



# Key Features

Your questions answered

Individual Income Protection | **Primary Income Replacement Plan**



## Key Features - your questions answered

### Primary Income Replacement Plan

#### Important

**You should ensure you have a full understanding of the plan before making a purchase.**

**This key features document gives you the main points about the income protection plan you're considering. It is therefore important that you read it carefully together with any illustration of the benefits and costs. Please keep them with your other Plan documents.**

**This key features document follows the Association of British Insurers' Statement of Best Practice for Income Protection Insurance.**

#### Aims

- To provide you with a regular monthly benefit to help meet a specific financial commitment for a selected period if you suffer illness or injury limiting your ability to work and leading to a loss of earnings. This benefit is intended to replace lost earnings.

#### Your commitment

- To give us all the information we ask for when applying for your plan and when claiming benefit. If you don't do this we may not pay your benefit.
- To pay all the premiums for the length of the Plan.
- To tell us if you take a career break or if you become unemployed.
- To tell us of any claim within the time limits we set.
- To select an appropriate level of cover and review it regularly to make sure you have enough for your needs but not more than we'll pay under the terms and conditions of the Plan.
- To inform us of any change in your health between applying for your Plan and notification that we have issued your policy.

#### Risk factors

- You won't be covered if you don't pay your premiums on time. However, you don't need to pay premiums when you're receiving benefit.
- The cover may be less than you need if you don't review it regularly to make sure it meets your financial commitment. If your commitment increases, the benefit may not be enough to cover all of it. However, you may not be able to increase your cover to meet your needs as the maximum cover available is 50% of your gross salary.
- If your cover is more than you are allowed to claim under the Plan, then we will reduce your benefit accordingly. We won't refund any premiums if this happens.
- The benefit we pay under the Plan may affect your claim to some means-tested State benefits.
- State benefit rules may change.
- The present tax-free treatment of the Plan's benefits may change.
- You may choose between reviewable and guaranteed premiums. If you choose reviewable premiums we may change your premiums in the future because of factors such as our claims costs and expenses. (See "Premiums" in section 3 of the Plan's terms and conditions).
- If you do not provide any information we ask for, or the information you provide is untrue, incomplete or misleading, we may not pay benefits.
- Certain causes of claim won't be covered (see **"When will the Plan not pay out?"** on page 7).
- Your Plan has no cash-in value at any time.

## Key Features - your questions answered

### Primary Income Replacement Plan

## Questions and answers

### What is a Unum Primary Income Replacement Plan?

The Plan provides you with a monthly benefit if you suffer illness or injury limiting your ability to work and leading to a loss of earnings. You select the features of the Plan to make sure the cover is right for you.

- You decide:
  - the amount of benefit you need
  - how long you want the cover to last
  - how soon you would like the benefit to start
  - how long you need the benefit to be paid and
  - whether to pay guaranteed or reviewable premiums.
- You pay regular premiums to keep the cover in force.
- We provide cover until your Plan ends no matter how many claims you make.
- You tell us when illness or injury limits your ability to work.
- We pay you a monthly income for as long as the claim is valid. This may be verified by regular medical assessments of your health.
- You tell us when your illness or injury is no longer preventing you working.

### How do I select the Plan's features so that it meets my needs?

This section deals with the choices you make when setting up your Plan.

#### **The amount of benefit that can be paid**

You choose the amount of benefit you'll need. Remember that tax and national insurance are deducted from your normal earnings, but not from the benefits we pay you.

This means that you shouldn't need benefit which is more than half of your pre-incapacity earnings. This is the most we'll pay out.

We won't provide an initial level of benefit of more than £250,000 a year at the start of your Plan.

(See also the section "Other income which may reduce your benefit" on page 6.)

#### **The earnings upon which to base your cover**

When choosing your cover, please remember that if you claim we will not pay benefit of more than 50% of your pre-incapacity earnings.

