

## Case Study



**Title:** Waiver of Premium & PPI

**Source:** Moneywise <http://www.moneywise.co.uk/>

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**I had an adaptable endowment policy (now matured) and found that a substantial charge had been made for "Waiver of Payment". This, I found, was designed to pay the premiums if I could not work (after a 3 month grace period). Is this classed as PPI?**

Waiver of Payment (or Waiver of Premium) benefit means that the premium for the policy is waived if the policy holder is unable to work due to long-term illness or incapacity, after a typical waiting period of three or six months. The purpose of this benefit is to ensure that the policy can be maintained at a time when finances are becoming tight due to long-term loss or reduction in income.

A core difference between PPI and Waiver is that the former is an individual contract that is often sold with a loan and the latter is a feature of a policy, such as your endowment. Waiver is often an optional feature but it actually works in many different ways to PPI. For example: PPI is typically a maximum 12 month benefit but Waiver benefit lasts for the period of incapacity and so could last for the remaining term of the policy. A key selling feature of PPI is redundancy cover, which some policy holders were ineligible for, but Waiver does not include this.

Furthermore, PPI provided automatic acceptance to every applicant but the plans have many exclusions which were often only understood at point of claim. Waiver benefit is underwritten at application stage based upon personal medical and occupational facts and so a declined claim is far less likely.

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