



INCOME PROTECTION AND BUDGET INCOME PROTECTION

Key Features of the Flexible Protection Plan

The Financial Conduct Authority is a financial services regulator. It requires us, LV=, to give you this **important information** to help you to decide whether our Flexible Protection Plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Key Features of the Flexible Protection Plan

Income Protection and Budget Income Protection

In this Key Features document we try to help you, by giving you the key features of the Income Protection and Budget Income Protection Policies, available in our Flexible Protection Plan. It doesn't contain the full terms and conditions, which you will find in the Income Protection Policy Conditions or the Budget Income Protection Policy Conditions.

Income Protection and Budget Income Protection are both underwritten by Liverpool Victoria Friendly Society Limited, which is part of LV=.



Its Aims

- To pay a regular monthly income, to help replace some of your lost income, and help you cope financially if you are unable to work because of sickness or accident. With Budget Income Protection, the regular monthly income will be paid for a maximum of 24 months.
 - To insure yourself, or someone else.
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Your Commitment

To meet your commitment under these policies you need to:

- Choose the amount of cover you need, and how long you wish to wait before we start making payments to you (your waiting period).
 - Choose how long you need the cover for.
 - Pay your premiums each month by Direct Debit. You must continue to do this even when we are paying a claim.
 - Answer all the questions when you apply carefully and to the best of your knowledge and belief. If you're insuring someone else, you need to ensure that they do the same.
 - Tell us if there is any change to the information you or the person insured put on the application form, or in supporting documents you give us, between the date the application form is filled in and the date the policy starts.
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Risks

- If you don't tell us everything we ask for when you apply, or you don't tell us that the information given has changed before your policy starts, we may cancel it, or may not pay a claim.
- If you stop paying premiums, your policy will stop after 60 days. This means you won't be covered.
- If you choose Budget Income Protection, we will only make payments for a maximum of 24 months for any one single claim. This means you will need to find another source of income, if you are still unable to work after we have paid you for 24 months.
- If you choose Budget Income Protection, and you are a homemaker, once we have paid you for 24 months for any one single claim, then your Budget Income Protection policy stops and you will no longer be covered.
- If you choose level cover, your cover is fixed when your policy starts and doesn't change. This means it won't keep up with the rising cost of living (inflation) and will mean the regular monthly payment we pay you when you claim will buy less in the future.
- Although you are covered wherever you are in the world, we will only pay a claim for 26 weeks, unless you return to one of a specified number of countries. If you return to one of these countries, or are already in one of these countries we will pay your claim until you are no longer unable to work (or for up to 24 months if you have chosen Budget Income Protection).
- If the Government changes the tax treatment of protection products like our Income Protection and Budget Income Protection policies, the amount of cover paid out on a claim could change.

WARNING – This policy has no cash-in value at any time.

Important:

When you apply for these policies, it is vital that you answer all of the questions we ask you in the application honestly and in full.

We will cancel your policy if either you or anyone you are insuring act fraudulently, or deliberately provide untrue, inaccurate or misleading information, when you apply for the policy, or when making a claim.

We may also cancel your policy, or may not pay the amount of your cover in full, if had you answered all of the questions we asked you honestly and in full, it would have led us to a different decision about the amount of your cover.

If you're insuring someone else, this also applies to any part of the application that they complete.

If we cancel your policy you are not entitled to a refund of the premiums you have paid.

Questions & Answers

What is the Flexible Protection Plan?

Our Flexible Protection Plan allows you to pick and choose from a number of different life and health insurance policies, and include them all within one plan.

You can choose from:

- Life Protection
- Critical Illness Protection
- Combined Life and Critical Illness Protection
- Income Protection & Budget Income Protection
- Personal Sick Pay

This Key Features document provides information on Income Protection & Budget Income Protection. If you're interested in any of the other policies, and would like more information about them, please speak to your Financial Adviser.



What am I covered for?

Income Protection and Budget Income Protection are designed to pay you a regular income if you are unable to work due to sickness or accident.

There are two ways we can measure whether you are unable to work; we call these Own Occupation and Homemaker cover.

