

Income Protection

Income protection insurance pays you a regular income if you are unable to work because of sickness or disability. These payments continue until you return to paid work or you retire. Income protection insurance is also known as permanent health insurance.

The amount of income you can claim will not replace the exact amount of money you were earning before you had to stop work. The calculations are done based on around half to two-thirds of your gross earnings from your normal job. This is because some money will be taken off for the state benefits you can claim, and the income you get from the policy is tax free.

Your policy documents will confirm how much you can expect to receive.

You cannot claim income protection payments straightaway when you fall ill or become disabled. You usually must wait a minimum of four weeks, but payments can start up to two years after you stop work. The period will depend on the premium and terms you agree when taking out the policy.

This is because you may not need the money straightaway as you may get sick pay from your employer, or you may be able to claim statutory sick pay for up to 28 weeks after you stop work. This is called a deferment period. If your situation changes then your adviser can usually arrange cover with a different deferment period.

The amount of benefit and the deferment period will be stated in your policy documents, and you should check regularly to ensure this meets your ongoing requirements.