



Heritage Mortgages

## **A Simplified Guide To Insurances and Protection**

### **Life Assurance**

You can use this cover to protect you and your family to give you a lump sum if you die or are diagnosed with a terminal illness. It is suggested that people who co-habit, with children or other dependants should have enough life assurance to ensure that their mortgage is repaid in full (as a minimum) should they die before the end of the mortgage term.

There may also be a need to provide your dependants with an additional lump sum, which can be used to produce income to maintain your family's standard of living.

Life Assurance cover isn't a pleasant thing to think about but if you don't do anything about it and something happens to you the consequences for your family may be disastrous.

By arranging a Life Assurance Plan and paying a monthly premium, you get peace of mind that you will leave behind financial security.

### **Critical Illness Cover**

This cover is designed to pay out a lump sum of money if you are diagnosed with a serious or critical illness (this type of cover is usually added to Life Assurance for maximum mortgage protection). Often overlooked is the need to provide a lump sum not only to cover the mortgage and family needs but to cover the costs that can be incurred in caring for someone with a critical illness whether it be private medical care or adapting the home to accommodate the person whom has suffered the critical illness and so on. Critical Illness Cover plans usually include cover for your children as a free benefit.

Policies can vary but nearly always include the following illnesses:

Heart Attack, Cancer, Stroke, Multiple Sclerosis, Kidney Failure, Coronary Bypass or Transplant.

Like with Life Assurance, it isn't a pleasant thing to think about but if you don't do anything about it and something happens to you the consequences for your family may be disastrous.

### **Income Protection**

Policies can vary but nearly always cover you in case of a serious illness, medical condition, or accident that makes you unable to work. Income Protection gives cover by paying out as a regular monthly income after a deferred period (e.g. after being unable to work for 3 months) The insurance pays out a regular income until a set age, often this is retirement age but earlier ages are available if appropriate.

We do recommend that you first check with your employer to find out what levels of sick pay you would be entitled to receive.



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### **Mortgage Payment Protection Insurance (MPPI)**

Payment protection insurance is a way to cover your mortgage repayments in case of illness, accident and also unemployment through no fault of your own. Plans can be arranged for both Employed and Self-Employed individuals.

MPPI pays out for a limited time, usually 12 months whereas *Income Protection* can provide an income for the life of the whole mortgage. MPPI is a cheaper option than Income Protection and is something which is strongly recommended.

A suitable MPPI policy will give you the peace of mind to know that, should anything happen to you to prevent you from working, you will still be able to pay the mortgage.

### **Household Insurance: Buildings & Contents Insurance**

Building and Contents insurance, along with motor insurance is one of the most common and understood insurance policies available on the market.

This type of insurance can be taken as the following:

- Building only – Only the property is insured
- Contents only – Where only your property contents is insured
- Buildings & Contents – Where the property and its contents is insured.

As a condition of your mortgage, any lender will require you to ensure that your building is insured for the full rebuild cost. This means, your Buildings policy must ensure that there is full cover in place to totally rebuild your property should the property be completely destroyed. This is often referred to as the building 're-instatement amount' and the amount required for this will typically be specified on a mortgage valuation report.

The Buildings and Contents Insurance is generally the most popular option. This is due to the insurance requirement of the lender for the building to be insured and also peace of mind of ensuring your contents are insured.

Additional options to a Buildings & Contents policy are as follows:

- Accidental Damage – This will ensure the policy pays out in the event of you accidentally damaging the property or its contents.
- Legal Cover – This provides you with legal cover in the event of someone taking legal action against you in respect of your property. For example, if someone passed your property and a roof tile fell on them, you would be liable for damages. Legal cover will cover any compensation claim up to a set amount.

**We hope this Simplified Guide To Insurances and Protection is useful – if you have any questions please do contact us, we are here to help you in any way.**