

Insurance



The **Money Advice Service** is here to help you manage your money better. We provide clear, unbiased advice to help you make informed choices.

We try to ensure that the information and advice in this guide is correct at time of print. For up-to-date information and money advice please visit our website – moneyadviceservice.org.uk.

About this guide

This guide is for you if you want to protect your family, health, income or possessions.

When you read it you will know:

- how insurance works and when you might need it
 - some of the different types available, and
 - what you need to think about when buying it.
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What is insurance?

Insurance protects you against the unexpected. Everyday life can have its problems. Think about how you would cope financially if you or your partner became ill and couldn't work, or if fire seriously damaged your home?

Although we always hope nothing bad will happen, only you can decide whether you're willing or able to take the risk. If something does happen, you may have enough savings to be able to manage, but in case you don't, insurance may help.

See the *Jargon buster* on page 28 for an explanation of some of the words you may come across.

Do you need insurance?

There are lots of different types of insurance available and it can be confusing.

Motor insurance is compulsory if you own a vehicle, whether you drive it or not, unless you have a statutory off-road notification (SORN) for it.

And liability insurance is compulsory if you run certain types of business. All other insurance is optional. Buildings insurance is not compulsory but most mortgage lenders will insist you have it.

You may consider different types of insurance at various stages in your life. For example, if you're buying or own a home, or starting a family, you may want to protect your income, borrowing, health or possessions. But if you're single, have no dependants and are renting or living at home, you may not need all of these.

Use the following checklist to see what insurance you might need. For more information about the different types of insurance available, what they cover, and what to look out for, see *Types of insurance* on page 6.

There is also more information on all these types of insurance on the **Your money** section or our website – see moneyadvice.service.org.uk.

Insurance checklist

Do you need insurance?	Use our online budget planner to help you see how much money you've got coming in against all your outgoings – see moneyadvice.service.org.uk/budget . This will help you work out how you would cope if something unexpected happens. Think about whether you need insurance when your circumstances change, for example if you buy a home or start a family.
What if your household income decreased, through illness, disability or unemployment?	Certain insurance, sometimes known as protection insurance , can pay out in these instances, but they usually only pay out for a limited time and don't cover all circumstances – see pages 6-8. State benefits may help, but most don't start immediately and usually only last for a fixed period.
What would happen if you or your partner died suddenly?	Life insurance provides some financial security for people who depend on you, in case you die unexpectedly – see page 9. It's also a good idea to check what your pension plans will pay out when you die.
Are you a home owner?	Most mortgage providers insist that you take out buildings insurance , but it's worth checking that the amount covered is enough to rebuild your house – see page 10. There are also mortgage protection policies to cover your mortgage repayments if your income stops due to accident, sickness or redundancy – see page 7.
What about your belongings?	Whether you own your home or are renting, it's your responsibility to insure your belongings. Contents insurance covers the loss of, or damage to, the contents of your home and other items you take outside your home – see page 11.
Do you drive?	The law requires that you have basic motor insurance if you own a vehicle – see page 12.
What about your pets?	Pet insurance can pay towards vets' bills, and some schemes will pay for you to advertise if your pet has been lost, or for kennel/cattery fees if you suddenly have to go into hospital – see page 13.
And don't forget the holiday	Travel insurance can cover you against mishaps while you're abroad, from lost luggage and theft to flight delays and medical bills – see page 17.

How insurance works

The amount you pay for insurance will be based on the information you give the insurance company and the type of risk you want to insure. Insurance companies use certain criteria (such as where you live, if you smoke, and what you would like to be covered) to help them work out the price (premium) of the insurance.

The insurance company agrees to pay out if the event you're insuring against happens. It is important that you give the insurance company the full facts when buying insurance, as incorrect information could invalidate your policy and mean the insurance company won't pay out.

You can choose for yourself which company's policy to buy, or you can go to an insurance broker who'll help you choose – see *Useful contacts* on page 31. An insurance broker is a professional who helps people find suitable cost-effective insurance protection. Brokers can give advice on many issues as well as support in making claims.

When buying insurance, always compare what a policy covers, not just the price. Some might be cheaper than others, but they may not offer the same level of protection.

Insurance regulation

The Financial Services Authority (FSA), the UK's financial services regulator, regulates sales of most insurance products. However, its selling rules don't currently cover the sale of extended warranties on non-motor goods (such as on electrical goods) where the person selling the insurance is also providing the goods.

Even if its rules don't cover the sale of a policy, they do cover the insurance company providing the policy, as long as they are based in the UK and are regulated by the FSA.

