



# SUPPORT FOR THE **UNEXPECTED**

A Guide to Personal Income Protection

# INTRODUCING ROYAL LONDON

Ever since we started as a Friendly Society over 150 years ago, at Royal London we've believed that our difference is our strength. Today, we're the UK and Ireland's largest mutual life and pensions company. Whoever you are and whatever your aims, we'll look to provide you with great long-term value, first class service and support at all times.

## KEY INFORMATION

The purpose of Personal Income Protection Cover is to provide a regular income if you are unable to work due to illness or injury for a certain period of time and you suffer a loss of earnings as a result.

You must be totally unable to perform the essential duties of your normal occupation and not be engaging in any other occupation.

Personal Income Protection is designed solely to provide protection benefits and there is no surrender value payable at any stage under the policy.

At the time of a claim, your earnings must be at the level that justifies the amount of cover you have chosen. If not, you will receive a reduced benefit. In this case, Royal London will not refund any part of the payments you have made. Full details relating to the maximum amount of income protection benefit that will be paid if you make a claim are contained in the Policy Conditions booklet.

Under current legislation, the benefit payments will be treated as income and so are assessed for income tax, PRSI and the Universal Social Charge (USC). Royal London will take any income tax, PRSI and USC in the same way as an employer would take them from a normal income, before providing the benefit to you.

This brochure is designed as a quick reference to the main features of your Personal Income Protection policy. It should be read in conjunction with the Policy Conditions booklet which contains full details of the Benefits provided and the Terms and Conditions which apply.

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# SO, WHAT EXACTLY IS IT?

**Personal Income Protection from Royal London provides you with an income if you are unable to work due to illness or injury.**

It can help protect your lifestyle by limiting the financial consequences of suffering an illness or injury which prevents you from working.

Payments continue either until you are well enough to return to work or your policy ends. There is no restriction on what you use the income protection benefit for. It's there to support you financially, however you need it.

Under current tax law (March 2017) the premiums you pay may be eligible for **Tax Relief**. This can reduce the cost of your cover by up to 40%, if you pay income tax at the higher rate. **The gross premium is payable to Royal London and you must claim the tax relief from Revenue.** The maximum amount on which tax relief can be claimed is limited to 10% of your total income for the year of assessment. Revenue limits, terms and conditions apply.

## How important is your income?

The income you earn determines the life you lead. It's easy to think of all the ways you use your income; it pays for the day-to-day living expenses and bills that allow you to create a home and provide for your family. It also helps pay for special occasions that create lasting memories.

If it suddenly stopped, your life would change drastically.

### **How long could you cope financially if you were on sick leave?**

If you are self-employed, you will have to rely on any investments and savings you might have. There is no State Illness Benefit available to self-employed workers.

If you are employed, your employer might have sick leave benefits that will automatically cover you when you're off sick. But these are usually only available up to a certain time limit – do you know how long these benefits would last with your employer?

Once your employer sick pay ends, you would have to rely on the State Illness Benefit, currently up to €193 per week for eligible employees and any savings and investments you might have.

The State Illness Benefit is administered by the Department of Social Protection and is subject to qualifying conditions. For more information visit [www.welfare.ie](http://www.welfare.ie)

### **Reasons to choose Income Protection**

- You're self-employed so don't qualify to receive the State Illness Benefit
- You're working more than 16 hours a week in paid employment and rely on your income to support your outgoings
- Your current sick leave benefits would not be sufficient
- The State Illness Benefit is not enough to support you and your family.



How long could you cope financially if you were on sick leave?

# COVER TO SUIT YOU

## The amount of income you want to protect

You can cover up to 75% of your earnings, less any State Illness Benefit entitlement, up to a maximum of €250,000 per annum.

If cost is an issue, you don't have to cover the full amount, as even a little cover is better than none.

When choosing the level of income protection benefit you want, you should take into account any State Benefits you may be entitled to. You should also consider any other insurance plans you already have that provide cover for accident, illness or injury. Otherwise you may be paying for more income protection benefit than you can claim.

Your Financial Broker is best placed to advise you on the level of cover that suits your needs and circumstances.

### **Example:**

Ted earns €100,000 a year. His employer does not provide any sick pay but Ted is eligible for the State Illness Benefit, currently up to €193 a week.

The maximum cover amount Ted can put in place is 75% of his income, (€100,000\*75%) less his state benefit of €10,036 (€193\*52); €64,964.

