Building a safety net:

A guide to income protection

Edited by James Moorhouse

Chartered Insurance Institute

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Access to Insurance

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02 Forewords

Johnny Timpson, *Cabinet Office Disability and Access Ambassador for the Insurance Industry and Prime Minister's Champion Group Member*

I warmly welcome this income protection guide developed by the Chartered Insurance Institute (CII) led Access To Insurance Professionalism Workstream, in collaboration with the Income Protection Task Force, Group Risk Development (GRiD) trade body and protection insurance specialists. Improving insurance sector colleague protection need awareness, knowledge and professionalism is critical to improving consumer and business access to appropriate protection guidance, advice, solutions, and outcomes – more so where clients have visible and/or nonvisible disabilities and/or health conditions.

The need for this professional development support is now pressing given the impacts of the COVID-19 pandemic, together with over a decade of working age welfare to self-care reforms and risk transfers that, combined, challenge the financial resilience of UK consumers of all ages - as well as that of businesses large and small. This for me representing the most significant consumer and business financial protection need inflection point since the Financial Services Act received Royal Assent in November 1986. In addition, and importantly, the FCA's latest and comprehensive Financial Lives Survey published on 11 February 2021 supports this view with our regulator, concluding there are now 27.7 million adults in the UK with characteristics of vulnerability e.g., poor health, low financial resilience, or recent negative life events with these consumers at greater risk of harm. Our regulator specifically flagging that we have a significant consumer income protection need, together with the protection gap with just over half (53%) of consumers lacking any form protection products - their only safety net being our reformed, largely means-tested, and conditional welfare state.

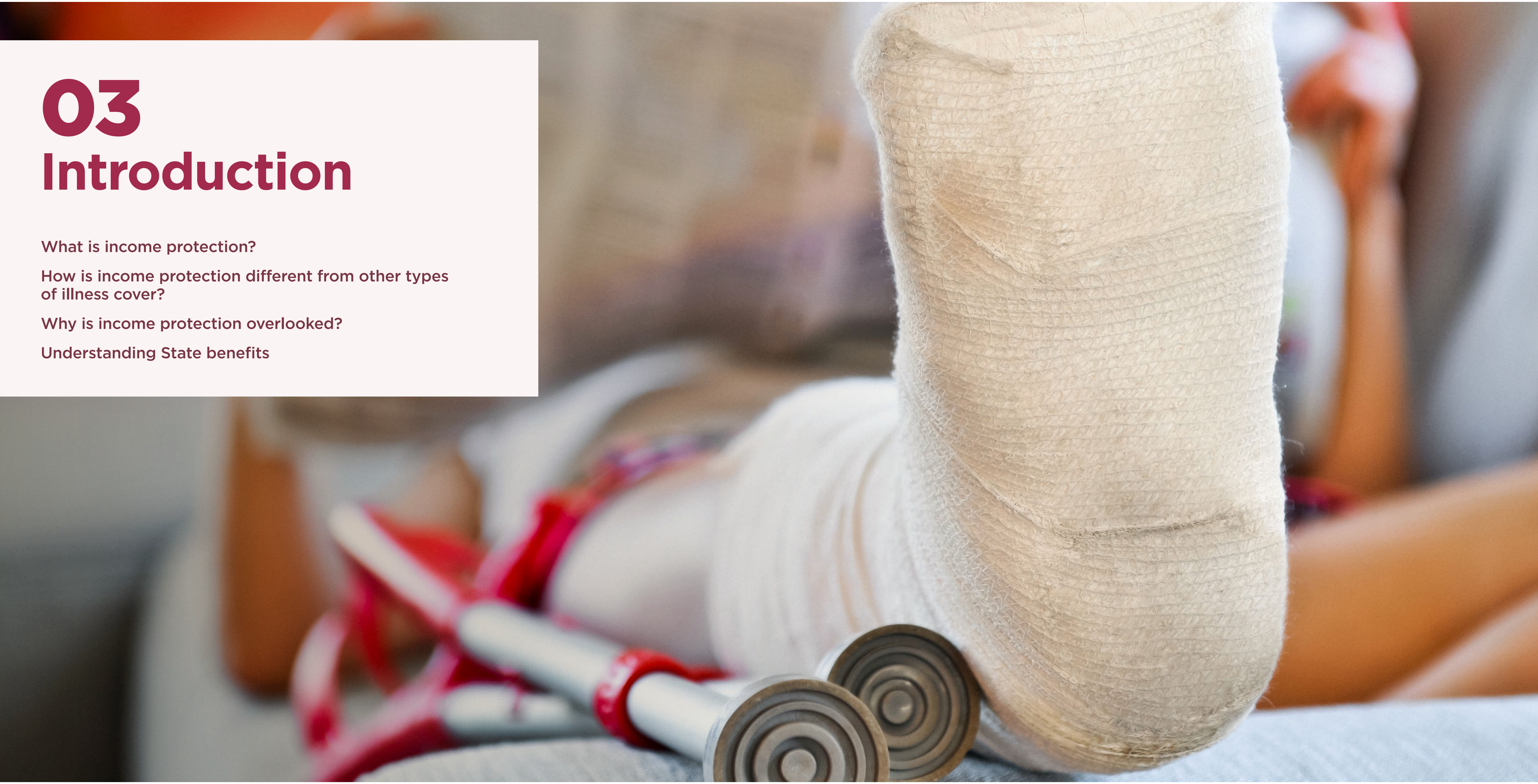
As protection insurance professionals, we have a key role to play in shaping our nation's new normal, aiding consumers and UK business better insure and protect today, enabling them to be more resilient as they face the challenges of tomorrow.

Andrew Wibberley, *Director, Alea Risk and Co-Chair, Income Protection Taskforce (IPTF)*

Income protection should be at the centre of the majority of people's financial planning. Without an income, long-term thoughts of planning for a house purchase or retirement disappear quickly to be replaced with short-term worries about bills and repayments. Whether you are dipping your toe into the world of income protection for the first time, coming here for a refresher or are an experienced protection specialist looking to top up knowledge, we believe you will find something in what follows that will enable you to have more confident conversations around this vital subject.

It has never been easy to imagine the unexpected happening to you and your loved ones. But the straightforward facts, figures and case studies included here will give readers more understanding of the product and opportunities with it. We really hope to hear your stories of how this helps you and even more importantly how income protection helps your clients in the years ahead.

The need for this professional development support is now pressing given the impacts of the COVID-19 pandemic, together with over a decade of working age welfare to self-care reforms and risk transfers that, combined, challenge the financial resilience of UK consumers of all ages...



03
Introduction

Introduction

What is income protection?

Income Protection (IP) insurance protects against a financial loss if a person finds they are unable to work for health or disability reasons. It works by paying a regular income to the insured if their illness, injury or disability prevents them from working, following a 'deferred period', and until the end of the benefit term or cease age. The policy benefits will also stop if the policyholder returns to work or dies.

There are two main types of income protection:

Individual income protection (IIP): When an individual protects a portion of their earnings independently by purchasing cover through an independent financial adviser (IFA), an insurance broker or directly from an insurance provider.

Group income protection (GIP): Employer-provided income protection insurance that protects their employees' income. The employer is the policyholder, premiums are submitted to the insurer by the employer and claims are generally paid to the employer to pass on to the employee through the PAYE system as reduced salary.

The main benefit of having an income protection policy, or being a member of an employer-provided policy, is that the insured person can continue to pay their bills, rent or mortgage if they are unable to work. Most income protection policies have a pre-agreed waiting period. This is also known as the 'deferred' period. The waiting period is the time between being unable to work and the time at which payments are made from the policy.

Income protection policies always run for five years or more even if there is a maximum period, such as one or two years, over which payments are made.

How is income protection different from other types of illness cover?

Income protection provides the insured with continuing payments that replace a proportion of their earnings throughout the duration of time their sickness or injury prevents them from working.

Introduction

Why is income protection overlooked?

Income protection is often overlooked in comparison to life and critical illness insurance. Many people are familiar with a life insurance policy that pays an amount to a dependant on the death of an insured person. The focus here is on the death of an individual.

However, protection is also available if a person is unable to work due to illness or injury. By replacing a portion of earnings with insured payments, financial support can still be there while the insured is still alive. People readily insure their phones and pets but many overlook the fact that, without any income, their basic needs will not be met (including their phone and pet insurance premiums).