Regulated firms and their agents are listed on the FSA Register and have to meet certain standards. Always check that the firm you're dealing with is on the FSA Register by calling 0845 606 1234 or going online at www.fsa.gov.uk/fsaregister. If it's not regulated by the FSA, you won't have access to complaints and compensation procedures if things go wrong – see page 26.

Got a question about money?

From budgeting to borrowing, from insurance or savings to pensions, our trained advisers can help you with your questions. We offer free, unbiased information and advice which means we won't sell you anything. You can get this in print, online, over the phone and face to face.

We also provide tailored advice to help you make choices at key points throughout your life, whatever your circumstances. Take our online **health check**. Answer some straightforward questions and get your personal action plan to help you with your money must-do's and longer-term goals.

Call us on 0300 500 5000 or go online at moneyadvice.service.org.uk/healthcheck.

Key points

- Check whether you need the insurance – most insurance is optional.
- Find out whether you're already covered by an existing policy.
- Always give the full facts, so that the company can work out the correct premium for you.

Types of insurance

Protecting your income or borrowing

Once you take out any kind of loan, it's very important that you make all the repayments in full and on time. If your loan is a mortgage or other loan secured on your home, you could risk losing your home if you don't keep up the repayments. It could also affect your credit rating.

Products designed to protect your income or borrowing include:

- critical illness insurance
- payment protection insurance
- mortgage payment protection insurance
- income protection insurance, and
- life insurance.

If you are an employee and you fall ill, in most cases your employer must pay Statutory Sick Pay for up to 28 weeks, though this will probably be a lot less than your full earnings.

Some employers arrange group income protection insurance for their employees as a benefit of their job, and this can pay out an income after the statutory sick period. So make sure you check what your employer offers.

After 28 weeks or if you're not working, state benefits may help. But most don't start immediately and they usually only last for a fixed time. You may have enough savings to cover you but, if not, insurance may help.

Critical illness insurance

This pays out a lump sum if you're diagnosed with a specific critical illness. Most policies cover you if you develop certain types of cancer or have a stroke or heart attack beyond a certain level of severity. You may also be covered if you develop MS or kidney failure, or need a major organ transplant or a coronary artery bypass. Many policies cover other conditions as well. But check the policy conditions carefully because some policies may only cover one or two of these illnesses. You must disclose any pre-existing medical conditions or your policy may be invalid.

You can use the payout for medical treatment, to pay off your mortgage or for anything else.

Check – read your insurer's terms carefully, not just for the range of illnesses they cover but also how these are defined and the level of severity needed to meet the definition.

Payment protection insurance (PPI)

This insurance aims to help you keep up your loan repayments if you can't work because of redundancy, accident or illness. You can take out a PPI policy specifically to cover your mortgage repayments, which is called **mortgage payment protection insurance (MPPI)**.

A typical policy will start to pay an agreed amount one month after your income stops due to redundancy, accident or illness. It will pay out for a set time only – usually 12 or 24 months.

Most lenders aren't allowed to sell you PPI when you take out a loan (the only exception to this is if you take out PPI with retail credit, such as a credit account with a catalogue company), but they may provide you with a quote. If you want to take out a PPI policy, you can use this quote to search the market and get the best deal.

Make sure you shop around, and use our online **comparison tables** to compare the features and costs of PPI and MPPI products – see moneyadviceservice.org.uk/tables.

There is a variation on this called **short-term income protection insurance**. This is similar except it pays out a sum linked to your income or another pre-set amount rather than a sum linked to a loan repayment.

Also known as **accident, sickness and unemployment (ASU) insurance**.

Check – if you decide you do want it, look at the terms and conditions carefully, and check that it covers your circumstances. For example, you would not need unemployment cover if you were not working when the policy was taken out, and some may not cover you for pre-existing medical problems.

Income protection insurance

It replaces part of your income if you are unable to work for a long time because of illness or disability. It continues to pay out until you return to work, die, or the policy term expires, whichever is soonest.

These products usually offer a choice of waiting periods before they will start to pay out (usually 4, 13, 26 or 52 weeks). The longer the waiting period you agree to, the lower your premiums will be, so it is important you find out what income you would get from your employer and other insurance products during the waiting period.

Also known as **permanent health insurance (PHI)**.

Check – this cover may be available through your employer, so make sure you check what your employer offers first.

Check – this cover might not be available to you if you have existing health problems or a dangerous job.

Life insurance

If someone depends on you financially, how would they cope financially if you died?

There are two main types of life insurance: whole-of-life insurance and term insurance.

Term insurance pays out only if you die within a certain term (for example 10, 15 or 20 years). If you live longer than the term, you get nothing. As a couple, you can also take out term cover in both your names, with the policy paying out on the first death only during the term.