If you're employed, the earnings that can be taken into account include the pre-tax earnings that you receive under Pay As you Earn (PAYE) and selected non cash benefits that you might also receive as benefits in kind in the twelve months before your ability to work is affected by illness or injury. Alternatively, if you are self employed, we will take into account the pre-tax profits that you receive from your business during this period.

**Please refer to our 'Earnings Guide for Personal and Primary Income Replacement Policyholders' for further details, or ask for a copy of our product terms and conditions.**

## Key Features - your questions answered

### Primary Income Replacement Plan

#### **Increasing your cover**

You can apply to increase your cover at any time, but you would need to give us information about your work and hobbies together with satisfactory evidence that you are still in good health before we agree to make changes to your cover.

You may also choose to increase your cover on special occasions under the Guaranteed Insurability Option (see "What other features are there?" on page 7).

#### **When benefit payments start**

There will be a period following the start of your illness or injury, which limits your ability to work, for which we don't pay benefit. This is known as the deferred period. You can choose from 4, 8, 13, 26 or 52 weeks. The longer the deferred period, the lower the cost of your Plan.

Your choice should allow for any earnings you expect to continue after you stop working, such as sick pay, or how long you're prepared to live on your savings.

#### **How long the cover should last**

You choose for your Plan to end when you think you would no longer need the benefits. Your Plan is designed to last for at least five years and your cover must end by the time you reach age 70.

#### **Medical and other details we may need**

Your application will include questions about your health, finances and other personal circumstances. At our expense, we may also ask for a report from your doctor or for tests to check your current state of health.

#### **How flexible is it?**

This section deals with choices you can make once your Plan has started.

#### **Regular review of your cover**

You should consider how your earnings and living costs have changed since you last reviewed your cover.

If you wish to increase your cover we will need new information about your health, occupation and finances before we agree to change your cover. Your premiums to us will increase.

You should also contact us if you wish to reduce your cover. Tell us how much you want to reduce your cover by and we will reduce your cover and the amount you pay.

#### **Suspending your cover**

##### **Career break**

If you stop working or take a career break you can suspend your cover for up to one year provided we agree beforehand. Your cover and premiums will stop until you re-start your Plan. You don't have to give us any further medical information when your cover starts again.

##### **Change of occupation**

You don't need to tell us if you change the type of work you do after the Plan starts unless you are claiming benefit.

## Key Features - your questions answered

### Primary Income Replacement Plan

## When will the Plan pay out?

### When to claim

You can still claim benefit when your ability to work is limited because of illness or injury and this results in a loss of earnings.

Benefit payments will not start before the end of the deferred period (see “When benefit payments start” on page 4). But it is important that you do not wait until then to let us know about your illness or injury. Please let us know as soon as you think your illness or injury might result in a claim. We will then be able to start the assessment process (see “How we assess your claim” on page 5) and ensure we are in a position to start your claim payments on time.

### How to claim

Contact us to ask for a claim form at:

**Unum,  
Milton Court,  
Dorking,  
Surrey RH4 3LZ.**

**Telephone: 01306 887766**

### The deadline for claiming

Tell us as soon as possible but:

- for 4 week deferred periods, within 2 weeks from when you are first incapacitated
- for 8 and 13 week deferred periods, within 4 weeks from when you are first incapacitated
- for deferred periods of more than 13 weeks, within 10 weeks from when you are first incapacitated.

**We may refuse to pay your claim if you don't tell us within 90 days following the end of the deferred period.**

### The extent of incapacity

Our definition of incapacity is “you are unable by reason of illness or injury to perform the material and substantial duties of your occupation”.

Material and substantial duties are those normally done in your occupation and which cannot reasonably be left out or changed by you or your employer.

Please note that occupation is not restricted to one place of work.

If you keep your cover while you are not working we will pay benefit if you are unable to do certain physical tasks or if you suffer serious mental illness (see “Cover while not in occupation” on page 7).

### How we assess your claim

We'll look at the duties of your occupation, your ability to do them, and whether adjustments can be made to help you do them. We'll also ask for evidence of your loss of earnings.