Understanding State benefits

Income protection is the foundation block for building financial resilience, but not everybody understands this. Some people assume their employer will look after them; others assume it will be the State.

Following the Taylor Review[1] , the UK Government's Good Work Plan[2] came into force in April 2020. This means that employers must now give employees access to a written statement of various particulars of their employment on day one or before and, amongst other things, this now needs to include their entitlement to sick pay.

Over time, this change means that employees will have a better grasp of what, if any, sick pay they are entitled to from their employer which, in some cases, will eliminate the assumption that their employer will take care of them.

Ultimately the legislation will help employees make a better-informed decision about their own provision, encouraging them either to take out their own protection insurance or ask their employer to provide a group scheme, if they do not currently go beyond Statutory Sick Pay (SSP).

To help people understand their financial situation better, the charity Turn2us was created to provide practical help to people who are struggling financially. Of particular interest is its Benefits Calculator[3] which allows users to calculate any means-tested State benefits and carers' allowance they may be eligible for. This should help identify a need for people when considering the need for income protection.

1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf

2 https://www.gov.uk/government/publications/good-work-plan

3 https://benefits-calculator.turn2us.org.uk/AboutYou

04
Individual Income Protection (IIP)

Individual Income Protection (IIP)

How does individual income protection work?

A monthly premium is paid and, if the insured person is unable to work (and meets the terms and conditions), the insurer will pay a regular income until they can either return to work, the benefit payment term ends where this is a fixed period, they pass away or the policy ends.

What are the main options?

To determine the correct amount of coverage, the insured must consider the following:

- How much cover is needed compared to their income?
- How long can they survive financially without their income?
- How much income do they receive if they become ill?
- How long will they receive their income whilst ill?
- How long should they be covered for?
- Should the cover increase annually or remain the same?

How much does individual income protection cost?

The cost will depend on the circumstances of the individual and how much cover is needed. Factors that could impact the price include the occupation, hobbies, health and the policy option chosen, such as how long the cover should last.

How does individual income protection compare to other insurance products?

Although it might sound similar, income protection is not the same as payment protection insurance (PPI). There are a number of differences including that individual income protection is fully underwritten and can have fixed premiums throughout the life of the policy.

Individual income protection policies pay a tax-free income after a specified period of being unable to work as a result of disability or injury, either for a short-term, such as one or two years, or until a pre-stated retirement age. Most policies will pay out after the insured person has been unable to work for a duration of 4, 13 or 26 weeks, but this can be shorter or longer, with some plans paying out from the first day off work.

Individual Income Protection (IIP)

Who is individual income protection suitable for?

Income protection will help any insured person if they are unable to meet their financial commitments due to illness or injury. Individual income protection is suitable for anyone in the UK who relies financially on their salary but isn't covered by their employer. This would include the following:

- self-employed people
- contractors
- gig workers
- employed persons without sick pay
- employed persons looking to complement sick pay which only covers all or part of their income for a limited period.

It is also possible to purchase individual income protection without a salary, with appropriate cover available for housepersons to provide financial support in event of their illness or injury.

Individual income protection is not suitable for customers who:

- Do not need a monthly benefit as they have no dependants and have reasonable access to funds elsewhere if they were unable to work
- Want a lump sum pay-out rather than a monthly benefit
- Have occupational sick pay from their employer or are covered under their employer's group income protection policy.

How does individual income protection interact with Universal Credit (UC)?

Individual income protection provides a tax-free replacement income in the event of short or long-term ill health. In the event of a claim, entitlement to State benefits could be impacted for some people depending on their individual circumstances at the time of claiming.

Individual income protection policies typically provide significantly higher financial amounts than those offered by the State (according to Swiss Re Term & Health Watch 2021, the average new benefit per annum in 2020 was £19,920 for long-term income protection and £15,800 for short-term income protection) and can also include a range of additional services such as remote GP access, counselling, second opinions and vocational rehabilitation.

Advisers and insurers should ensure customers are aware of these areas when advising on income protection.

According to the Association of British Insurers (ABI)[4]:

"UC regulations prescribe that as a form of unearned income, an IIP benefit reduces UC entitlement £ for £. When account is taken of the IIP in payment, it is estimated that:

- *39% of all policyholders would have their entitlement to UC ("without IIP") removed by IIP;*
- *15% of all policyholders would continue to be entitled to a UC award alongside their IIP.*

A UC award has no impact on the cash value of IIP but it does have an impact on its net value, that is, the amount by which a policyholder is better off with IIP than without. This "better-off" calculation compares a notional UC award in the absence of IIP with the cash value of the IIP benefit."

4 https://www.abi.org.uk/globalassets/files/subject/public/protection/npi-for-abi-standalone-summary-sept-19.pdf

Individual Income Protection (IIP)

The different types of individual income protection

This table outlines the different types of individual income protection available:

	Income Protection (long-term)	Income Protection (short-term)	ASU – Accident, Sickness and Unemployment Cover	PPI – Payment Protection Insurance
What it does	Tax-free amount paid monthly if unable to work due to illness or injury.	Tax-free amount paid monthly if unable to work due to illness or injury.	Tax-free amount paid monthly if unable to work due to illness, injury, or redundancy.	Tax-free amount paid monthly if unable to work due to illness, injury, or redundancy.
Length of payment	The entire period unable to work until either retirement, pass away or policy ends.	Typically covered until chosen retirement age, however if there is a claim the payment will be limited to one to five years.	Typically, one year	Typically, one year
Underwriting	Fully underwritten	Typically, fully underwritten	No underwriting	No underwriting
Maximum cease age	Age 70	Age 70	Typically, age 65	Typically, age 65
Premium options	Guaranteed, age banded or reviewable	Guaranteed, age banded or reviewable	Typically, reviewable	Typically, reviewable
Do premiums need paying during a claim?	Typically, premiums are waived during a claim.	Typically, premiums are waived during a claim.	Typically, premiums need to be paid during a claim.	Typically, premiums need to be paid during a claim.
Maximum benefit	Typically, up to 65-75% of gross earnings, with an upper limit of approx. £20,000pm.	Typically, up to 65-75% of gross earnings, with an upper limit of approx. £20,000pm.	Typically, up to 65% of gross earnings, with an upper limit of approx. £3,000pm.	Typically, up to 65% of gross earnings, with an upper limit of approx. £3,000pm.
Exclusions	Few or no exclusions as standard. Specific exclusions may be added following underwriting.	Few or no exclusions as standard. Specific exclusions may be added following underwriting.	Typically has some standard exclusions for stress and/or back pain, in addition to a moratorium-based exclusion for pre-existing health conditions.	Typically has some standard exclusions for stress and/or back pain, in addition to a moratorium-based exclusion for pre-existing health conditions.
How ill does the client need to be?	This depends on the 'definition of incapacity' that has been applied to the policy:	This depends on the 'definition of incapacity' that has been applied to the policy:		
	Own Occupation: The policy will pay out if the client is too ill to do their own occupation.	Own Occupation: The policy will pay out if they are too ill to do their own occupation.		
	Suited Occupation: The policy will pay out if the client is too ill to do their own occupation, but not if they can still do another role for which they are suitably trained.	Suited Occupation: The policy will pay out if they are too ill to do their own occupation, but not if they can still do another role for which they are suitably trained.		
	Any Occupation: The policy will only pay out if they are too ill to do any occupation at all.	Any Occupation: The policy will only pay out if they are too ill to do any occupation at all.		
	Activities of Daily Living/Work: The policy will only pay out if they are unable to perform a number of set activities, such as walking a certain distance, bending or lifting.	Activities of Daily Living/Work: The policy will only pay out if they are unable to perform a number of set activities, such as walking a certain distance, bending or lifting.		
	Most modern income protection policies use the 'Own Occupation' definition.	Most modern income protection policies use the 'Own Occupation' definition.		