Different types of policy include:

- **family income benefit** – a policy that pays out an income rather than a lump sum
- **increasing policy** – where cover and premiums rise over the years
- **decreasing policy** – where cover and premiums fall over the years, and
- **renewable policy** – which lets you extend the original term.

Decreasing term insurance is often linked to a repayment mortgage. It may then be called **mortgage term insurance** or **mortgage protection life insurance**.

Whole-of-life insurance pays out an agreed sum when you die, whenever that is.

Check – if you don't have any dependants, you will probably not need life cover.

Protecting your possessions

There is insurance to protect your home and your possessions. Products designed for these circumstances include:

- buildings insurance
- contents insurance
- motor insurance, and
- pet insurance.

Buildings insurance

If you own your own home (with or without a mortgage) and it is a freehold property, you should take out buildings insurance. This covers the cost of rebuilding your home if it is damaged by fire, flood or subsidence. The rebuilding cost is usually between a third and a half of the value of your home. You can check whether you have enough buildings insurance through the Building Cost Information Service (BCIS) website – see www.bcis.co.uk.

Most mortgage lenders will insist you take it out when you take out a mortgage (as it protects their asset if something happens to the property). But you don't have to take out cover with that particular lender.

Leasehold and rental properties should be covered by the freeholder, but always check.

Policies often cover damage to fixed fittings such as baths and kitchens, as well as garages, sheds and greenhouses, although they may exclude walls, fences, drives and swimming pools.

If you live on a flood plain you may find it difficult to get buildings insurance. If you already have cover for flood damage, the insurer should continue to offer it to you, although they may increase your premiums, the excess, or both. See the Environment Agency's website to find out if your property is at risk of flooding – see www.environment-agency.gov.uk.

Buildings insurance does not cover your belongings. These need to be insured separately with **contents insurance**.

You need to tell your insurer if you extend your property, for example with a loft conversion or conservatory, as this will change the rebuild cost.

Check – you may find that you get a better deal if you buy buildings and contents insurance together from the same insurer. Combined buildings and contents insurance is often known as **home or household insurance**.

Contents insurance

This covers the loss of or damage to the contents of your home. It includes items within your home as well as items you take outside, for example cameras, jewellery and laptops. Most policies will cover you against theft and fire, and give you the option to insure against accidental damage.

You'll need to let the insurers know of any high-value items you want covered, such as expensive jewellery or camera equipment. Insurers may require proof of purchase or valuation certificates, so keep these safe and take photographs of the items. If they refuse cover altogether, contact an insurance broker, who will be able to find you a specialist insurer.

Your cover may be affected or cancelled if you leave your home empty for a period of time (often as little as 30 days) or if you rent it out.

If you rent your property through a registered social landlord such as a housing association, they may offer an 'insurance-with-rent' scheme. This is where you can pay for your contents insurance at the same time as your rent. Ask your landlord if they provide a scheme like this.

If you have a child at university and living away from home, check if your policy will cover their possessions too. They may need to take out their own contents insurance.

Check – many insurers will offer discounts if you have a burglar alarm and/or window locks, or if you're a member of a Neighbourhood Watch scheme.

Motor insurance

The law says you must have motor insurance if you own a vehicle, whether you drive it or not, unless you have a statutory off-road notification (SORN) for it. Some policies cover the replacement or repair of your vehicle, depending on the circumstances of an accident.

If you are refused cover on the grounds of health or age, a specialist insurer may be able to help.

You can choose from three levels of cover:

- **third party** – this is the minimum legal requirement and covers you if you injure a third party (such as innocent bystanders, passengers or property), but does not cover damage to your vehicle
- **third party, fire and theft** – covers third-party injuries and liabilities, and also fire and theft to your vehicle, but not accidental damage to your vehicle, or
- **comprehensive** – covers third-party injuries and liabilities, as well as fire, theft and accidental damage to your vehicle.

You pay a premium depending on various factors including the make of car, engine size, your age and where you live. The higher the excess you are willing to pay, the lower your premium will be.

You'll also tend to get lower premiums if you park your car somewhere secure (in a garage overnight for example) or if you have a clean driving licence.

Depending on your claims history, the insurance company may offer you a **no-claims discount**. Some companies allow you to pay a sum to guarantee this discount. Bear in mind you are paying to keep the no-claims discount and not to keep your premiums at a certain level – they may still rise, for example due to a general increase in prices. They are also usually transferable to another insurer.

If you use a comparison website, check the level of cover you are being offered, as the cheapest policy is not always the best.

Check – don't forget that motor insurance does not usually cover you for breakdowns, so if you want this you will need to take out separate **breakdown cover**.

