

We can all do more together

Talking protection

Intermediary Designed



This is not a consumer advertisement it is intended for Professional Financial Advisers and should not be relied upon by private customers or any other persons



Learning objectives



Refresh your understanding of how to Position Income protection and Critical Illness policies.



Demonstrate how the benefits available from protection insurance can help meet your clients needs.



Identify improvements you could make to your process to demonstrate compliance with the Insurance Distribution Directive



Protection advice

Do you sell a
protection policy
to your clients?



or

Advise what a
protection policy can
do for your clients?



Suitability letter

3

Fi yuo cna raed tihs, yuo hvae a sgtrane mnid too.

I cdnuolt blveiee taht I cluod aulacly uesdnatnrd waht I was rdaneig.

The phaonmneal pweor of the hmuan mnid, aoccdring to a rscheearch at Cmabrigde Uinervtisy, it dsenot mtaetr in what oerdr the ltteres in a wrod are, the olny iproamtnt tihng is taht the fsirt and lsat ltteer be in the rghit pclae.

The rset can be a taotl mses and you can sitll raed it whotuit a pboerlm. Tihs is bcuseae the huamn mnid deos not raed ervey lteter by istlef, but the wrod as a wlohe. Azanmig huh? Yaeh and I awlyas toghuhot slpelnig was ipmorantt!!!

[EVENTS](#) ▾[INDUSTRY VOICE](#)

COVER

[Life insurance](#)[Critical illness](#)[Employee benefits](#)[Income protection](#)[Healthcare](#)[Regulation](#)[Diversity](#)

Protection industry must 'simplify language'

‘Intermediaries play crucial role’

Only 9% of consumers associate the term 'protection' with life or critical illness cover, research by L&G

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What do you do?



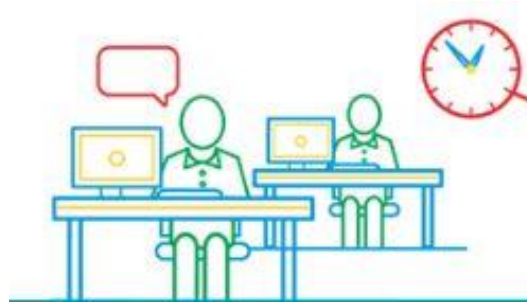
Explain in one simple sentence what you do without using the words:

Mortgage ,House or Insurance
Pension, Savings & Investments
Financial Adviser
Wealth Manager

What we do

“My role is to create wealth/security/peace of mind at a time of need”

“I can get you the keys to your future and ensure you never have to give them back”

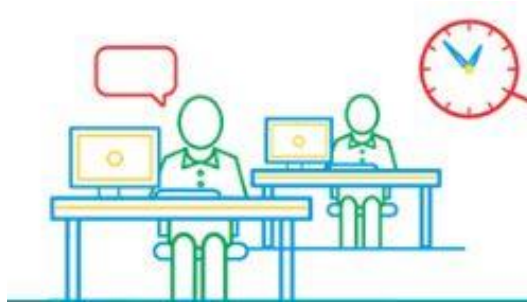


“My aim is to provide financial security, for when life happens to you and your family”

“I can help you plan with foresight rather than regret with hindsight”

What we do

Provide financial security at some of the most tragic and challenging moments in peoples lives



Demonstrating a duty of care to clients

Insurance distribution directive



**Training and
competence
requirements**

**Conduct of business
general principles
including acting in
customers' best
interest.**

**Customer demands
and needs
requirements.**

Insurance distribution directive



Firms will need to obtain specific information about the customers' insurance demands and needs



Vague, non-specific statements will no longer be sufficient to comply with the new requirements



Revisit current sales process
Ensure sufficient customer information is obtained
Offer only products that are consistent with demands and needs

Vague non specific statements



Mortgage

Savings

Investment

Retirement

Client did not want to discuss

What Income protection can do

300



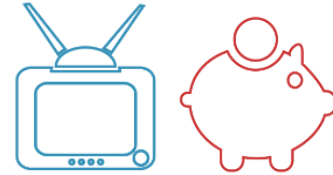
Mortgage payments
over 25 years

2400



Must pay bills - utilities,
food, credit cards,
insurance, loans, travel,
etc.

1500



Basic quality of living costs
TV license, childcare,
saving. pensions etc.

Protection in context – how many?

