

# INSURANCE AND PROTECTION



## How much does your client need in monthly income?

- What is their average monthly expenditure, including any annually or periodically paid costs?
- What about any outstanding debts and loan repayments?
- Do they have money set aside for unexpected expenses?



## How would their ability to repay be affected by a loss of income?

- Your client should include both individual and joint debts.
- They should consider secured loans such as car finance, mortgage repayments and household goods as well as unsecured loans.
- Family members may become liable to repay outstanding debts.



## What would happen if they suddenly lost their job?

- Your client should think about what lifestyle adjustments would be required, e.g. entertainment and leisure costs.

- Would they still be able to pay school and further education fees?
- What further impact would there be on any dependants they may have, for example caring for elderly parents?
- What employee benefits would be lost? For example; company car, or private health insurance.
- 60% of middle income working households would see their income fall by one third if the main earner was unable to work. 40% would see it fall by more than half.<sup>1</sup>



## Do they have a backup plan in case of redundancy?

- Between October and December of 2017, 107,000 people were made redundant.<sup>2</sup>
- What savings does your client have, and how long would these last in covering household expenses?
- Could they access funds from any investments?
- Would family members be able to provide support until your client found another job?
- Voluntary redundancies are usually not covered by unemployment insurance policies, and most won't start until 3 months after job loss.

- Some insurers will also protect the value of employment benefits, such as a company car or private health insurance.



## Does your client rely on a job for their monthly income?

- One million workers a year suddenly find themselves unable to work due to a serious illness or injury. Around 250,000 each year leave employment completely due to ill health.<sup>3</sup>
- Is your client self-employed? How would their business fare in their absence?
- What other income sources do they have, if any?
- Do they need to be fit and healthy in order to keep benefitting from these other income sources?



1 Million

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<sup>1</sup><https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2014/protection/welfare-reform-for-the-21st-century.pdf> <sup>2</sup><https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#redundancies> <sup>3</sup><https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2014/protection/welfare-reform-for-the-21st-century.pdf>



### Does their employer provide support for short-term illness?

- Employers are required to pay Statutory Sick Pay, but only for up to 28 weeks. It's worth around £89.35 per week.<sup>4</sup>
- Only 43% of employers offer sick pay provision over and above the statutory requirement.<sup>5</sup>
- Your client can claim Statutory Sick Pay if they're employed but unable to work and if their earnings have accrued above £113 a week for at least two months.<sup>6</sup>



### If seriously ill, how would your client support themselves long-term?

- According to Cancer Research UK, 50% of people born after 1960 will be diagnosed with cancer at some point in their lives.<sup>7</sup>
- Nearly 990 new cases of cancer are diagnosed everyday.<sup>8</sup>
- How would your client meet mortgage obligations if they became critically ill?
- Would they be able to continue paying car finance or other secured loans?
- Could savings and investments such as savings accounts, ISAs, and any stocks, shares or bonds be relied upon for the rest of their life?



### How would your client's finances be affected by critical illness?

- 50% of those diagnosed with cancer in England and Wales live for more than ten years afterward.<sup>9</sup>
- If an employee is unable to return to work after 28 weeks, they can apply for Employment and Support Allowance (ESA), which is around £70 per week for the first 13 weeks.
- Only 33% of ESA claims are accepted.<sup>10</sup>
- Critical illness policies generally pay out once and conclude immediately afterward.



### Does your client's employer offer a 'death in service' package?

- Death in service packages normally pay between 2 and 5 times an employee's current salary.
- Some packages can be linked to an employee's pension scheme, so employees may only receive a payout if they are signed up to the workplace pension scheme.
- A payout cannot be assigned to a mortgage, but could be used to help with monthly payments.<sup>11</sup>



### What provisions have been made in the event of their death?

- Whole-of-life vs. term-life insurance policies – the former guarantees a payout, but premiums are more expensive.
- If a joint life policy is appropriate, would it pay out on the first or second death?
- Do they have mortgage protection to ensure that family members don't lose their home?
- Some life insurance policies also pay out upon terminal illness diagnosis.
- Exclusions can apply to life policies, e.g. death due to drug or alcohol abuse, or existing illnesses.

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<sup>4</sup> <https://www.moneyadvice.service.org.uk/en/articles/how-to-sort-out-your-money-if-you-become-ill-or-disabled>

<sup>5</sup> <https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2014/protection/welfare-reform-for-the-21st-century.pdf>

<sup>6</sup> <http://www.cancerresearchuk.org/health-professional/cancer-statistics-for-the-uk>

<sup>7</sup> <http://www.cancerresearchuk.org/health-professional/cancer-statistics-for-the-uk>

<sup>8</sup> <https://www.moneyadvice.service.org.uk/en/articles/disability-and-sickness-benefits-check-your-entitlements>

<sup>9</sup> <http://www.cancerresearchuk.org/health-professional/cancer-statistics-for-the-uk>

<sup>10</sup> <https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2014/protection/welfare-reform-for-the-21st-century.pdf>

<sup>11</sup> <https://www.moneysupermarket.com/life-insurance/death-in-service/>