Pet insurance

There are three kinds of cover:

- **life-long** – it will pay out for specific conditions (injuries, illnesses etc) for the life of your pet
- **mid-level** – it will pay out for specific conditions for the life of your pet but with a limit on how much will be paid out for any particular condition, and
- **time-limited** – it will pay out only for 12 months per condition.

All policies are renewable on an annual basis, so the insurer may discontinue or vary the terms and conditions of cover at the renewal date. And in all cases the cover continues only if you keep paying the premiums.

Policies vary, but as well as an agreed maximum payout for vets' bills and medication, some will pay for you to advertise if your pet has been lost, or for kennel or cattery fees if you suddenly have to go into hospital. In some cases it will also cover the cost of making good damage caused by your pet.

It does not generally cover routine upkeep items such as annual vaccinations, boosters, nail clipping, spaying and neutering.

Check – in choosing a policy, think about the likelihood of your pet developing a recurring or ongoing illness, as some breeds are prone to certain conditions.

Check – always make sure you disclose any key relevant information.

Protecting your health

Every UK resident is entitled to free healthcare from the NHS, but you may want health insurance so that you can have a choice in the level of care you get, where you get treated, when you get treated, or if you didn't want to use the NHS.

Products designed for these circumstances include:

- private medical insurance
- health cash plans, and
- dental insurance.

Private medical insurance (PMI)

This covers medical treatment and usually means you can get treated more quickly than on the NHS. The cover you get will vary, but basic private medical insurance may pay the costs of most in-patient treatments (tests and surgery) and day-care surgery.

Some extends to out-patient treatments (such as visits to consultants or specialists).

You can buy cover on a full medical underwriting basis. This means you will be asked questions about your health and, based on the information you provide, the insurer will decide the conditions of your cover.

You can also apply for cover on a moratorium basis. This means you will not be asked any questions about your health, but if you have suffered from any health conditions in the last five years, these will automatically be excluded from cover for a stated time.

You can't take out cover now for treatment you know you're going to need. If you've had health problems in the past, your insurer may also refuse to cover them. If you are asked to disclose these when applying for the insurance, you must do so or you could invalidate your policy.

It is unlikely to cover the treatment of chronic medical conditions, dental care, pregnancy, HIV/AIDS, fertility treatment, mental or psychiatric conditions, and treatments you may choose to have, such as cosmetic surgery.

To keep costs down you could choose to pay more of the bill, or you could choose cover that only applies if NHS services are not available within a certain timeframe.

Check – find out if your employer provides health insurance as part of your benefits package.

Health cash plans

These provide limited cash sums towards everyday healthcare bills. Different policies cover one or a combination of types of healthcare, such as dental care, optical care, physiotherapy, or stays in hospital.

Check – some policies have age restrictions and will cover you only if you are under a certain age (often 65). If you've had health problems in the past, the cash plan may not pay out on certain types of healthcare. Some plans also apply qualifying periods, which means they will not pay for any treatment you have in the first few months of the policy.

Dental insurance

This is a health cash plan that focuses on dental care. Most dental plans pay for twice-yearly check-ups, as well as for treatments such as crowns, root canal work, bridges and dentures up to an agreed maximum each year. More serious work such as oral cancer, surgery and serious dental abscesses are often excluded.

Check – some of these policies are not transferable between dentists.

Other types of insurance

Other insurance you may consider include:

- legal expenses insurance
- travel insurance
- extended warranties
- long-term-care insurance, and
- business insurance.

Legal expenses insurance

This is a way of protecting yourself against some of the costs involved when funding a legal dispute, which can be very expensive. There are two basic types of legal expenses insurance: before the event and after the event.

Before-the-event cover often provides for legal advice helplines, as well as the costs of appointing solicitors, expert witnesses and representation if the claim goes to court. It can be bought along with some insurance policies.

For example, some companies selling motor and household contents insurance may include this cover as a free add-on, while others give you the option of attaching the cover for an extra premium. If it's been automatically included and you don't want it, you can opt out of it.

After-the-event cover is taken out at the time you seek legal assistance. Often you will arrange this through your solicitor but specialist brokers sell it too. It costs a lot more than before-the-event cover, and covers only the one legal dispute.

Check – you should check your insurance policy documents carefully to make sure you understand what you are covered for, the level of cover and any limitations that apply.

Check – both types of cover normally allows the insurer to withhold or withdraw funding if there isn't a 'reasonable prospect of success', which usually means that you have a 51% or better chance of winning or defending your case.

Check – legal expenses cover is sometimes sold as an add-on to other types of insurance (such as buildings insurance). Check to see if this is the case when buying other insurance products.

