

Flexible Protection Plan

Income Protection and Budget Income Protection

Product Profile

In this document we outline the relevant product information about LV= Income Protection and Budget Income Protection required for distributors. We set out the product's:

- Distribution strategy.
- Target market and intended value.
- Product description and main features.
- Risks and what's not covered.
- Additional benefits and features.
- Other benefits.

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

Details of the governance processes we use to oversee the design, approval and review of our products, how we monitor and assess fair value, and the outcome of our assessments is in our [Product Governance and Fair Value Outcomes](#) document which is on [LVadviser.com](https://www.lvadviser.com).

Distribution

This product must only be sold on an advised basis (either in person or over the phone). This is to ensure your clients receive the right level of protection and to reduce the risk of them being over or under insured, or their claim being declined due to non-disclosure.

Advice for this product is vital because of the complexity of the calculations involved. Without the support of financial advice there is a risk that our customer may take out more cover than they could claim on.

Advisers are particularly important for customers who are vulnerable at claim stage as these are the type of customers that would benefit from Income Protection and advice on their circumstances the most.

Target market

Characteristics of the target market

This product is designed for people who:

- Permanently live in the UK (not including the Channel Islands or Isle of Man).
- Have continuously lived in the UK for a period of at least two years immediately before application.
- Have been registered with a UK GP for at least two continuous years immediately before application.
- Want personal cover.
- Are between 17 and 59 years of age.
- Are employed or self-employed.
- Are a homemaker and are not receiving Jobseeker's Allowance.
- Are unable to maintain their standard of living (or meet their financial commitments) if they were to have a long term illness or injury that left them unable to work in their own occupation, and aren't doing any other paid or voluntary work (or in the case of a homemaker, are unable to carry out household tasks).

The person insured by this policy must meet these requirements, whether this is your client or someone they are insuring.



LV= Income Protection suitability and needs

This product would provide intended value and is suitable for customers who	This product would not provide intended value and is not suitable for customers who
<ul style="list-style-type: none"> ✓ need a regular monthly benefit to replace some of their lost income if they are unable to work because of a long-term illness or injury. ✓ only require cover for up to 60% of their gross earnings (assessed at point of claim), if they become unable to work. ✓ can manage financially (for at least one month) if they were unable to work. ✓ want to set up cover on a life of another basis, providing they would suffer a financial loss, if the insured person was unable to work (they have an insurable interest). ✓ don't require cover past the age of 70, as this is the maximum age at which the policy can end. ✓ want the amount of cover to help keep pace with the cost of living (if they choose inflation linked cover). ✓ are self-employed or employed, but with limited sick pay provision in place. ✓ need cover for at least five years, as this is the minimum term for this policy. ✓ would not be able to rely on state benefits alone to maintain their standard of living if they lose their income because of being unable to work due to illness or injury. ✓ have an occupation covered by the policy covered by the policy when it starts. ✓ would find waiting period options of 1, 2, 3, 6 or 12 months appropriate for their needs (1 and 2 month waiting periods are not available for some occupations). ✓ wouldn't qualify for state benefits, or wouldn't want to rely on them for replacement income. ✓ will pay the premiums from a UK based bank or building society account and understand that any benefits they receive from us will also be paid into UK based accounts. ✓ might have an affordability issue but are comfortable and willing to accept a limited protection period for a single claim for Budget Income Protection. ✓ want to still be covered if they are on maternity or paternity leave for up to 12 months and suffer an injury or illness that would leave them unable to work (had they been working at the time). ✓ make a claim while in any of the places listed in their policy conditions. If they're anywhere else in the world, we'll pay the claim for up to 26 weeks, then they will have to return to a listed place for the claim to continue. ✓ understand that this policy is fully underwritten based on the health and lifestyle of the person insured, which can lead to increases in premiums, specific exclusions and even declined cover. 	<ul style="list-style-type: none"> ✗ want cover that is more than 60% of their taxable earnings at the time of application. ✗ would be unable to manage financially for at least one month if they were unable to work due to long-term illness or injury. ✗ want an amount of cover less than £1,200 a year (£100 a month), or more than £250,000 a year (£20,833 a month) for level cover, and £175,000 a year (£14,583 a month) for inflation linked cover. ✗ only have income that would not stop if they were unable to work, for example those who only have pension income because they're retired, or those who only have investment income, or income from savings, or other non-work related sources. ✗ would be able to manage financially on state benefits if they were unable to work, or their income is already solely or significantly made up of state benefits. ✗ need protection for the rest of their life. ✗ want a lump sum payment in the event of serious illness or death. ✗ already have group income protection provided by their employer, that will continue to pay for as long as they remain unable to work, however long that lasts. ✗ have cover in place with LV= or elsewhere (covering 60% or more of their income) that is not being replaced by this product. ✗ will have continuing income while off sick, in excess of the 60% benefit we would pay. ✗ need more than £1,500 a month's worth of cover and who opt to cover the maximum of 60% of their earnings and are likely to have significant earnings decrease in the future. ✗ already have other forms of insurance in place that pay a sufficient monthly benefit if unable to work due to illness or injury. For example, mortgage protection, insurance or credit card protection that make additional protection against loss of income unnecessary. This is because we deduct amounts equal to the payments from other insurances that the client has when we pay their claim. ✗ will continue to work following a claim, either paid or unpaid in any occupation or job. ✗ want protection against unemployment, this policy only protects for loss of income if they're unable to work because of illness or injury. ✗ are running a business and want to provide income protection for a key employee if they're unable to work due to illness or injury. There are other more suitable products in the market to protect a key person's income. ✗ derive income from dividends but are not employed by the company or do not actively work in the company. ✗ want to protect an income that is derived from monies via director's loans or trusts or other tax efficient methods to change their income stream such that it is not subject to Income Tax. ✗ do not obtain financial advice from a suitably qualified person. ✗ will be unable to demonstrate their taxable earned income with required suitable evidence, as we will check their earnings at point of claim.

