Guide to saving Protection Policies

With UK households facing the worst squeeze on incomes for a generation, many clients may consider cancelling their protection policies due to financial concerns.

Advisers are well placed to discuss with their clients the importance of keeping cover in force. But what messages can you give to your clients and what options do you have to help them?

This guide, a collaboration between PDG, AMI and the IPTF has been created to suggest ways that advisers can offer support and guidance to their clients to ensure that cover is maintained and to demonstrate the value of advice.

PDG Protection Distributors Group

AMI Association of Mortgage Intermediaries

Income Protection IPTF Task Force

Things to consider when speaking with your clients

- Consider sending your client the PDG, AMI and IPTF consumer facing guide on protection.
- Remind your client of the features and benefits of the policy and the reason that they took it out. Illness and injury are still risks to them and their family and arguably they may need the cover more than ever, as falling ill or getting injured could worsen their financial situation.
- Be proactive by ensuring your clients are aware of the support available. Understand the support provided by each insurer for clients in financial difficulty and whether there's eligibility criteria to consider.
- Some insurers send annual statements to the client e.g. summarising what their insurance covers. Advisers may want to ask if this can be sent via them, to use as an engagement tool directly with their client. Alternatively, some advisers prefer to send the client their own version of an annual statement.
- Ask the client to review their outgoings and consider whether there are any cost savings they can reasonably make elsewhere. For example, subscription services have grown in popularity and collectively could add up to substantial monthly expenditure.
- Your client might need the cover now more than ever, so looking at options to keep some cover is important.
- Taking out the same policy in the future might be more expensive. It may not be easy to get cover on the same basis without loadings or exclusions.
- If your client, or even their children, parents or siblings have any new medical conditions or any existing conditions have deteriorated then they may not be able to get new cover, or it could be significantly more expensive.

This is only meant as a guide, and is based on experience and knowledge of a number of participants. It should not be used in place of individual advice and where possible, you should always speak to an insurer about possible options available

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- The client's policy may provide access to valuable support services that the client and their family may want to utilise now, such as:
  - > 24/7 virtual GP services.
  - > Health MOT.
  - > Access to specialist nurses.
  - > Access to independent helplines (such as those related to legal, career and medical).
  - > Mental health support.
  - > Expert second medical opinion services.
  - > Nutritional and wellbeing advice.
  - > On-line fitness programs.
- Use a real example of the impact of not having insurance at the time of need – for example: 7 Families - The Clarke Family cancelling Income Protection
- Many insurers also provide claims case studies, these can often be found on their website.
- If not known, encourage your client to check their company's sick pay policy. If the client will receive SSP only or the company scheme is limited, generate a discussion with the client about their income and expenditure and how this would be impacted if they became ill.

What options are available if your client can't afford their cover?

- Consider amending the cover – the level of cover can often be reduced, or features removed from the policy to help reduce the premium. Some cover is usually better than none and setting a reminder to review any temporary changes will help ensure the client's cover is reviewed at a future date.
- If the client was rated for health issues previously, check to see if their health has improved. If so, it might be possible for the client to take out a new plan that could be accepted on improved terms, potentially reducing the premium. Whilst most insurers are unable to change the rating without a new application, it is worth asking first whether this is possible under the current plan.
- If the client is a smoker, check if they've become a non-smoker since they took out cover as this may reduce the premium (and not every insurer needs a whole new application to be submitted – check with the insurer first).
- Check whether the insurer offers a career break option, to help if they are temporarily out of work or are unable to pay the premiums because of personal hardship.
- If your client has a decreasing policy, see if the insurer can reduce the interest rate (so cover reduces quicker). Given mortgage interest rates are still at historically low levels, having an interest rate of 4-5% of the policy could be suitable and result in a lower monthly premium.

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- Ask the insurer to waive the premiums temporarily due to personal hardship - not all insurers will do this, but some have continued to provide support following the Covid-19 pandemic.
- If a client does owe any premiums, some insurers will let them continue with the policy and spread the overdue payments over several months.
- If the worst does happen and your client's policy needs to be cancelled, try and set something back up as soon as you can (without being pushy or insensitive to their circumstances). You might be able to reinstate the old policy several months after it has lapsed, subject to the missed premiums being repaid.
- If reinstating the old policy is not viable, arrange new cover as soon as you can. By doing this, your client won't need to repay any missed premiums but it's likely that the same cover will be more expensive.
- If the client cannot afford the premiums and none of the above are viable, your client can cancel their direct debit, but must be aware that cover may be lost.
- If the client does cancel cover, it's a good idea to ask if they wouldn't mind you contacting them say in three or six months' time to review their circumstances. If they agree, you can set a diary reminder.

It is important that as an adviser you are made aware of direct debit cancellations directly by the insurer, so ensure they are communicating this to you, if possible, on a weekly basis.

This allows early engagement with the client and gives an opportunity to contact them to discuss their individual circumstances and the most suitable option.

Protection Distributors Group

www.protectiondistributorsgroup.org.uk

AMI Association of Mortgage Intermediaries

www.a-m-i.org.uk

Income Protection Task Force

www.iptf.co.uk

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