**Pets
insured**



9 million

**Adults with
Critical illness
cover**



5.5 million

**Adults with
Income
protection**



3 million

**Adults
with life
insurance**



15 million

Insurance purchases



18%

Pet



38%

Travel



30%

Life Insurance



11%

Critical illness



10%

Income protection

70%

Contents

68%

Motor

57%

Buildings

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Source: YouGov poll 2017 Source: Zurich Insurance 06/09/2017

Seven families

Families

Income Protection



Task Force

Seven families



You don't expect
it.....when it comes
your world comes
crashing down



Diagnosed with MS
age 45. Still of a
working age and
income is important

Families

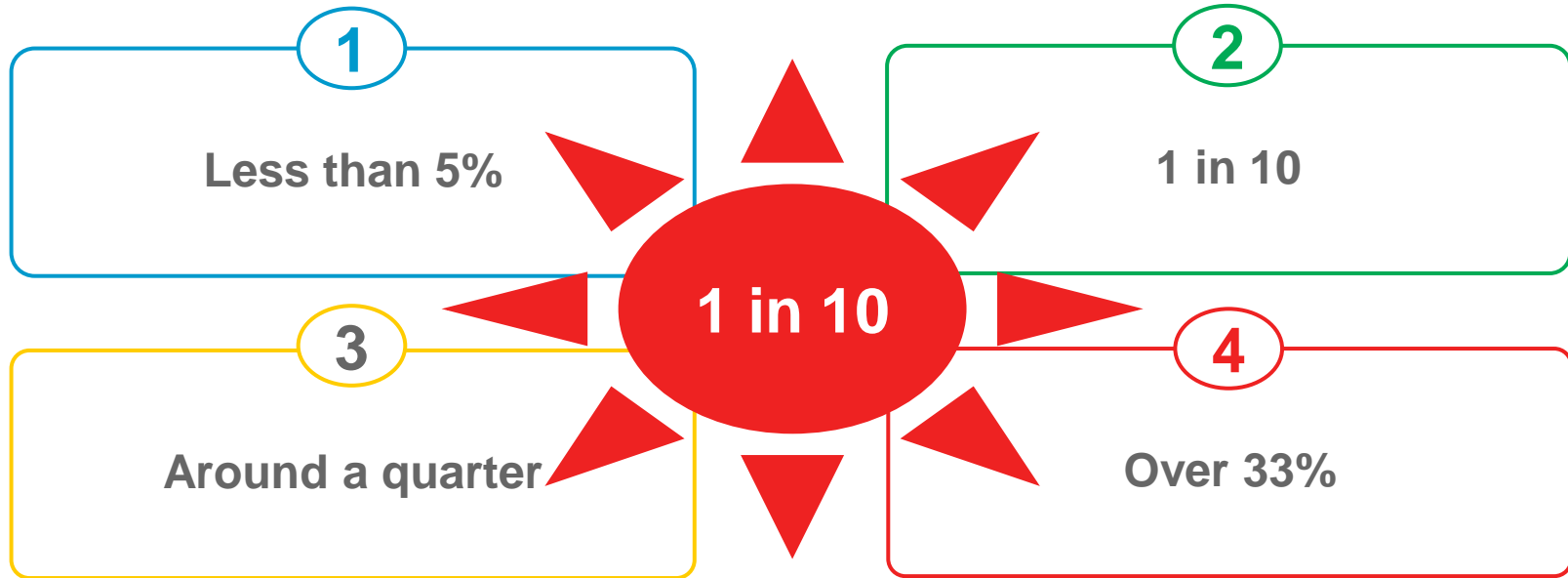
Reliant on works
insurance.....on
a career break
so not covered