Continued

Individual Income Protection (IIP)

The different types of individual income protection

This table outlines the different types of individual income protection available:

	Income Protection (long-term)	Income Protection (short-term)	ASU – Accident, Sickness and Unemployment Cover	PPI – Payment Protection Insurance
Can the policy or premium be changed without customer permission?	No. All terms and conditions, including the premium, are set out at the outset and can only be amended by the customer.	No. All terms and conditions, including the premium, are set out at the outset and can only be amended by the customer.	Policies are either monthly or annually renewable, meaning that policy details including the premium can be changed by the insurer.	Policies are either monthly or annually renewable, meaning that policy details including the premium can be changed by the insurer.
Pros	The best type of individual policy available to replace income long-term if too ill to work.	The best type of individual policy available to replace income short-term if too ill to work.	No underwriting. However, may not be the best option but depending on the circumstances it may sometimes be the only option.	No underwriting. However, may not be the best option but depending on the circumstances it may sometimes be the only option.
	Cover is not limited to a specific repayment.	Lower cost option compared to full term cover.	Can sometimes be a cheap alternative to income protection.	Can sometimes be a cheap alternative to income protection.
	Most policies offer proportional payouts if client returns to work at lower hours.	Most policies offer proportional payouts if client returns to work at lower hours.	Redundancy cover can often be included.	Redundancy cover can often be included.
	Policies are not subject to Insurance Premium Tax (IPT).	Policies are not subject to Insurance Premium Tax (IPT).	Some policies do not exclude hazardous pastimes.	Some policies do not exclude hazardous pastimes.
	Many policies offer additional support services.	Many policies offer additional support services.	Can often pay in addition to continued incomes such as sick pay.	Can often pay in addition to continued incomes such as sick pay.
	Benefit levels can be linked to an index such as Retail Price Index (RPI) to offset inflation.	Benefit levels can be linked to an index such as Retail Price Index (RPI) to offset inflation.		
		There are some options for non-financially underwritten plans which can be useful for people with fluctuating incomes.		
Cons	The most comprehensive may also be the most expensive.	Less expensive than long-term cover but the policy may only pay out for a few years. Typically, benefits are payable for a maximum of two years.	Pre-existing conditions will normally be excluded.	Pre-existing conditions will normally be excluded.
			Policies have standard exclusions that income protection does not have.	Policies have standard exclusions that income protection does not have.
			Premiums may rise.	Premiums may rise.
			Terms may change or cover be cancelled by the insurer. The notice period for changes may be short.	Terms may change or cover be cancelled by the insurer. The notice period for changes may be short.
			Premiums are subject to Insurance Premium Tax (IPT).	Premiums are subject to Insurance Premium Tax (IPT).
				Cover is usually limited to a specific payment, such as mortgage or loan repayments.

Individual Income Protection (IIP)

Case studies

Neil's story
(name has been changed)

Neil felt unwell with pains in his stomach. He consulted his GP about this pain who recommended that he went for a colonoscopy. Based on those results Neil was sadly diagnosed with Stage 2 bowel cancer and needed surgery to treat the cancer. Neil's income protection claim lasted 15 months. His short-term income protection product offered a five-year benefit period and a weekly benefit amount of £328.08 based on a retirement age of 65. The total amount paid in income protection benefit was £19,310.93.

Neil said, *"It was quite a long journey for me, but I had the peace of mind knowing that I had income protection cover in place for when I was out of work. Throughout my claim I was in touch with my Claims Manager, he knew my case very well, inside out. He was very empathetic, very understanding. I felt that I could talk to him about literally anything to do with my claim and he was exceptionally good. Obviously being out of work, being sick and lacking in my mobility was a mental strain but knowing that you've got something in place to pay your mortgage like income protection gave me great positive experiences. It was great knowing that I wouldn't lose my house with my illness, therefore, if you're self-employed and able to afford it, it's a must."*

Gavin's story
(name has been changed)

Gavin, a truck driver from Belfast, had his world turned upside down. On 23 May 2017 Gavin's wife, Avril, was diagnosed with breast cancer. After having surgery to treat the cancer, she was initially given the all-clear. But then within a very short space of time it was revealed that the cancer had spread to Avril's lungs and had become terminal. At this point Gavin was signed off work due to the anxiety following his wife's terminal diagnosis. On 27 January 2018, the day of his seven-year-old son's birthday, Avril passed away. Gavin credits the income protection benefit he received from his short-term income protection product as an important solace during this incredibly difficult time for him and his young family. His policy had a one-year benefit period with a weekly benefit amount of £272.92 based on a retirement age of 68. After claiming on his policy for seven months, Gavin returned to work and is very grateful for the support provided to financially support him throughout this tragic time. In total he received income protection payments totalling £7,160.36.

Gavin said, *"The most important thing to me through this was having that income protection payment safety net. If I hadn't had this in place, I would only have been getting SSP... and that wouldn't have been enough to run the house, for me to stay off work... caring for my wife before I lost her."*

Individual Income Protection (IIP)

What individual income protection groups are there?

Protection Distributors Group (PDG)

The Protection Distributors Group (PDG)[5] was formed in 2016 to help build trust in the protection sector and to raise the positive profile of protection. Its aim is to help families find the protection they need by encouraging insurers and intermediaries to deliver better consumer outcomes. By working closely with insurers, reinsurers, trade bodies, charities and regulators, it improves access to insurance for people with medical conditions. This is done by representing both advisory and individual concerns.

The PDG has been responsible for several campaigns designed to improve customer outcomes, both when purchasing policies and claiming on policies, including the Funeral Pledge and Explaining Underwriting Decisions agreement.

Income Protection Task Force (IPTF)

The Income Protection Task Force (IPTF)[6] was formed out of a need to highlight income protection as some advisers tend to prioritise life and critical illness insurance products instead. To do this, it promotes awareness of income protection amongst all parts of the life and health insurance sector and among consumers.

The IPTF mission is to be a voice for the income protection industry – promoting awareness of IP amongst consumers, removing barriers for distributors, enabling open dialogue between providers and advisers, and driving up sales of income protection. Its membership consists of the vast majority of individual income protection providers in the UK, reinsurers, advisers and businesses involved in providing services to the market.

Its website provides useful information on how to apply for income protection as well as signposting to other resources offering news, sample letters and policy statements. It was involved in co-managing a project that created the charity led campaign "Seven Families" with Disability Rights UK[7]. This campaign provided a tax-free income for one year to seven people who had lost their income because of a serious or long-term illness or disability, with three specific aims:

- To raise public awareness of the financial impact of long-term illness or disability;
- To help seven real families facing financial meltdown; and
- To demonstrate the value of independent living support, rehabilitation, and counselling, through trying to help get people back to work.

Films of each of the seven families were created which highlighted the need for people to plan financially in case they become too ill to earn an income where the main breadwinner has been forced out of work by an accident or illness and not received any related insurance pay out.

Top five product providers measured by number of new income protection sales, 2020[8]:

Product provider	Sales
Legal & General	37,488
Aviva	34,601
Royal London	20,590
LV=	20,429
The Exeter	12,660

5 https://www.protectiondistributorsgroup.org.uk/
6 https://iptf.co.uk/
7 http://7families.co.uk/families/
8 Swiss Re Term & Health Watch 2021

05
Group Income Protection (GIP)

Group Income Protection (GIP)

What is meant by group risk?

Employers may promise certain benefits to employees as part of the contract of employment, for example occupational sick pay. Rather than bear all of this risk themselves, many employers choose to take out group risk insurance policies to cover some or all of their liability for death benefits, long-term sick pay and critical illness benefits.

Group risk benefits are a helpful way for employers to manage and mitigate some of the risks associated with employing people. They can also help recruit, retain and engage talent, and can support the values and culture of an organisation. Group risk benefits allow employers to reinforce their position as a caring employer, offering financial support to people when they need it most and supporting them through difficult and distracting times.

Provided in isolation or as part of a wider benefits package, group risk benefits can give employees access to insured financial protection cover they might not be able to either afford or access for themselves.

How does group risk work?

Group risk policies are commercial contracts which support employers in meeting their contractual promises and legal obligations to their employees.

The employer is generally the policyholder, pays the premiums, with claims being made by the employer in respect of their employees. Generally, any claim is paid to the employer (or, usually, the trustees of the pension scheme in the case of group life assurance).

Group risk policies are usually taken out through an adviser who is responsible for helping the employer to decide on the design of the benefit structure, who will be covered by the policy, the suitability of the policy and the selection of a provider.

Expert advice should always be taken when setting up or reviewing a group risk insurance scheme to ensure that optimum cover is provided, any extra support services offered alongside the policy are used and all tax efficiencies are maximised.

What group risk products and services are there?

There are several group risk products currently available:

- Group Life Assurance
- Group Income Protection
- Group Critical Illness

As well as meeting claims, group risk insurers also provide everyday help to HR, line managers, business owners and employees alike at no extra cost. This is partly to give value on a daily basis - as making a claim is not an everyday occurrence - but mostly to help mitigate worst-case scenarios or to pick up the pieces when these can't be avoided.