Travel insurance

If you travel without travel insurance, you run the risk of losing out if things go wrong. For example, if you're uninsured and you lose your luggage, you may not be able to recover the cost of it. Also, if you suffer serious injury, you may end up having to pay for medical treatment.

If you are a UK resident you are entitled to free or reduced-cost, State-provided healthcare when visiting Switzerland or a European Union (EU) country, as long as you have a European Health Insurance Card (EHIC) – see *Useful contacts* on page 31. In many other countries outside the EU, healthcare can be very expensive. But you should remember that the EHIC is not a substitute for travel insurance, as it only covers you for when you are ill.

Most travel insurance plans will cover medical bills for up to £1m, and often more, as well as pay for an emergency air ambulance to bring you home for treatment in the UK.

It can also cover you against other mishaps while you're abroad, from theft to flight delays. Make sure you read the policy summary information for exclusions – there are bound to be some, such as hazardous activities like skiing or diving. Some policies do not cover scheduled airline failures, civil unrest or terrorist attacks. If you have a policy which does not cover these risks, you can take out separate insurance.

High-value items such as bicycles and laptops are often excluded, so you may want to check whether these are covered under your contents insurance. Also check whether your employer offers travel insurance as part of your benefits package and, if so, what this covers you for.

If you are refused cover on the grounds of health or age, a specialist insurer may be able to help.

Check – you won't usually be covered for pre-existing medical conditions, or you may have to pay extra to get them covered. If you don't disclose those medical conditions, any claims that you make may be rejected because you didn't tell the insurance company. Travelling against a doctor's advice may also invalidate your cover.

Check – travel insurance is often included as part of a packaged bank account. If you're offered one of these products, make sure the cover is what you want and that you are insured for an appropriate amount.

Extended warranties

When you buy something new, the law requires it to be of satisfactory quality. Usually, the manufacturer or retailer will guarantee it for a period of time, generally a year. An extended warranty covers you for repair costs after this guarantee has expired.

These policies cover repair costs following the breakdown of most household appliances, and most also cover parts and labour. There is usually a maximum amount payable during the life of the policy and some may have a limit on each claim.

If the appliance cannot be repaired, 'new for old' policies will replace it with a new one of similar specification, or pay a cash equivalent if a similar model is no longer available. Other policies will make good up to the current value of the product after depreciation.

Some policies provide additional benefits, such as accidental damage or frozen food spoilage.

Policies usually exclude misuse, non-domestic use and cosmetic items such as damaged paintwork or trims.

You can, buy cover from the retailer or from specialist insurers, insurance brokers, banks or other financial institutions.

You can also buy insurance for appliances you already own but which are not currently insured, subject to their age and condition. With this type of cover there is usually a 'no-claim' period immediately following the start of the cover during which claims for breakdown will not be met.

Some warranties are not insurance contracts. These usually have names such as 'service contracts'. With service contracts, your payments are put into a pool that is used to pay claims. In many cases this pool is protected, so that if the retailer goes bust your claims would still be paid. But that is not always the case. You should receive information when you take out the contract about whether or not you would be covered in the case of insolvency.

Check – some warranties offer no more protection than your entitlements under normal consumer protection legislation, and in some cases you may already be covered by your contents insurance and have no need for a warranty. Also, think about how likely the product is to break down.

Long-term-care insurance

As you get older, you might develop health problems that could make it difficult to cope with everyday tasks. So you may need help to stay in your own home or you may have to move into a care home.

The state may provide some help towards the costs of this care, depending on your circumstances, so always check with your local council about any support it offers.

You can buy long-term-care insurance when you have been medically assessed as needing care, regardless of age.

You buy it with a lump sum, and it pays out a regular income for your care for the rest of your life. You'll be assessed medically to see how much you must pay for your chosen level of income.

In the past it was possible to buy **pre-funded** insurance in case you needed care in the future. These contracts are no longer available to buy but you may have an existing policy.

Check – when you die, the income usually stops. Capital is only repaid if you've chosen a plan that provides some death benefit (a lump sum paid to your estate).

Business insurance

If you are an employer, you are legally required to have employers' liability insurance, and if you use motor vehicles for your business, you are legally required to have third-party motor insurance.

There are also many types of optional business insurance available, and what you may need will depend on the type of business you have.

If you have business premises, a suitable premises insurance policy will cover you for damage from various causes. However, this only covers the physical building, so you will also need separate insurance cover for stock, machinery and contents.

You may want to think about taking out specialist insurance, such as loss-of-cash insurance, trade-credit insurance, or goods-in-transit insurance.

