
- In certain circumstances part of the benefit can continue after returning to work
- Discretionary medical expenses payments can be made to support recovery
- Benefits can be increased on specific life events without any health assessment, e.g., marriage/ civil partnership, birth or legal adoption of a child,

salary increase or promotion, change of job including a salary increase, taking out a new mortgage or increasing an existing mortgage

- Premium holidays after a qualifying period to allow for maternity / paternity leave, study, travel or redundancy.

## Who is this Plan suitable for?

The plan is suitable for people who have earned income – whether employed or self-employed - who want to make sure that their regular expenditure (for example, mortgage, rent, household bills, food etc.) can continue to be met if they are unable to work as a result of illness or injury for a limited period of time. Those who have sick pay arrangements in place can select an interval, known as the deferred period, before the payments begin.

Individuals buying this plan should be comfortable with premiums that start low but increase on an annual basis in line with the increased risk of claiming as they get older. The rate that premiums increase by each year is fixed from the start of the plan and will not change.

### Who is eligible?

Anyone can apply for the Plan provided that:

- They have been a UK or EU citizen who has been both resident and registered with a UK GP for a minimum of 12 months
  - If they cannot fulfil the above criteria, they must have been both resident in the UK and registered with a UK GP for the last 3 years
- They are, at the chosen start date, aged between 18 and 59
- They are working for a minimum of 16 hours per week
- They are employed, or if self-employed, have a proven trading history of 6 months
- They have a UK bank account
- They pay income tax in the UK
- They have no immediate intention to move abroad.

## Distribution

While the Plan is suitable for the mass market, it is only available through authorised intermediaries, because:

- Most prospective Members will require advice/ guidance in order to select the appropriate Plan for their individual circumstances
- It is important that a prospective Member receives advice and understands the Plan and the various choices that they must make at outset, including:
  - understanding the appropriate level of cover for their Plan
  - taking into account the relationships between existing arrangements through their employers, the support offered by state benefits, and the cover offered by the Plan, including the period before any benefits are paid.

We do not accept Execution Only business or direct applications arising from advertising or mailshots where advice or guidance has not been supplied to the applicant.

## Who is the Plan not suitable for?

The Plan isn't suitable for people who:

- Are looking for cover in case they are made redundant
- Are unemployed or are already unable to work as a result of illness or injury
- Are looking for benefit to be payable until the plan end date in the event of long term illness or injury
- Have sufficient funds to cover the possibility of being unable to work
- Would prefer to rely on any state benefits that might be available at the time, if they are unable to work.

## Risks of having the Plan

The following risks to Members need to be managed by both the Member and their Adviser:

- Benefits may be insufficient at claim as any salary increases do not automatically result in benefit increases - it is important to ensure that the relationship between benefit and earnings is maintained. Even if escalating benefit is chosen, this will only keep up with changes in the Retail Prices Index, so any salary increases from promotion or job changes may not be reflected in benefit levels.
- Benefit payments may cease before the member is able to return to work.
- Becoming ineligible to claim due to ceasing to work at least 16 hours per week or not working at all.
- Members are unable to claim because of a failure to give full and complete information at application.
- Members fail to understand what is covered and not covered by the Plan
- Members pay for cover and are unable to claim in full because their income has reduced so that the insured benefit is greater than the 60% of their income.
- Moving to a country outside those documented as being acceptable – see Schedule for full details – as this will limit payment of any claim to a maximum of 26 weeks

## Risks of stopping cover under this Plan

Members who cancel their cover, should consider the following:

- What income would they have to live on if they could not work?
- Whether they have enough savings to cover any extended period of being unable to work?
- The impact on their life of any extended period of being unable to work?

## Further information

More information can be found in the following documents:

- Key Features Document
- Schedule

## Contact us.

We're here to help.

### Address

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### We're here

**Monday - Friday** 9.00am to 5.00pm