We'll need evidence that you are under the care of a registered Medical Practitioner. We'll also need confirmation that all suitable treatment options have been investigated. We might ask you to have an examination or undergo tests. Depending on the definition of incapacity which applies to you we may need evidence of your relevant education, training and experience.

You'll qualify for benefit if you meet the definition of incapacity described in “The extent of incapacity” on page 5.

## Key Features - your questions answered

### Primary Income Replacement Plan

#### How long the benefit is paid

Your benefit will be paid until the first of the following happens:

- you recover or your illness or injury no longer prevents you working
- you no longer suffer a loss of earnings
- your Plan ends
- you die.

#### Claiming again after returning to work

There is no limit to the number of claims you can make.

You must restart premiums when your benefit payments end so your cover is maintained. Your cover and premiums will be at the same level as before you claimed.

If you need to claim again for the same cause within 12 months of returning to work then the deferred period won't apply.

#### Returning to part-time or less well paid work

If, because of your illness or injury, you can only return to work part-time or on a lower income, we'll pay you a lower benefit, which takes account of your reduction in earnings.

#### How benefits are paid

Benefits are payable at the end of each month from the end of the deferred period.

#### Premium payments when claiming

You should continue to pay premiums until we accept your claim. However, you don't need to pay premiums to us while benefit is being paid.

#### Other income which may reduce your benefit

We'll reduce your benefit if any of the following take you over the maximum we will allow (which is explained in "The amount of benefit that can be paid" on page 3):

- continuing payments from your employment - such as sick pay
- pension payments - unless you would have received them if you were still working
- other insurance benefits - if they are payable for more than two years and arise because of your incapacity and either provide regular payments to you or make regular payments on your behalf - such as mortgage payments.

If your benefit is reduced we won't refund any of your premiums.

We won't reduce your benefit if you receive a regular income from savings and investments or if you receive any state benefits. Please note that benefit payments from your Plan may affect your eligibility for, or the amount of, means-tested State benefits that you may receive.

## Key Features - your questions answered

### Primary Income Replacement Plan

#### When will the Plan not pay out?

We do not apply standard exclusions but may apply special terms in some cases. If so we'll tell you before you start your Plan.

You cannot claim if you are not in paid work when you become incapacitated, unless you have notified us in writing that you wish to effect the "Cover while not in occupation" option.

**You cannot claim just because you become unemployed.**

#### What other features are there?

##### **Guaranteed options to increase your cover on special occasions**

You have the option to buy further cover at specific times up to the age of 55 – when you:

- marry or enter into a civil partnership under the Civil Partnership Act 2004
- have children
- increase your mortgage
- receive a salary increase of at least 10% following a significant promotion or achievement of a professional qualification

You also have the option of increasing your cover on every third policy anniversary until you reach age 55.

Terms and conditions will apply when using these options to increase cover, but you will not be required to provide further evidence that you are still in good health.

##### **Cover while not in occupation**

This provides cover while not in paid occupation. We will pay benefit if you are unable to do certain physical tasks or if you suffer serious mental illness. You will find details in the Plan's terms and conditions. The maximum payable will be the benefit under the policy before the option was exercised.

##### **World-wide cover**

The Plan is only available to UK residents. But you are covered if you decide to live, work or travel anywhere in the world. However, we will only cover your non U.K taxable earnings providing they arise in the currency of one of the following countries:

Australia, any member state of the European Union, Canada, Channel Islands, Gibraltar, Iceland, Isle of Man, Japan, New Zealand, Norway, Saudi Arabia, South Africa, Switzerland, United States of America.

As is the case when residing in the United Kingdom, benefit will be paid only if you provide us with the information we need to assess your claim in a form which is acceptable to us.

The cost of any medical examination and any tests (including blood tests and saliva tests) that we may ask for which are carried out outside the United Kingdom will be paid for by us at the rates reasonably expected to be paid for the same medical examination or test in the United Kingdom. We will not be liable for any costs you incur in attending medical examinations and any tests or in supplying any other information.

