

# Key features of the Shepherds Income Protection Plan

## What is the purpose of this document?

**The Financial Services Authority is the independent financial services regulator. It requires us, The Shepherds Friendly Society Ltd, to give you this important information to help you to decide whether our Income 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.**

## Its aims

To provide:

- a regular income when you are unable to work due to sickness or accident, no matter how many times you make a claim.
- a choice of when benefits will commence based on the date from which you are unable to work.
- a tax-free lump sum when the plan finishes.

## Your commitment

- To pay your initial and future increased regular monthly premiums for a specified number of years until your chosen retirement date.
- To tell us all relevant medical and non-medical information about yourself when completing your application form and when making a claim under the plan.
- To ensure you do not exceed the permitted benefit level of 60% of income from any source.
- To review your level of benefit if your salary increases or decreases.

## Risks

- If you stop paying premiums under this plan your benefit will cease.
- The value of your plan at retirement is not guaranteed. It depends on how our funds perform and our claims history.
- If your income decreases and you do not review the plan you may not be able to claim the full amount of benefit you stated when the plan started.
- If your income increases and you do not review the plan you may not have sufficient benefit to meet your needs when you make a claim.
- If you cancel your plan in the first two years you will not receive any money back. If you cancel after two years the value of the plan will be penalised.
- It is the net profit stated in your accounts which will be used to calculate the benefit we can pay in the event of a claim.

# Questions and answers

## What is the Shepherds Income Protection plan?

The Shepherds Income Protection Plan is primarily designed to provide a monthly benefit to the self-employed and for anyone who does not receive an income or only a limited income from their employer in the event they are unable to work due to accident or sickness.

The aim of the plan is to replace up to 60% of your income in the event you become unable to work because of an illness or accident.

A tax-free lump sum may be paid upon retirement, and is made irrespective of the number of claims you have made.

### **WARNING:**

**If you are unsure of your total earnings then please ring our customer service team on 0161 428 1212 for further help before applying.**

## Who can have an Income Protection Plan?

You must be between 16 and 60 at the start of the plan. You can choose any retirement age between 50 and 65 with the minimum term being 5 years.

## What are the benefits of this plan?

The maximum benefit at the start of the plan is £42,000 per year, calculated from the first day that we start to pay benefits. The minimum benefit is determined by the requirement to have a minimum premium of £10.

You can choose your waiting period – day 1 cover or 2, 4, 8, 13, 26 or 52 weeks.

We will pay the benefit you have selected subject to a maximum of 60% of gross regular income if employed or 60% of net profit if self-

employed subject to the maximum allowed. This may include dividends from a limited company in which you and not more than 4 other shareholding full time working directors are employed and which would represent your share of the net trading profit. Housewives/husbands can also take out a plan to a maximum of £4,800 per year. In this case the earnings qualification does not apply. You do not need to reduce your cover while you are on maternity leave. However, if you are on maternity leave, you can choose to change to house person's cover, reducing the maximum benefit to £4,800. When your maternity leave ends, you can go back to your previous level of benefit.

We will pay benefit at the full rate for years 1 and 2. From the start of year 3 the benefit will reduce to 80% and will continue to be paid as long as the claim remains valid or until the end date of the plan.

### Example for cover of £2000 a month,

Year	% Payable	Annual Sum
1+2	100	£24,000
3	80	£19,200

## Optional benefits

### Optional children's benefit

For an additional payment of 70p per £100 monthly benefit per child any number of children can be included and they can be added or removed throughout the life of the plan.

In the event of more than one child being the subject of an accident or sickness at the same time only one claim can be made.

The maximum child benefit is £1500 a month. Cover will start from age 6 months and will stop at age 16. Stepchildren and adopted children can be included. Each child can only be added to one plan.

There is a 4-week waiting period, which cannot

be changed. A health declaration must be completed in place of full underwriting. Waiver of premium does not apply.

This benefit will not include a savings element.

## **Waiver of premium option**

This option covers you so that you do not have to continue paying premiums whilst you are ill. In the event of a claim for plans with day 1 cover and those with 2 and 4 week waiting periods you will be required to pay the first month's premium from the date of incapacity. After this time the premiums will be waived.

If you have a plan with waiting periods of 8, 13, 26 or 52 weeks, premiums will be waived from commencement of the claim.

The waiver of premium does not apply if the claim is for child sickness benefit. However if the plan holder is ill the whole premium is waived including the optional premiums. The cost of this benefit depends on your age.

## **Indexation**

You can only take this option at the start of the plan - you cannot add it or remove it later. With this option, the benefits and premiums will automatically increase annually in line with the Consumer Price Index. This increase will not come into force until the plan has been running for at least a year (for example, for a plan starting in April 2007, the increase will start from January 2009). We will remind you of the increase before it comes into force.

The increase will apply to the whole premium, including all options and benefits.

## **What happens if I die?**

Should you die before the plan matures we will pay the balance of your fund plus bonuses, if applicable, to your estate.

If you are diagnosed with a terminal illness and are expected to die within 12 months of the diagnosis, you can cancel your plan

and we will pay the balance of your fund (without taking off any amounts for cashing it in early), together with any bonuses that are due. We will also pay six months' sickness benefit at the full rate, even if we have already paid this benefit. We will need to see evidence of your illness from your doctor or specialist.

## **What if my circumstances change?**

The plan is highly flexible. The level of benefit can be increased or decreased to suit your circumstances, for example a change of job. The waiting period can also be increased or decreased. Your stated retirement age can be changed should your plans change. If you retire early we will need to see evidence of your changed circumstances.