## How long your cover should last

When taking out your policy, you choose the expiry age that best suits your circumstances. This is when your cover will end and you can select any age between 55 and 70.

Many people will choose an expiry age to coincide with their retirement age. And, as the age of retirement is increasing, we offer **expiry ages up to age 70**.

Please talk to your Financial Broker to make sure this applies to you as certain occupations have lower expiry ages.





### **When you want your income protection benefit to start**

There is an amount of time you have to be off work continuously, due to illness or injury, before your income protection benefit starts being paid. This is called the **Deferred Period**. You can choose a Deferred Period of 4, 8, 13, 26 or 52 weeks.

You will most likely match this time to suit your personal circumstances, for example, it could be based on your employer's sick pay rules. So you would choose your Deferred Period to match the amount of time your employer will provide full sick-pay. This way, as soon as your employer sick-pay ends, your income protection benefit would start.

Or it could be driven by cost. The length of the Deferred Period you choose will impact the cost of your policy. The longer the Deferred Period, the lower your monthly premium.

For additional flexibility, you can choose two Deferred Periods within your policy. So, for example, you could choose to provide a certain amount of income protection benefit after a shorter Deferred Period and a higher income protection benefit amount after a longer Deferred Period. This may be useful in order to best match employer sick pay schemes or to help reduce the overall cost of cover.

We recommend discussing your options with your Financial Broker to ensure you choose the best Deferred Period(s) to suit you.

#### **Example:**

Mary is employed and pays PRSI. She has selected one Deferred Period of 26 weeks on her Income Protection policy. Mary chose this amount of time because it coincided with when her employer sick pay would end.

Following a cancer diagnosis, Mary goes on sick leave from work. During the deferred period she receives her employer sick-pay benefits and her State Illness Benefit. After 26 weeks, her employer sick-pay ends and Mary's income protection benefit starts.



### **Indexation to help protect your cover from the effects of inflation**

Inflation impacts the general cost of living, as it means the price of goods and services increase over time. By adding Indexation to your policy, your cover increases by 3% each year, in return for a 3.5% increase in your premiums each year.

In the event of a valid claim, your income protection benefit will continue to increase by 3% each year while the claim is being paid. This helps offset the negative effects of inflation.



By adding Indexation to your policy, your cover increases by 3% each year, in return for a 3.5% increase in your premiums each year.

# ADDITIONAL FEATURES

## **Hospital Cash Benefit**

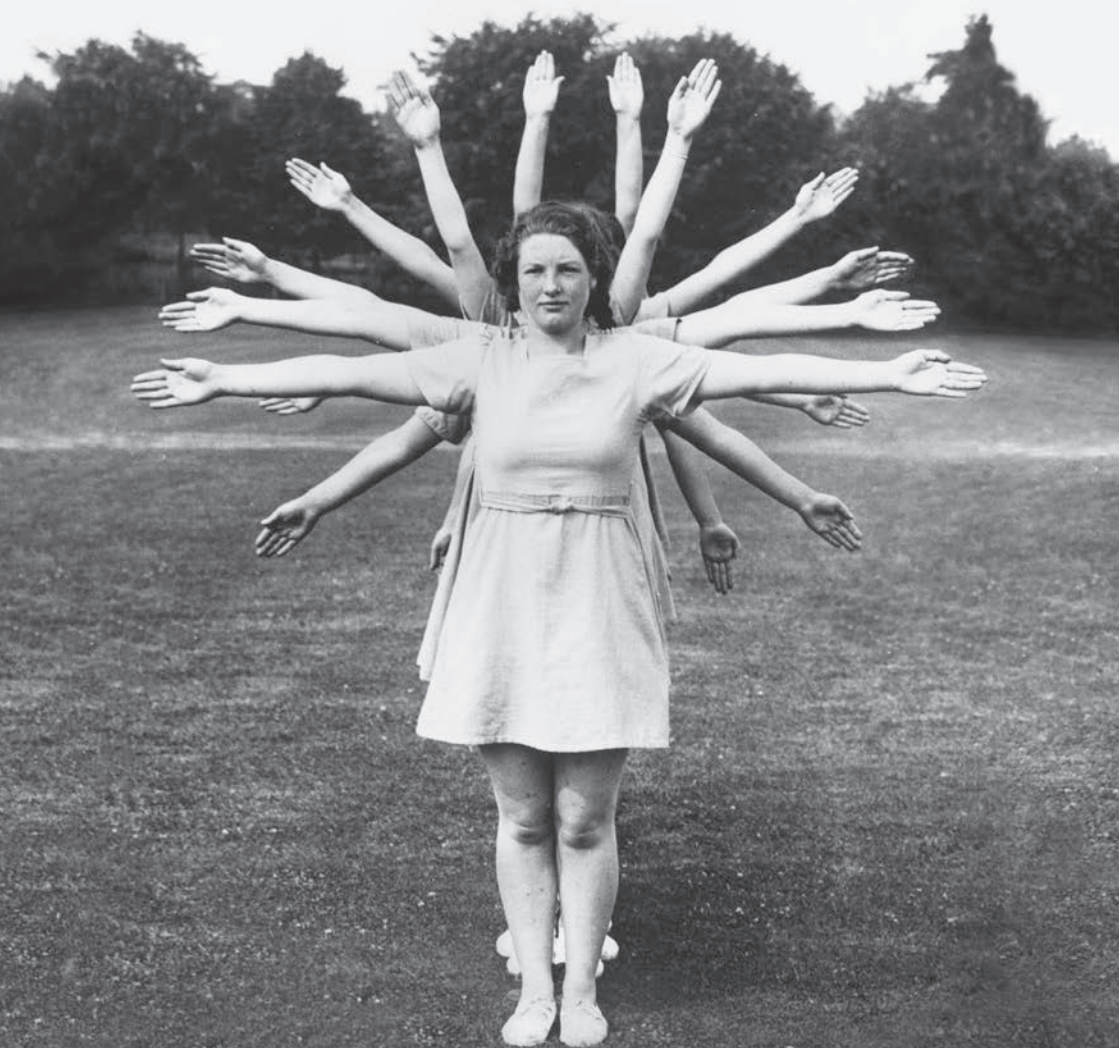
**Benefit payable when you are hospitalised for over a week.**