Support for employers can include HR and employment-law advice, legal document-writing systems, absence management, telephone support for difficult situations, case management and mediation.

For employees, help can include access to an Employee Assistance Programme (EAP), second medical opinion, fast-track access to counselling or physiotherapy, helping with making changes towards better health behaviours (e.g. via access to GP services, health tracking apps and mental health support), liaison and mediation, bereavement support and help with probate. Increasingly, the embedded support services are available to the entire workforce, not just the staff who have the insurance.

Why should employers consider group risk protection?

In its 2019 Group Risk Benefits Survey[9], GRiD (Group Risk Development) focused on the impact for employers of dealing with serious issues over the previous 12 months, such as the death or illness of an employee, or an employee affected by mental ill health or bereavement. The findings were as follows:

- 64% experienced an employee dealing with bereavement
- 46% experienced an employee dealing with mental ill health
- 44% experienced an employee being diagnosed with or dealing with a serious illness, (e.g. cancer, heart disease or stroke)
- 44% experienced an employee being absent long-term because of ill-health, disability or an accident
- 30% experienced an employee dying while in their employment.

Despite the prevalence of these serious events occurring, worryingly few businesses have any group risk insurance in place to help them deal with these situations. The GRiD research found that the main approach taken by employers of all sizes to any of these events is to deal with them on a case-by-case basis.

9 GRiD 2019 Group Risk Benefits Survey

Group Income Protection (GIP)

This is inefficient, inconsistent (unfair), costly, time consuming and sends the wrong message to people within and outside of the business. When employee wellbeing is prioritised, employers can align themselves with Government's ambitions for delivering on the concept of 'good work' for all[10]. This does not happen case by case but through planning and preparedness. Employers who do not do this already need to develop a consistent and equal policy for helping employees and their families through these serious events and they'll find that group risk can support them in doing so.

What is group income protection (GIP)?

Group income protection is a policy taken out by an employer to cover their promise to provide sick pay to employees if illness, injury or disability prevents them from working for a prolonged period. It can also replace lost income where an employee has to take a part-time or lower-paid position because of illness, injury or disability.

If the employee cannot work due to illness, injury or disability the policy will pay a benefit of a proportion of their salary. The benefit is paid to the employer and then passed on to the employee through the PAYE system. The benefit level is designed to ensure that the employee will be able to maintain a reasonable standard of living but still has a financial incentive to return to work. Tax, national insurance and pension contributions continue to be paid in the normal way.

Insurers will also work with the employee and their employer to get them back to work as soon as it is appropriate, often by providing access to help or even treatment – e.g. by providing access to physiotherapy or talking therapies – which may not otherwise be available to the employer or employee.

Group income protection can replace an ill-health early retirement promise following the closure of a defined benefit (final salary) pension scheme. It can maintain an employee's financial resilience when illness or disability prevents them from working but it is also a business continuity tool, providing the support needed to get employees back to work in a timely manner. Where this is not possible, of course, it provides an employer with the financial advantages of having insured their liability to continue salary in the event of a long-term sickness absence.

What group income protection groups are there?

Group Risk Development (GRiD)

Group Risk Development (GRiD)[11] is the industry body for the group risk protection sector, promoting the value to UK businesses of providing financial protection for their staff, enhancing their wellbeing, and improving employee engagement.

Its membership includes insurers, reinsurers and intermediaries who have a collective wealth of experience built over years of operating in the group risk protection market.

By aiming to promote group risk through a collective voice to Government, policymakers, stakeholders and employers, GRiD works with Government departments and regulators involved in legislation and regulation affecting group risk benefits, and with other organisations involved in the benefits and financial protection arenas.

GRiD also seeks to enhance the industry's standing by encouraging best practice and by participating in industry-wide initiatives such as the professional qualification in group risk (GR1) managed jointly with the CII.

Through its media activity, GRiD aims to generate a wider awareness and understanding of group risk products and their benefits for employers and employees.

Investment and Life Assurance Group Limited (ILAG)

The Investment and Life Assurance Group Limited (ILAG)[12] is a representative trade body which acts as a forum for producers, administrators and distributors of life and health protection insurance, and of pension and investment products.

It seeks to engage and build relationships with regulatory, Government and industry bodies by promoting understanding of the regulatory, legislative and market environment in which its members operate. ILAG's Protection Practitioner Group focuses on matters relating to protection products, including health insurance. As well as regulatory issues, the Group also addresses strategic issues, genetic and medical advancements and patterns of mortality and morbidity.

Top five product providers measured by number of members of group income protection policies, 2020[13]:

Product provider	Number of members of GIP policies
Unum	810,362
Aviva	699,921
Legal & General	389,261
Canada Life	344,402
Zurich	234,659

10 https://www.gov.uk/government/publications/good-work-plan/good-work-plan

11 https://grouprisk.org.uk/

12 https://www.ilag.org.uk/

13 Workplace Protection & Wellbeing Report, Corporate Adviser Intelligence, June 2021

Group Income Protection (GIP)

Case studies

David's story
(name has been changed)

David works in the IT sector and experienced an infection related to his pacemaker which led to a series of operations and a stay in hospital lasting nearly three months. Although the initial issue related to his pacemaker, the extensive time in hospital led to muscle wastage and mental health issues associated to the extent of the illness and potential for re-occurrence.

The group income protection provider's vocational rehabilitation consultant (VRC) arranged for physiotherapy, with two sessions a week for the first two weeks and a further five sessions on a weekly basis, paid for by the group income protection provider. The group income protection provider also paid for eight sessions with a psychologist.

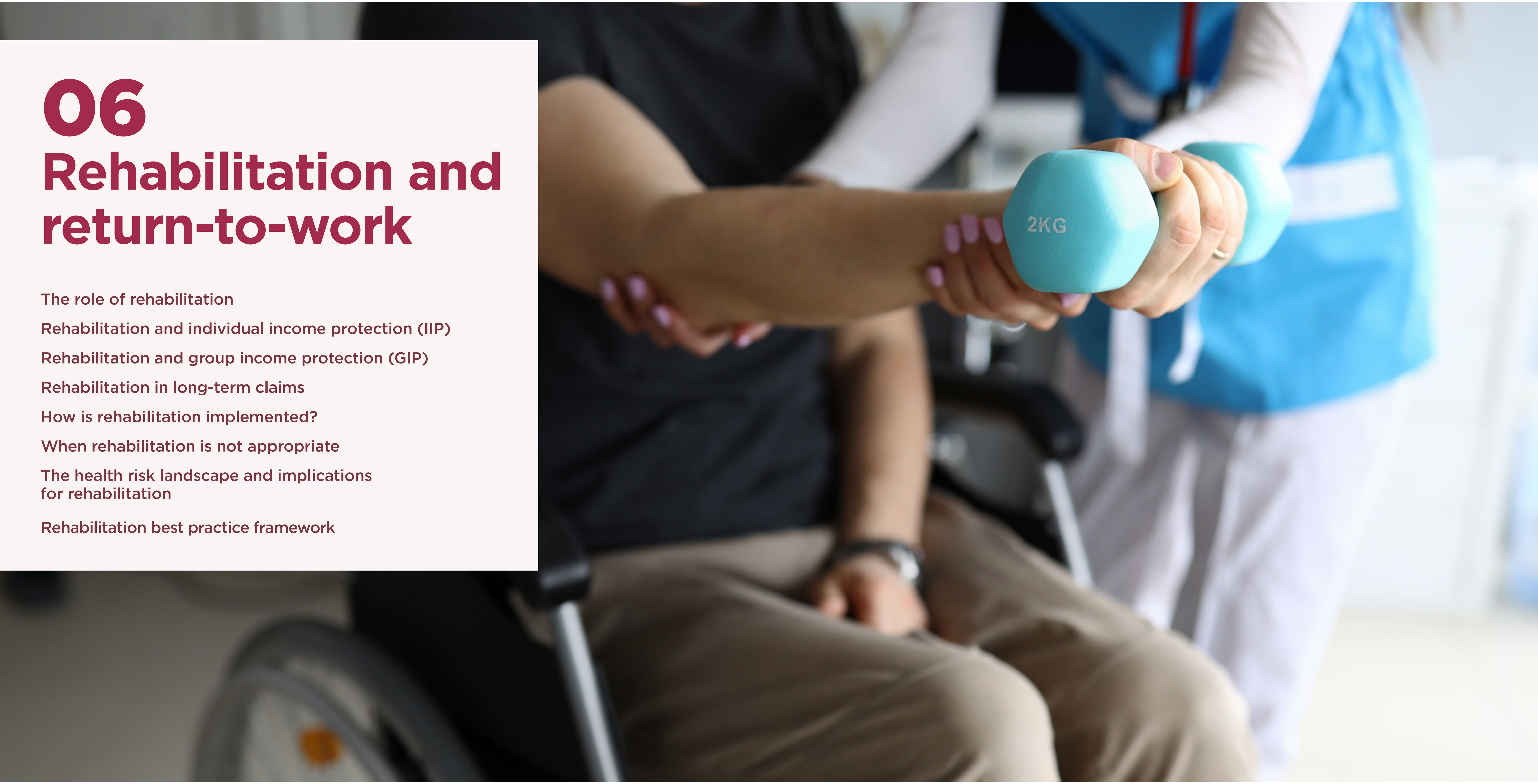
The VRC also designed a return-to-work plan lasting eight weeks with a mixture of home and office working, highlighting that time-critical or high-volume work should not be undertaken. The return-to-work plan accommodated the physiotherapy and psychology appointments over time, and David was back in full-time work within four months of leaving hospital. The VRC maintained support throughout the return-to-work plan and indeed beyond the point at which David was back to his full-time hours while the psychology treatment remained ongoing.

