

Protection BULLETIN

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From (Your name here)

Life Cover

Lump sum payout on the death of the insured

Income Protection

Pays out a monthly income if you're unable to work through illness or injury

Critical Illness

Lump sum payout if you suffer an illness such as a heart attack, cancer or stroke (if specified in the policy)

Almost 98% of all Protection claims are paid out
(Source: Association of British Insurers, 2022 claims statistics, released May 2023)



**PROTECT YOUR FAMILY,
INCOME**

Your name here

Your address here

Tel: xxxx xxxxxx Email: xxxxx@xxxx

(Your name here) is (an appointed representative of xxxxxxx), w
Authority.

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The CALL...



All too often we'll hear words to this effect from a client: "Remember that **Protection Insurance** policy that I was unsure about, but you set out the importance of having this level of protection in place, well..."

» News such as this will obviously generate mixed emotions, as you're pleased that you delivered good advice to this client, and (hopefully) they took it up, but also sad to know that they've had to face a death, or a life-changing experience.

Balancing act

Of course, in the current climate (with rising mortgage costs), we fully understand that some of you will still view protection cover as something:

- that's simply '**not for me**'.
- that's '**too expensive**'.
- where '**I don't believe**'

pay out in the event of a claim.

With regard to the cost of claims are actual.

(Source: ABI, 2022 data,)

Protection across your working life

For some, there will be employer financial support in the event of death, or serious illness. Plus, there may be limited financial help from the government. But would that be enough?

In the example below we've considered

a couple, both aged 30, both non-smokers, who plan to retire at 65. That amounts to **12,775 remaining days** of being in the workplace for each of them. And you only need a bad event to occur on 1 or 2 of those days, to have a sizeable financial impact on you, and/or your family.

So, surely, **it's better to have something in place** (and possibly never need it), than suddenly need something (and not have it)?

Wide range of plans

In this issue we cover some of the key areas of protection, including life cover, or protection against serious illness.

a multitude of options, and benefits on offer, which could be tailored to meet your needs.

For example, aside from any possible payout (in the event of a successful claim), here are some examples of the **practical and emotional help** that may be on offer:

- Access to a remote GP, when needed.
- Access to other specialist support, such as telephone counselling (bereavement, work-related stress, marital and family issues), carer support services, rehabilitation services, debt management advice, and consumer rights.

■ The availability of apps and introduction of wearable technology to monitor your health. Which, in turn, may result in lower premiums. Acknowledge you're living

assist your general practitioner with off health insurance, or cinema tickets.

be accessed from your smartphone. If you opt out a policy, and in some cases, there may be no need to make a claim.

As with all insurance policies, terms, conditions and exclusions will apply.

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Value-added benefits

Anyhow, whatever you opt for, you may be surprised at how much the protection industry has evolved over recent years, with

Issues a 30 year-old may face up to 65 years-old	Male	Female
Chances of being UNABLE TO WORK for two months or more	38%	36%
Chances of suffering a SERIOUS ILLNESS	13%	11%
Chances of DEATH	4%	3%
Likelihood of ANY of the above happening	43%	41%

(Source: www.riskreality.co.uk, findings for a male/female couple, both aged 30, and both non-smokers, who plan to retire at 65)

LIFE Cover

Life Cover claims
99.4% paid out.
 Average payout
£73,578 (term)
 (Source: Association of British Insurers, 2022 claims statistics, released May 2023)

Around 650,000 people in the UK die each year, **which includes about 95,500, who are aged just 20-64.** This equates to around 260 deaths a day!

(Source: Office for National Statistics, *Deaths in England and Wales: 2022*, and then a pro-rata calculation for the rest of the UK)

» If you have dependent children, you should consider **Insurance** in place.

The tax-free payout (if your claim is successful) is offered to ensure that the mortgage can be paid. Ideally, you may want to exceed that amount to provide additional funds for those left behind, enabling them to get through a difficult emotional and financial period, as painlessly as possible.

Also, it is **not just homeowners** that should consider taking out a life plan; the benefits would be equally applicable to **those who are renting.**

Of course, you will need to balance any 'personal' life cover with any 'death in service' benefit that may be in place through your employer.

What about costs...

Whatever you opt for you may be pleasantly surprised at how little it may hit your pocket. So, don't delay considering life cover due to worries about the cost or, perhaps, your perceived invincibility!