Own Occupation cover pays out if, because of an accident or sickness, you're unable to do your normal occupation. You would not be expected to go back to work in a different occupation – for as long as you are unable to do your normal occupation, the policy will continue to pay out.

We'll also use this measure to determine whether you're unable to work, if you claim within the first 12 months from

- becoming unemployed
- becoming a homemaker, or
- taking a career break

If you have been out of work for longer than 12 months when you claim we'll use the measures under homemaker cover which are detailed below to determine whether we can pay your claim.

More details for Own occupation cover can be found in the Policy Conditions in Section A1.

Homemaker cover

This pays out if, because of an accident or sickness, you are unable to prepare a meal or do basic housework. We promise we'll be reasonable in reviewing your claim, our aim is to make sure we can pay out when someone is genuinely unable to be a homemaker.

More details for Homemaker cover can be found in the Policy Conditions in Section A2.

In all cases we will confirm which cover we are able to offer you before your policy starts.

If you are a Doctor or Surgeon, registered with the General Medical Council, and licensed to practice in the UK, then we have some special conditions, over and above our standard conditions. More information about these extra conditions can be found in Appendix A of the Policy Conditions.



Is there anything I'm not covered for?

Yes.

Unemployment

This policy will only pay out if you are unable to work, because of sickness or accident. This means we won't pay a claim if you are not working for a different reason, for example if you have chosen not to work, or you have been made redundant.

Sickness or accident and still working

You cannot generally claim under this policy if you are sick or have had an accident and are still able to work in your normal occupation whether this is as a homemaker or if you are doing other paid or unpaid work. Although, if you have own occupation cover, we may be able to offer some support if you return to work part time or in another occupation. (Please see sections B8 and B9 of the policy conditions for more details).

Do please check with us if you have more than one job. You may not be covered if you are able to do one job but not the other.

Death

This policy does not pay out in the event of your death.

Travelling Abroad

We'll pay a claim after your waiting period, if you are in one of a number of countries listed in the Policy Conditions. If you are anywhere else in the world, we would only pay a claim for a maximum of 26 weeks.

Claim Limit – Budget Income Protection only

The claim limit is the maximum period for which we will make payments to you, after your waiting period for any one single claim. This period is 24 months.

Once we have paid 24 months payments for any one claim, the payments will stop even if you are still unable to work. You'll still continue to be covered, unless you have homemaker cover. If you have homemaker cover, and we have paid any single claim up to the claim limit, then we will cancel your policy, and you will no longer be covered.

Can I apply?

To apply for Income Protection and Budget Income Protection, when your policy starts you must be:

permanently living in the UK

and

aged between 17 to 59.

If you're insuring someone else, they must meet these requirements.

You can only insure someone else if you'll suffer financially if they are unable to work because of sickness or accident. We call this 'insurable interest'. If you're insuring your spouse or civil partner, you automatically have an insurable interest.

When does my policy start and end?

It starts on the date we ask for your first premium. It will end:

on the end date shown on your Policy Schedule,

or

if you stop paying the premiums,

or

if we cancel your policy,

or

if you die.

However if you are a homemaker and you have chosen our Budget Income Protection policy, your policy will end once we have paid 24 months payments for any one single claim.

You cannot take out a policy that lasts for less than 5 years, and it must end before you reach age 70. If you're insuring someone else, they must meet these requirements.

What types of cover can I choose?

You can choose:

Level cover

This means the amount of cover you choose is fixed when your policy starts and doesn't change. If you choose guaranteed premiums, the premiums you pay will also remain the same. If you choose reviewable premiums, although we aim for the premium you pay to stay the same it may be changed.

If you choose level cover it won't keep up with inflation, and will buy you less in the future.

Inflation-linked cover

This means that the amount of cover and the premium you pay will both go up each year in line with inflation. This may be shown on your personal quote as increasing amount of cover, or index-linked amount of cover. If you choose reviewable premiums, although we aim for the premium you pay to only be changed in line with inflation each year, it may be changed at other times.

For our Income Protection policy if we are paying a claim when an inflation-linked increase is due, the increase in your cover will be limited to a maximum of 12%.