Zoe's story
(name has been changed)

Zoe stopped attending the office due to fibromyalgia. Her symptoms meant she was unable to leave her home and her parents were having to visit in order to cook and clean for her. Zoe tried to work from home but was only able to work sporadically and up to a maximum of five hours per day when she felt able.

Zoe's employer asked the group income protection provider to consider a proportionate benefit claim as she was not working her normal hours. Following an initial assessment call from the group income protection provider's case manager, Zoe was referred to a complex pain management support programme through one of the group income protection provider's rehabilitation partners. This company worked with Zoe, providing her with support and giving her an increased understanding of how to self-manage her condition.

As a result of this intervention, Zoe developed pacing skills and gradually increased her levels of daily activity, including attending choir practice, visiting church and being able to meet friends for coffee. In line with this increase in function, Zoe also increased the hours she was working and hopes to return to working full-time on a mixed home/office basis.



06 Rehabilitation and return-to-work

Rehabilitation and return-to-work

The role of rehabilitation

In addition to financial cover, most income protection products have evolved to provide additional support to the insured person. This is with the aim of enhancing the recovery process after illness or injury, so the claimant can return to previous activities including work. The value of rehabilitation support has been documented in case studies, where in many instances the claimant has faced delays to access treatment via the NHS, particularly for common health conditions or has lacked specific return-to-work guidance.

There are significant risks associated with prolonged sickness absence, particularly from a psychosocial perspective. Not only might the diagnosed health condition be at risk of worsening, but the emotional impact is likely to be greater, as uncertainty on the prospect of a meaningful recovery grows whilst awaiting treatment. From a work perspective, the lack of certainty around a return-to-work date has practical and business implications for the employer, including head count and distribution of workload, which can be difficult to manage.

There is also an impact on social aspects, including family/social life due to the restrictions on physical and/or mental health function, and on financial aspects. As such, work incapacity is a multidimensional process involving individual, social and macro variables (health system and working environment) that require a similar multidimensional rehabilitation approach, which the insurance sector is currently providing in many income protection policies.

Rehabilitation and individual income protection (IIP)

In the context of individual income protection policies, the variations in deferred periods mean that the insured person could be off work from one day to up to one year before a claim is made. This time variation can have an impact on the type of rehabilitation to be implemented, costs, and effectiveness.

As a rule of thumb, the longer someone is off work, the harder and more costly it is to achieve a successful return to health and work. Some insurers might offer rehabilitation support at the time of notification of claim or during claims assessment. However, generally it is not uncommon to see that rehabilitation does not start until after at least six months to one year since the date of first sickness absence. At this point, it is likely that any rehabilitation intervention might not just involve treatment support, but also vocational rehabilitation, to ensure all psychosocial aspects are addressed for a successful return-to-work. Depending on the health condition, functional capabilities, and income protection policy terms and conditions, the work goal might be:

- return to full-time/same role;
- part-time/same role;
- full-time/alternative role; or
- part-time/alternative role.

In some instances, a proportional benefit payment might apply on a temporary or long-term basis.

Some individual income protection providers have now incorporated Early Intervention (EI) rehabilitation strategies in their claims management proposition. However, this approach is still more prevalent in the group income protection market.

Rehabilitation and return-to-work

Rehabilitation and group income protection (GIP)

The group income protection setting lends itself to provide large scale bespoke rehabilitation interventions through employer group schemes. These consider the specific employer's sickness absence trends, demographic variables, current absence management strategies, and group income protection policy terms and conditions.

Many group income protection providers offer rehabilitation support during the notification period, which can be from day one. This is known as early intervention in its true sense. By providing support early, through a stepped care model approach, most psychosocial issues can be addressed, thus preventing any worsening of symptoms and other psychosocial complications. Therefore, early intervention is considered the most cost-effective type of rehabilitation. This is not just in the income protection insurance setting, but in any healthcare programme.

Many insurers have shared positive return-to-work outcomes through early intervention programmes, which mainly target common mental health and musculoskeletal conditions. In 2020, 31.8% of all group income protection claims submitted were reported to have gone back to work within the deferred period[14].

More complex and long-term health conditions, such as fibromyalgia, require a specialist rehabilitation pathway that might fall beyond the scope of early intervention programmes. However, employees can still be supported through tailored interventions, although variations in length, complexity and costs will vary from case to case.

The group income protection market also provides the opportunity to go one step beyond early intervention and look at the role of prevention and health promotion initiatives within the workplace. By working closely with employers (policyholders), evidence-based wellness initiatives can be implemented to mitigate the risk of ill-health leading to long-term sickness absence. For example, targeting presenteeism and work-related stress, as this represents one of the leading causes of sickness absence in the UK[15].

14 https://grouprisk.org.uk/2021/05/14/employer-sponsored-group-risk-benefits-pay-record-claims-to-employees-during-2020

