



Glossary of Terms for the Income Protection Market

This glossary of terms produced by The IPTF provides a solid foundation for understanding income protection terminology.

A

- ❖ Accident & Sickness Cover – A short-term insurance policy covering income loss due to illness or injury.
- ❖ Activities of Daily Living (ADLs) – A set of daily tasks (e.g., bathing, dressing, feeding) used to assess an individual’s ability to complete activities of daily life and determine eligibility for a claim.
- ❖ Age Banded Premiums – A pricing structure where premiums increase as the policyholder gets older.
- ❖ AMRA – Access to Medical Reports Act – Legislation governing the rights of an individual in relation to an insurer obtaining medical reports about them.
- ❖ Annually Renewable Policy – A policy that renews each year with potential premium changes.
- ❖ ABS - Annual Benefit Statement – A statement sent to the policyholder detailing their benefits.
- ❖ ASU – Accident Sickness and Unemployment

B

- ❖ Benefit Amount – The sum paid out when a claim is successful.
- ❖ Benefit Cap – A maximum limit on the income replacement amount, often a percentage of pre-tax earnings.
- ❖ Benefit Period – The length of time payments are made during a claim (e.g., 1 year, 2 years, until retirement).

- ❖ Best Advice – A regulatory principle requiring advisers to recommend the most suitable product for a client’s needs.
- ❖ Bespoke Underwriting – A tailored approach to assessing risk based on an individual’s medical and occupational circumstances.

C

- ❖ Claim Definition – The criteria that determine when benefits are payable (e.g., Own Occupation, Any Occupation, Own Job).
- ❖ Claim Waiting Period – The time between an illness/injury occurring and when benefits start being paid (also known as Deferred Period).
- ❖ Commission – Payment received by an adviser from an insurer for arranging a policy.
- ❖ Company Medical Officer – a medical expert that may assist with complex medical claims, by providing an opinion on prognosis and treatment.
- ❖ Continuous Payment Authority (CPA) – An agreement allowing insurers to collect premiums directly from a bank account or card.
- ❖ Consumer Duty – FCA regulation requiring firms to act in the best interests of customers.
- ❖ Continued income – earnings or other income a policyholder continues to receive when they are off sick, after the deferred period has ended. It may impact the benefit amount that is payable
- ❖ Critical Illness Cover (CIC) – A policy that pays a lump sum if diagnosed with a serious illness defined in the policy terms and conditions, distinct from income protection.

D

- ❖ Day 1 IP – a policy where the benefit is payable immediately and the policy has no deferred period.
- ❖ Deferred Period – The period a policyholder must wait before payments begin (e.g., 4, 8, 13, 26, or 52 weeks).
- ❖ Death benefit – payable at the end of an IP claim, if the policyholder passes away. Not all providers include this cover. It could also refer to a separate benefit from a Life policy.
- ❖ Definition of disability/incapacity – The way an insurer defines a claimant’s inability to work (e.g., Own Occupation, Suited Occupation, Own Job).

- ❖ Duty of Disclosure – The obligation to provide accurate information when applying for insurance and thereafter.

E

- ❖ Employment & Support Allowance (ESA) – A UK state benefit for those unable to work due to illness or disability.
- ❖ Exclusions – Conditions or circumstances under which the policy will not pay out. They could be general policy exclusions that apply to all policyholders or underwritten exclusions that apply only to an individual.
- ❖ Executive Income Protection – A policy arranged by an employer for an employee, usually tax-efficient. Policy owned by employer; benefit paid to them so they can pay employee through HMRC PAYE system.
- ❖ Evidence of Earnings – Proof of income required when applying for or claiming on a policy (e.g., payslips, tax returns, dividend vouchers, P60, Company accounts).

F

- ❖ FCA/E – Functional Capacity Evaluation/Assessment – A assessment arranged by a provider to see how someone's illness/disability impacts their ability to do a job/occupation.
- ❖ Financial Underwriting – The process of assessing a person's income to determine the level of cover they can have.
- ❖ Fracture cover – An additional benefit included in some IP policies, payable in the event the policyholder suffers a fracture or other injury that is covered.
- ❖ Full Medical Underwriting (FMU) – The insurer reviews full medical history before offering cover.

G

- ❖ Guaranteed Benefit – A minimum payout level, regardless of earnings fluctuations. Sometimes called minimum benefit guarantee.
- ❖ Guaranteed Insurability Option (GIO) – A feature allowing policyholders to increase cover without further medical underwriting.

H

- ❖ Hazardous Occupations – Jobs that carry a higher risk and may have restrictions or increased premiums.
- ❖ Hospitalisation Benefit – Additional payment if a policyholder is hospitalised for an extended period. Usually a set payment per night for a set number of nights.