For our Budget Income Protection policy if we are paying a claim when an inflation-linked increase is due we will not increase your amount of cover.

How much cover can I have?

The most cover you can have is 55% of your annual earned income before tax.

This does not include any income from savings or investments.

If you own a limited company then your income can also include dividend income from your business. This is as long as the dividend income is clearly related to your work activities, and the dividends are paid from current year annual profits net of tax. For more information please see the definitions section for income in the policy conditions.

The maximum amount of cover you can apply for is £12,500 a month.



What's the maximum amount of income you will pay out?

The most we'd pay out is 55% of your annual income before tax.

We then take off other payments you may be receiving, such as the payments from any other Income Protection, or accident and sickness policies that you may have.

We take these payments off so that you don't receive payments totalling more than your income before you started to claim. Because of this the amount we pay you when you claim may be less than the amount of cover you are paying for. We don't refund premiums if this happens. However if after we've taken these amounts off, the maximum amount we could pay is within 10% of your amount of cover, we'll ignore the over-insurance, and pay the amount you're insured for in full.

We will never pay out more than the amount you are insured for.

We won't reduce the amount we pay you by the amount of any state sickness benefits – you can continue to receive these in addition to the payments you receive from this policy. However any payments from this policy could affect the amount of state benefit you can claim.

Please note if you were unemployed or on a career break the maximum we'll pay out could be affected. This will depend on how long you've been unemployed or on a career break. For more information please see Section C4 of the Income Protection Policy Conditions, or Section D4 of the Budget Income Protection Policy Conditions. However if you are a Doctor or Surgeon then we have some special arrangements that allow you to take a sabbatical break, and leave your cover in place. Please see Appendix A – Condition 2 of the policy conditions for more information.

The following example illustrates how we work out how much we will pay you. Full details are in sections B4 and B5 of the Policy Conditions.



Example

John earns £30,000 a year. He can take out an Income Protection policy for a maximum of 55% his annual income which works out at £1,375 a month.

John chooses £1,375 a month cover.

A year after taking out his Income Protection policy, he applies for a small personal loan, and takes out payment protection insurance on that loan.

Five years later John becomes sick and is unable to work as a result. His payment protection insurance on his loan starts paying £300 a month. By this time his salary has also increased to £36,000.

The following calculation shows you how we work out how much to pay John.

First of all we work out 55% of John's income before the claim

$$\mathbf{£36,000 \times 55\% = £19,800}$$

Then we divide this by 12 to work out the monthly equivalent

$$\mathbf{£19,800 \div 12 = £1,650}$$

Then we take off the payments from his payment protection insurance

$$\mathbf{£1,650 - £300 = £1,350}$$

The maximum monthly amount we could pay based on his income is £1,350 a month.

Finally we check this is not more than John was covered for. His cover was £1,375 a month.

However as the difference between the maximum amount we could pay and what he is covered for is less than 10% – we ignore the fact that he is over-insured, and agree to pay him the full £1,375 he is covered for.

How long do I have to wait after making a claim before my payments start?

You can choose how long you have to wait after you stop being able to work before we start making payments to you. We call this the waiting period. You can choose a 1, 2, 3, 6, 12 or 24 month waiting period. For example, if you're self employed, you may want payments to start after just 1 month as you won't have an employer paying you sick pay. If you're employed, and your employer pays you sick pay you might choose a longer waiting period like 3 or 6 months, to tie in with how long your employer pays you sick pay.

The longer the waiting period you choose the lower the premium for your cover will be. However, you will have to wait longer after you become unable to work, before we start making payments to you.

If you are a Doctor or Surgeon working for the NHS you may be able to claim under our NHS Doctors and Surgeons sick pay guarantee. This means we would pay your claim early if you've chosen a waiting period of 12 months. For more information, please see Appendix A – Condition 3 of the policy conditions.

How will I know if I have enough cover in the future?

It's a good idea to check your policy each year to make sure you have enough cover, as your financial or personal circumstances might change. Remember that if you choose level cover, inflation will mean that the amount of cover you choose now will buy less in the future. Your Financial Adviser will be able to help you with this.

