

# Indexation

## Protect yourself against the 'value gap'



### What is indexation?

Indexation allows you to increase your cover (and premium) each year, without further underwriting. This protects the value of your cover against rises in the cost of living, making sure you get the cover you need now and in the future.

#### DID YOU KNOW?

Over half of term assurance policies do not offer indexation options.

Source: Defaqto November 2010

## Why you should consider indexation

- It's important to consider indexation, as with time things become more expensive.
  - For example, the average price of a three bedroom semi-detached house 30 years ago was £67,000. The same house now in 2010 would cost £290,000 at 5% inflation.
  - Or take your weekly grocery shopping as an example. If your weekly grocery shopping costs £100 and inflation is 4% p.a. it could cost over £300 a week in 30 years time!
- This feature becomes increasingly beneficial as you get older and your needs or the likelihood of suffering a serious illness increases – new policies would require underwriting and premiums may have risen.
- If you were to fall ill and had to make a claim, indexation ensures that your benefits have the same value in real terms as opposed to value being eroded.
- Indexation can be added at **no extra cost** at the outset – so there's no downside.
- You have the flexibility to decline an invitation to increase your cover without losing the right to further indexation. In fact, we will only remove future indexation once you have declined three consecutive increases.
- The value of your cover is maintained. The graph below helps to demonstrate how over time the impact of inflation creates a 'value gap' if cover is not indexed.



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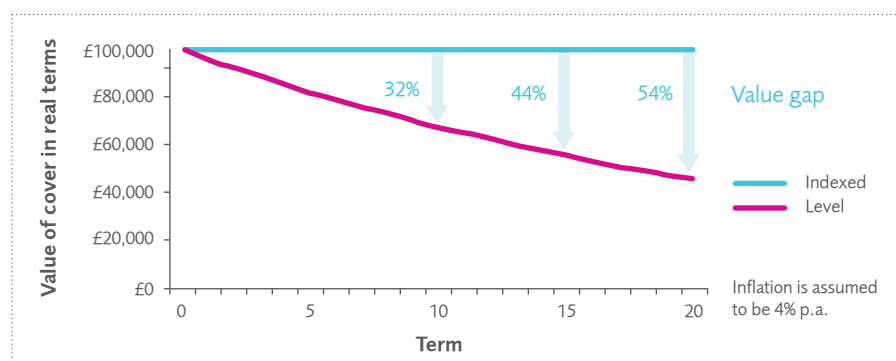
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# How indexation works – it's as easy as 1, 2, 3

- 1** Add indexation to your policy.
- 2** Each year before the anniversary of your policy, we will write to you and invite you to increase your cover. We will confirm the new cover amount and premium.
- 3** You decide whether you want to increase your cover. If you do, you don't need to do anything. We will then increase your cover and premium from your policy anniversary. If you don't want the increase, you just need to let us know. If you decline three consecutive increases your policy will no longer be indexed.

## The 'value gap'

If you had £100,000 worth of Serious Illness Cover, without an indexed policy the value of cover in real terms in 20 years time would be £45,638.69 – this is half the amount of cover you originally started with. With an indexed policy, your cover would retain its real value.



## Find out more

To find out more about our indexation option and how you could get more value for your money, speak to your financial adviser. Call **0845 601 0072** or visit [pruprotect.co.uk](http://pruprotect.co.uk)

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