Part of the issue is that the monthly premium cost will generally rise, the older you get, which could be a dangerous false

...parents are still fairly young, the premiums will be lower to reflect that.

...insurance plans, should you opt for a shorter policy period, then it will be lower than the premiums you've paid for a longer period.

...particular needs and a suitable route forward.

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Different types of cover

The options on offer are numerous, such as: **Joint, or Individual plans** - both have their merits, and it really depends on what your particular circumstances are, before we can identify the best route.

Level term - you choose the amount you want to be insured for, and the period for which you require cover.

Decreasing term - the actual amount paid out on a successful claim reduces over time. This may be relevant if you have a repayment mortgage, where it could reflect the reducing loan amount owed.

Or perhaps a different kind of life insurance may be better for you, such as:

Limited period plans - this could encompass policies such as **Family Income Benefit**, which is a short-term plan that provides cover when you have young children - and since it would generally end when the

As with all insurance policies, terms, conditions and exclusions will apply.

CLAIMS PAYOUTS

97.5% of all claims were paid out in 2022, equating almost £19m a day!

Life Cover

- 99.4% of all claims were paid out.
- Average payout of £73,578 (term), £4,054 (whole of life).

Critical Illness

- 91.6% of all claims were paid out.
- Average payout of £66,296.

Income Protection

- 84.4% of all claims were paid out.
- Average payout of £21,913.

(Sources: Association of British Insurers, 2022 data, May 2023 release)

INCOME Protection

With the current demands on our disposable income, imagine what would happen if a wage earner faced being unable to earn an income if **off work long-term, due to an illness, or injury**. Could they survive financially?

Income Protection claims
84.4% paid out.
Average payout
£21,913
(Source: Association of British Insurers, 2022 claims statistics, released May 2023)

» Many may feel that being off work long-term, and unable to earn an income is unlikely. However, there are over **2.8 million people in the UK, that are currently off work due to long-term sickness**, equating to around 1 in 9 of those in full-time employment!
(Source: Office for National Statistics, Labour market overview, May 2024 release)

If you found yourself in this position, you may initially benefit from financial support from your employer. However, that's only likely to be there for a defined period. Plus, there's limited state support to access, with Statutory Sick Pay at £116.75 a week.

Would that be enough to ensure you can continue to put food on the table and a roof over your head (via continued mortgage or rental payments)? And that's just for starters.

A solution for you...

Whilst many will willingly insure their home, and sensibly take out life cover to help pay off the outstanding mortgage (as a minimum), far fewer apply the same principles to their own income stream.

However, an option exists to help protect your income if a long-term illness or injury occurs, due to issues such as:

- **Musculoskeletal** (problems affecting your muscles, bones, tendons, ligaments, joints, cartilage, and fractures).

- **Cancer.**
- **Mental health.**
- **Heart-related.**

The product to help protect you should you suffer a long-term serious illness is **Income Protection**, which will generally cover up to around 60-65% of your net income.

And, depending on your circumstances, it could be a tax-free means of income replacement for those who are retired.

How

The cover is available in a number of ways, including a 3, 4, 5 or 6 page policy. Alternatively, an increasingly popular option is to take a 5 or 6 page pdf (selecting from the three story choices here) to match your own logo colours - for both printed and pdf copies.

Plus, we corporately colour up the issue to match your own logo colours, for how long, and the length of the claim period. The longer you opt to cover for (successful claim payout), the lower the monthly premium could be.

And, it's growing in popularity

Sales of individual Income Protection policies hit a **record 247,000** last year, a 16% increase on 2022. With the Association of British Insurers saying that 97% of policies were taken up with advice given, reinforcing the important role advisers play in increasing consumers' financial resilience.

As with all insurance policies, terms, conditions and exclusions will apply.

Warnings would be placed dependent on personal or network requirements

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Short-Term Income Protection

If you recognise the importance of having some degree of cover in place, but are concerned about minimising your outlay, then a shorter-term version is also available.

This option is designed to still deliver important financial support (if still off work) but for a more limited period of generally up to two years - even five, in some instances.

Broadly, for those that may be looking for £1,500 of monthly payments across a claim period of 2-years, then the monthly cost for a 30-year-old could be just over £10/month.