If you are admitted to hospital, a daily income is payable for every day you spend in hospital after day 7. This benefit is payable during your Deferred Period only and will continue for a maximum of 90 days for any one hospital stay.

The benefit must be claimed within 6 months of the date of hospitalisation. A benefit limit of 365 days in total applies for the duration of the policy.

### **Example:**

Joan was admitted to hospital and was an in-patient for 15 days. Joan's Hospital Cash Benefit was payable for 8 days of her hospital stay. Joan does not have to use this benefit to pay medical expenses; she can use it for any purpose.



### **Proportionate Payment**

**A partial benefit payment may be payable if you return to work on reduced earnings.**

If, as a result of your illness or injury, you are only able to return to work part-time or have to pursue an alternative occupation with a lower income, you may be eligible for a proportional payment to help make up for some of those lost earnings.

#### **Example:**

Jack works 40 hours a week and earns €50,000 per annum. He has an Income Protection policy protecting €30,000 p.a. of his salary which will expire on his 65th birthday.

Following a car accident, Jack was unable to work. While off work, after the end of the deferred period Jack's Income Protection benefit commenced.

After 10 months, Jack's doctor advised he could return to work on a part-time basis for 10 hours a week. His part-time earnings would only be €12,500 p.a., and so his income has reduced by 75% from his pre disability income.

As the proportional payment is calculated based on this 75% reduction in earnings, Jack will continue to be paid a reduced gross benefit amount of €22,500 p.a. ( $€30,000 \times 75\%$ ) from his policy. This income protection benefit will be taxed in the same way as Jack's normal income.

This payment will continue either until Jack's health improves sufficiently that he can return to full-time work or he reaches age 65.

## **Back to Work Benefit**

**Gives you financial support when you return to full-time work following a long-term claim.**

We want to help you to get back to work. We also understand that if you have been off work due to sickness or injury for a long time, returning to work can be an adjustment. While you may be happy to be back working, it can take time to return to a working routine.

To help with this financially, we will pay you 75% of your monthly income protection benefit for your first month back in work, 50% in month 2 and 25% in month 3.

The benefit is payable if you return to full time work having been in receipt of income protection benefit for at least 1 year.

The Back to Work benefit may be claimed only once during the policy and it is not payable where immediately prior to returning to full-time work you have been in receipt of a proportionate payment.

### **Example:**

John was on sick leave from work for 24 months. At the end of his chosen Deferred Period, John was paid a gross benefit amount of €2,250 each month from his Income Protection policy.