Please note we will only make benefit payments to a U.K bank account in pounds sterling. Where your usual earnings are expressed in another currency, we will apply the prevailing sterling exchange rate at the date your incapacity started in calculating the amount of benefit that we will pay.

##### **Access to rehabilitation services**

If you receive benefit our team of Vocational Rehabilitation Consultants can provide support and assistance in rehabilitation. The Consultants include a range of health and vocational rehabilitation specialists with a wealth of experience and can give you information about the benefits you are entitled to and how you can return to work.

## Key Features - your questions answered

### Primary Income Replacement Plan

#### What will my premium payments be?

Your premiums depend upon factors such as your age, gender, occupation, pastimes, health and on the level and features of the cover you choose. They also depend on whether you choose to pay guaranteed or reviewable premiums.

Your illustration will show the normal cost of the cover you have chosen. We'll tell you the actual cost you'll pay once we have assessed your application.

You must pay premiums by direct debit, either monthly or yearly.

#### Changes to your premium payments in the future

If you choose guaranteed premium payments, the cost of your cover will only change if you increase your cover in line with the Retail Prices Index, or if you change your cover to meet your changing needs (see "Increasing your cover" in Section 5 of the Plan's terms and conditions).

If you choose reviewable premium payments, we will work out the premium for your Plan based on assumptions about certain factors which we believe are reasonable. We will review these factors and, if our view of these factors differs from the view we took of them at the start of the Plan or at the last review, we may change your premium based on that information. The factors that we take into consideration for Plans of this type are:

- our experience or expectation of claims;
- our experience or expectation of investment returns;
- our experience or expectation of expenses;
- our experience or expectation of the amount of time Plans of this type remain in force;
- changes to the taxation, legislation or regulations applicable to the plan.

We will write to you beforehand to tell you of any change. There is no limit by which your premium might change, but any such change will be applied in a fair and reasonable way to all the people who hold a reviewable Plan of this type, not only you.

#### What happens to the Plan if I die?

Your Plan will end. We will not refund any premiums.

#### What are the charges?

The premiums shown in your illustration include all the costs of administration, underwriting, claims and selling expenses, commission paid to your adviser (if any) and the fees payable for any medical examinations in the United Kingdom, which we ask you to attend.

#### What if I stop paying premiums?

You can stop your cover at any time.

You can stop paying premiums for up to 12 months because of a career break or unemployment provided we agree beforehand. You can start your cover again without providing medical information.

If you pay premiums yearly and decide to stop part way through the year, your cover will end and we will refund part of your premium.

If you pay monthly premiums and stop paying, your Plan and cover will end. You won't get any money back.

#### Does the Plan have a cash-in value?

Your Plan has no cash-in value at any time.

#### What about tax?

Present United Kingdom tax law and Her Majesty's Revenue and Customs (HMRC) practice means you don't:

- get tax relief on premiums; and
- pay tax or national insurance contributions on your benefits.

This may change in the future.

The tax position may be different if you receive benefits and do not live in the United Kingdom.

## Key Features - your questions answered

### Primary Income Replacement Plan

#### Can I change my mind?

You have the right to cancel within 30 days of receiving your Plan documentation.

After we accept your application and issue your Plan, we'll send you a Cancellation Notice. If you don't want the Plan, you have 30 days to send this Notice back and get a refund on any premiums you have paid.

You can find the address to send the cancellation notice to on page 10 of this Key Features guide.

#### Other Information

##### How to complain

If you ever need to complain, first write to the Customer Feedback Team at:

**Unum,  
Milton Court,  
Dorking,  
Surrey RH4 3LZ.**

If you're not satisfied with our response, you can complain to:

**Financial Services Ombudsman  
South Quay Plaza,  
183 Marsh Wall,  
London E14 9SR.**

Complaining to the Ombudsman won't affect your legal rights.

##### Terms and Conditions

These key features are a summary of the Unum Primary Income Replacement Plan. They don't fully describe all the definitions, exclusions, terms and conditions. If you'd like a copy of the full terms and conditions before you decide to apply for a Plan, please ask your financial adviser or contact us directly.