(Source: Lifesearch, Pricing information obtained 08/06/2023. This data is based on a client with no medical history, a 3-month deferment period with a 2-year claim period in an administrative role)

Do it for the KIDS

An estimated 46,300 dependent children (aged 0-17) are bereaved of a parent each year. That equates to **127 newly bereaved children each day.** (Source: Child Bereavement UK, Website, May 2024)

» As depressing as this issue may be - and hopefully unlikely - it makes sense to plan ahead, and we set out here a few options that you should consider with regard to the future well-being of your children.

Family Income Benefit

This is an alternative (or additional) type of life cover to consider, if you have young children.

Whilst you may have normal life cover in place to help pay off the mortgage, what about the everyday items such as food, clothing, bills, fuel and other expenses such as a new car, or holiday?

This is where Family Income Benefit could help, as this **generally lower-costing product** is designed to pay out a tax-free amount until the children have grown up. This means it's normally taken out over a shorter time period of, say, a 10 to 20-year term.

If there was a claim in the first year, then it would provide a monthly payment until the end of the policy period. Alternatively, if a claim was made with two years left, then it would simply pay out for the last two years, or not at all, if there was, fortunately, no claim made.

Guardianship arrangement (or Will)

Again, this is pretty morbid stuff, but vital, and once done you can file it away, and return to your normal parenting needs.

But first, here's the horror bit. Did you know that if there isn't a Guardianship arrangement in place to protect your young children - and, for example, both parents sadly perish in a car accident - **then the children may have to initially go into Care!**

The simplest way to protect against this is through a Will, or by having a Guardianship letter in place, both of which will set out your wishes, and whom you want to appoint as their guardian. Yet just over half of all UK adults (51%) have not made a Will*, let alone ensuring that a Guardianship letter is in place.

(Source: *Canada Life, March 2024)

Similar circumstances might occur if a couple aren't married and the mother dies and hasn't previously asserted parental rights.

As unlikely as this may seem, it could be a nightmare scenario if the father is unable to sort out.

Trust

A Trust is a legal arrangement that allows you to help ensure your children are cared for in the event of your death.

It can be used to handle the day-to-day expenses of any payouts.

However, not all trusts are written in Trust, so do take advice.

Whatever your situation, do talk to us to establish the best way forward for your needs and circumstances.

As with all insurance policies, terms, conditions and exclusions will apply.

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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You can choose from **THREE** story choices for page 4: This is **option 2**

1. Income Protection
2. Protecting the Children
3. Critical Illness Cover

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Recovering from a Serious Illness

Critical Illness claims **91.6%** paid out.
Average payout **£66,296**

(Source: Association of British Insurers, 2022 claims statistics, released May 2023)

The improvements over recent decades in the survival rates for serious illnesses such as heart attack, cancer and stroke are, obviously, welcomed, but **if the stricken individual needed time to recover, and was off work**, then this creates a different set of problems.

» Fortunately, there's a product - **Critical Illness Cover** - that can deliver protection for you, should you suffer a serious illness.

Critical Illness - what it covers

These days, the plans may encompass a far wider number of conditions beyond heart attack, cancer and stroke, such as the loss of a limb, Multiple Sclerosis, Parkinson's, and Alzheimer's/Dementia.

Also, don't just think that this should only be a concern if you're much older. The average age of critical illness claimants across insurers is around late 40s to early 50s, with cancer being the main reason for claiming.

Evolving marketplace

Critical Illness Cover has seen a great deal of enhancements over the years:

- The number of health conditions covered has increased significantly (in some cases more than a hundred).
- Additional and partial payments have been introduced. The advent of partial payments, for example, for less serious conditions has probably been one of the most welcome developments in this sector. This means that clients may still be covered, when in the past their diagnosis could have resulted in a declined claim, due to the condition not being deemed to be serious enough.
- Also, the introduction of enhanced payments may allow the claimant to receive an additional or higher payout if they are diagnosed with an illness that has a bigger impact on their life than expected.

How the tax-free lump sum payout from a personally named Critical Illness plan helps

You can choose from THREE story choices for page 4: This is **option 3**

1. Income Protection
2. Protecting the Children
3. Critical Illness Cover

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3. Peace of Mind - A Critical Illness plan in place can enable you to focus all your energy on recovery.

The next step

You'd decide the level of cover you require at the outset, and it can be taken as a stand-alone policy, or as a bolt-on to a life insurance plan. The policies will vary with regard to the illnesses covered, and in some cases, it could also include cover for your children up to age 18-21 (if applicable), within a specified payout limit.

As with all insurance policies, terms, conditions and exclusions will apply.

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