When he was fit to return to work, the first month back, in addition to his salary from his employer, he was paid a gross amount of €1,687.50 ( $€2,250 \times 75\%$ ) from his Income Protection policy.

The second month back at work he was paid a gross amount of €1,125 ( $€2,250 \times 50\%$ ) and on his third month back at work he was paid a final gross payment of €562.50 ( $€2,250 \times 25\%$ ) from his Income Protection policy. This back to work benefit is taxed in the same way as John's normal income.



## **Linked Claims Benefit**

### **Restarts claim payments if you relapse after returning to work following a claim.**

If within six months of your return to work following a claim you have to stop working again, for the same reason your original claim was based on, you will not have to wait a Deferred Period to start receiving your income protection benefit.

If you have chosen two Deferred Periods on the policy, the income protection benefit payable, following a linked claim, will be the benefit amount payable prior to returning to work. Although, any changes in your earnings may affect the maximum amount of income protection benefit that is payable.

Where this benefit amount is based on the first deferred period, then the higher benefit amount payable from the end of the second deferred period will start when the amount of time you are off work due to the original claim, when combined with the amount of time off work due to the linked claim, is equal to the second deferred period.

### **Example:**

Mark chose to provide a total income protection benefit of €18,000 p.a. on his policy. He chose two deferred periods with a benefit of €6,000 p.a. (€500 gross per month) payable after 13 weeks and the remaining €12,000 p.a. (€1,000 gross per month) payable after 52 weeks.

Following a claim, Mark received an income protection benefit from week 13 of his illness of €500 gross per month. He returned to work after a total of 37 weeks sick leave. After being back in work five months, Mark suffered a relapse and was unable to continue working.

Mark lets Royal London know, and provides the relevant information from his doctor confirming that he is unable to work for the same reasons as his original claim.

Mark's income protection benefit of €500 gross per month is payable again immediately. After 15 weeks, Mark's higher income protection benefit amount of €1,000 gross per month is payable (original 37 weeks plus 15 weeks = 52 weeks).

### **Essential Activities Benefit**

**Provides lower cover for periods of unemployment, taking a career break or parental leave.**

We understand that people's circumstances can change over time. So, if you become unemployed, take a career break or parental leave, you will not be covered for your income protection benefit. However, you will continue to be covered for the Essential Activities Benefit. This is payable if you are unable to carry out certain personal activities, e.g. walking, as defined in the Policy Conditions. The benefit amount is the lower of €15,000 a year and the income protection benefit amount.

If you notify us of your change in circumstances, your premiums will be reduced during this time to reflect any reduction to your full cover.

If you return to work within 12 months of switching to our Essential Activities Benefit, you can reinstate your full cover without having to provide any new medical evidence.

### **Guaranteed Insurability Option**

**Allows you to increase your cover as your income grows.**

As you move through your career your income is likely to increase with your experience. To allow your Income Protection cover to reflect this, you can increase it by up to 20% of the initial amount protected every three years, without having to supply any new medical evidence.

This option is available to you until you decide not to use it on two consecutive occasions. The maximum total increase during your policy is 100% of your initial cover amount.

It is important to note that, before increasing your cover you should consult your Financial Broker, to make sure any increases are within the maximum cover limits payable on your policy. Royal London may request financial evidence to justify that your earnings are at an appropriate level for any increase in cover.

## Guaranteed Insurability

### Option Example:

Ben has an Income Protection policy with cover of €50,000 per annum.

Three years after taking out his policy,

**Ben decides to increase his cover amount by 20%.** On the 6th and 9th anniversary of taking out his policy, he again decides to increase cover by 20%. Each time, his cover amount increases, his premiums also go up to reflect the change.

<b>Original cover</b>	<b>€50,000</b>
Top up in year 3	20% of €50,000 =€10,000
<b>Cover amount from year 3</b>	<b>€60,000</b>
Top up in year 6	20% of €50,000 (original cover amount)=€10,000
<b>Cover amount from year 6</b>	<b>€70,000</b>
Top up in year 9	20% of €50,000 =€10,000
<b>Cover amount from year 9</b>	<b>€80,000</b>



## **Premium Related Features**

### **Tax Relief available**

You can claim **tax relief** on all premiums you pay at your marginal rate of tax, if you currently pay income tax.

This means that if you are taxed at the higher rate, currently 40%, on a €100 premium you will get €40 tax relief – so the net cost to you is only €60.