Product Description

Income Protection only covers customers if they can't work because of an illness or injury and who require cover for a fixed term.

Income Protection is part of the LV= Flexible Protection Plan, which has been designed to be suitable for customers who may wish to take out other policies with us that protect against the financial implications of death and critical illness.

Main product features

Income Protection covers your client for up to 60% of their gross income if they're unable to work due to illness or injury. It is designed for an individual, on a single life basis, to cover their own income if they are unable to do their own occupation.

Your client can take out an Income Protection policy on a life of another basis, providing they have an insurable interest in the person they want to insure (for example, if the client has a joint mortgage with someone and that person was unable to work due to illness or injury, meaning the client needed to cover the other person's share of the mortgage). A spouse or civil partner is automatically assumed to have an insurable interest.

The minimum term is five years and the policy must end before the insured person reaches the age of 70.

The product offers a choice of waiting periods, 1, 2, 3, 6 or 12 months, or split waiting period options for people who want to take out more than one policy. We also provide the choice between guaranteed or reviewable premiums at outset as well as level or inflation linked cover.

We offer two versions of our Income Protection: Full or Budget

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

- Your client 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 six months of returning to work, we may be able to start their income protection payments again straight away, without having to wait for the 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.

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

- Budget Income Protection works 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 they choose 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.
- Your client can make multiple claims if they need to on either type of Income Protection.
- For homemaker cover on Budget Income Protection, their policy will end once we've paid a claim up to the claim limit of either 12 or 24 months.
- For Budget Income Protection, if we've been paying a claim and your client returns to work, and then are off ill again for the same illness or condition within six months we will treat this as counting towards the same claim limit (of 12 or 24 months) as their original claim.

Waiver of Premium

Your client can add Waiver of Premium when they take out their policy, or once it is in place. This will be a separate policy for an additional cost. For more details please refer to the Waiver of Premium product profile and Waiver of Premium terms and conditions.

Your client must continue to pay for their Income Protection (Full or Budget) during a claim if they do not also take out Waiver of Premium cover

What we mean by being unable to work

For employed or self-employed people:

- Not doing any form of work, paid or unpaid.
- If the person insured is unable to carry out the main tasks (things which can't reasonably be left out of their role or changed by them or their employer) of their occupation because of illness or injury.

For homemakers and those who have been out of work for more than 30 days at the time they have an illness or injury which leaves them unable to work:

- not doing any form of work, paid or unpaid.
- if the person insured is unable to prepare a meal or do basic housework because of illness or injury.

What we need to validate a claim

When making a claim on this policy the customer will need to provide the following details: the main duties of their occupation, suitable medical evidence from their doctor about the illness they're claiming for, their taxable earned income (for example, P60s for employed clients and a tax return for the self-employed). The policy conditions provide the full list of information we may need.

