Protection means peace of mind

A guide to financial protection

Why should I think about life insurance and financial protection?

Life insurance is an important consideration, especially when you have financial commitments or people who are dependent on you. Understandably, nobody likes to dwell on the possibility of death or illness in the future, **but unfortunately, they're parts of life that can't be avoided.**

Taking out a life or serious illness insurance policy can help to relieve some of the financial stress caused by illness or death. **It can help to protect you and your family if the worst happens.**

How much will a policy cost?

When you take out a policy, you pay a monthly charge called a premium. If you stop paying your premium, your policy will lapse and you'll no longer be covered. Your monthly premium will be calculated based on your individual circumstances.

The factors considered are:

- The amount of cover you want (your sum assured).
- How many people will be covered by the policy (for example, will your spouse or partner also be included?).
- The number of years the policy will last for.
- Your age when you take out the policy.
- Your health and medical history when you take out the policy.
- Whether or not you smoke.

Generally, the greater the sum assured and the number of people covered, the higher the premium will be. This is the case for the length of the policy too. Taking out a new policy can also get more expensive as you get older or your health deteriorates, so it can be beneficial to start thinking about taking out insurance while you're relatively young and in good health.

How will I know how much cover I need?

Everyone's circumstances are different, but a good place to start can be to estimate your overheads or your family's expenses and think about how these could be met without your regular income.

Whatever financial commitments you or your family would find difficult to meet is an indication of how much cover you might need. Expenses such as monthly rent or mortgage repayments, groceries and childcare might easily spring to mind, but you should also consider the general costs of maintaining your family's lifestyle, as well as things like car maintenance, summer holidays, and the possibility of leaving an inheritance.

How do I decide which type of insurance is best for me?

There are a few different types of policies to choose from. Which one best suits you and your family depends on several factors, for instance what stage of life you're at, and whether you have children or own property.

Before making any decisions, we recommend that you speak to your Financial Broker about which type would work best for you and your circumstances. Your Financial Broker will be able to explain the choices you have and give you a personalised quote. As a guide, we've included some of the policy types you may want to consider.

Life Cover

Life Cover is a type of protection product that pays out if you pass away before the policy ends. There are generally four types to choose from: Term Assurance, Pension Term Assurance, Whole of Life cover and Mortgage Protection.

Term Assurance

- Term Assurance is a Life Cover policy, lasting for a fixed number of years, which pays out a lump sum if you die before the policy ends.
- Because it lasts for a fixed number of years, it's usually a more affordable Life Cover option.
- If you don't die before the policy ends, you don't receive any payment.

Term Assurance example

Siobhán is 34 years old and has a young child, Ciara. After her daughter was born, she decided to take out a Term Assurance policy lasting for 20 years. If Siobhán dies before the policy ends, the full amount covered by the policy will be paid out, which can help to protect Ciara financially while she's still in school or college.

Instant TLC (Temporary Life Cover)

Instant TLC is a unique service from Royal London Ireland that provides temporary Life Cover for up to four weeks during the application and underwriting process. So, for no extra cost, you're protected even before your policy officially starts.[1]

You can get Instant TLC for the sum assured applied for, up to a maximum of €500,000 across all applications. It's available on all new applications for Life Cover for customers aged 60 or below.

Conversion Option with Royal London Ireland

This allows you to convert your Royal London Ireland Term Assurance policy to a new policy of equivalent type in the future without having to provide evidence of health in return for paying an extra 5% in premiums.[2]

1 Terms and conditions apply.

2 Subject to underwriting at the time the original policy is taken out.

Pension Term Assurance

- Pension Term Assurance is a Life Cover policy, lasting for a fixed number of years, which pays out a lump sum if you die before the policy ends.
- Pension Term Assurance policies are structured to use the tax relief available under pensions legislation. This means that you can claim full tax relief at your marginal tax rate on all premiums paid, so Pension Term Assurance has the potential to cost up to 40% less than regular Term Assurance.[3]
- Pension Term Assurance is available if you are in non-pensionable employment, including those who are:

  – Self-employed; or

  – Employed but not part of a pension scheme at work.

Tax relief on premiums – how it works

Tom owns his own business and currently pays tax on his earnings at the higher rate of income tax (40%).

As he is self-employed, he is entitled to tax relief on his monthly Pension Term Assurance premium (currently €100 per month) of €40.

Therefore, Tom's €100 monthly premium actually only costs him €60.

3 The gross premium is payable to Royal London Ireland and the tax relief must be claimed from Revenue. Revenue limits, terms and conditions apply. The amount of tax relief which can be claimed in any one year is limited to a percentage of your earnings for that year and varies depending on your age. Full details can be found in the product brochure.

Whole of Life cover

- Whole of Life is a long-term Life Cover policy which can provide cover for the rest of your life.
- It will pay out a lump sum to your loved ones or personal representatives whenever you die.