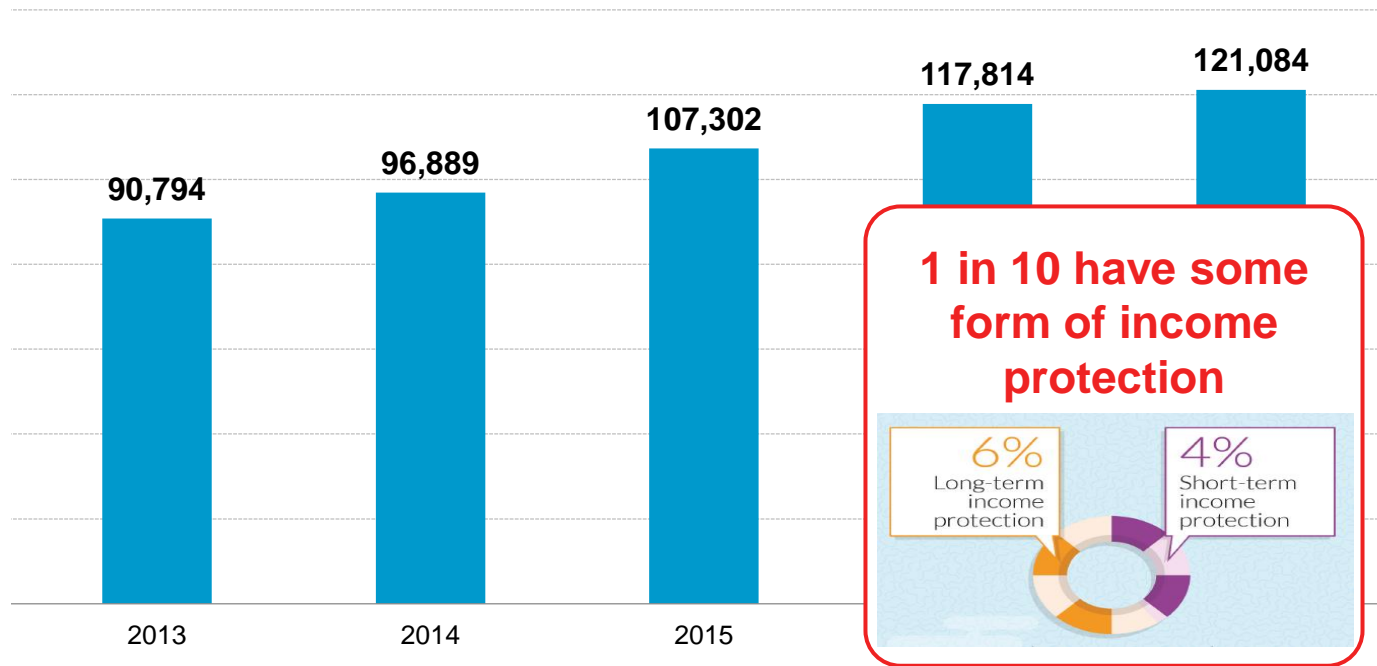
Years ago when
we were offered
income insurance
.....should have
kept it up



How many people have their income protected?



Income protection sales



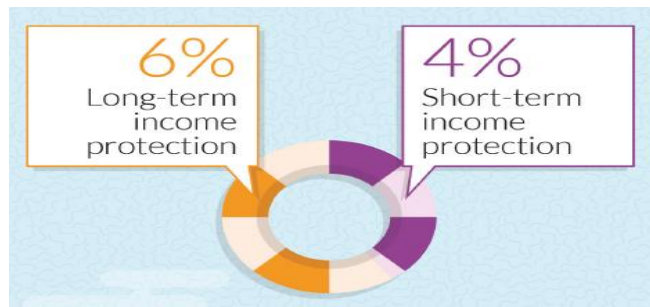
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Source: Swiss Re Term and Health Watch 2018 Source: Mintel Report 2017