You need to tell us about changes to your earnings and/or employer's sick pay arrangements to ensure that your correct benefit levels are maintained.

Certain increases may be subject to a review of your medical history.

Premiums, retirement age and the waiting period cannot be changed whilst you are claiming sickness benefit.

## **What happens if I stop paying my premiums?**

You need to maintain your premiums in order to maintain your entitlement to benefits. We will not pay sickness benefit if you are in arrears with your premiums. If your plan is in arrears for 3 months or more we reserve the right to cancel it. If it has been running for less than 2 years, there will not be any cash value of the plan. If it has been running for longer than 2 years we will repay you the balance of the fund, plus any bonuses due, less any early exit penalty.

## Once I have applied what if I change my mind?

Once we have received and processed your application we will send you the plan documents. Included with these will be a "right to cancel" notice. If you are not happy that you have done the right thing then just return this notice to us within 30 days and we will then refund any premiums paid.

## Exclusions

There are certain circumstances where we will not pay out on a claim. For example:

- Diving.
- Hang/Para-gliding.
- Parachuting.
- Mountaineering, rock climbing, potholing or caving.

## How is the tax-free lump sum generated?

After 2 years a proportion of each monthly premium will be allocated to your fund. The amount allocated will be £1.50 a month per £100 of benefit. The fund may be increased by the addition of annual interest payments generated from the Society's general investment funds. The rates of interest depend on the investment performance of the Society's funds and the level of sickness claims being made on the fund and are therefore not guaranteed payments. The lump sum is paid on retirement, death or cancellation of the plan if earlier provided the plan has been running for 2 years. A final interest payment may be made on payment of the lump sum but this is not guaranteed.

## What about Tax?

Benefits are payable free of tax, provided they are being used to replace income lost through illness or an accident.

Please remember that Taxation rules can be changed by HM Revenue and Customs in the future.

## How to claim?

As soon as you think you or your child may need to make a claim please contact us by phone on 0161 495 6434. The claims department will explain the claims process and send you a claim form. At this point we may ask for evidence of your earnings and your health.

Please notify us as soon as possible if you have an illness or injury which you think might lead to a claim in due course. In any event you must notify us of a claim at least 14 days before the first expected benefit payment. If you are late in submitting a claim we will make the first payment as soon as we can, but we will not back date it to the start of the illness. However, we will not apply this condition if your incapacity has physically prevented you from meeting it or if you have been confined in hospital.

Please also remember that the waiting period commences from the first date of your illness/incapacity and not from the date we receive your claim form.

When claiming for a child we require a written confirmation from their doctor that the child is ill, after 4 weeks.

## How much will any advice cost?

Your financial adviser (if you have one) will give you details about the cost of advice. The amount will depend on how much you are paying each month and the length of your plan.

## Where can I find out more?

Before your plan starts we will send you the full terms and conditions; this explains how the plan works. If you would like to see these terms and conditions before you apply please contact us.

Phone: **0161 428 1212**

Fax: **0161 428 3666**

Email: **info@shepherdsfriendly.co.uk**

Web: **www.shepherds.co.uk**

## More information

**Claims** - to make a claim please contact us by phone on 0161 428 1212 and ask for the Claims Department. They will explain the claims process and send out a claim form.

**Cancellation Rights** - after we accept your application we will send you a notice of your right to cancel. You will then have 30 days in which to change your mind.

**Complaints** - if you want to make a complaint; please contact:

Compliance Officer, Shepherds Friendly,  
Shepherds House,  
Stockport Road Cheadle SK8 2AA

Phone: 0161 428 1212.

Email: [info@shepherds.co.uk](mailto:info@shepherds.co.uk)

If we don't deal with your complaint to your satisfaction you can complain to the:

Financial Ombudsman Service, South Quay  
Plaza, 183 Marsh Wall, London E14 9SR.

Phone: 0845 080 1800

Making a complaint will not affect your right to take legal action.

**Past performance** - please note that past performance is not a guide to future performance. It is important to understand that future bonuses depend on profits yet to earn and as a result cannot be guaranteed.

## Financial Services Compensation Scheme (FSCS) -

we are covered by the FSCS, which means you may be entitled to compensation under the terms of the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

For long term plans such as this the scheme covers 90% of the claim with no upper limit. Further information about the scheme is available from the FSCS -

7th Floor  
Lloyds Chambers  
Portsoken Street,  
London  
E1 8BN.

**Financial Crime** - we will take measures to protect members against Financial Crime. We may need proof of identity on application or claim and if required we may gather this proof by electronic means, for example checking Electoral Registration.

**Tax** - information that we provide in this leaflet about taxes in the UK is based on our understanding of current laws and HM Revenue and Customs practice which may change in the future.

**The Data Protection Act** - you have the right to ask to see any personal information which we may hold about you and to have any mistakes in this information corrected. You can do this by writing to the data protection officer at our head office. There may be a charge for this.

**Law** - this plan is governed by the laws of England and Wales.



Providing Financial Security Since 1826

**AUTHORISED AND REGULATED BY THE  
FINANCIAL SERVICES AUTHORITY.  
THE SHEPHERDS FRIENDLY SOCIETY IS  
INCORPORATED UNDER THE 1992 FRIENDLY  
SOCIETIES ACT NO.240F**

## **The Shepherds Friendly Society Limited**

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The Head office and Registered office of  
The Shepherds Friendly Society is based  
in the United Kingdom