The gross premium is payable to Royal London and the tax relief is claimed from Revenue. It is your responsibility to claim tax relief.

If you are unsure of any aspect of the tax treatment of premiums or benefits, please contact your Financial Broker for more detailed information.

### **Waiver of premiums**

While you are in receipt of an income protection benefit payment, you will not have to pay the premium related to that benefit. This is called a **waiver of premiums**.

#### **Example:**

Tom has a car accident and goes on sick leave from work. Following his selected Deferred Period, he starts to receive his income protection benefit.

While receiving his income protection benefit, he does not need to pay any monthly premium payments to Royal London. But if well enough to return to work in the future, his cover can resume, along with his premiums, until Tom reaches his selected expiry age.



### **Premiums are fixed**

Your premium, unless you choose Indexation, is guaranteed to stay the same throughout your policy, as long as your chosen benefits remain the same.

However, the Government levy of 1% (as at March 2017) which is included in your premium may change in the future.

### **Changing your job**

If you change job, your Income Protection policy will continue to protect you, regardless of your new occupation.

### **Terminal Illness Cover**

If you claim due to a Terminal Illness and have been diagnosed with less than 12 months to live, your income protection benefit payments will start immediately.



If you change job, your Income Protection policy will continue to protect you, regardless of your new occupation.

# ADDITIONAL SUPPORT FROM ROYAL LONDON

**As soon as you take out a policy with Royal London, you can use our Helping Hand service if you need to.**

## **Helping Hand service**

**Offers one-to-one personal support from an independent, qualified nurse advisor.**

Helping Hand is provided through our partners **RedArc** who can help you and your family cope with the devastating effects that illness or bereavement can have.

With 20 years experience, RedArc has earned a reputation for service excellence, supporting individuals and their families through serious illness, chronic health conditions, bereavement and disabilities.

Whilst your medical team focus on your treatment, RedArc helps by providing ‘softer’ skills – a friendly listening ear, practical information, and much needed emotional support both for you and your family. (When we say ‘family’ we mean the spouse or partner of the Royal London Life assured and their children.)

Helping Hand may also arrange specialist therapy to help speed up recovery, if appropriate.

- Bereavement counsellors *or*
- Speech and language therapists *or*
- Face-to-face second medical opinion *or*
- Complementary therapies *or*
- Massage *or*
- Physiotherapy for serious health conditions

These ancillary specialist therapies are only provided if recommended by your personal nurse advisor and only for a limited time. You don’t have to make a claim to use Helping Hand. You can use the service whenever you need it to get you through life’s major challenges.

Helping Hand is available to you, your spouse or partner and your children as soon as your policy starts. Helping Hand is provided at no extra cost to you.

Helping Hand is an additional service offered with all new Royal London policies. The service can be removed or amended at any time.



# INCOME PROTECTION COVER AND YOUR JOB

**The purpose of Income Protection is to provide you with an income if you are unable to work because of an illness or injury. Royal London assess your ability to work based on your normal job and whether you can carry out the essential duties it requires. In insurance terms, this is called own occupation cover.**

Because of this, the availability and cost of Income Protection cover is directly related to your job or occupation.

Some occupations are considered to be a higher risk than others. For example, an accountant will generally pay a lower premium for the same level of cover compared to a builder. This is simply because the builder has a higher chance of suffering an accident at work compared to an accountant. Due to the degree of occupational risk involved, there are some occupations that will not be accepted by us for Income Protection cover.

There are four different occupational classes for cover. People in the lowest risk occupations pay the lowest premiums while those in higher risk occupations pay a higher premium. This is based on a standard risk assessment across occupations.

Although there are some exceptions for certain occupations, the four broad categories available are;

<b>Occupational class 1</b>	Professional, managerial occupations, administration, clerical jobs
<b>Occupational class 2</b>	Occupations involving occasional manual work
<b>Occupational class 3</b>	Skilled manual occupations
<b>Occupational class 4</b>	Partly skilled and unskilled manual occupations

Please ask your Financial Broker for more information regarding these categories and to find out your occupation class.





# OUR CLAIMS PHILOSOPHY

**We try to make it as easy as possible to make a claim because we don't want you to have to deal with unnecessary procedures.**

We aim to treat people the way we'd like to be treated ourselves and use the experienced resources of our parent company to simplify our claims process. If you have to make a claim on your Income Protection policy, you will be assigned a dedicated claims assessor to assess and manage your individual claim. We will always be available to help with any queries you have and will aim to keep you up to date with how your claim is going.