Can I change my cover?

Yes, you can change the amount of your cover, your waiting period or the end date of your policy at any time. Normally, this will depend on your health at the time you want to change your cover and the terms and conditions that apply at that time. But in some circumstances you can increase your cover without having to complete a new application. We've explained this in more detail in Sections C2 and C3 of the Income Protection Policy Conditions and Sections D2 and D3 of the Budget Income Protection Policy Conditions.

How much does it cost?

This depends on the amount of cover and the waiting period you choose, how long you want your policy for, and also your personal circumstances, for example your age and whether you smoke or not.

The minimum premium is currently £5 a month, but there is no maximum.

We'll confirm the premium you need to pay for your cover before your policy starts. This may be different to that shown on your personal quote.



How long do I pay premiums for?

You pay a premium every month by Direct Debit until the month immediately before the end date of your policy. You will also need to keep paying the premiums whilst we are paying a claim, unless you choose to insure against this by taking out our Waiver of Premium policy as well.

You can choose to stop paying premiums at any time, but if you do then your policy will stop, you won't be covered and you won't get anything back.

This policy has no cash in value at any time.

Are there any charges?

The premium you pay for Income Protection or Budget Income Protection includes a monthly administration charge of £3.00. If you choose to include another one of the policies available in our Flexible Protection Plan, when you take out either Income Protection or Budget Income Protection, then we may reduce the administration charge for each policy that you take out.

Can LV= change the premium I pay?

This depends on whether you choose to have Guaranteed Premiums or Reviewable Premiums.

Guaranteed Premiums

Your premium is guaranteed. This means it will not change, unless you have chosen inflation-linked cover. If you have chosen inflation-linked cover, then both your premium and your amount of cover will only increase by inflation each year. The only exception to this is if we are required to change your premium because of a change in law which affects this type of insurance.

Reviewable Premiums

Yes. The premiums you pay are reviewable. This means they are not guaranteed to remain the same for the whole term of your policy.

When you apply for your policy we work out the premium you need to pay based on a number of assumptions. We then review these assumptions on an on-going basis, and if we need to change our assumptions then we will look at the premium you pay to see if this also needs to change. We can only change your premium for certain reasons; we can't simply change it to make up for any losses we've made, or to increase our profits.

The premium you pay will not be changed within the first 5 years of your policy starting, but after that we can change it every year.

Any change in premium will be in addition to any inflation-linked changes in your premium if you have chosen Inflation-linked cover.

If we do change your premium, we will write and let you know at least 60 days before you need to start paying the changed premium.

If we tell you that the premium you pay needs to increase, you can choose to continue to pay the previous amount instead. If you decide to do this, we will reduce the amount of cover under your policy to the amount that we work out your existing premium will pay for.

More details about when we can change your premium and the assumptions we use can be found in Section C9 of the Income Protection Policy Conditions, or Section D9 of the Budget Income Protection Policy Conditions.

What is the £1,500 Benefit Guarantee from LV=?

At LV= we understand that your income can go up and down. If it goes down, then when you come to claim it's possible you may be earning less than when you applied for your cover.

If this happens then the cover you choose might work out to be more than the maximum 55% of income allowed. Usually we would reduce the amount we pay you to this maximum.

When you claim, we guarantee that no matter what your income is, we'll provide you with at least £1,500 a month benefit (or if you chose cover of less than £1,500 then the amount you chose).

Please note:

- The aim of the benefit guarantee is to protect you against a genuine drop in your income after you take out your insurance. If you weren't earning enough when you set up your insurance to support the amount of cover you chose, then we reserve the right not to apply the benefit guarantee

- To qualify for the guarantee, you must have been working at least 16 hours a week if you were self employed, or 25 hours a week if you were employed, at the time you became unable to work due to accident or sickness.
- We would deduct any other sources of income (for example sick pay or other insurance) from the guaranteed amount.
- You can still receive state benefits on top of the guarantee.
- Any amount above the £1,500 would be subject to the usual reductions explained in section B5 of your Policy Conditions.