We have the right to change the terms and conditions of your Plan because of changes in the law or taxation. We'll write and explain if this happens.

Unum Limited issues the policy.

All our documents and correspondence with you will be in English.

#### Law

This policy is governed by the laws of England and any dispute is subject to the sole jurisdiction of the English Courts.

#### Compensation

Compensation may be available under the Financial Services Compensation Scheme (FSCS) if we are unable to pay any monies due. It is designed to help protect you if Unum becomes insolvent.

Compensation for long term insurance contracts is limited to 90% of the benefit due under your Plan with no upper limit - information correct as at 01/01/2010.

Further information is available from the FSCS at [www.fscs.org.uk](http://www.fscs.org.uk) or by calling 020 7892 7300.

#### Our regulator

Unum Limited is authorised and regulated by the Financial Services Authority. Our firm reference number (FRN) is: 110408.

You can verify these details by contacting the Financial Services Authority on: 0845 606 1234 or visit

**[www.fsa.gov.uk/register](http://www.fsa.gov.uk/register)**

#### ABI Statement of Best Practice

The Association of British Insurers (the ABI) is the trade association for insurance companies in the United Kingdom. Its members account for virtually all of the life insurance and pensions business written in the UK.

This document follows the ABI Statement of Best Practice in respect for Income Protection Insurance. You can get a copy of the ABI Guide to Income Protection from us or from the Association of British Insurers, 51 Gresham Street, London, EC2V 2HD. Telephone: 020 7600 3333.

**[www.abi.org.uk](http://www.abi.org.uk)**

## Key Features - your questions answered

### Primary Income Replacement Plan

## How to contact us

Remember your financial adviser will normally be your first point of contact. We are not allowed to give you financial advice.

If you have any questions at any time, you can phone, send a fax or you can write to us.

Call us on: **0117 910 7733**

Monday - Friday, 8am - 5.30pm

Textphone: **01306 887784**

Monday - Friday, 9am - 5pm

Fax number: **0117 910 7734**

Office address: **Unum,  
Milton Court,  
Dorking,  
Surrey RH4 3LZ.**



## About Unum

Unum is one of the UK's leading providers of financial protection, with almost 40 years' experience safeguarding individuals from the consequences of serious illness, injury or death.

At the end of 2009, Unum protected more than 1.6 million people in the UK and paid claims of £268 million - of which £200 million related to income protection benefits - providing security and peace of mind to individuals and their families.

In the UK, Unum has a financial strength rating of A- (Strong) from Standard and Poor's and A- (Excellent) by AM Best.

Its US parent company, Unum Group, traces its history back to 1848 and is one of the leading providers of employee benefits products and services, and the largest provider of group and individual disability insurance in the United States. Premium income for Unum Group and its subsidiaries totalled \$7.5 billion in the year ended 31 December 2009, with reported revenues for the group totalling \$10.1 billion. Total assets were \$54.5 billion at 31 December 2009.

For more information please visit [www.unum.co.uk](http://www.unum.co.uk) for consumer-facing literature or [www.unum4advisers.co.uk](http://www.unum4advisers.co.uk) for adviser materials.

[unum.co.uk](http://www.unum.co.uk)

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We monitor telephone conversations and e-mail communications from time to time for the purposes of training and in the interests of continually improving the quality of service we provide.

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# Earnings guide

## Personal or Primary Income Replacement Plan

A circular inset image showing a close-up of a desk. On the left is a black calculator. In the center, a pair of clear-rimmed glasses sits on a white coffee cup. A black pen is pointing at a line on a document. A black highlighter is also visible. The background is a light blue and white grid pattern.

If you're thinking about an Income Replacement Plan from Unum, this guide will tell you more about the sources of income we can take into account when calculating the amount of cover we can offer.

Please read this document in conjunction with your Personal Illustration and the Key Facts Document.