Whole of Life cover and inheritance tax

You can use your Whole of Life policy to help offset the inheritance tax liability your beneficiaries will be liable for by setting it up as a 'Section 72' Life Insurance policy. This is a special insurance policy approved by the Revenue Commissioners which can be taken out specifically to help pay inheritance tax. The money paid out, when it is used to pay inheritance tax, is then not liable to tax.

Whole of Life 'Section 72' example

Patrick was in his 50s when his wife died. With his son as his only beneficiary, he took out Whole of Life cover, setting it up as a 'Section 72' Life Insurance policy.

The policy lasted for the rest of Patrick's life and paid out when he died. As it was set up under 'Section 72', Patrick's grown-up son was able to use the funds to go towards paying the 33% inheritance tax he was liable for on any assets he inherited in excess of the €335,000 threshold (figures current at November 2023).

Royal London Ireland's unique 'Life Changes Option'

For an extra 10% in premiums, this feature gives you the option to stop paying premiums after having had your Whole of Life policy for at least 15 years, and you can still get something back.

You can choose between:

- **Protected Cover:**

  The policy will continue with a lower amount paid out when you die.

or

- **Protected Cashback:**

  Take an immediate cashback amount (up to 70% of your premiums) and end the policy.

This option also promises that your premiums will stop at your 100th birthday, but cover will continue. So, you can calculate from the start the absolute maximum you'll ever pay in premiums.

Mortgage Protection

- Generally required by your lender, Mortgage Protection is a Decreasing Life Cover policy which goes towards paying the outstanding balance left on your mortgage when you die.
- Mortgage Protection isn't designed to leave any money to dependents, it just helps to clear the debt you owe the mortgage provider for your home.
- A Mortgage Protection policy is set up to last for as long as your mortgage, and as your mortgage reduces over time, the amount covered by your Mortgage Protection policy also reduces broadly in line with it.
- Mortgage Protection can be set up to cover one person (Single Life) or two people (Dual or Joint Life).

Dual and Joint Life Mortgage Protection

Sinéad and Cormac are a couple about to buy their first house. They have two options when it comes to choosing a Mortgage Protection policy covering two people:

1. Joint Life Mortgage Protection
Under a Joint Life policy, both Sinéad and Cormac are insured for the same amount. If one of them dies, a lump sum is paid to clear the amount still owed on the mortgage and the policy then ends.

2. Dual Life Mortgage Protection
Under a Dual Life policy, Sinéad and Cormac are both insured separately. Each person is independently covered so if one person dies, the claim has no impact on the other person's cover.

So, if either Sinéad or Cormac pass away, a lump sum is paid to clear the amount still owed on the mortgage. The policy continues and can pay out again if the surviving policyholder dies before the policy ends.

With Royal London Ireland's Mortgage Protection, you can get Dual Life for the same price as Joint Life. This means you can get double the cover for no extra cost!

One month's free cover with Royal London Ireland

You can get one month's free cover when you take out a Mortgage Protection policy with Royal London Ireland. If selected, this means that when your application for cover is accepted, you can be insured straight away, and the monthly payments won't start until after one month has passed. Because your exact mortgage drawdown date might be uncertain, this helps make sure you're not paying for cover when you don't need it, but that everything is approved and in place when you do.

Serious Illness Cover

Serious Illness Cover is a type of protection product that pays out if you suffer a specific serious illness during the lifetime of the policy. With Royal London Ireland, you have two options to choose from: Specified Serious Illness Cover and Multi-Claim Protection Cover.

Specified Serious Illness Cover

- Specified Serious Illness Cover pays out a lump sum if you are diagnosed with any of the illnesses or conditions covered by the policy's terms and conditions before the policy ends.
- The specific illnesses covered by insurance companies can vary but generally the major illnesses such as cancer, heart attack, stroke and multiple sclerosis are covered.
  - Most insurance companies also offer partial payment cover for other, less serious conditions. If you are diagnosed with one of these, then you can claim a partial payment, generally limited to a certain amount or a maximum percentage of your original cover amount. Your policy will continue after a partial payment claim.
- Once we pay a claim, the Specified Serious Illness policy ends.
  - In cases where the Specified Serious Illness policy is linked with a Life Cover policy and you make a claim, only the Specified Serious Illness Cover ceases and the Life Cover continues.

Specified Serious Illness Cover example

John took out a Specified Serious Illness policy when his youngest child was born and his wife Niamh took a career break.

Five years into his policy, John broke his leg. As this is not a serious illness covered by his policy, he couldn't make a claim.

Ten years later, John suffered a stroke and was unable to work for a year while he recovered. Stroke is covered by his policy, so he was able to make a claim and received a lump sum which helped to cover his family's financial commitments while he recuperated.

Royal London Irelands's Helping Hand

This unique service gives one-to-one personal support from your own dedicated nurse from RedArc who can help you and your family cope with the devastating effects that illness or bereavement can have. It's available from day one of your policy with Royal London Ireland for no extra cost.[4]

4 Helping Hand is available for a new Royal London Ireland Life Assured and their family ('family' in this instance means the spouse or partner of the Royal London Ireland Life Assured and their children). Service can be amended or withdrawn at any time.