For more details on the benefit guarantee please see Section B6 of the Policy Conditions



Example

Kevin earns £36,000 a year (£3,000 a month), and takes out cover of £1,650 a month (55% of his income).

Three years later Kevin comes to make a claim, but by that time he taken a significant pay cut due to a company re-structure, and now only earns £24,000 a year (£2,000 a month). He has no other income protection policies or any continuing income. This means the maximum amount we could normally pay is £1,100 a month (55% of £2,000).

However under our £1,500 benefit guarantee we agree to pay him £1,500 a month, even though his income at time of claim would mean we could usually only pay him £1,100.

If you are a Doctor or Surgeon, then we may be able to offer you a £3,000 benefit guarantee instead. Please see Appendix A – Condition 1 of the policy conditions for more information.

What if I can't pay my premiums?

We give you 60 days from the due date for you to pay a premium.

Normally, if you stop paying your premiums, your cover will stop, and you won't get anything back.

However, you may be able to insure your premiums, if you wish. We call this Waiver of Premium. This would mean that your premiums would continue to be paid on your behalf if you suffered an accident or sickness which left you unable to work for longer than the waiting period you've chosen. Or, if you're insuring someone else, it'll pay your premiums if the person insured is unable to work.

Full details of this cover are included in the Waiver of Premium Policy Conditions. If you'd like more information about this, and whether it's right for you, please speak to your financial adviser.

What happens to my cover if I stop working?

It's important to tell us if you stop working. This is because we may use the measures described under homemaker cover when assessing your claim and the amount we pay may be reduced to £1,500 a month.

For more information please see Section C4 of the Income Protection Policy Conditions, or Section D4 of the Budget Income Protection Policy Conditions.

If you tell us when you stop working we may be able to reduce the premium you pay, to reflect your reduced cover. If you don't tell us, your premium will stay the same so this means you could end up paying for cover that you can't claim for, as the maximum amount we'll pay is £1,500. Unfortunately we won't be able to refund premiums if this happens.

If you are a Doctor or Surgeon then we have some special arrangements that allow you to take a sabbatical break, and leave your cover in place. Please see Appendix A – Condition 2 of the policy conditions for more information.

What happens if I have made a claim, recovered, gone back to work, and then I become sick again?

If this happens within the first 6 months of you going back to work then we may be able to start paying you again straight away, without you having to wait until the end of your waiting period. This is sometimes called a 'linked claim'.

However we will only do this if the reason you are unable to work, is the same as it was for your original claim, and you are still working in the same occupation as you were originally. If the reason you are unable to work is not the same, or you are working in a different occupation when you need to claim again, then we will not treat this as a 'linked claim', and you will need to wait until the end of your waiting period before we start making payments to you again.

More details and the limits that apply can be found in Section B7 of the Policy Conditions.

What happens if I have made a claim and recovered, but I am only able to go back to work part-time?

(sometimes called Rehabilitation benefit) – Own occupation cover only.

Normally, once you recover and are able to work again, we will stop making payments to you.

However if you have Own Occupation cover then we may be able to continue to pay you a proportion of the amount of your cover, if you have been claiming on your policy, but only recover enough to go back to work in your old occupation on a part-time basis.

More details about how we work out how much to pay and the limits that apply can be found in Section B8 of the Policy Conditions.

What happens if I have made a claim and recovered, but I am not well enough to go back to my previous occupation?

(sometimes called Proportionate Benefit) – Own Occupation cover only.

Normally, once you recover and are able to work again, we will stop making payments to you.

However if you have Own Occupation cover then we may be able to continue to pay you a proportion of the amount of your cover, if you have been claiming on your policy, but only recover enough to go back to work in a different occupation, for a reduced amount of income.

More details about how we work out how much to pay and the limits that apply can be found in Section B9 of the Policy Conditions.



What about claiming?

We understand that this will be a stressful time for you and your family, so we've tried to make this as easy as we can.

You can make a claim by telephoning 0800 7565869 (for textphone, dial 18001 first). We may record and/or monitor your calls for training and audit purposes.

Or you can write to us at: Claims Department, LV=, Pynes Hill House, Rydon Lane, Exeter EX2 5SP.

