

Think twice before cancelling protection cover

With conditions such as the large increase in the cost of living, it is understandable that people will be looking to make cost savings wherever they can. One cost which may come under scrutiny is protection premiums. Whilst it might be tempting to cancel one or more of these direct debits, the consequences can be significant.

What is key to understand is that once an insurance policy is cancelled without discussing it with your provider, your cover will end. If you wish to restart the cover, owing to the length of time that may have passed since you first took it out, any new terms of cover could be drastically different, in particular the level of cover and price. Plus, in some instances, cover may not be available at all.

If you are having financial difficulties, it is strongly advisable that you contact your insurance provider or protection adviser to see if they can help support you before cancelling any cover. Support could be in the form of a payment holiday or pausing cover temporarily, but then allowing your policy to be reinstated on the exact terms you had before.

The following is a reminder of the benefits that some protection policies you might hold offer:

Life Insurance and Critical Illness Cover

Life insurance is designed to pay out a lump sum only in the absolute worst-case scenario that the insured person passes away. Critical illness policies offer a broader scope for claims as they insure you in the event you are diagnosed with a critical illness. The definition of a critical illness can be a grey area, and usually requires an illness to be of specified severity. This does not mean that insurers are looking for a 'way out' of paying a claim - it means that conditions are assessed differently by different providers.



Income Protection

Income protection is a different form of insurance that does not pay out a large lump sum in the event of illness but will pay out a monthly amount to support you in the event you are diagnosed with an illness, or condition, preventing you from working (even temporarily). There is normally a deferral period in place, where you will have to wait several weeks before a claim will be paid, and this will be detailed in your terms and conditions.

Unemployment Cover

Unemployment cover is different to life insurance or income protection cover, as a claim is not based upon health condition or illness. Instead, a claim can be made if you lose your job through redundancy.

Owing to market uncertainty at the time of first lockdown during covid, almost all unemployment insurers withdrew their unemployment policies from sale, with only a very limited number of insurers eventually returning to market at the end of the pandemic. If you have unemployment cover, please be aware that if you were to cancel this policy, it is highly unlikely that any policy could be reinstated in the future - at least not on as favourable terms as you may have previously held. As such, it is wise to keep your policy in place so that it's there when needed, as you may find it cannot be repurchased again in the future.

Additional Benefits

A number of policies now also provide additional benefits which may be of enormous value to you both now and in the future. This can include access to virtual GPs, mental health, and wellness support for you and your family. These may provide an immediate tangible benefit to you that helps to justify maintaining the ongoing premiums.

More questions?
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