

Income Protection

Key Features Document



Income Protection

What is the purpose of this document?

The Financial Conduct Authority is the independent financial services regulator. It requires us, Shepherds Friendly, to give you this important information to help you to decide whether our Income Protection plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Its aims

To provide:

- A regular income when you are not able to work (Incapacitated) due to illness or injury, no matter how many times you make a claim as long as you are in employment at the date the Incapacity starts. (If you are not working when Incapacity starts, see House Persons Benefit below.)
- A choice of when Benefits will commence based on the length of your chosen Waiting Period. This can be 1 week, 4 weeks, 8 weeks, 13 weeks, 26 weeks, or 52 weeks. If you choose the One-Year Limited Benefit option, the maximum Waiting Period available is 13 Weeks. If you choose the Level Guaranteed premium type, 1 week Waiting Period is not available. Your Waiting Period can be found within your Welcome Pack.
- For all Waiting Periods, Benefit is paid if you are totally unable to perform all the essential duties of the job you were in at the date your Incapacity started.
- If you become unemployed after the start of the plan and, as a result of an Incapacity, you are unable to perform three of the activities of daily living without the help of another person, we will pay House Persons Benefit for a maximum of 12 months (see our Terms and Conditions for full details and all requirements).

Your commitment

- To pay your initial and future increased regular monthly premiums for a specified number of years or until the plan ends.
- To give us accurate and honest answers to questions we ask about your health and lifestyle at application and at claim. We may request records from your GP as part of assessing your claim.
- To ensure you do not exceed the permitted Benefit level of 70% of income from all sources.
- To review your level of benefit if your income increases or decreases or if you become unemployed.

Risks

- If you stop paying premiums under this plan, your entitlement to any Benefit will cease.
- If your income increases and you do not review your Benefit level, you may not have sufficient Benefit to meet your needs when you make a claim.
- If your income decreases and you do not review your Benefit level, you may not be able to claim the full amount of Benefit you applied for when the plan started, or you may only be entitled to House Persons Benefit if you are unemployed at the date of Incapacity.
- If you cancel your plan, you will not receive any money back.
- Benefits received from this plan may affect your entitlement to any other Benefit.
- If you do not give us accurate and honest answers about your health and lifestyle, we may not pay the Benefit in the event of a claim and your plan may be cancelled.

Questions & Answers

What is Income Protection?

Shepherds Friendly Income Protection is primarily designed to provide a monthly Benefit to the self-employed and for anyone who does not receive an income or only a limited income from their employer in the event they are unable to work due to illness or injury.

The aim of the plan is to replace up to 70% of your pre-Incapacity income in the event you become unable to work because of an illness or injury.

Please note: If you are unsure of how much of your income you can cover, then please speak to your financial advisor or call our Member Services team on 0800 526 249 for further help before applying.

Who can have a Shepherds Friendly Income Protection plan?

- To be eligible to apply for a plan, you must be 16-60 years of age. The last day you can apply for this plan is on the day of your 60th birthday. You must be employed or self-employed.
- The maximum term of the Income Protection plan is up to your 70th birthday. The minimum term of the plan is five years.
- You must be subject to UK taxation and hold a UK bank or building society account.
- You must be resident and have been resident in the UK for at least 36 months prior to the date of signing the application.
- United Kingdom - For the purposes of the plan, the United Kingdom includes the Isle of Man. Please note different tax rules may apply if you are a resident of the Isle of Man.
- You must be registered and have been registered with a UK Medical Practice for at least 36 months prior to the date of signing the application.

What are the benefits of this Income Protection plan?

We will pay Benefits up to the maximum level applicable to the plan. For plans with an Age-Costed Reviewable premium type, the maximum level is 70% of your annual income or £49,000 per year, whichever is lower. For plans with a Level Guaranteed premium type, the maximum level is 70% of your annual income or £36,000 per year, whichever is lower. The minimum level of Benefits is determined by the requirement to have a minimum monthly premium of £5.

If self-employed, your income is based on the average of the last three years' annual net profit.

If you are the Director of a Limited Company (even if you have no other employees):

Any salary which you have been paid as an employee during the 12 months preceding the start of your plan, plus any dividends which you have been paid for the 12 months covered by your latest Corporation Tax Return or your most recent Self-Assessment Income Tax Return.

One or Two-Year Benefit Options - At the start of the plan (but not subsequently), you have the option to limit the period in which benefits are payable to a maximum of one or two years for each claim.