For more information on the different types of insurance available for small businesses, see the ABI guide

Insurance for Small Businesses: a guide to protecting your business – see *Useful contacts* on page 31.

If you work from home, you may need a specialist insurance policy. Contents insurance will not cover any loss of office equipment, nor will it provide public liability cover.

Check – your standard contents insurance may not be valid if you work from home, although most policies can be extended to cover this.

Key points

- Always check the exclusions before you take out a policy.
- Always tell your insurer if your circumstances change.
- You must keep up payments for the insurance cover to remain in force.

Key things to think about

Buying insurance

Generally, firms selling insurance and those providing insurance cover have to be regulated by the FSA, or be the agent of a regulated firm.

There are some exceptions, for example the sale of extended warranties on non-motor goods (such as on electrical goods) where the person selling the insurance is also providing the goods.

Before you buy, always check what insurance cover you already have. You may have taken it out yourself or you may be covered through policies taken out by your employer as part of your benefits package, or it may be part of your bank account deal.

Some types of insurance (such as legal expenses cover or travel insurance) are often sold as an add-on to other types of insurance or financial products, or other goods such as holidays or travel tickets. Make sure that you know what you're paying for and that any cover you buy as an add-on meets your needs.

You can buy insurance directly from insurers over the phone, internet or by mail, and also from banks, building societies, insurance or mortgage brokers, financial advisers, or supermarkets.

Check the policy information to find out exactly what you are and are not covered for. Nearly half of people don't know what their insurance covers, so always ask questions if you're not sure about anything.

Always shop around. Some policies may be cheaper than others, but they may not offer the same level of protection. Always compare like with like.

Comparison websites will ask you several questions and then provide you with quotes from various brokers and insurers. None of the websites cover the entire market, and some larger insurers are not represented on any of the websites, so you may wish to contact them directly. The comparison website you use should contain a list of the brokers and insurers represented on its panels.

Be aware that some insurance companies will automatically renew your policy at the renewal date, particularly if you've bought it online or you pay by Direct Debit. They will send you a reminder but it's up to you to check the price and be happy with any increase. If you're not, then shop around. It may be worth going back to your original provider and telling them if you find the same level of cover cheaper – they may match the price to keep your custom.

Information you'll be given

If you decide to buy through a broker, they will give you details about the service they are offering you. This will tell you:

- whether they're offering you advice or just information about the product
- whose insurance policies they offer (it may be from one company or many), and
- how much you'll have to pay for the service.

Once you've discussed what you need and answered the questions you have been asked about yourself and what you want to insure, you will be given key policy information. Even if you decide to buy insurance direct from an insurer, you will still be given this information.

This information will set out what the policy does and does not cover, any limits or restrictions, and any other important features you need to know before you make up your mind.

Make sure you get this information, and that you read and understand it. Ask the provider or insurance company to explain anything you don't understand. You can also use this information to shop around and compare like with like.

Cooling-off period

You have the right to change your mind and have your money back within a certain period (usually 14 or 30 days) after arranging any insurance contract.

Your questions answered

Disclose the full facts

'Material' facts are facts that you ought reasonably to know are relevant to the insurer's decision whether to offer you insurance cover and at what price, so they must be disclosed. This information will form the basis of a contract between you and the insurer.

If you are asked a specific question, you must respond honestly, and it is no defence to say that you didn't realise that the fact was material. If you don't disclose material facts, your policy may be invalidated and you won't be able to make a claim.

So make sure you disclose everything, however irrelevant it may seem at the time, for example any unspent convictions (however small) should be declared. And if you are buying home insurance, you need to declare any unspent convictions of anyone in the household too. (Spent convictions are those that by law do not have to be declared because so much time has passed since the conviction.) For more information see www.unlock.org.uk.

Also check with your insurer if and when you need to tell them of changes in circumstances.

Don't under-insure

The average home contains over £40,000 in clothes, kitchen gadgets, electronics and furniture. It is up to you to insure accurately. If you underinsure your goods – so you insure your contents for £20,000 when they are worth £40,000 – the insurer would only be obliged to pay out up to £10,000 if you made a claim under this policy (ie half of what you claim for).

Check the exclusions

The most common reason for insurers to reject a claim is because the policy didn't cover what people thought it did. Check the policy documents to find out what is and isn't covered.

Question

How do I find an insurance broker or company?

Answer

Your friends or family may recommend one, or you can find one along your high street. Alternatively there are organisations that can help you – see *Useful contacts* on page 31. But always check that the firm you use is on the FSA Register – call 0845 606 1234 or go to www.fsa.gov.uk/fsaregister.

Question

What if I know what I want and don't need advice?

