

FPP Income Protection and Budget Income Protection

Product Profile

In this document we outline the relevant product information about LV= Income Protection, required for distributors. We set out the product's target market, distribution strategy, main features, limits, suitability, risks, options and costs, and the outcome of our fair value assessment.

For full details of the terms and conditions of the policy, please refer to the policy conditions.

Target market

This product is for clients who need a monthly benefit to help replace some of their income if they were unable to work due to an accident or long-term sickness. It can be used to help support their and /or their family's current lifestyle and financial commitments.

This product is primarily aimed at clients in lower risk jobs, such as office workers, or those in professional occupations (such as accountants) who wish to protect their own income – whether they're employed or self-employed. However, clients can take out an Income Protection policy on a life of another basis, providing they have an insurable interest in the person being insured. For example if the client has a joint mortgage with someone and that person was unable to work due to accident or sickness and the client needed to cover the other person's share of the mortgage.

The product offers a choice of waiting periods to reflect the financial needs and circumstances of your client.

The product covers your client for up to 60% of their gross income if they're unable to work due to accident or sickness.

The product offers a number of bespoke features, as standard, for particular customer audiences

- Tailored benefits to reflect particular career development paths and sick pay arrangements – for teachers, doctors, dentists and some other medical professionals.
- Lump sum payout in the event of a child's serious illness – for parents.
- Homemaker cover.
- Fracture cover, a lump sum payment.

We offer two versions of our Income Protection; Full and Budget Income Protection.

Under Full Income Protection, your client will be covered until they're able to return to work, or their policy ends (whichever is soonest).

They can make as many claims as they need to during the policy term. If the claim is for the same illness or injury and within 6 months of returning to work, we may be able to start your client's income protection payments again straight away, without having to wait for their waiting period. If your client is unable to work because of a different reason, we will treat it as a new claim and they will need to wait for their waiting period to end before the payments start.

Our Budget Income Protection is aimed at those clients looking for a lower premium, but whose protection needs can still be met with a limited benefit payment period.

Budget Income Protection works in exactly the same way as our Full Income Protection with just one difference; we'll only pay your client for a maximum of 12 or 24 months for a single claim (depending on the option chosen when the policy starts). This is called the claim limit. For Budget Income Protection with guaranteed premiums there is a choice of claim limit, either 12 months or 24 months. For Budget Income Protection with reviewable premiums there is no choice. The claim limit is fixed at 24 months.

Like for our Full Income Protection, with Budget Income Protection your client can make multiple claims if they need to.

If the claim is for the same illness or injury and within 6 months of returning to work, we may be able to start your client's income protection payments again straight away, without having to wait for the waiting period as long as they haven't reached their particular claim limit. If your client is unable to work because of a different reason, we will treat it as a new claim and they will need to wait for their waiting period to end before the payments start.

For Budget Income Protection if your client has homemaker cover – once we've made payments up to the claim limit of either 12 or 24 months for a particular claim, then the policy ends.

For self-employed clients, we will review their last 12 months' income or, on request, consider the average over the last 36 months, to determine the maximum level of benefits payable at claim. For employed clients we will review 12 months income only.

For clients in riskier jobs who can be more expensive to insure such as tradespeople, nurses, electricians, or those who find it difficult to prove how much they earn, for example self-employed clients, our Personal Sick Pay product may be more suitable.

Distribution

To ensure your clients receive the right level of protection and to reduce the risk of the policy not paying out due to non-disclosure, we believe this product should only be sold on an advised basis, either face to face or over the phone.

It's important to regularly review your client's circumstances and protection needs to make sure their cover is appropriate and they are not paying for cover that they can't claim on.



Main features

- ▮ Pays a regular income benefit in the event the client is unable to work because of accident or sickness.
- ▮ Own occupation definition of disability.
- ▮ Benefits paid until return to work or the policy ends, whichever is the earlier. For Budget Income Protection benefits are limited to a maximum of 12 or 24 months per claim (depending on the option chosen).
- ▮ Fracture cover.
- ▮ Death benefit.
- ▮ Unemployment payment holiday.
- ▮ Level or inflation-linked cover.
- ▮ Benefit Guarantee.
- ▮ Guaranteed or reviewable premiums.
- ▮ Waiver of Premium option.

What is not covered

This policy doesn't cover being unable to work for any other reason apart from sickness or an accident (for example unemployment, bereavement, a normal pregnancy, or because of restricted access to work as a result of a lockdown, quarantine or periods of mandatory or precautionary isolation). If you're a homemaker being unable to work means that you are too unwell to prepare a meal or do basic housework.