If you're insuring someone else, you can claim when they are unable to work, using the same contact details given above.

Who gets the money when there is a claim?

Once your claim has been approved, we will pay the claim to you as the policy owner.

If you are not the policy owner, then we will not pay the claim to you – we'll pay it to the policy owner instead.

How is the payment from this policy taxed?

Income Tax and Capital Gains Tax – Claims paid from this policy will not be subject to either Income Tax or Capital Gains Tax.

This is based on our understanding of current legislation and HM Revenue & Customs practice, which can change.



How much will the advice cost?

Your Financial Adviser will give you details about the cost. The amount will depend on the size of the premium and the length of the policy term. The cost of the advice you receive is included in your monthly premium, as it is paid for out of the charges.

Can I change my mind?

Yes, you can cancel your policy at any time. If you change your mind within 30 days of it starting, we'll refund your premiums. If you cancel at any other time, your cover will end and you won't get anything back. Your policy has no cash-in value at any time.

To cancel your policy please call us on 0800 678 1906 (for textphone dial 18001 first). We may record and/or monitor your call for training and audit purposes. Or you can write to us at LV=, Pynes Hill House, Rydon Lane, Exeter, EX2 5SP.

Could LV= cancel my policy?

Whilst the vast majority of our customers are honest, we do have to protect ourselves (and our customers) against the effect of fraudulent claims.

We will cancel your policy if either you or anyone you are insuring act fraudulently, or deliberately provide untrue, inaccurate or misleading information when you apply for the policy, or when making a claim.

This means we can cancel your policy, or not pay the amount of your cover in full, if we decide that you would have known, or we decide that you reasonably ought to have known, the true answer to a question we ask you, but have deliberately provided a false answer. So, when you apply, please take care to answer all of the questions as accurately as you can.

If you apply for your policy on-line, we will send you a summary of the questions we ask and the answers you give. We will also do this, if, when you apply, we telephone you to ask you some further questions about your application. When you receive this summary it's very important that you check the answers you gave, as we rely on this information to set up your policy.

We've explained when we can cancel your policy in more detail in Section C12 of the Income Protection Policy Conditions and Section D12 of the Budget Income Protection Policy Conditions.

How do I complain?

If you have a complaint about any part of the service you receive from us, it's important that we know about it, so we can help put things right. You can let us know by calling us on 0800 678 1906 (for textphone, dial 18001 first). Or, you can write to us at: Box 2, LV=, County Gates, Bournemouth BH1 2NF. Your complaint will be dealt with promptly and fairly and in line with the Financial Conduct Authority's requirements, and if you want more information on how we handle complaints, please contact us or visit www.LV.com/complaints.

We hope that we will be able to resolve any complaint that you have. If you're unhappy with the resolution of your complaint, the Financial Ombudsman Service may be able to help you free of charge but you'll need to contact them within six months of receiving our

final response letter. Their website is www.financial-ombudsman.org.uk which includes more information about the service, including details of the various ways they can be contacted. If you make a complaint it won't affect your right to take legal action.

Further Information

Retail Clients

We are required by our regulator, the Financial Conduct Authority, to categorise our customers to determine the level of protection they will receive. If you take out our Flexible Protection Plan described in this Key Features document, we will treat you as a retail client. This gives you the highest level of protection available under the Financial Conduct Authority rules.

What would happen if LV= got into financial trouble and was not able to pay out?

We've been in business since 1843, and take great care to manage our affairs sensibly. If we ever did get into financial trouble and couldn't honour our commitments, you would be entitled to compensation from the Financial Services Compensation Scheme.

The compensation you could get depends on the type of product you have. For these types of policy, the scheme covers 90% of the claim. From 3rd July 2015 this will change to 100% of the claim. The scheme's first responsibility is to seek continuity rather than to pay compensation.

For more information go to www.fscs.org.uk or call 0800 678 1100 or 0207 7414100.

Law

The policy is governed by the law of England as applied by the courts for that part of the UK where you live. We'll always communicate in English.



If you love it, LV= it

You can get this and other documents from us in Braille, large print or on audio by contacting us.

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