I

- ❖ IME – Independent Medical Examination – an assessment arranged for the policyholder to see a specialist and assess the illness/disability. Usually face to face.
- ❖ Income Replacement Ratio – The percentage of pre-tax earnings replaced by the policy (typically between 50–65%).
- ❖ Indexation – An option where policy benefits and premiums increase with inflation (e.g., RPI or CPI-linked increases).

K

- ❖ Key Features Document (KFD) – A summary provided by insurers detailing policy terms.
- ❖ Key Person IP – A policy where a business insures itself for the loss of a key person. The benefit is payable to the business to pay for retraining/replacement costs for the employee of sick.

L

- ❖ Level Benefit – A policy where the benefit amount remains the same over time.
- ❖ Locum cover – A policy to cover the additional expense of a locum, who is needed if a dentist or GP, for example, is sick.
- ❖ Long-Term Income Protection – A policy that pays benefits until retirement or a pre-set date.

M

- ❖ Maximum Benefit – The highest amount payable under a policy, either the sum insured or the maximum that can be paid based on an individual's earnings, whichever is lower.
- ❖ Maximum insurable benefit – The maximum level of cover that someone can have based on their earnings.

- ❖ Medical Underwriting – The assessment of a person’s health before issuing cover.
- ❖ Misrepresentation – Failing to disclose relevant medical, financial, occupational or lifestyle information, which can result in a claim being reduced or denied. Previously called non-disclosure. Moratorium Underwriting – A method where pre-existing conditions are excluded for a set period (e.g., 2 years) but may later be covered if no symptoms occur.

N

- ❖ Non-Disclosure (now called misrepresentation) – Failing to disclose relevant medical, financial, occupational or lifestyle information which can result in a claim being reduced or denied.

O

- ❖ Occupational Classification – The insurer’s categorisation of occupations based on risk. Usually shown as a number between 1 (low risk) and 5 (high risk)
- ❖ Own Occupation Cover – A policy that pays out if the policyholder cannot do the general duties of their specific occupation.
- ❖ Own job cover – A policy that pays out if the policyholder cannot do the specific duties of their job.

P

- ❖ Partial Benefit (might be called proportionate/rehabilitation/return to work benefit) – A reduced payout taking into account new earnings if the claimant can work part-time or in a different role.
- ❖ Permanent Health Insurance (PHI) – Another term for long-term income protection insurance. A term not now generally used. Policy Term – The length of time a policy is taken out for.
- ❖ Pre-Existing Condition – A medical condition that existed before taking out a policy.

Q

- ❖ Qualifying Period – The waiting period before a policyholder can make a claim (also known as a deferred period).

R

- ❖ Rehabilitation Support – Assistance offered by insurers to help claimants return to work.
- ❖ Residency clause – Geographical restriction in terms of when a claim is payable when a policyholder moves out of the UK. May differ between EU countries and others like America etc. Reviewable Premiums – Premiums that can be adjusted over time, typically every 5 years.

S

- ❖ Shared liability – Where 2 or more insurers share the amount that is paid to prevent someone receiving more than the maximum insurable benefit based on their earnings.
- ❖ Short-Term Income Protection – A policy with a limited payout period (e.g., 1 or 2 years per claim).
- ❖ Split deferred period – A policy with more than one IP benefit, each with a different deferred period. Each benefit starts at different times to dovetail with their employer's sick-pay (NHS generally reduced to half pay at 26 weeks, zero pay at 52 weeks).
- ❖ Suited Occupation Cover – A policy that pays if the claimant cannot work in a job, they are suited for based on training, education, and experience.

T

- ❖ Taxation of Benefits – In the UK, personal income protection benefits are tax-free, but employer-provided policies may be taxable.
- ❖ Term Assurance – A policy taken out over a set period of time, or term Total Permanent Disability (TPD) – A feature that pays a lump sum if the policyholder becomes totally and permanently unable to work. The definition of disability may be own occupation, any occupation or activities of daily living.
- ❖ Two-Year Own Occupation Clause – A clause where “Own Occupation” cover changes to “Suited” or “Any Occupation” after two years. Usually seen on older policies.

U

- ❖ Underwriting – The process of assessing risk based on health, earnings, lifestyle, and occupation.
- ❖ Unemployment Cover – A policy that pays out in case of redundancy, usually separate from income protection.

V

- ❖ Voluntary Benefits – Policies offered through employers but paid for by employees.

W

- ❖ Waiver of Premium (WOP) - Where premium payments stop if a claim is ongoing. Also known as Premium Waiver
- ❖ Workplace Income Protection – A group policy arranged by an employer for staff.

Y

- ❖ Yearly Renewable Term (YRT) – A policy that renews annually with potential price changes.