Multi-Claim Protection Cover

- Multi-Claim Protection Cover (MCPC) pays out a proportionate lump sum to help offset the financial impact of an illness or condition during the lifetime of the policy.
- It's a severity-based protection policy, which means that the pay-outs are based on how severe the illness and/or medical treatments are so that money is paid out when it's most needed.
- It automatically includes Life Cover, so if you pass away before the policy ends, the remaining unclaimed amount left on your policy will be paid out to your beneficiaries.
- It's an alternative to Specified Serious Illness Cover in that, rather than paying out a lump sum on one occasion, it's possible to claim multiple times until the total amount covered by the policy is fully paid out.
- Royal London Ireland is currently the only insurance company to offer this type of protection.

Multi-Claim Protection Cover example

Joan took out her MCPC policy at age 45 with a sum assured of €100,000. She was diagnosed with breast cancer three years later and referred for chemotherapy, radiotherapy and a mastectomy. The MCPC policy paid out €60,000 of Joan's cover:

• Chemotherapy	- €20,000
• Radiotherapy	- €20,000
• Major surgery (mastectomy)	- €20,000

This left **€40,000** cover remaining on Joan's MCPC policy if she was to suffer any future illnesses or health setbacks covered under her policy.

Unique, impact-based protection

MCPC can pay out multiple times and cover can continue after a claim, unless or until the full amount of cover has been claimed. It also covers more than traditional Specified Serious Illness Cover, for example, hip replacement surgeries, long-term hospital stays and severe psychiatric illness. Because the scope for making a claim is broader, you're more likely to be able to make a claim and receive a payout on this policy.

Personal Income Protection

Personal Income Protection is an insurance policy that pays out a monthly income if you are unable to work because of an accident or illness. It continues to pay out until you are either well enough to return to work, or you reach the retirement age agreed when you first took out the policy.

- Royal London Ireland's Personal Income Protection policy lets you cover up to 75% of your salary, up to a maximum of €262,500, less the personal rate of state illness benefit.
- If you claim and then return to work – and as long as you pay your monthly premiums – you will be able to make another claim if you're unable to work again in the future before the policy ends.
- When you take out a Personal Income Protection policy, you select a Deferred Period. This is the amount of time you have to be off work continuously, due to illness or injury, before your benefit starts being paid. Generally, the longer your Deferred Period, the lower your monthly premium.
- It can be a good idea to choose your Deferred Period to match the amount of time your employer provides full sick pay. That way, as soon as your sick pay ends, your Personal Income Protection benefit would start.
- With Royal London Ireland, you can choose a Deferred Period of 4, 8, 13, 26 or 52 weeks.
  - With some insurance companies, you can have more than one Deferred Period within your policy. So, for example, you could choose to receive a certain amount of Income Protection benefit after a shorter Deferred Period and a higher Income Protection Benefit after a longer Deferred Period. This can be a useful way to match employer sick pay schemes or help reduce the overall cost of cover.

Personal Income Protection example

Andrew earns €100,000 a year. His employer provides full sick pay up to six months, after which he would have to rely on the state illness benefit, currently up to €220 a week (November 2023).

The maximum amount of Personal Income Protection cover Andrew could put in place is:

75% of his income	75% of €100,000 = €75,000
less his annual state benefit entitlement	€220 * 52 = €11,440
giving Andrew a maximum cover of	€75,000 - €11,440 = **€63,560**

When he took out his policy, Andrew selected a Deferred Period of 26 weeks, so if he was unable to work, his Income Protection benefit would start as soon as his employer's sick pay ends.

Unfortunately, Andrew was in a serious car accident and was unable to work for a year while he recovered. He received sick pay from his employers for the first six months. Then, as set up on his policy, he started receiving his monthly Income Protection benefit. As planned, this helped to replace his lost income while he was unable to work.

Guaranteed Insurability

As you move through your career, your income is likely to increase with your experience. The Guaranteed Insurability Option allows you to increase your cover by up to 20% of the initial benefit amount every three years, without having to supply any new medical evidence.[5]

Continuation Option

If you change jobs, your new employer may apply to replace your Personal Income Protection policy with a new Royal London Ireland Executive Income Protection policy offering identical benefits. By using the Continuation Option, you won't have to provide new medical evidence when the new policy is applied for.[6] Your employer will be responsible for paying the new policy premiums.

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

6 If the original policy has any ratings or exclusions, the same terms and conditions will be applied to the new Executive Income Protection policy. Royal London Ireland will issue the new policy under the normal terms and conditions which apply to Executive Income Protection at the time that the Continuation Option is used.

Your protection needs are important so making decisions about life insurance may feel daunting. We recommend that you contact your Financial Broker who will be able to help you assess the options available and make sure your policy choices are best suited to your needs and circumstances.

Information included is based on Royal London Ireland's current understanding of Revenue rules, in November 2023, and these may change in the future. Visit **www.revenue.ie** for more information.

This booklet is for illustration purposes only and does not form any part of any contract. Before making a final decision, you should read the full product brochure and policy conditions booklet as terms and conditions apply.

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