Answer

UK firms that sell insurance without advice still have to follow the FSA's rules. But the onus is then on you to decide whether or not the policy is suitable. You may have less grounds for complaint if the policy turns out to be unsuitable.

Question

Are there different types of premium available?

Answer

If you take out insurance to cover your income or borrowing, you will be offered two main types of premium:

- **Reviewable premiums** – premiums may start off relatively low, but will be reviewed in the future and may increase every few years or so to take account of your changing circumstances.
- **Guaranteed premiums** – these tend to be more expensive, but the premiums are usually guaranteed for the life of the policy. Always check how many years the guarantee is for.

Think about which option is best for you, both now and in the long run.

If things go wrong

Making a claim

Make sure you check your policy details to see if you can claim. Check your excess against the cost of replacement or repair, to see if it's worth it.

Contact your insurer to tell them you want to make a claim. Your policy documents should tell you how to contact them. Keep brief notes of all telephone conversations with your insurers, so you can refer back to them if you need to. Keep any receipts or invoices that you've already paid, as you may need these as part of your claim. If you've used an insurance broker, they may be able to help you.

If you've been a victim of a crime you should also get in touch with the police as soon as possible (and you may need a letter from your tour operator or hotel if it happened abroad).

Don't exaggerate. False information on a claim can lead to the whole claim being rejected.

See the insurance pages on the **Your money** section of our website for more information – see *Useful contacts* on page 31.

You have a right to complain if your claim is rejected.

Complaints

If you have a complaint about the advice you received when you bought your insurance policy, or your claim has been rejected, contact the firm you dealt with. They have a procedure to follow when dealing with complaints.

If you're not satisfied with their response, you may be able to take your complaint to the Financial Ombudsman Service. The firm should give you the details of this free service – see www.financial-ombudsman.org.uk.

Compensation

If a UK-authorized financial services firm, such as an insurance company or insurance broker, is unable, or likely to be unable, to pay claims against it, you may be able to get compensation from the Financial Services Compensation Scheme. There are limits to the protection the FSCS provides to you depending on the type of claim. The service is free to claimants – see www.fscs.org.uk for more details about FSCS protection for insurance.

Next steps

Step 1

Check that any insurance you've already got covers you for what you think it should.

When looking to buy insurance, first check whether you might be covered under any policy you already have, or through your employer's benefits.

Step 2

Get a few quotes from different companies. Use this information to shop around and compare the features as well as the costs. Make sure you compare like with like, and don't buy on price alone. You can do this yourself or get the help of an insurance broker.

Step 3

Get financial advice if necessary. There are a number of organisations that can give you a shortlist of financial advisers in your area – see *Useful contacts* on page 31.

Step 4

Always ask questions if you're not sure about anything, especially questions concerning your own personal circumstances.

Make sure that you disclose all relevant information about who or what is being covered, otherwise your policy may not be valid if you make a claim. And make sure you tell the insurance company if your circumstances change.

Jargon buster

Some key words and phrases explained.

Activities of daily living (ADLs)

These include keeping mobile, washing, dressing or feeding yourself.

Actuary

A person professionally trained to apply probability theory and statistics to insurance and related fields.

Assurance

Strictly speaking, 'assurance' is for a policy for an event that will happen, for example a life assurance policy that pays out on death, whereas 'insurance' is for things that may or may not happen. However, nowadays the term 'insurance' is more often used to cover both.

Beneficiary

The person named in a life insurance policy to receive the insurance money on the death of the insured.

Breakdown cover

Insurance that provides help to motorists who are stranded at the roadside when their vehicle has broken down. Also called 'roadside assistance'.

Claim

A formal notice to an insurance company requesting payment under the terms of a policy.

Cover

The protection given by insurance.

Excess

The amount you agree to pay before your insurer pays the rest of the bill (for example the first £100 of a claim). The higher the excess you offer to pay, the less the policy will usually cost you. Beware, some policies charge an excess per clause rather than one overall.

Exclusions

Specific conditions or circumstances listed in the policy for which the insurance company will not pay claims or benefits.

Home or household insurance

This is the common name for buildings and contents insurance when they are bought together.

Insurable interest

Having an insurable interest means that you would suffer a financial loss should the insured event take place.

Investment-backed life insurance

Life insurance that also acts as an investment. It includes whole-of-life insurance, with-profits bonds, endowment policies and maximum investment plans.

Joint life

Life cover that pays out if one of two insured people dies. Note, though, that it only pays out once, so if both people die together there will only be one payout.

'New for old' cover

An insurance policy where the insurer will replace old damaged appliances and possessions with new ones when you claim, rather than making deductions for wear and tear.