15 https://www.hse.gov.uk/statistics/causdis/stress.pdf

Rehabilitation and return-to-work

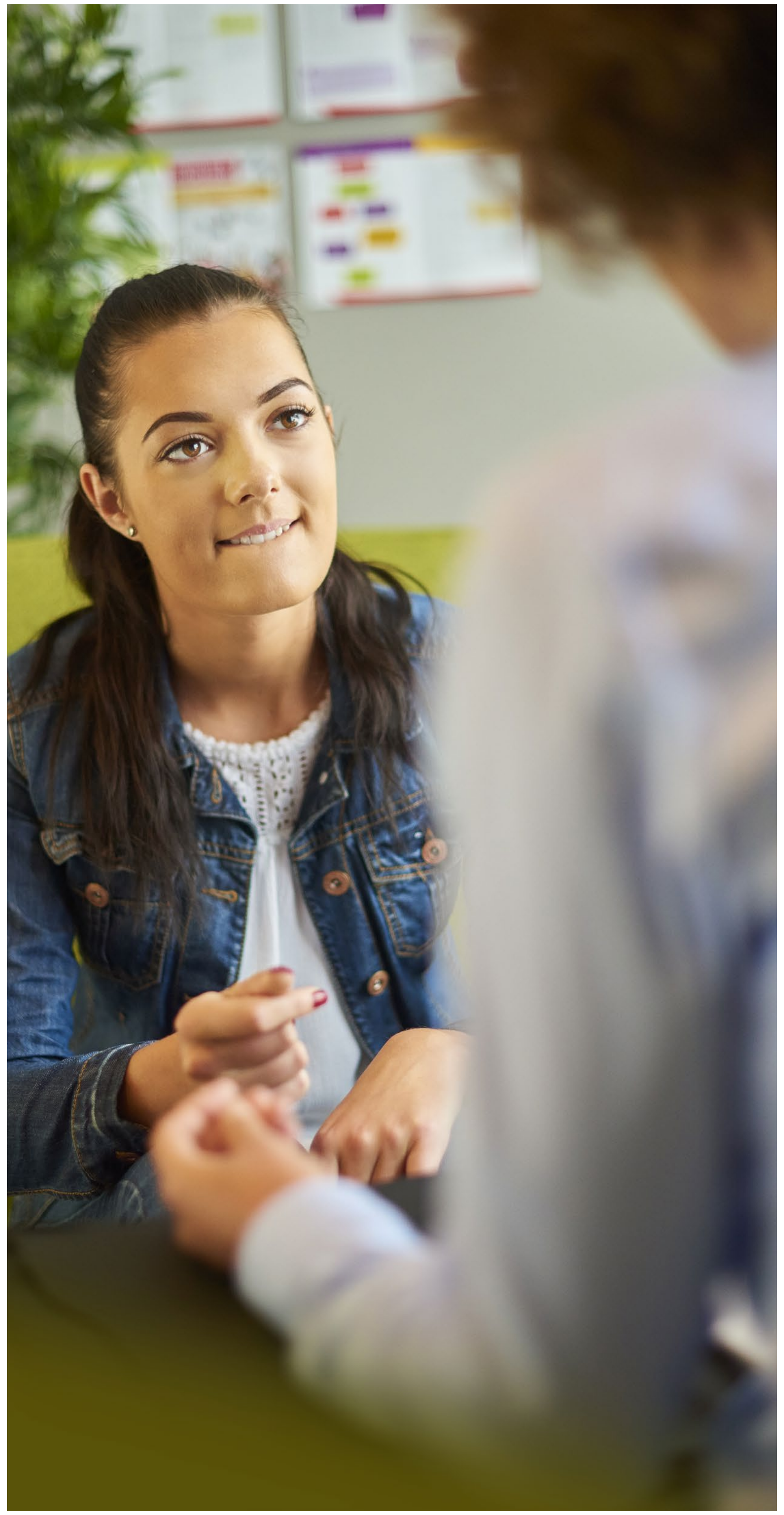
Rehabilitation in long-term claims

Rehabilitation support is not limited to new claims only. There are instances where the income protection claim might have been in payment for several years, but there are clear indicators that, with support, the insured person has a good chance to recover sufficiently to return to work. Long-term claims are usually characterised by a lack of active/acute NHS care, with no vocational plan in place, and with the insured being either on long-term sickness absence or no longer employed (in the case of individual income protection). However, the claim itself continues to meet the income protection policy definition of incapacity for work. The psychosocial circumstances are therefore far more complex than the ones presented in a new claim, and rehabilitation can be costly. This is because multiple interventions might be required, including lengthy vocational rehabilitation support.

How is rehabilitation implemented?

Rehabilitation can be offered via the claims assessor or via an in-house rehabilitation consultant, depending on the insurer's set up. Access to rehabilitation is voluntary and bears no cost to the insured person.

Over the years, many third-party rehabilitation providers, have tailored their propositions to match the income protection industry needs, with many providing effective vocational rehabilitation as well as treatment itself.



When rehabilitation is not appropriate

A common-sense approach is used when considering a rehabilitation intervention, for example where it has been medically established that return to any type of work is an unrealistic goal due to the acquired permanent cognitive and/or physical impairment. Medical conditions that generally meet such criteria include:

- catastrophic and life changing injuries
- severe neurological degenerative disorders
- severe stroke
- severe mental health conditions, e.g., schizophrenia.

However, most long-term sickness absence episodes (two-thirds) are related to non-severe health conditions[16] including:

- mild to moderate mental health episodes
- musculoskeletal disorders
- cardiorespiratory conditions.

This trend is mirrored within income protection, providing the opportunity to support most claimants back into health and work.

The timing of rehabilitation is also an important factor, when considering appropriateness. In some cases, the insured person might be too unwell, and still receiving acute treatment support (NHS/private), to consider any further interventions that the insurer can provide.

For example, survivors of cancer require specialist support and a dedicated vocational case manager who can understand and guide the timing of the return-to-work journey.

The health risk landscape and implications for rehabilitation

Traditionally, the cause of a claim has been reported as a single diagnosis. However, health trends show that in industrialised countries, 23.5% of the working population report having a chronic illness[17]. In addition to pre-existing medical conditions, the cause of sickness absence could also be multimodal. For example, obesity is associated with other long-term health conditions such as diabetes, heart disease, hypertension and mental ill health. It also underpins the development of common musculoskeletal conditions such as back pain[18], which are all common causes of income protection claims.

The ageing workforce is another area that currently takes attention in general sickness absence trends. Figures show that 10.4 million workers in the UK are over the age of 50, and that by the year 2039 people in the UK will be expected to retire at the age of 68[19]. It is understood that more than a fifth of people aged 50-64 have two or more long-term health conditions that can have an impact on their daily living. These trends show that this age group has specific health risk factors that can have an impact in their

16 Waddell, G. & Aylward, M., Models of Sickness and Disability: Applied to Common Health Problems, 2009, London: Royal Society of Medicine

17 https://www.enwhp.org/resources/toolip/doc/2018/04/23/brussels_declaration.pdf

18 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/573891/employment-outcomes-of-drug-or-alcohol-addiction-and-obesity.pdf

19 https://www.bmj.com/content/366/bmj.l4787

Rehabilitation and return-to-work

ability to stay in work, if not successfully managed. Understanding health trends and preparing for this, should be an ongoing task within income protection, so it can be equipped with effective rehabilitation strategies that evolve according to health risk.

Rehabilitation best practice framework

Rehabilitation within income protection should be about sustained return work outcomes that match the insured person's functional capacity for work. In some instances, a return to full-time and the same role may not be realistic. But a return to part-time work in a different capacity may be the end rehabilitation goal. Ultimately, this would result in a proportional benefit outcome that benefits the insured person, the employer, the insurer and society.

The key components of successful income protection rehabilitation interventions include bespoke interventions that are evidence based, work focused and tailored to the specific income protection policy terms and conditions, including the target market. Interventions need to adhere to evidence based treatment approaches, approved by the National Institute for Health and Care Excellence (NICE) and be work focused. Fast tracking of treatment alone does not guarantee a return-to-work outcome. As such, vocational rehabilitation must form the basis of any intervention, and be guided by the principles and best practice guidelines offered by the Vocational Rehabilitation Association (VRA) in the UK[20].

As income protection sales grow, we need to continue to strive to promote the value of rehabilitation for the insured and society as a whole.

20 https://vrassociationuk.com

07 Business protection

Business protection

Who is business protection suitable for?

It is not just individuals who are affected when they are unable to work due to an illness or injury. Employees are the most valuable part of a business, particularly if they have unique job functions or are fundamental to business continuity.

The sudden illness or death of an employee could have dramatic consequences on the way a firm or organisation operates. Key person income protection insurance is intended to pay regular sums to the company if the key person is absent because of illness or injury.

Multiple of salary

A policy may simply meet the cost of replacement of the life insured. This may be an acceptable way to pay for a temporary replacement but does not take account of the effect of the key person's absence on profits.

If the employee already has personal income protection, this may limit the amount of income protection a company can have on that individual. However, some companies will ignore the personal cover that the individual has. In any event, it is important to establish what existing cover the employee has (if any).

Proportion of profits

Alternatively, the business could cover a proportion of gross profit. This approach can only be used with any degree of confidence if the profit figures have shown a regular pattern. The amount of cover needed for income protection is likely to be lower than for life assurance. There are several reasons for this, including:

- Even when the key person is unable to perform full duties, they may still be able to act in an advisory capacity.
- It is always possible that the key person could return to work. If that is the case, some of the problems associated with their absence might not occur, especially loss of confidence by the bank or by creditors.
- As with individual income protection, the company should have an incentive to encourage the person to return to work, or at least to seek a replacement. For this reason, the cover should always be less than the income it is replacing.
- The term of benefit payments may be shortened, e.g. to a maximum period of five years.
- There may be other restrictions imposed, e.g. a 12-month deferral period or a maximum policy term.

Some insurers now allow higher than standard cover levels for key persons. This may be necessary in order to fund a locum or temporary replacement, as well as to pay the key person who is unable to work.

Key person income protection insurance and tax

Premiums on income protection policies for key person assurance are normally allowed for tax purposes if:

- The cover is short-term
- The relationship is employer/employee
- The sum assured is paid to the employer to cover loss of profits arising from the key person's absence.

By their nature, the proceeds of a key person income protection policy are paid to the company as a regular income and are therefore taxable.

08
Underwriting income protection

Underwriting income protection

Ways to underwrite income protection

Group risk policies are inclusive and contain features which can help ensure that cover is provided for those with medical conditions and make it easy for the policyholder (employer or trustee) to put cover in place.

