

# Accident, Sickness & Unemployment Insurance



# Accident, Sickness & Unemployment Insurance (ASU)

## What is it?

This type of policy is designed to provide a short-term benefit towards the monthly income lost in the event of the policyholder's earnings stopping as a result of an accident, illness or unemployment. The policy benefits will only be paid in the event that the policyholder's income is reduced / stops. It's not designed to pay a benefit if the policyholder continues to receive their full gross salary from their employer.

As an extension, the policy can sometimes pay a lump sum in respect of accidental death, permanent total disablement or loss of limbs, sight or hearing.

ASU Cover is not compulsory and like any insurance, you have to make a considered judgement about whether you think it's likely you will have to claim, and how any debts would be serviced if you did. If the worst happens and you have to call on your insurance, then it can be money well spent.

The policies generally have a fixed term, typically of between twelve and twenty-four months and are reviewed annually/biennially by the insurer. At this point, it's normal for renewal terms to be issued and the insurer will write to the policyholder directly in this regard on each anniversary of the policy, offering the opportunity to alter the terms of the contract to suit their requirements.

The premiums can be reduced by accepting cover for only some eventualities, for example, opting to buy a certain type of cover, for example unemployment only or disability only. This would only be prudent if the cover excluded was provided by another means.

## Eligibility

ASU Cover will typically exclude certain conditions. For example, pre-existing medical conditions, pregnancy and self-inflicted injury are unlikely to be covered under normal circumstances.

If you do claim there is usually a waiting period of 30 days, meaning you will not be able to claim for the first period of your illness or unemployment. Most policies typically will not cover you if you claim in the first 60 or 90 days after taking out your policy nor if your unemployment is a seasonal or otherwise regular feature of your work. If you take part in a strike or commit some form of misconduct and become

unemployed as a result, that also invalidates your unemployment cover.

## Taxation

The benefit payable is tax free under current tax rules.

All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change.

## Risk considerations

There are a number of risk considerations that need to be taken into account. It's important that you are aware of these.

- The contract will typically exclude certain conditions, particularly those which pre-exist the commencement date of the contract. Full details will be incorporated within the Policy Summary.
- You should review the level of cover required on a regular basis to ensure that it keeps in line with your earnings, otherwise, cover may be less than you need.
- You should ensure you have details of the correct procedures to be carried out in the event of a claim and also to the main conditions excluded by the policy.
- If for any reason you cease paying the premiums, the level of cover will cease.
- The benefit payable may affect your claim to means tested state benefits.
- The present tax-free treatment of the policy benefits may change.
- Should you not claim, there will be no benefit payable.
- If any relevant information provided, when applying, is not disclosed accurately and honestly, this could result in any cover offered becoming invalid and / or may result in the non-payment of any future claims.
- Failing to disclose any requested or relevant information may adversely affect any future claims.
- This type of policy does not acquire a surrender value at any time.
- If this policy is to replace any existing policy offering the same type / level of cover, you must not cancel any existing policy until the new policy is in force.