## What can be included as earnings?

### PAYE

If you are employed, we define earnings in this plan as your pre-tax income from employment for Pay As You Earn assessment purposes in the 12 months immediately before the date of incapacity. This, effectively, is based on your salary, but it could include commission payment, payment for overtime or bonuses received if, together, these additional amounts represent your realistic earnings expectations. If the overtime is more or less guaranteed, for example, or you expect to receive a reasonably consistent bonus each year, it is appropriate to include them in the overall earnings calculation if you wish to.

In most cases, for underwriting purposes, we would expect you to select an earnings amount not exceeding your current salary plus a realistic current overtime amount plus the latest bonus. If you think earnings are likely to fluctuate from year to year, perhaps because some or all of your earned income is through commission, an average of the last three years' salary, commission, overtime and bonuses is appropriate for the purpose of calculating the maximum benefit to insure. Equally, you may include a confident projection for the current year to establish a realistic average figure.

**Risk factor** The benefit we pay you may be less than the amount of cover you buy because your earnings in the 12 months immediately before the incapacity date are less than the amount you used in selecting the benefit. We shall not refund premium in respect of this overinsurance.



### Benefits in kind

If you specify your requirement for us to provide this cover before the plan starts, the taxable value of the following benefits received in the 12 months immediately before the date of incapacity is also included in the plan's earnings definition.

- Living accommodation your employer provides which is used as your sole residence
- Company car, which is also provided for your private use
- Fuel card provided in conjunction with the above, fully expensed, company car
- Beneficial loans (not those to purchase work related items such as travel season tickets)
- Premiums your employer pays to provide private medical insurance, accident and travel insurance and critical illness cover for you.

You can therefore include the current P11d value of one or more of these benefits if you receive them and you expect to continue to do so.



**Risk factor** The benefit we pay you may be less than the amount of cover you buy because your benefits in kind in the 12 months immediately before the incapacity date are less than the amount you used in the earnings calculation, because you included in your earnings calculation benefits in kind not in the above list or because you did not specify to us the benefits in kind you wanted to be covered before the plan start date. We shall not refund premium in respect of this overinsurance.

## Dividends and directors' loans

If you are a shareholding director of your own company, the plan's earnings definition extends to include dividend and/or directors' loans payments where salary would otherwise be paid to you. Since the purpose of the plan is to replace income lost during incapacity, payments continuing during incapacity beyond the plan's deferred period are not included in the earnings calculation.

For dividends to qualify as earnings:

- If you are one of a number of working directors contributing to the success of your company, the dividend will need to have been **paid to you** as remuneration in lieu of salary for performance of material and substantial occupation duties.
- If the success of your company relies entirely on your own occupation performance, no other person being employed to perform other than administrative or secretarial duties in any accounting period for which a dividend was paid, **dividends paid to all shareholders** may be included in the earnings definition.
- In either case, the decision to pay a dividend must have been formally declared by your board of directors and the amounts must be clearly documented as dividend payments to named shareholders.

Where we allow dividends as earned income, we use a **three-year average of all earnings** (your PAYE, your admissible benefits in kind and any qualifying dividends or loans) to establish the pre-incapacity earnings on which to base the benefit payable.

**Risk factor** The benefit we pay you may be less than the amount of cover you buy because the dividends qualifying as earned income for the purpose of calculating the benefit payable are less than the amount you used in selecting the benefit. We shall not refund premium in respect of this overinsurance.

For directors' loans to qualify as earnings:

- They may be amounts you have received from your company as capital repayment of and/or interest on a loan. The amounts will appear clearly in your company accounts and they will not exceed those scheduled in the loan agreement.
- They may also be amounts you have received through a director's loan account, in which case, we would expect:
  - there to be documentary evidence, such as a minute from a board meeting, of a decision before the loan was made to remunerate you through a loan account;

- the loan account debit to have been recorded in the company accounts as written off in your favour;
- the loan amounts not to have been included in the earnings calculation as PAYE income or as a beneficial loan;
- your company to have reported a profit in the tax year when the loan account debit was reported and this to have been no more than 25% below the profit reported in the tax year immediately prior.