With group income protection policies, the employer will set out the criteria for membership. Group risk insurers will normally provide a level of cover for all members without any medical underwriting and irrespective of their state of health. This is known as a free cover level because it is free of medical underwriting. There is usually a requirement that the employee must be actively at work on the day before cover starts.

All employees meeting the criteria and whose benefits are below the free cover limit will normally be automatically covered without any medical underwriting and irrespective of their state of health.

This approach makes cover available to people who may not be able to get cover as an individual, or only on unfavourable terms. It enables employers to provide cover for employees within the limits who are disabled or have a long-term health condition.

It is for this reason that the number of people whose cover is underwritten under a group income protection policy is low.

Most individual income protection policies are underwritten on a 'fully underwritten' basis, which means that applicants are asked to complete a medical questionnaire as part of their applications. This could be done via a set of interactive online questions on the phone with an adviser, call centre agent or tele-interview (a telephone medical interview with an insurer or appointed third party).

Typically, underwritten policies will have little to no initial exclusions on the policy as a default. Once the insurer has assessed all the medical information, they will make an offer of terms. These terms will detail any price increases and any exclusions which are going to be imposed.

Some short-term individual income protection policies use a moratorium exclusion instead of fully underwriting a policy. With these policies, the insurance company will ask fewer medical questions, or possibly none, and will apply a pre-existing medical condition exclusion to the policy. For example, any condition linked to treatment being received, symptoms or check-ups for in the last few years might not be covered. This exclusion is often waived if the customer goes several years free of symptoms, treatment or check-ups.

The danger of the moratorium route is that it can leave a grey area where customers may not know exactly what they are/are not covered for until they need to claim. Whilst this might be the case, cover is usually simpler to arrange and can be available to some people where fully underwritten cover is not. It can also mean that some conditions are covered again for people if they pass the moratorium period symptom, treatment and consultation free.

As it's far more common to have fully underwritten individual income protection, the remainder of this section will focus on this method.

Further medical evidence

Once a customer has applied for cover the insurer will either accept the policy, decline/postpone it or request further medical evidence in order for a decision to be reached.

Further medical evidence can be gathered in a number of ways:

- Tele-interview: The insurer will either themselves call a customer or appoint a nurse from an approved firm to call the customer to ask more questions. This is more commonly done for conditions such as mild mental health disorders or muscular problems, since the customer should be able to give a good account for how serious it is and how it affects them.
- Medical screening: The insurer will either ask for a nurse to visit the customer or for the customer to visit a medical centre, where a general health check will be completed. This check will usually include taking their height/weight, asking some further health questions, a urine sample and possibly a blood test. Such screenings are normally requested for larger policies, older clients or if the customer has a condition which needs certain factors checking (e.g. an insurer may wish to check a customer's blood pressure and cholesterol if they have a high BMI).
- General Practitioner Report (GPR) or Targeted GPR: The insurer will write to the customer's GP for background on their overall health and/or specific details about a medical condition. This can sometimes be the method of choice for larger cases, older clients or customers with a complicated medical history. Examples include cancer, heart conditions, strokes and diabetes. This is done when an insurer feels it necessary to get accurate readings, scan results and other background information that the customer might not readily recall or have easy access to.

Underwriting income protection

Standard terms, special terms and declines/postpones

Once an individual income protection policy has been underwritten, the best possible outcome is for the customer to be offered standard terms (also known as normal terms). This means that the insurer is not going to apply any price increase or exclusions to the policy.

Customers with pre-existing medical conditions, lifestyle risks or hazardous pastimes might see 'special terms' (or non-standard terms) offered once their policy is underwritten. This could mean that the premium increases, but the risk is still covered, or that the risk is simply excluded.

For example, a customer with a raised BMI is more likely to see a higher premium than an exclusion, as it would be hard to exclude all the risks associated with being overweight. In contrast, a customer with an existing back problem is more likely to see that any illness/injury relating to the back will be excluded from the claims set, instead of a premium increase.

Some insurers will now offer reviewable exclusions on conditions they feel to be more short-term. As an example, someone that has experienced a knee injury whilst running, and received physiotherapy a few months ago, is likely to make a full recovery. In this instance the insurer may exclude any claims relating to that specific knee injury but agrees to review this exclusion in a year or two if they have no further issues with it.

It is also worth noting that insurers have the right to decline or postpone applications if they feel a risk is too high. A declined decision means that the insurer feels that the risk of claim is too high, or where appropriate exclusions would make the policy 'not worth having'. A postponed decision means that the insurer will not offer cover now but would hopefully reconsider in the future. This could indicate that the customer has outstanding medical tests or has only recently been diagnosed with a medical condition.

Examples where most insurers see the risk as too high to offer income protection at all include conditions such as Lupus, Multiple Sclerosis (MS) and fibromyalgia. The reasoning behind this is the argument that it would be hard to identify what claims were linked to the pre-existing condition and which were not.

To help manage customers' expectations, it is good practice for an adviser to try to find out some information about the customer's health and lifestyle before recommending a provider. Insurers can have widely varying risk profiles and a decline decision from one insurer does not mean that they will all take the same stance. It also helps to know if a customer is likely to be offered an exclusion or price increase before they commit to applying for the cover. Such news can be a shock if unexpected and can damage trust in the adviser-client relationship that has been built.

Signposting

There are some advisers who specialise in providing individual income protection for customers with health conditions or other risk factors. If someone is struggling to buy income protection cover, and the adviser cannot source the cover themselves, they could consider approaching a firm who specialise in this area. It is possible to help such customers by personally making these introductions (possibly for a commercial arrangement) or by signposting the customer to services such as BIBA's 'Find Insurance' service, which can help to source a specialist adviser to help.

09 Protecting mortgage borrowers

Protecting mortgage borrowers

Initiating protection conversations

Taking out a mortgage is one of the largest financial commitments an individual can have. When someone commits to taking out a home loan it is not possible to predict every single circumstance that could prevent the borrower from earning, and therefore be unable to keep up with their mortgage repayments.

If the borrower is unable to work because of an illness or injury, and there is no other source of regular income that can maintain repayments, it is possible that the borrower could then lose their home. This is why protection conversations should be initiated with the customer from the very beginning.

Customers understandably focus on the mortgage itself and not how to insure it. While repayment warnings do appear on mortgage contract documentation, it is important to engage with the customer by questioning if there is anything that could prevent them from keeping up with repayments. Rather than trying to sell income protection as a separate product it should be factored into the mortgage process by integrating it.

By having discussions around illness, injury, divorce and unemployment, this can help build a customer profile using data from national statistics that can help calculate the likelihood of these risks of occurring. This is similar to how wealth managers create an attitude to risk (ATR) with their clients. By calculating a ‘capacity for loss’ it is then possible to show the customer where their gaps are.

Different types of protection

Income protection should not be relied on as the sole piece of cover. By understanding the individual risks involved for the customer, a diverse portfolio should then be created to reflect their needs. For example, it may be that a combined portfolio of income protection and critical illness cover may be appropriate rather than choosing between the two.

Not only does the word protection confuse customers so do many of the product names – IP (income protection), CI (critical illness), FIB (family income benefit) – can all lead to confusion. Advisers can approach the subject of protection and associated products by doing the following:

- When the mortgage is being applied for, point out to the customer the statement on their documentation that says, “your home may be repossessed if you don’t keep up your repayments”. This is the stepping stone from the mortgage to the protection conversation.
- Ask the customer what could stop them keeping up their repayments.
- Document their answers. This now gives you a list in the customer’s own words of what could stop them paying their mortgage. Many of the things they tell you are the very things we can help them with such as being off work, serious illness, accidents or death.
- Ask the customer what, if anything, over and above Statutory Sick Pay their employer will pay them if they are off sick for any length of time.

The next step is to talk about these areas, what the consequences would be and how long could they keep paying their mortgage for should any of those things happen. Clearly understanding any existing provisions to help in these areas is extremely important.