Guaranteed Insurability Option - With the Guaranteed Insurability Option, provided you remain within the maximum levels of benefits, you can increase your benefit amount should certain 'life events' such as a mortgage increase, marriage, birth of a child or divorce take place, without you having to complete another Full Health & Lifestyle Application form.

How long do I have to wait before I receive any Benefit?

Once your claim has been assessed and accepted, any Benefit will be paid after the expiry of your chosen Waiting Period. The Waiting Period is the length of time from when you become unfit for work and totally unable to carry out your Own Occupation to the date when we start to pay sickness Benefit.

There are various Waiting Periods to choose from at the start of the plan. The options are: 1 week, 4 weeks, 8 weeks, 13 weeks, 26 weeks and 52 weeks. Note, for plans with a Level Guaranteed premium type, 1 week Waiting Period is not available. Confirmation of your Waiting Period can be found within your Welcome Pack.

You can change the Waiting Period after the plan has started (except when you are in claim). However, we may require further underwriting.

We will stop making sickness benefit payments on the first of any of the following:

1. Your doctor declares that you are able to perform all the essential duties of your Own Occupation.
2. You no longer have any loss of income.
3. The House Persons Benefit term ends.
4. After 26 weeks, if you become Incapacitated in Europe, United States of America or Australia. Or, after 13 weeks, if you become Incapacitated in any other country (outside Europe, United States of America or Australia).
5. If you leave the United Kingdom for continuous periods in excess of 30 days, or for more than 90 days cumulatively in each 12 month period, commencing with the first day Benefits are paid.
6. Your plan end date is reached, or on death.
7. If you have selected the One Year Limited Benefit option, when the one year maximum period under that option ends.
8. If you have selected the Two Year Limited Benefit option, when the two year maximum period under that option ends.
9. You fail to meet the Terms and Conditions of the plan.

The payment of premiums

The premium is payable monthly in advance by Direct Debit.

The way your premium changes over time depends on the premium type selected for your plan.

If your premium type is Age-Costed Reviewable, your premium will increase as you get older and may also be reviewed from time to time to reflect changes in claims experience or the cost of providing cover. Any changes would apply to groups of similar policies and would not be based on your individual circumstances.

If your premium type is Level Guaranteed, your premium is fixed at the start of your plan and will not change throughout the term, unless you make changes to your cover.

If you select indexation, your premium and benefit will increase each year in line with the chosen index, regardless of premium type throughout the term, unless you make changes to your cover.

Is waiver of premium included?

Waiver of premium is included in the Income Protection plan. Once your claim has been assessed and accepted, we will not collect any premiums for the period commencing four weeks after the expiry of the Waiting Period until your claim ends.

Indexation option

With this option, the benefits and premiums will automatically increase in line with the Retail Price Index (RPI) annually. Indexation will be applied annually once the plan has been running for at least a year. We will remind you of the increase before it comes into force. The increase will apply to the whole premium, including all options and benefits. Indexation can only be applied for at the beginning of the plan.

What if my circumstances change?

The Shepherds Friendly Income Protection plan is flexible. You can request a change to the benefit level, Waiting Period and end date except when you are claiming or in receipt of benefit.

All changes are subject to further underwriting and subject to our prior agreement. Before we agree to any changes, we will assess all requests based on your circumstances at the time. We will need to consider whether there have been any changes in your health, employment, occupation or lifestyle since you started the initial Income Protection plan. We will also require evidence of your income, to check that any changes comply with the permitted Benefit levels of this plan.

Making a change to your plan may result in us asking you to pay a different level of premium or accept special terms.

You should review your cover against your income on a regular basis to ensure you have enough cover for your needs, subject to the maximum Benefit level.

If your circumstances change, you must tell us. For example; if your earnings reduce or increase, you become unemployed, if you change employment, or change how you work (e.g., employed to self-employed).

House Persons Benefit

If you become unemployed, you will only be entitled to House Persons Benefit (subject to meeting the criteria), which is restricted up to a maximum Benefit level of £1,500 per month, payable for a maximum period of 12 months. This is a reduced Benefit for a reduced payment term. (See our Terms and Conditions for details.)

Career Break

You may apply to suspend cover and premium payments under your plan for a minimum continuous period of three months and up to a maximum continuous period of 24 months. This is known as a 'Career Break'. You will not be able to make a claim or request any changes to your plan during a Career Break. Please refer to your plan's Terms and Conditions regarding your requirements following the end of a Career Break.

What happens if I stop paying my premiums?

Please be aware that you are responsible for making sure that you keep your payments up to date.

