

PPI and its alternatives

1. The purpose of this appendix is to provide details of the main characteristics of the alternative financial insurance products to PPI to which we were referred by parties. We note that these alternatives offer similar benefits to PPI but are available to consumers on a stand-alone basis (ie they are not linked to a specific credit product).
2. The alternative products are divided into the following broad categories:¹
 - personal accident insurance;
 - income protection (as distinct from short-term IP);
 - critical illness insurance;
 - life (whole of life) insurance;
 - term life insurance; and
 - decreasing term life insurance.

Personal accident insurance

Cash flow insured	A fixed amount.
Risks insured	Accident which results in permanent loss of limbs or permanent disability within the term of the policy. Some policies include life insurance and hospitalization cover.
Type of underwriting	Community rated pricing.
Payment of premium	Customers typically pay monthly premiums calculated on the basis of the level of benefit required.
Benefits paid to customers	Lump sum.
Typical exclusion	Exclusions include disability due to, or caused by: <ul style="list-style-type: none"> • Attempted suicide. • Misuse of alcohol or drugs.
Eligibility	Applicants must be over 18. Maximum age depends on the policy.
Benefits period	Not applicable (see cash flow insured).

Income protection

Cash flow insured	A percentage of gross income (normally up to 65 per cent) for a limited period or up to retirement (if incapacitated).
Risks insured	Accident or sickness which results in loss of earnings within the term of the policy, usually to age 60 or 65.
Type of underwriting	Individually underwritten.
Payment of premium	Customers typically pay monthly premiums calculated on the basis of their occupation, age, state of health and level of benefit required.
Benefits paid to customers	Regular tax-free income which can be used to pay monthly bills or for any other purpose.

¹Within these categories the cover provided by a particular policy and the benefits offered to policyholders will vary, depending on the insurer and the product in question.

Typical exclusions There are common exclusions on most income protection plans, including disability due to, or caused by:

- HIV/AIDS;
- normal pregnancy and childbirth;
- war;
- self-inflicted injury;
- criminal acts;
- misuse of alcohol or drugs;
- failure to follow medical advice; and
- residing outside the UK.

Source: www.privatehealth.co.uk/.

Eligibility Applicants must be over 18.

Benefits period Up to retirement or for remainder of the term of the policy.

Critical illness insurance

Cash flow insured Fixed cash amount.

Risks insured The event of being diagnosed with one of the defined illnesses/conditions within the terms of policy. A list of illnesses that can be covered by critical illness insurance is presented in Table 1. Different insurers have different cover and limits. In particular, the 'other conditions' and 'other benefits' listed in Table 1 are not always included.

Policies usually have a specified survival period from diagnosis that must be exceeded in order for a claim to be considered as a critical illness.

Type of underwriting Individually underwritten.

Benefits paid to customers Tax-free lump sum or in some cases monthly payments up to the end of the term of the policy. Benefits can be used for any purpose that the customer wishes.

Payment of premium by customers Customers typically pay monthly premiums.

Typical exclusions See risks insured.

Eligibility Policies are individually underwritten and require the customer's medical history.

Minimum age 18. Maximum will depend on individual policy.

Benefits period Not applicable (see cash flow insured).

Table 1

List of illnesses

<i>ABI core</i>	<i>Other conditions</i>	<i>Other benefits</i>
Aorta graft surgery	Aids assault	Children's benefit
Benign brain tumour	Aids blood transfusion	Loss of independence
Blindness	Aids occupation	Major medical expenses
Cancer	Alzheimer's Disease	
Coma	Angioplasty	
Coronary artery bypass	Aplastic Anaemia	
Deafness	Bacterial Meningitis	
Heart attack	Cardiomyopathy	
Heart valve replacement	CJD	
Kidney failure	Diabetes	
Loss of limb	Hodgkins Disease	
Loss of speech	Liver failure	
Major organ transplant	Major head trauma	
Motor Neurone Disease	Open heart surgery	
Multiple Sclerosis	Pre-senile dementia	
Paralysis/paraplegia	Progressive Supra-nuclear Palsy	
Parkinson's Disease	Rheumatoid Arthritis	
Stroke	Severe lung disease	
Terminal illness		
Third degree burns		

Source: www.criticalillness.co.uk.

Life insurance (whole of life)

Cash flow insured Fixed cash amount.*

Risks insured	Death. Life policies can have the following optional extras: <ul style="list-style-type: none"> • Waiver of premium: If a customer is unable to work in his normal occupation because of illness or injury, the insurance company will pay the premiums to maintain the benefits under the policy. • Critical illness insurance (see above).
Type of underwriting	Individually underwritten.
Benefits paid to dependants	Cash sum.
Payment of premium by customers	Monthly.
Typical exclusion	It depends on policies. Typical exclusions could include accidental deaths caused by 'act of war' or 'while in active military service', or suicide.†
Eligibility	Applicants must be over 18. Maximum age will depend on individual policy.
Benefits period	Not applicable.

*The policy may have a surrender value if the customer terminates the policy.

†This exclusion is in the majority of cases within a specified term, such as the first 12 months of cover.

Term life insurance

Name of product	Term life.
Cash flow insured	Fixed cash amount. Term life gives financial protection if the customer dies within a specified period known as 'the term'. This period might be 10, 15 or 20 years although policies can be arranged for cover for periods as short as one month. The benefit is normally fixed and remains level throughout the term of the plan.
Risks insured	Death. Can include critical illness as an optional benefit.
Type of underwriting	Individually underwritten.
Benefits paid to dependants	Cash sum.
Payment of premium by customers	Monthly.
Typical exclusion	It depends on the policy. Typical exclusions include accidental deaths caused by 'act of war' or 'while in active military service', or suicide.
Eligibility	Applicants must be over 18. Maximum age will depend on individual policy.
Benefits period	If the customer is alive at the end of the term no payment is made and there is no surrender value—that is, if the customer stops paying the premiums the cover ceases and there is no refund of premiums paid.

Decreasing term life insurance

Cash flow insured	Fixed cash amount. Gives financial protection if the customer dies within a specified period known as 'the term'. The amount of cover decreases over the term of the policy and is usually designed to tie in with the outstanding amount on the customer's structured capital and interest borrowing (eg mortgage or loan account).
Risks insured	Death. Can include critical illness as an optional benefit.
Type of underwriting	Individually underwritten.
Benefits paid to dependants	Cash sum based on a predefined schedule or outstanding mortgage balance.
Payment of premium by customers	Monthly premium. As the life cover reduces, the monthly premium remains at a constant level over the term of the policy.
Typical exclusions	It depends on policies. Typical exclusions could include accidental deaths caused by 'act of war' or 'while in active military service', or suicide.
Eligibility	Applicants must be over 18. Maximum will depend on individual policy.
Benefits period	Not applicable.