## How the claim process works

The first step in making a claim is to let us know immediately about your change in situation, either by contacting us directly or through your Financial Broker.

We will then issue a claim form, which you must complete and return to us before we can consider a claim.

On the claim form, it will ask you questions about your illness or injury and your occupation and income. It will also ask about any other types of income or entitlements you may have, including any other insurance policies.



Please ensure that you return the completed claim form as early as possible to ensure we can start your payments as soon as your deferred period ends.

In addition to the claim form we will also ask for information and documentation that we reasonably require to assess the claim. Full details of the information we may require are contained in the policy conditions. We will pay the cost of all reports or evidence requested by us except the cost of obtaining at any time medical certificates from the doctor who has treated or examined you in respect of the disability.

In general, when we receive your claim, your ability to carry out your normal job following your illness or injury is assessed. Claims are reviewed to ensure they meet the definition of disability – in basic terms, the inability to work because of illness or injury – as shown in the policy conditions.

Once accepted, we will pay you a monthly income from the end of your Deferred Period until you are well enough to return to work, or you reach your policy expiry age. The maximum benefit payable is calculated based on your current earnings, up to a maximum of €250,000 per annum. This is determined as 75% of your current earnings, less any other income, including any State Benefits or other insurance policies that provide cover for illness or injury.

**If the Income Protection benefit is higher than this maximum benefit then your benefit payable will be reduced to reflect this. In this case, Royal London will not refund any portion of the premium payments you have made.**

**Example:**

Tony is an employee and before getting sick earned €60,000 a year.

Here is an example of the calculation that is likely to happen at claims stage for Tony:

	Per month	Per annum
Maximum income calculation while sick: 75% of annual salary of €60,000 p.a.	€3,750	€45,000
Less sick pay from employer	-€1,000	-€12,000
Less State Illness Benefit*	-€836.33	-€10,036
Maximum Income Protection benefit payable	€1,913.67	€22,964

Tony has an Income Protection policy for €20,000 per annum (€1,667 per month). At claim stage his monthly income protection benefit of €1,667 is lower than the maximum income protection benefit payable of €1,913.67. Therefore the full gross benefit is payable from his Income Protection policy.

**However, let's look at an example where Tony has too much cover in place.** Let's say Tony's policy had cover of €30,000 per annum (€2,500 per month). This is higher than the maximum income protection benefit payable of €1,913.67 and would put his payments in illness considerably above 75% of his earnings before he was ill. In this case his gross income protection benefit would be limited to €1,913.67 per month.

\*An increased payment may be available in respect of an adult dependant or child dependant if certain conditions are met. For more information visit [www.welfare.ie](http://www.welfare.ie)

As this example shows, it's very important to get Financial Broker advice as to what is the right amount of cover for you and to ensure that you are paying for the right amount. You should also review your benefits from time to time to ensure they are at the right level.

While you are in receipt of an income protection benefit, we do not charge you a premium for that benefit.

Your income protection benefit is taxed the same way as your normal income. So, income tax, PRSI, USC and government levies need to be considered. We will deduct the relevant taxes from your income protection benefit the same way an employer normally would and pay you the net amount.



You should also review your benefits from time to time to ensure they are at the right level.





# WANT TO KNOW MORE?

If you have a question about Income Protection then you can contact your Financial Broker. They can provide you with any additional information you need. See details below.

For information on other Royal London plans visit our website **[royallondon.ie](http://royallondon.ie)**

## Financial Broker Stamp:



[www.royallondon.ie](http://www.royallondon.ie)





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This brochure is a marketing guide to Royal London's Personal Income Protection cover. Its purpose is to provide a general overview and guidance on the benefits of a Royal London Personal Income Protection policy, including details of our Helping Hand service.

This brochure is for illustration purposes only and does not form any part of any contract between us. For further details of the cover and the exclusions provided under Personal Income Protection cover, please see our Key Features Document and the Policy Conditions booklet. If you take out a policy, your application, the policy conditions booklet and the policy schedule will set out your contract with us. We strongly recommend that you consult with your Financial Broker before taking out the policy as this brochure is provided without any liability or responsibility on our part.

The information contained in this brochure is based on Royal London's understanding of current law and Revenue practice as at April 2017 which may change in the future.

Feedback on the content and clarity of this booklet is very welcome. Please email [feedback@royallondon.ie](mailto:feedback@royallondon.ie)

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