If you do not pay your premiums:

- We will not pay benefit when you make a claim.
- If you fail to make a premium payment on a third consecutive due date, the plan will end automatically with immediate effect.

The plan has no cash-in value.

Once I have applied, what if I change my mind?

Once we have received and processed your application we will send you the plan documents. Included with these will be a right-to-cancel notice.

If you change your mind, then just return this notice to us within 30 days and we will then refund any premiums paid, unless you have been paid Benefits during this period.

You can cancel any time after the first 30 days, but you will not be refunded any premiums you have paid.

If you wish to cancel the plan, please send our Member Services team an email on members@shepherdsfriendly.co.uk

Exclusions

There are certain circumstances where we will not pay out on a claim. For example, we will not pay benefit for an injury or illness caused by war, an invasion, hostilities, cosmetic surgery for non-medical reasons, or by taking part in a dangerous activity and failing to use the correct equipment or failing to undertake and utilise the appropriate training. For a full list, please see our Terms and Conditions.

What about tax?

Under current legislation and HMRC practice, Benefit(s) payable under this plan are normally free from Income Tax and Capital Gains Tax for UK residents. The tax treatment of the plan may change in the future.

Please note: Different tax rules may apply if you are resident in the Isle of Man.

How to claim?

As soon as you think you may need to make a claim, please contact us by phone on **0800 526 249**. The Claims team will explain the claims process and send you a claim form or, alternatively, you can visit our website at shepherdsfriendly.co.uk. By completing the claim form online you can upload the necessary information for our Claims team to assess your claim. At this point, we may ask for evidence of your earnings and your health, including medical records from your GP.

Please notify us as soon as possible if you have an illness or injury which you think might lead to a claim in due course. In any event, you must notify us of a claim at least 14 days before the first expected benefit payment.

If you are late in submitting a claim we will make the first payment as soon as we can, but we will not back date it to the start of the illness. However, we will not apply this condition if your Incapacity has physically prevented you from meeting it or if you have been confined in hospital.

How much will any advice cost?

Your financial adviser (if you have one) will give you details about the cost of advice. The amount will depend on how much you are paying each month and the length of your plan.

Where can I find out more?

Before your Income Protection plan starts, we will send you the full Terms and Conditions; this explains how the plan works. If you would like to see these Terms and Conditions before you apply, please contact us:

Phone: 0800 526 249

Help & Support form: shepherdsfriendly.co.uk/help-and-support/

Web: shepherdsfriendly.co.uk

More information

Claims - To make a claim please send our Claims team an email on claims@shepherdsfriendly.co.uk. They will explain the claims process and send out a claim form.

Cancellation Rights - After we accept your application, we will send you a notice of your right to cancel. You will then have 30 days to change your mind and cancel the plan.

Complaints - If you want to make a complaint, please contact:

Compliance Officer, Shepherds Friendly, Haw Bank House, High Street, Cheadle, Cheshire SK8 1AL. Phone: 0800 526 249.

Email: complaints@shepherdsfriendly.co.uk

If we don't deal with your complaint to your satisfaction, you can complain to the: Financial Ombudsman Service, Exchange Tower, London, E14 9SR.
Phone: 0800 023 4567.

Making a complaint will not affect your right to take legal action.

Financial Services Compensation Scheme (FSCS) - We are covered by the FSCS, which means you may be entitled to compensation under the terms of the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

For long-term insurance plans such as this, the scheme covers 100% of the claim with no upper limit. Further information about the scheme is available from the FSCS - visit: www.fscs.org.uk or call: 0800 678 1100.

Financial crime - We will take measures to protect members against financial crime. We may need proof of identification on application or claim and, if required, we may gather this proof by electronic means, for example, checking Electoral Registers.

Tax - Information that we provide in this leaflet about taxes in the UK is based on our understanding of current laws and HM Revenue and Customs practice, which may change in the future.

The Data Protection Act - You have the right to ask to see any personal information which we may hold about you and to have any mistakes in this information corrected. You can do this by writing to the data protection officer at our head office.

For full details and information about the data we collect from you, the purposes for which we collect it, how we use it and who we share it with please refer to our privacy notice which can be found online here: shepherdsfriendly.co.uk/privacy-policy.

Law - The plan is governed by the laws of England and Wales.

Shepherds Friendly is a trading name of the Shepherds Friendly Society Limited which is an incorporated Friendly Society under the Friendly Societies Act. Registered No 240F. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, Financial Services Register No 109997. The Head office and Registered office of The Shepherds Friendly Society is based in the United Kingdom.