How we work out how much to pay for each claim

It is important that you regularly review your client's income to make sure they are not over-insured

1 First

we would usually look at the income the person insured has earned in the 12 months prior to becoming unable to work. We can consider on request looking at up to 36 months if something (an illness for example) has affected their income and a longer period would reflect their normal income more accurately.

2 Next

we base the maximum amount we will pay on 60% of those earnings.

3 Then

we deduct 100% the payments from any other illness or injury cover that the customer is also receiving from the maximum amount, we also deduct 60% of any continuing earned income.

4 Finally

we compare the total to the cover amount and would pay the lower of the cover amount or this maximum amount.

Risks

- There is no cash in value at any time, so your client cannot get their money back (unless they cancel their policy within the first month).
- Your client will not be covered if they stop paying their premiums.
- If anyone named in (or involved in the sale of) the policy commits fraud, deliberate misrepresents, withholds information, or provides us with false information at any point during the lifetime of the policy we may refuse to pay a claim and cancel the policy. We will not refund any of the premiums paid.
- If the person insured has had a significant drop in income since the policy start date there is a risk that the amount we pay will be less than the cover amount they are paying for, especially if they have been insured for the maximum of 60% of their income. Please see the policy conditions for our definition of income.
- 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, but the premium is guaranteed not to change for at least the first five years of the policy.
- The amount we pay for a claim may reduce any state benefits your client might be entitled to.
- With inflation linked cover the amount of cover will rise by the increase in the Retail Prices Index (RPI) and premiums by $RPI \times 1.5$.
- If your client stops work for longer than 30 days (for example to become a homemaker) their policy can continue, but we will limit the amount they can receive if they claim to £1,500, there's a risk that they'll be paying for cover that they won't receive at claim.
- If your client moves to a different employer and their employer sick pay benefits have changed, they may find the policy is no longer appropriate for their needs.
- If your client has already insured the same income under a separate income protection policy with another insurance company, we will deduct this from the amount we pay under this policy when they claim. There is a risk that they will be over-insured and won't receive the full amount of cover that they are paying for.
- We'll stop paying a claim if your customer stops following their doctor's advice, or if they refuse any reasonable medical treatment.

What's not covered

This policy doesn't cover being unable to work for any other reason than illness or injury, for example: bereavement, or because of restricted access to work because of a lockdown, quarantine, or periods of mandatory or precautionary isolation.

- We won't pay a claim if your client becomes unemployed or is made redundant, but we may waive their premiums using the unemployment payment break.
- The policy will not pay out if the client continues to work (either paid or unpaid) while ill.
- We will not pay out in the event of a normal pregnancy.
- We won't pay a claim for any illness or injury we've listed as an exclusion in their policy schedule.
- We won't pay the costs of returning home if the person insured becomes unwell or is injured while abroad.
- We will not insure income that is treated as 'un-earned' income, for example income from investments.

Additional Benefits and Features

The product offers the following additional bespoke features as standard and at no added cost (conditions apply), for example:

Tailored benefits – to reflect particular career development paths and sick pay arrangements for teachers, doctors, dentists, and some other medical professionals.

Parent and 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, or undergoes a specific operation or medical procedure.

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 waiting period for this).

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.

Benefit guarantee – if the person insured is working at least 25 hours a week (if they are employed) or 16 hours a week (if self-employed). The policy owner will receive at least £1,500 a month, tax-free, guaranteed, or the amount of cover they chose, if it's less than £1,500.

Unemployment payment break – we will cover your client's premiums for a defined period in the event that they become unemployed.

Rehabilitation Support service – we can offer access to specialist services (even during the waiting period). The maximum we can pay for each service might be capped at three month's benefit and all services offered are at our discretion.

Guaranteed increase options

Your client can increase their amount of cover and in some cases replace their policy with a new policy without completing a full application, following certain events (if they are eligible). If your client changes their amount of cover (using one of the options below) their premium will also change to reflect this. The premium will be based on their 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 because of moving home, or home improvements.
- an increase in their rent because of moving into a new rental property or 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%.

Please see the policy conditions for more details of all additional features and general limits.

Costs

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

Other benefits

LV= Membership

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= 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 (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

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



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46175-2025 05/25