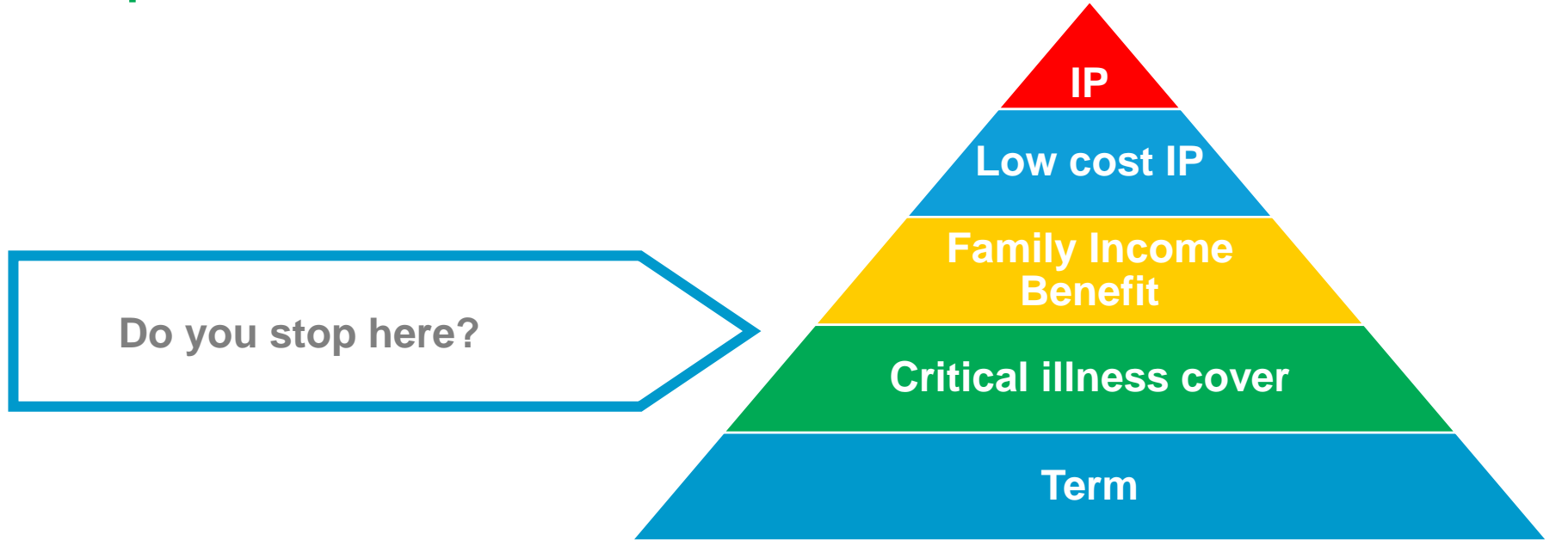
Advice leading to a changing market

**1 in 10 have some form of
income protection**



Holistic protection advice

Is it a product based sale?



Would you gamble?

TAKE A PUNT BOOKMAKER

Today's odds

Lottery jackpot win *	45M / 1
Off work long term sick**	3 / 1
Survive a Critical illness**	4 / 1
Die before retirement date**	6 / 1
Death	Odds On



Happy to take a risk on the lottery with little chance of a payout

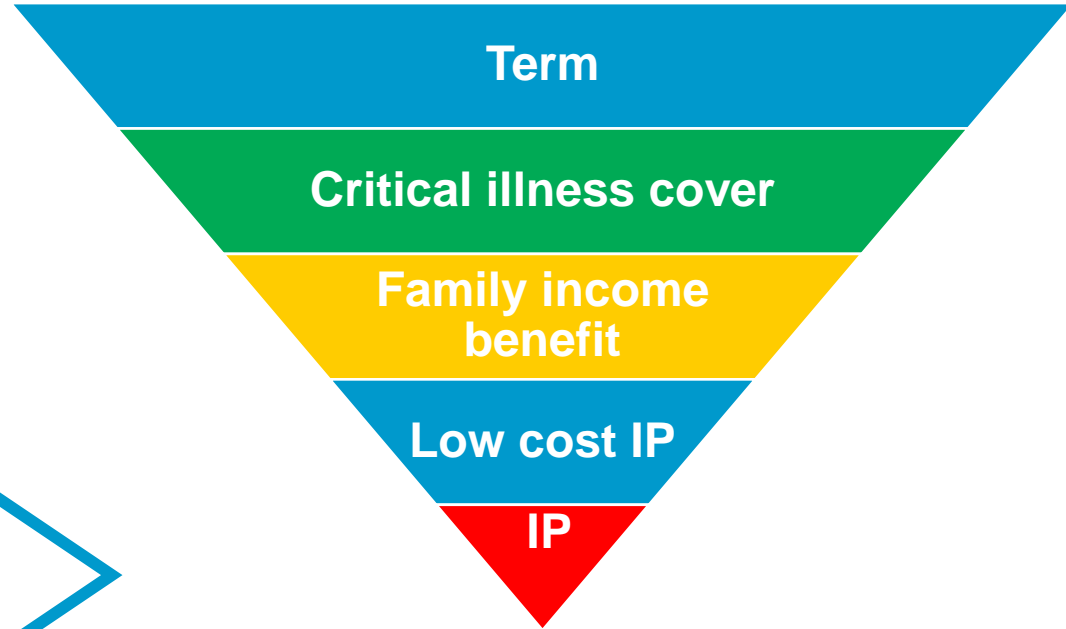
UK average spend £2.90 a week on gambling ****

Intermediary Designed

Source Lilley hood of event before retirement **LV risk calculator and , National Lottery UK Lotto* & OFNS

Holistic protection advice

Or an advice based conversation?