Non-disclosure

Failure to disclose material (relevant) facts.

Policy

The printed legal document stating the terms of the insurance contract.

Policyholder

The person who owns an insurance policy.

Useful contacts

Pre-existing condition

A medical condition that you know you already have before your policy starts.

Premium

The amount your insurer requires you to pay for insurance.

Renewable term insurance

Insurance for a specified period, offering you the right to renew at the end of the term for another term or terms, without a medical examination.

Single premium

You pay the whole premium up front, often borrowing the amount together with the loan you are insuring – as opposed to a regular premium, which you pay each month for the duration of the cover.

Specialist insurer

A company that deals with specialist risks – for example contents insurance for high-value or rare items, such as fine art, antiques or vintage cars.

Underwriting

The process of assessing risks and premiums.

Waiver of premiums

A way of insuring your life insurance monthly premiums in case you cannot work because of ill health (but not unemployment or redundancy). The insurer pays the premiums for you until the end of the policy term, you reach a specified age, or you are able to return to work. You usually buy it as an optional extra with a life insurance policy.

Money Advice Service

For advice based on your own circumstances or to order other guides

Money Advice Line: 0300 500 5000

Typetalk: 1800 1 0300 500 5000

Calls should cost no more than 01 or 02 UK-wide calls, and are included in inclusive mobile and landline minutes. To help us maintain and improve our service, we may record or monitor calls.

Other Money Advice Service guides

- Borrowing money
- Credit cards
- Credit unions
- Getting financial advice
- Making a complaint
- Making your budget work for you
- Problems paying your mortgage
- Your bank account
- Your pension – it's time to choose

For more titles, call us or go to moneyadvice.org.uk/publications

On the Money Advice Service website you can find:

- a **health check** to help you build up some good financial habits and reach your goals
- **comparison tables** to compare mortgages, pensions and savings accounts, and
- a **pension calculator** to see how much income you might get when you retire – from what you save now or in the future.

Go to moneyadvice.org.uk/tools

Call rates to the following organisations may vary – check with your telephone provider.

Financial Services Authority (FSA)

To check the FSA Register or to report misleading financial adverts or promotions.

Consumer helpline: 0845 606 1234
Minicom/textphone: 0845 730 0104

www.fsa.gov.uk

For factsheets and information on insurance

Association of British Insurers (ABI) information zone

Factsheets available on most types of insurance including:

- life insurance
- income protection insurance, and
- household and property insurance.

020 7600 3333

www.abi.org.uk

Guide on insurance for small businesses

www.abi.org.uk/publications

Finding an adviser or broker

British Insurance Brokers Association (BIBA)

For insurance guides and Find a Broker service.

0870 950 1790

www.biba.org.uk

The Institute of Insurance Brokers (IIB)

For an insurance broker who is an IIB member.

www.iib-uk.com

MyLocalAdviser

For an independent financial adviser, mortgage broker or financial intermediary in your local area.

www.mylocaladviser.co.uk

Unbiased.co.uk

For an independent financial adviser, mortgage adviser or solicitor in your local area.

www.unbiased.co.uk

The Personal Finance Society

Find a financial adviser in your local area.

www.findanadviser.org

Other services

Building Cost Information Service (BCIS)

A house-rebuilding-cost calculator.

<http://calculator.bcis.co.uk/>

Environment Agency

For flood-risk maps.

www.environment-agency.gov.uk

European Health Insurance Card (EHIC)

To apply for a European Health Insurance Card.

0845 606 2030, pick up a form at the Post Office, or go to

www.ehic.org.uk

UNLOCK

For a detailed guide for consumers with unspent convictions and for a list of insurance brokers who specialise in insurance for people with unspent convictions.

www.unlock.org.uk

Complaints and compensation

Financial Ombudsman Service

South Quay Plaza
183 Marsh Wall
London E14 9SR

0800 023 4567 or 0300 123 9123

www.financial-ombudsman.org.uk

Financial Services Compensation Scheme (FSCS)

7th floor Lloyds Chambers
Portsoken Street
London E1 8BN

0800 678 1100 or 020 7741 4100

www.fscs.org.uk

This guide is part of our everyday money series.

Other titles in this series include:

- Borrowing money
- Making a complaint
- Making the most of your money

All our guides are available from:

Our website
moneyadvice.service.org.uk

Money Advice Line
0300 500 5000

If you would like this guide in Braille, large print or audio format, please call us on 0300 500 5000 or Typetalk on 1800 1 0300 500 5000.

Calls should cost no more than 01 or 02 UK-wide calls, and are included in inclusive mobile and landline minutes. To help us maintain and improve our service, we may record or monitor calls.

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