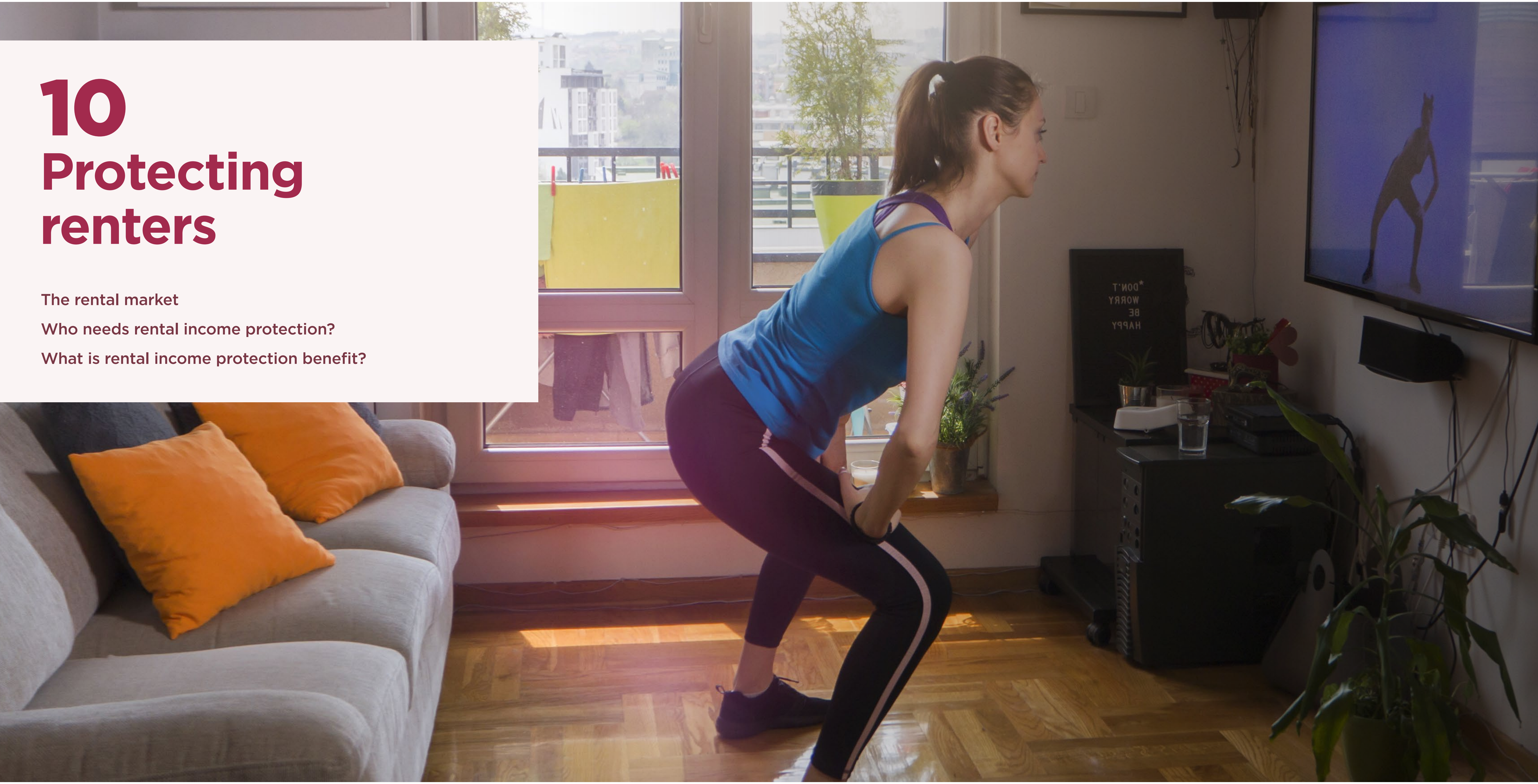
All of this conversation can be done with no reference to actual products – remember the product name is not important, it is what the product does to support the customer that is important.

Planning a conversation

All protection products do one important thing – they pay cash to the customer when they need it most. Focus on that and the benefits rather than talking about an additional product called income protection. This will help customers prioritise the gaps they will see for themselves.

A potential conversation could initiate the following structure:

- Positioning – framing protection as part of the conversation
- Pointing out – acknowledging potential risks
- Possibilities – identifying potential risks
- Probability – likelihood of risks occurring
- Percentages – calculate a Risk Reality Report
- Priorities – identifying priority of need
- Premiums – creating a budget.



10 Protecting renters

Protecting renters

The rental market

Around one in five people live in private rented accommodation in the UK, with a similar figure living in social housing, meaning approximately 10 million people rent. It appears that this figure is only growing as some reports indicate renting will overtake home ownership by 2039 and will reach 55% of housing by 2045. Whether those figures prove to be true or not, there has been a marked increase in rental activity in recent years. It is also fair to say renters are less likely to have the protection conversations than a person who is buying a home and using a mortgage adviser.

The rental market is often untouched, and most tenants have little to no financial guidance across the board. In times of difficulty, they can find themselves reliant on their landlord's goodwill, as evident during the coronavirus pandemic. Those who rent their property should also consider protecting their income. While renters will not lose ownership of a property, they may face evictions if they are unable to keep up with rent payments because of an illness or injury.

Lettings agencies should start introducing these conversations with renters as they will not have the same opportunities for protection conversations as mortgage advisers would give their customers.

Who needs rental income protection?

The types of consumers who need support include:

- Young and single adults, mid to late 20s and early 30s – Their reasons for renting may be flexibility or saving for a deposit/ cannot afford to own their own home.
- Couples of a variety of ages – This can at times be a factor of age but largely is split between those who like the freedom or flexibility, and those saving for a deposit. Considerations around children may also play a part in these discussions.
- Families – The growing number of people in rented accommodation means more families are likely to be renting. They could be open to a whole variety of products, but as they have not sought out a mortgage may have not had a protection conversation before.
- Older Singles – Some of whom are divorcees, and in such case may have depleted savings and must turn to renting following separation. As longevity increases, it could be expected for more older singles to be in the rental market.
- People in work whose employer only pays Statutory Sick Pay if they are off sick for any length of time.

What is rental income protection benefit?

Rental income protection benefit is designed to pay out a monthly benefit if a client cannot work due to illness or an accident, losing their earnings as a result. It can be used to help towards living expenses such as rent, utilities, medical bills, childcare and other monthly outgoings.

Some rental income protection plans allow clients to increase their benefit if rent increases. There are also stepped benefits offering a choice of deferment periods and levels of cover. If a tenant stops renting to buy a home, some policies can simply be transferred to a traditional individual income protection plan, enabling clients to protect their new home and investments.

Much like with mortgage protection, income protection on its own may not be enough and therefore advisers should follow the same process of exploring the customers' individual needs. This can include discussions about life and critical illness, family income benefit and other benefits they could access through specific policies, such as health and general insurance products and/or services.

As discussed above, letting agents should have a role to play here but as there are over 81% currently in rental accommodation without any protection, there remains a large gap, which therefore may require targeted marketing by advisers.

11
Conclusion

Conclusion

The demand for protection insurance saw a huge increase in 2020 due to the global impact of COVID-19. The consequences of the pandemic saw people unable to work either because they developed symptoms, were forced to self-isolate or their employment was affected by the lockdown imposed by the Government. Many people felt these changes overnight but found themselves inadequately protected.

With more people seeking to engage actively with protection insurance, it is important that advisers know how and when to recommend income protection insurance correctly, whether on its own or as part of a package.

To enable confidence in insurers during this time the ABI created a COVID-19 Protection Pledge[21] as follows:

1. Support the National Health Service
2. Support those making a claim
3. Support vulnerable customers.

Therefore, ABI member protection insurers committed to the following:

- Remaining "open for business" and offer cover to as many customers as possible during this challenging and unpredictable environment.
- Acting responsibly in the context of the National Health Service's priorities and be sensitive to the pressures on the healthcare services from the impact of COVID-19. This could mean that some applications from new customers are delayed or postponed to avoid putting further strain on healthcare services.
- Explore alternative approaches to provide cover to new customers and be flexible when it is appropriate and possible to do so.
- Continue to review practices that consider the latest Governmental and other medical guidance, with a view to returning to normal procedures as soon as is practical, and to proactively communicate any changes to their approaches to customers and advisers.

With unprecedented changes affecting people, whether self-employed or employed, and the businesses they work for, income protection products need to be fit for purpose and recommended responsibly. In the case of employers, this should take account of the other benefits offered such as access to an Employee Assistance Programme, and support to communicate these well to the workforce so that their usage is maximised when needed.

Recent factors such as an increase in furloughed workers, a rise in claims due to mental health issues or the inability to work from home mean that people's circumstances are constantly changing. Those who may not have been feeling financially vulnerable six months ago may find their situation has changed dramatically.

21 https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/income-protection/pledges/

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