

Life Cover

Lump sum payout on the death of the insured

Almost 97% of all Protection claims are paid out.

(Source: Association of British Insurers, 2024 claims statistics, released July 2025)

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)

PROTECT your FAMILY, INCOME, and YOURSELF

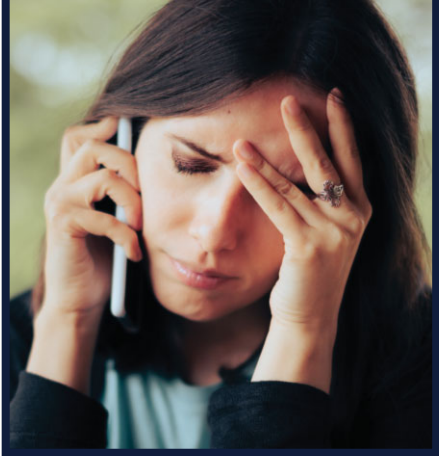
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The CALL...

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 the insurer will pay out in the event of a claim**'.

With regard to the latter, almost 97% of claims are actually paid out.

(Source: ABI, 2024 data, July 2025 release)

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 to consider, be it life cover, or protection insurance should you face a serious illness and be off work for a long period - which is far more likely in your working lifetime, as the chart shows.

Although, don't totally discount the possibility of a death across the working lifetime, as 3 to 4 in every 100 of those 30 year-old, non-smokers, may not make it to 65.

Value-added benefits

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

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 lifestyle. Which, in turn, may result in lower premiums, to acknowledge you're living more healthily.
- Other incentives to assist your general well-being, such as discounts off health club membership, and cinema tickets.

Some services could be accessed from day one of taking 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.

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.
96.5% paid out for
 'term' plans.
 Average payout
£79,703.
(Source: Association of British Insurers, 2024 claims statistics, released July 2025)

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 for the 20-64 age group!

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

» If you have people who are financially dependent on you, then you really should consider having an element of **Life Insurance** in place.

The tax-free payout on Life Cover (if the claim is successful) is often in place to ensure that the mortgage can be paid off. 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

economy if, for example, your policy ended at 66.

The 30 year-old you, might, strangely enough, end up paying a similar total amount of premiums by 66, as your older 50 year-old self (who takes out a plan at 50). With the latter missing out on the reassurance of 20 years of potential cover.

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

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

For all term assurance plans, should you not die within the policy period, then it doesn't pay out, and the premiums you've paid are not returned to you.

We can assess your particular needs and identify a suitable route forward.

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

CLAIMS PAYOUTS

96.9% of all claims were paid out in 2024, equating to a record £21.9m per day!

Life Cover

- 99.3% of all Life claims were paid out (term and whole of life).
- Average payout of £79,703 (term), £7,408 (whole of life).

Critical Illness

- 89.7% of all claims were paid out.
- Average payout of £68,735.

Income Protection

- 80% of all claims were paid out.
- Average payout of £25,133.

(Source: Association of British Insurers, 2024 data, July 2025 release)



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, July 2025)

» 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 over half of all UK adults (56%) have not made a Will*, let alone ensuring that a Guardianship letter is in place.

(Source: *Money & Pensions Service, January 2025)

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

As unlikely as this event may be, it would prolong a nightmare scenario if the worse did occur, and it's relatively easy to sort out.

Trusts

A Trust is another legal arrangement, which could benefit the children, along with other dependants. For example, it can **help ensure that life policies are paid out speedily to the beneficiaries**.

It can also protect beneficiaries who might be too young to handle their affairs. Or, it could potentially enable you to ringfence any payouts to help reduce a future Inheritance Tax liability.

However, not all protection policies should be 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.

The Financial Conduct Authority does not regulate will writing, trust or taxation advice.

■ The contents of this newsletter are believed to be correct at the date of publication (October 2025).

■ Every care is taken that the information in the *Protection Bulletin* is accurate at the time of going to press. However, all information and figures are subject to change and you should always make enquiries and check details and, where necessary, seek legal advice before entering into any transaction.

■ The information in this newsletter is of a general nature. You should seek professional advice tailored to your needs and circumstances before making any decisions.

■ Please contact us if you'd like to discuss your protection needs:

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