- ▮ We won't pay a claim if your client becomes unemployed or is made redundant.
- ▮ The policy won't pay out if the client is ill but continues to work.
- ▮ We won't pay out in the event of a normal pregnancy.

Risks

- ▮ There is no cash in value at any time.
- ▮ If your client stops paying their premiums, their cover may cease.
- ▮ If your client chooses level cover, it won't keep up with inflation and could buy less in the future.
- ▮ Reviewable premiums may increase or decrease during the term of the policy. However, the premium is guaranteed not to change for at least the first 5 years of the policy.
- ▮ Benefits paid at claim may reduce any state benefits your client might be entitled to.
- ▮ Inflation linked cover – amount of cover will rise by the increase in the Retail Prices Index (RPI) and premiums by RPI x 1.5.

Limits and basis

- ▮ The minimum term is 5 years. The policy must end before the insured person reaches the age of 70.
- ▮ Clients can choose to take out a policy on a single life basis, on themselves or on a life of another.
- ▮ Clients can insure up to 60% of their earnings, up to a maximum of £250,000 a year for level cover and £175,000 a year for inflation-linked cover.
- ▮ A choice of waiting periods – 1, 2, 3, 6 or 12 months, or split waiting period options. Plus, tailored arrangements to match selected sick pay scheme arrangements.
- ▮ Any claim lasts until the earlier of the policy end date, your client dies or gets better.
- ▮ Under Budget Income Protection, the maximum claim period per claim is 12 or 24 months (depending on the option chosen).

- ▮ Includes 'Pay My Mortgage' facility which enables your client, depending on their individual circumstances at the time of claiming, to have all or some of their IP claim paid directly to their lender to cover their regular mortgage payment.
- ▮ If your client is insuring someone else an insurable interest must exist at the start of the policy. A spouse or civil partner is automatically assumed to have an insurable interest.

Eligibility

To apply your client must be:

- ▮ a UK resident for at least the last 2 years
- ▮ aged between 17 and 59
- ▮ registered with a UK doctor for at least the last 2 years
- ▮ employed, self-employed or considered a homemaker (stays at home to look after family, or a carer and aren't doing any paid or unpaid work). If someone is claiming job seekers allowance when applying for the policy they will be considered unemployed and not eligible for income protection.

Fair value assessment

We have assessed our FPP Income Protection and Budget Income Protection cover, including options and additional benefits, as providing fair value for customers within the target market, for whom the product is suitable.

We will regularly assess the product to ensure that it continues to provide fair value and meets with the requirements of the intended target market.

What we take account of when assessing fair value

When assessing fair value, we look at:

- ▮ the target market, its needs and objectives
- ▮ the expected proportion of vulnerable customers in the target market
- ▮ the product's benefits and limitations, and what services we provide
- ▮ the distributors/channels we use
- ▮ the expected overall premium
- ▮ how much it costs to provide the product and distribute it over a reasonably foreseeable period.
- ▮ the relationship between the overall price to our customers and the quality of the product and service provided.

What information do we use to assess fair value?

- ▮ The proportion of premiums that go towards providing the amount of cover.
- ▮ How long our claims process takes from start to finish.
- ▮ What percentage of claims we pay out and if not, why not. Information on our claims stats can be found here [LVadviser.com/supporting-you/claims](https://www.lvadviser.com/supporting-you/claims)
- ▮ How many complaints there are and the proportion we uphold.

Other considerations

We consider the levels of commission we pay and, where we are able to access the details, how much distributors charge their customers for the services they provide.

Distributors will need to consider the impact of any other costs they charge when undertaking their own fair value assessments.

LV= Income Protection

This table shows you who the product is designed to meet the demands and needs of, and provides fair value for. It also shows who it is not designed for, and doesn't provide fair value for.