Change your process?
start with income protection?

INCOME protection

I

I don't need to protect my income

N

Not going to happen to me
What reasons do customers give for NOT protecting their income?

C

Can I take it away to consider

O

Off work – never going to happen

M

My savings will support me

E

Employer will look after me



Contingency plans if unable to work



Source: Mintel Report 2017

Without income protection

State benefits



Savings and investments



What can you rely on?

Family & friends



Company sick pay scheme



What can you rely on?



State
benefits

A month



Company sick
pay scheme

Six months



Savings and
investments

A year



Family and
friends

Forever

Rely on savings

UK EMPLOYEES JUST 32 DAYS FROM THE BREADLINE

23% do not save any of their income each month, so they could be on the breadline tomorrow.

8 YEARS 4 MONTHS

Households save on average **£321** a month. It would take almost 8 years and 4 months to save one year's average UK gross salary **£27,600**.

£321
each
month

DEADLINE TO BREADLINE 2017.

The **Deadline to Breadline** is the number of days on average UK employees and their households could survive financially on their savings – if income is lost through long-term sickness, critical illness or death.

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▶ REGIONAL HOTSPOTS

A map of the United Kingdom with regions color-coded to show the average duration of the 2019-2020 winter flu season. The regions are labeled with their names and the corresponding average duration in days.

Region	Average Duration (Days)
Scotland	31 days
North East	33 days
Yorkshire & the Humber	34 days
East Midlands	34 days
East	35 days
London	31 days
South East	29 days
South West	32 days
North West	33 days
Wales	26 days
N.Ireland	26 days

UNPREPARED BRITS

30% of employees in the UK don't have any financial back-up plans, if they were affected by long-term critical illness, disability, loss of salary, redundancy, or death.

FINANCIALLY SECURE

On average, UK employees have just over **£6,500** in savings. Yet to feel financially secure they believe they would need a further **£9,830**.

A WORRYING REALITY

Average UK household debt = £4,674 8% have debt of over £20,000

**BIGGEST WORRIES IF
AFFECTED BY LOSS OF
SALARY OR REDUNDANCY**

- Unable to pay rent or mortgage **48%**
- Unable to pay household bills **45%**
- Unable to afford to buy food

BIGGEST WORRIES IF AFFECTED BY CRITICAL ILLNESS OR DISABILITY

- Loss of home **33%**
- Family not being financially protected **31%**
- Impact on family's wellbeing **29%**

BIGGEST WORRIES IN THE EVENT OF DEATH

- Family not being financially protected 34%
- Impact on those financially dependent 22%

TRIGGERS TO TAKE OUT PROTECTION COVER.

• Having a child **34%** • Buying a property **25%** • Illness **24%**

Our research, which was supported by analysis from Comscore, draws on a survey of 7,007 anonymous respondents of the UK adult population.

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DISCLOSURE



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FINANCIALLY SECURE

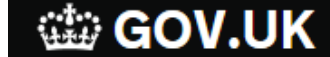
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Source: L&G Deadline To Breadline research May 2017



Know your benefits



Statutory Sick Pay

How much per week ?
How long is it paid for ?



Support for Mortgage Interest

What is it ?
Is it still available?
and if it is, what ?



Employment and Support Allowance

How much is it
(over 25 year olds) ?
How long is it paid for ?

