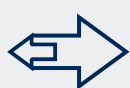


CRITICAL DECISIONS: INCOME PROTECTION & CRITICAL ILLNESS



What are your client's outgoings?

- Ask about your client's regular commitments, including utility bills and school/university fees.
- Consider debt, such as mortgage, car finance, credit cards and other loan repayments.
- Your client should remember to include debts of others in the household, whether held jointly or individually.



How would your client manage a sudden illness that left them unable to work?

- Half of those people born since 1960 will have to deal with a cancer diagnosis in their lifetime.¹
- People undergoing cancer treatment are £570 worse off each month on average.²
- The difference isn't just attributable to loss of income, but to additional costs such as travel for treatment and extra fuel bills: 21% of cancer patients see their annual energy bill rise by almost £200 on average.²

- Around a quarter of stroke victims are people of working age.³
- Every year, one million people are unable to work due to a serious illness or injury.⁴



How would your client's earnings and lifestyle be affected?

- Three-quarters of UK workers would struggle to afford utility bills if their income dropped by £570 a month – the average loss of income following cancer diagnosis.⁵
- 45% would need to apply for state benefits to get by financially.⁵
- Encourage your client to consider all outgoings, from the weekly food shop to leisure and holidays – which are essential and which dispensable?



Is your client aware of the limits of statutory protections?

- 43% of employers reduce an employee's wages to statutory sick pay after two weeks of absence through illness.⁶

- One firm in six (16%) switches to statutory sick pay after just four days' absence.⁶
- Workers are eligible to receive statutory sick pay for up to 28 weeks, at £89.35 a week⁷ – less than a fifth of the average UK weekly wage.⁸
- Bonuses are at risk too: a fifth of firms that pay bonuses withhold them if an employee is on long-term sick leave, and a third pay bonuses pro-rata based on days worked.⁶



Who earns what in your client's household?

- Encourage your client to analyse the need for protection for their partners or other earners – even if they are not the main contributor, the loss of their



£68,000

The average value of critical illness claims paid in 2016 was £68,000.¹⁰

¹ <http://www.cancerresearchuk.org/health-professional/cancer-statistics/risk/lifetime-risk> ² https://www.macmillan.org.uk/aboutus/news/latest_news/cancer-costs-more-than-a-child-says-macmillan-cancer-support.aspx ³ https://www.stroke.org.uk/sites/default/files/state_of_the_nation_2017_final_1.pdf ⁴ <https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2014/protection/welfare-reform-for-the-21st-century.pdf> ⁵ <https://www.directlinegroup.com/media/news/brand/2018/20180130.aspx> ⁶ <https://www.canadalife.co.uk/news/financial-impact-of-cancer-1> ⁷ <https://www.gov.uk/guidance/rates-and-thresholds-for-employers-2017-to-2018#statutory-sick-pay-ssp>



income might have a bigger impact than they imagine.

- Since 2010, the number of men working past the age of 65 has increased by more than 270,000.⁹
- Women account for half the UK workforce, but over 50% have not taken out individual protection.⁸
- 49% of women estimate their household would lose up to £25,000 a year if they fell ill, and 27% would lose a higher amount.⁸



What would your client's financial priorities be if they were suddenly unable to work?

- A 1% interest rate rise would add £930 a year to the average mortgage, according to analysis by Savills.¹¹
- If paying off a large mortgage or other debts would be the biggest concern, critical illness cover is a possible option.
- Where ongoing bills and fees over many years are at the forefront, explore the potential of income protection.
- Ensure the client is aware of the potential for blending different types of cover, if affordable, to meet competing needs.



What lifestyle issues need to be accounted for?

- The average age of new income protection claimants in 2017 was 48 for Aegon¹² and 42 for Legal & General.¹³
- Define all existing health conditions – ensure your client is aware of the need for full disclosure.
- If your client smokes, has smoked, or uses nicotine replacement products, discuss providers whose cover can avoid penalties.
- Where relevant, consider policies offering discounts for healthy lifestyles.



What factors will affect your client's choice of protection?

- For critical illness, clarify the relative values of the number of conditions covered by a policy, and the likelihood of a claim for each.
- The most common reasons for critical illness claims paid by Royal London in 2016 were cancer (63%), heart attack (10%) and stroke (6%).¹⁴
- Explain the wider benefits of income protection, for

example to cover a broken leg or back injury.

- Consider whether or not your client meets all eligibility criteria for their desired policy.
- The most common reasons for income protection claims paid by LV in 2017 were musculoskeletal injury (44%), viral or respiratory illness (16%) and mental health conditions (11%).¹⁵
- Explore policies offering rehabilitation, counselling, and other forms of support to get back to work, if this is a client priority.



What other key issues shouldn't be missed?

- Check for waiver of premium – critical illness policies are less likely than income protection to continue to collect premiums while paying a claim.
- Make your client aware that protection insurance benefits can affect state benefits.
- Check if premiums are guaranteed throughout the policy, linked to age or inflation, or reviewable.
- Emphasise the need for regular reviews to help ensure cover reflects the client's changing income.

⁸ <https://www.canadalife.co.uk/news/up-to-25-000-lost-to-uk-households-if-women-fall-ill-or-die> ⁹ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/fivefactsaboutolderpeopleatwork/2016-10-01> ¹⁰ <https://www.abi.org.uk/news/news-articles/2017/05/protection-insurers-pay-out-13m-per-day-in-claims/> ¹¹ http://www.savills.co.uk/_news/article/72418/228280-0/2/2018/uk-mortgage-bill-to-rise-£10-billion-with-1-interest-rate-rise-equivalent-to-£930-per-household ¹² <https://www.aegon.co.uk/content/dam/ukpaw/documents/income-protection-claims-paid.pdf> ¹³ <https://www.legalandgeneralgroup.com/media-centre/press-releases/legal-general-paid-out-636-million-in-individual-protection-claims-in-2017/> ¹⁴ <https://www.royallondon.com/about/media/news/2017/may/nearly-a-third-of-a-billion-paid-in-claims-by-royal-london/> ¹⁵ <https://www.futureproofinsurance.co.uk/how-many-protection-claims-were-paid-by-british-friendly-in-2017>