L.Fernandez
Mortgages



Protection Jargon Buster

Protection insurance safeguards you and your family against financial hardships in the event of illness, injury or death. Whether you're considering life insurance, critical illness cover, or income protection, this jargon buster will help clarify some of the key terms you might encounter so that you can make an informed decision about the most suitable protection insurance policy for your circumstances.

A-Z of Protection Insurance Terms

— Accidental Death Benefit

This is an additional feature in some life insurance policies that pays out an extra amount if death occurs due to an accident. It's designed to provide further financial security in unexpected circumstances.

— Accidental Sickness and Unemployment Insurance (ASU)

ASU insurance is designed to cover a portion of your income if you can't work because of illness, injury or compulsory redundancy. ASU is a type of short-term income protection, typically offering payouts for up to 12 months if you make a claim.

— Beneficiary

A beneficiary is the person or entity you designate to receive the proceeds from your insurance policy upon your death. It's important to regularly review and update your beneficiary list to reflect any changes in your personal circumstances.

— Critical Illness Cover

This type of insurance provides a lump sum payment if you're diagnosed with a serious illness covered by the policy, such as cancer or a heart attack. The Association of British Insurers (ABI) has set out minimum standards for the definition of critical illnesses. It can help to ease the financial burden during the treatment of and recovery from a listed disease.

— Decreasing Term Insurance

A type of life insurance where the payout decreases over time, typically in line with a mortgage or other debt. It's often cheaper than level term insurance because the risk to the insurer reduces as the amount of cover decreases.

— Deferred period

The period of time from when a person has become unable to work until the time that the benefit begins to be paid.



— Exclusions

Exclusions are specific conditions or circumstances that are not covered by your insurance policy. Common exclusions include pre-existing conditions (i.e. illnesses or diagnoses you knew about before taking out the policy) or certain high-risk activities, such as skydiving or rock climbing.

— Family Income Benefit

Instead of a lump sum, this type of life insurance pays out a regular income to your beneficiaries if you die within the policy term. This can help replace lost income and maintain your family's standard of living at an already difficult time.

— Guaranteed Premiums

With guaranteed premiums, the cost of your insurance will remain the same throughout the term of your policy, providing certainty about your payments.

— Income Protection Insurance

This policy provides regular payments if you're unable to work due to illness or injury. Unlike critical illness cover, it usually covers any injury or illness that prevents you from working and not just specific diagnoses listed in the policy wording. It is designed to replace a portion of your income until you're able to return to work, helping reduce the financial pressure and ensuring you can continue to cover essential outgoings like bills and mortgage repayments.

— Indexation

Indexation is an add-on to a policy that adjusts your insurance cover over time to keep pace with inflation. This ensures that the value of your policy isn't eroded due to rising living costs.

— Joint Life Insurance

This is one policy that covers two people, usually spouses or partners. It typically pays out on the first death, leaving the survivor without cover unless another policy is taken out.

— Level Term Insurance

This type of life insurance provides a fixed amount of cover throughout the policy term. It should be reviewed regularly to ensure it keeps pace with inflation. It is a straightforward option for ensuring a set amount of financial protection for your beneficiaries.

— Life Insurance

A policy that pays out a lump sum to your beneficiaries if you die during the term of the policy. It's a key element of financial planning that ensures your family would be taken care of financially if you were to die.

— Non-Disclosure

Failure to provide accurate or complete information when applying for insurance can result in your policy being voided. For example, if you did not disclose a pre-existing condition, your insurer would likely reject any claim on the grounds of non-disclosure. It is therefore crucial to be honest and thorough to avoid issues if you need to make a claim.

— Own Occupation

A definition of disability under income protection policies. It means that you're covered if you are unable to work in your specific job rather than any job, thus offering more comprehensive cover. For example, if you are a graphic designer and you suffer vision loss rendering you unable to perform in that role, you would be covered under an own occupation policy.



— Permanent Health Insurance (PHI)

PHI is another term for income protection insurance. It covers long-term absence from work due to illness or injury and can act as a valuable tool for protecting your income and ensuring financial stability.

— Policyholder

The person who owns the insurance policy and is responsible for paying the premiums. The policyholder has control over the policy, including the ability to make changes and claims.

— Premium

The amount you pay regularly (monthly or annually) to keep your insurance policy active. Premiums can be level or increasing, depending on the type of policy.

— Sum Assured

This is the payout that your insurance policy will provide upon a valid claim. For life insurance, it's the amount your beneficiaries would receive.



— Terminal Illness Cover

A common feature in life insurance policies, terminal illness cover pays out the policy's sum assured if you're diagnosed with a terminal illness and have a life expectancy of less than 12 months.

— Total and Permanent Disability (TPD)

Total and Permanent Disability (TPD) is a condition that refers to an individual being unable to work due to a severe disability or illness.

— Underwriting

The process by which insurers assess the risk of insuring you based on factors like your health, lifestyle and occupation. The outcome of underwriting affects your premium amount and policy terms.

— Waiver of Premium

An optional feature that allows your insurance policy to continue without paying premiums if you're unable to work due to illness or injury.

Finding appropriate protection – how we can help

We work with carefully chosen insurers and recommend the most suitable policy for your circumstances.

— **Independent advice:** We provide unbiased advice on a range of products from various providers, ensuring you get the most suitable deal for your individual circumstances.

— **Market insight:** We have in-depth knowledge of the life insurance, critical illness and income protection markets and can help you understand the pros and cons of different types of policies and cover.

— **Application support:** We prepare and submit your application, ensuring everything you need cover for is included.

As with all insurance policies, conditions and exclusions will apply.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice. No part of this document may be reproduced in any manner without prior permission.

Protection Jargon Buster Guide 2025