Again, where we allow directors' loans as earned income, we use a **three-year average of all earnings** (your PAYE, your admissible benefits in kind and any qualifying dividends or loans) to establish the pre-incapacity earnings on which to base the benefit payable.

For underwriting purposes, as earnings are likely to fluctuate from year to year, we would expect an average of the last three years' salary, commission, overtime, bonuses, dividends and loans to be used for the purpose of calculating the maximum benefit to insure. Equally, you may include a confident projection for the current year in the calculation to establish a realistic average figure.

**Risk factor** The benefit we pay you may be less than the amount of cover you buy because the directors' loans qualifying as earned income for the purpose of calculating the benefit payable are less than the amount you used in selecting the benefit. We shall not refund premium in respect of this overinsurance.

## Self employed earnings

If you are self employed, we define earnings in this plan as your share of pre-tax profit from your trade, profession or vocation for the purposes of Schedule D Case I and II of the Income and Corporation Taxes Act 1988 in the 12 months immediately before the date your incapacity commenced.

In most cases, for underwriting purposes, we would expect you to select an annual earnings amount not exceeding the annual figure on which you were last assessed for income tax, although it may be appropriate to use a confident projection for the current year to establish a realistic figure. If, as is likely, earnings fluctuate from year to year, we would expect you to use an average of your last three years' taxable earnings to calculate the maximum benefit to insure. Again, you may choose to include a confident projection for the current year to establish a realistic average figure.

Drawings from your business account, even if you tend to draw the same amount every month, are not admissible as earnings.

**Risk factor** The benefit we pay you may be less than the amount of cover you buy because your earnings in the 12 months immediately before the incapacity date are less than the amount you used in selecting the benefit. We shall not refund premium in respect of this overinsurance.

The earnings we base your benefit on will be less than the amounts you are used to taking from your business for personal use if any of those drawings normally qualify as discountable expenses in your tax assessments. The benefit we pay you will be also less than the amounts you will have taken from your business for personal use in the 12 months immediately before incapacity if any of those drawings have qualified as discountable expenses in your tax assessment.

### What if my employment status is a bit complicated?

#### ... because I have been employed for less than a year when I apply for cover

When selecting the benefit you want us to insure, it is appropriate to base your earnings on the situation you are going to be in once the plan is up and running. So, if you have been self employed or unemployed and you are now employed, we would normally expect the benefit you select to be based on your annualised earnings in your current role. If you have converted to limited company status but you are still doing what you used to do when you were a sole trader or in a partnership, it is worth using an average of your total earnings as defined earlier in this document over the last three years, particularly if your earnings have fluctuated.

#### ... because I have been self employed for less than a year when I apply for cover

If you have recently become or will shortly become self employed, you will be asked application questions about your situation to ensure cover is available, since we ordinarily expect you to buy cover from us after you have been self employed for three years or more. If we go ahead, your historical salary will not be useful to calculate your cover; we shall help you establish an appropriate earnings amount, based on your business plan and income projections for the coming year.

#### ... because I have been working for less than a year when I become incapacitated (three years if earnings include dividends or directors' loans)

If you have been working for only a short time after you have your plan in place when you become incapacitated, we shall establish an annual equivalent earnings figure by dividing the total earned income so far by the number of months over which it has been received and multiplying the result by twelve. For example, if you are incapacitated after only 9 months of being in work, your earned income of £18,000 to date is divided by 9 (£2,000) and multiplied by 12 to arrive at annual equivalent earnings of £24,000.

**Risk factor** The benefit we pay you may be less than the amount of cover you buy because the earned income for the purpose of calculating the benefit payable has been less in the time you have been working than the amount you used in selecting the benefit. We shall not refund premium in respect of this overinsurance.

#### Need to know more?

For more information about the sources of income we can take into account, please also refer to your plan's terms and conditions.

To ensure you have sufficient levels of cover in place you should review your protection requirements on a regular basis with your financial adviser.