



Income Protection  
Task Force



### **The ten most important things consumers should know about Income Protection**

Protection Review and Income Protection Task Force have joined forces to produce a definitive top ten list of the most important factors consumers should take into account when buying or switching Income Protection insurance, in order of importance:

1. There is no set list of illnesses so make sure you understand the definition used for being unable to work, such as 'unable to carry out your own occupation' which is better for consumers than other alternatives such as 'work tasks'
2. Check what benefits you are already entitled to from your employer or the State (if unsure ask your employer, ask an IFA or check online)
3. Ensure premiums are competitive on a like-for-like basis by shopping around and speaking to an independent adviser
4. Make sure you know if the premiums are guaranteed throughout the policy, linked to age or inflation, or reviewable
5. Check how long the policy will pay out for – long term Income Protection pays until retirement, however shorter 'budget' plan options are also available which reduce the premiums and may provide cover over a realistic time period over which you might suffer financially if unable to work
6. Choose a suitable amount of cover (at least enough to cover essential expenses) and take cover until a realistic retirement age (some insurers allow cover up to age 70)
7. Ask about the insurer's track record for paying claims – not all providers publish this information but a growing number do (with most providers paying in excess of 90%)
8. Choose a suitable 'deferred period' – this is how long you need to be unable to work before the claim is paid – it can be typically be anything between one day and 12 months and the longer the deferred period is the less expensive premiums will be
9. Check what practical help you might receive in the event of claim such as counselling and rehabilitation options, which can help you to become employable again after a long absence.
10. Make sure you disclose all health issues when applying – if in doubt, write it down

**IFA Roy McLoughlin of Master Adviser, and a member of the IPTF, said:** "Income Protection sits at the head seat of the protection insurance table because it is the claim that

statistically is most likely to happen compared to critical illness cover and life insurance. However, sometimes the most suitable policies are not available on a direct basis, for example those from some Friendly Societies, who offer own occupation cover to more manual and riskier occupations, but only sell their plans via qualified financial advisers. Few people realise that IP insurers are more generous than the State, and pay a much higher percentage of the claims they get too.”

**Kevin Carr, CEO of Protection Review added:** “The majority of policies are based upon the better 'own occupation' definition where claims are typically paid without fuss. Anyone buying cover should insist on the better definition, and those who already have a policy should check their details. For a range of reasons Income Protection isn't easily to buy online and so speaking to an expert can be crucial.”

-Ends-

### **Notes to Editors**

State benefits can be complicated and can depend on a number of factors including whether you qualify for Statutory Sick Pay from your employer, which Employment & Support Allowance group you fall into, your age, what other income and savings you have, what dependants you have, whether you qualify for Disability Living Allowance and whether you qualify for any of the other smaller benefits such as those that are employment related or for industrial injuries.

- Statutory Sick Pay is paid by your employer if you have one after four days off work and can be paid for up to 28 weeks. You can claim it if your earnings are £102 a week or more and it currently pays £81.60 a week (all figures are for 2011/12 and usually change every April).
- Employment and Support Allowance (ESA) is then paid at up to £67.50 a week for up to 13 weeks. During this 'assessment phase', you will be assessed to see what work you can do (not whether you can do your normal job and not, any more, what you can't do).
- From 14 weeks onward you can get up to £94.25 a week if you are put in the Work-related Activity group or up to £99.85 a week if you are placed in the Support group.
- Additional amounts can be paid if you are a pensioner, lone parent, couple or have an enhanced or severe disability (or are a carer for someone who has). Despite that, the average ESA payment in 2011 was just £95 a week (source: IFAonline, 20 June 2011). According to the DWP (Department for Work and Pensions) the average amount including those paid a nil amount, was just £58.90 a week in May 2011.
- If you cannot work, you may also be entitled to other State benefits, most of which are means tested and based on your actual circumstances, including any savings or other income or capital you may have.
- It takes, on average, 17 weeks for someone to be assessed for Employment and Support Allowance.\*
- 60% of those assessed are found fit for work. Some appeal against that decision – but the figure is still over 50% allowing for successful appeals.\*

\* Source: *Health at work – an independent review of sickness absence* report by Dame Carol Black and David Frost CBE [www.dwp.gov.uk/docs/health-at-work.pdf](http://www.dwp.gov.uk/docs/health-at-work.pdf).

Further information on Employment and Support Allowance:

[http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Illorinjured/DG\\_171894](http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Illorinjured/DG_171894)

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**About Protection Review**

Protection Review is the definitive review of the UK's multi-billion pound health and protection insurance industry. Protection Review was established in 2003 by its then co-directors Peter Le Beau and Andy Couchman. In 2010 Kevin Carr joined as chief executive. All three are passionate about health and protection insurance.

[www.protectionreview.co.uk](http://www.protectionreview.co.uk)

**About IPTF**

The Income Protection Task Force was formed to promote awareness of Income Protection amongst all parts of the Life and Health Protection Industry and among consumers. It has produced two White Papers and maintains a programme of adviser training throughout the year. It represents the vast majority of IP providers in the UK, reinsurers, advisers and businesses involved in providing services to that Market.

[www.protectingmyincome.co.uk](http://www.protectingmyincome.co.uk)