This product is suitable for	This product is not suitable for
<ul style="list-style-type: none"> ✓ Those who want to protect up to 60% of gross income (assessed at point of claim), if your client becomes unable to work due to illness or accident. ✓ Those whose need for cover expires before they reach age 70 as this is the maximum age at which the policy can end. ✓ Clients who need cover for at least 5 years, as this is the minimum term for this policy. ✓ Those whose current level of income means state benefits alone would not provide a suitable level of replacement income for them. ✓ Clients who have an occupation covered by the policy. ✓ Clients where a waiting period of 1, 2, 3, 6 or 12 months would be appropriate for their needs, (for some occupations 1 and 2 month waiting periods are not available). ✓ Clients who wouldn't qualify for state benefits, or wouldn't want to rely on them for replacement income. ✓ Insuring someone else, where insurable interest exists. ✓ For Budget Income Protection clients where affordability is an issue but are comfortable and willing to accept a limited protection period for a single claim. 	<ul style="list-style-type: none"> ✗ Clients who already have sufficient other forms of accident and sickness insurance in place that pay a monthly benefit if unable to work due to accident or sickness. For example mortgage protection, insurance or credit card protection that mean additional protection against loss of income is not needed. This is because we deduct amounts equal to the payments from other insurances that the client has when we pay their claim. ✗ Clients who don't need to protect their income, if they're unable to work due to accident or sickness as they have savings which they're prepared to use if they suffered a loss of income (referred to as self-insuring). ✗ Clients looking to protect against unemployment, as this policy only protects for loss of income if they're unable to work because of sickness or an accident. ✗ Clients who've already retired. ✗ Those who will, can, or are prepared to rely on state benefit payments to provide income replacement. ✗ Those looking to protect against terminal or critical illness with a lump sum payout. ✗ Businesses wanting to provide income protection for a key employee if they're unable to work due to accident or sickness. This is because any benefits which are paid to the employee by their employer would have to be paid under PAYE, meaning the employee would receive significantly less than 60% of their income. There are other more suitable products in the market to protect a key person's income.

Options and additional benefits

The following features are included as standard within the product, and at no added cost. Conditions apply. For more details refer to the Policy Terms and Conditions.

- **Fracture cover** – We will pay a separate lump sum in the event that your client is diagnosed with a specific bone fracture. (there's no policy waiting period for this).
- **Parent & Child benefit** – We will pay a lump sum in the event of the client's child being diagnosed with one of 54 specified conditions or illnesses, undergoes a specific operation or medical procedure.
- **Death benefit** – If your client dies during the policy term, we will pay out a fixed lump sum of either £5,000 or £10,000 (depending on how long the policy has been in force).
- **Unemployment payment holiday** – We will cover your client's premiums for a defined period in the event that they become unemployed.
- **Benefit Guarantee** – The aim of this guarantee is to protect your client against a genuine drop in income after they take out the policy. They will receive at least £1,500 a month, tax-free, guaranteed (or the amount of cover they chose if less).

Rehabilitation Support service

We want to help your clients with their recovery and return to work and can sometimes offer access to specialist services, even during the policy waiting period. For example: physiotherapy, counselling or other specialist treatment, rehabilitation services or financial support. The maximum we can pay for each claim might be capped at three month's benefit. If your client makes a claim our team will look at the individual situation to see if there is anything they can do to help – all services offered are at our discretion.

Guaranteed Increase Options

Your client can increase the amount of their cover and in some cases replace their policy with a new policy without completing a full application, if certain events happen and they are eligible. If your client changes the amount of their cover using one of the options below, their premium will also change to reflect this. The premium will be based on the age and smoker status at the time of change.

Your clients can increase their cover for each of these life events:

- an increase in their mortgage as a result of moving home, or home improvements
- an increase in their rent as a result of moving into a new rental property or as a result of an increase imposed by the landlord
- marriage or civil partnership
- birth or legal adoption of a child
- their basic salary increases by more than 10%
- significant career progression if there's an increase in basic salary of at least 20%.

For more details and general limits, refer to the Policy Terms and Conditions.

Benefits of being an LV= member

By taking out this product your client will agree to become a member of Liverpool Victoria Financial Services Limited (LV=). As LV= is a mutual we are owned by our members, which means our members have a say on how the company is run. Our members also get access to a range of LV= benefits. To see the full range, and any conditions that may apply, visit [LV.com/benefits](https://lv.com/benefits).

LV= benefits are non-contractual and can be changed or removed at any time.

LV= Doctor Services

All new policyholders have access to a number of medical services and advice, at no added cost. These include virtual GP consultations, prescription, second opinion services, remote physiotherapy, remote psychological services and discounted health MOTs. These benefits are noncontractual and can be changed or removed at any time, and conditions apply. For more details visit [LV.com/benefits](https://lv.com/benefits).

LV= Doctor Services is provided by Square Health Limited. This service is not regulated by the Financial Conduct Authority or Prudential Regulation Authority.

Waiver of Premium

Your client can add Waiver of Premium when they take out their policy, or once it is in place. We set this up as a separate policy and an additional cost. For more details, refer to the Waiver of Premium Product Profile and Waiver of Premium Policy Terms and Conditions.

Costs

The policy premium also includes a fee, which is a fixed monthly amount, to cover administration and support costs.

To find out more about the LV= Flexible Protection Plan, please contact your LV= Account Manager on



0800 678 1890



[LVadviser.com](https://lvadviser.com)

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Liverpool Victoria Financial Services Limited: County Gates, Bournemouth BH1 2NF.

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