Know your benefits



Statutory Sick Pay

£92.05
28 Weeks



Support for Mortgage Interest

Loan
Interest upto £200k
Starts after 39 weeks



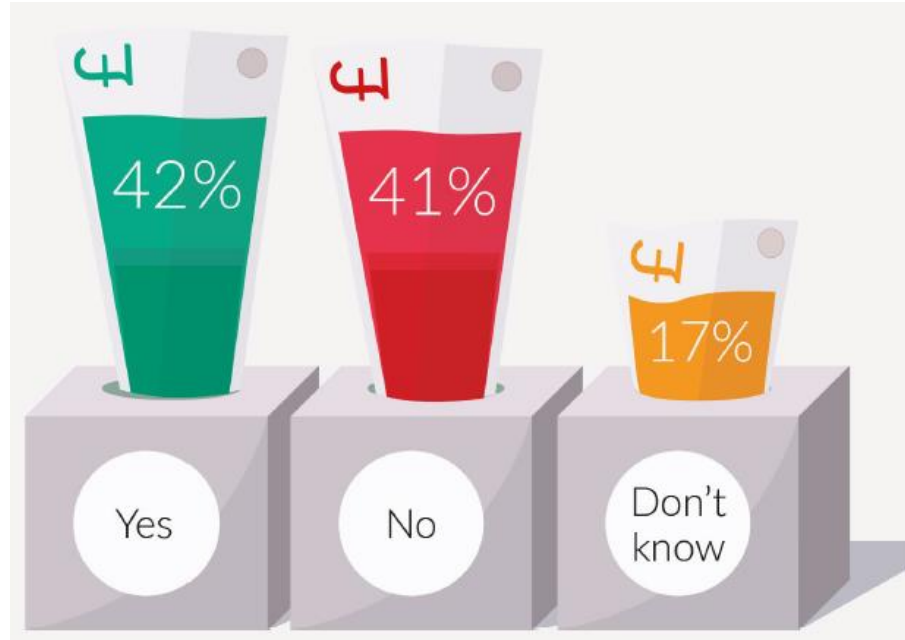
Employment and Support Allowance

£73.10
13 Weeks

What the state may provide

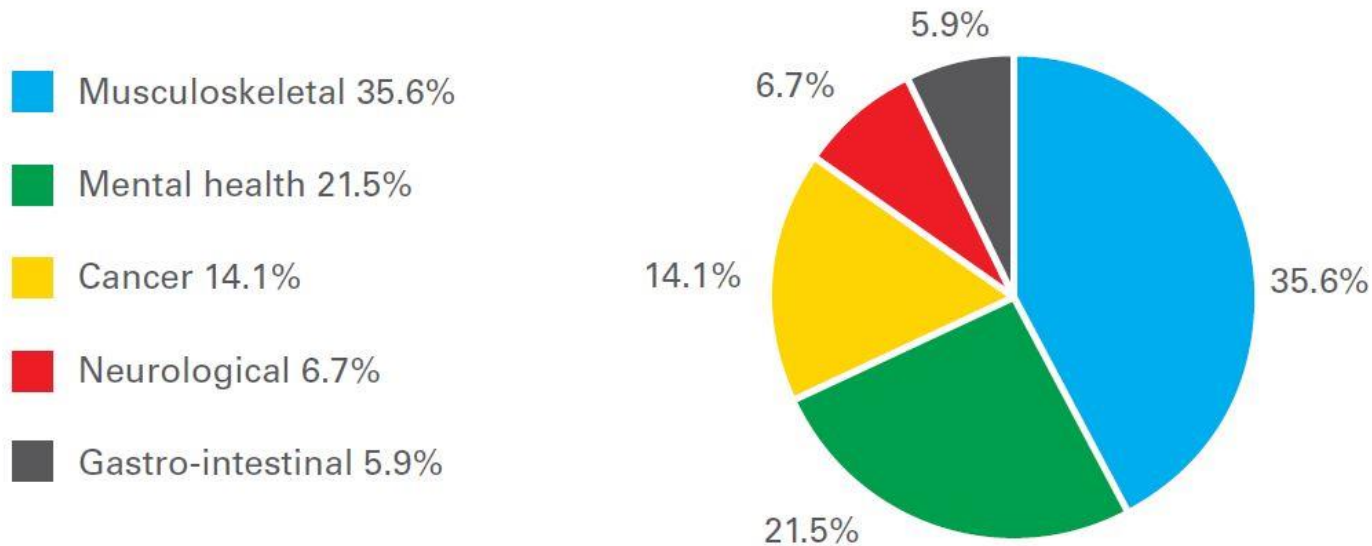


Does your employer pay more than statutory sick pay?



Income protection claims

The top five conditions we paid out claims for in 2017¹



¹ Legal & General Claims Department

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Source: Legal and General Claims 2017



Claims



is the average length of time
the policy is in force



Claims paid by age

60 - 69 - 3%
50 - 59 - 26.7%
40 - 49 - 31.1%
30 - 39 - 27.4%
20 - 29 - 11.9%



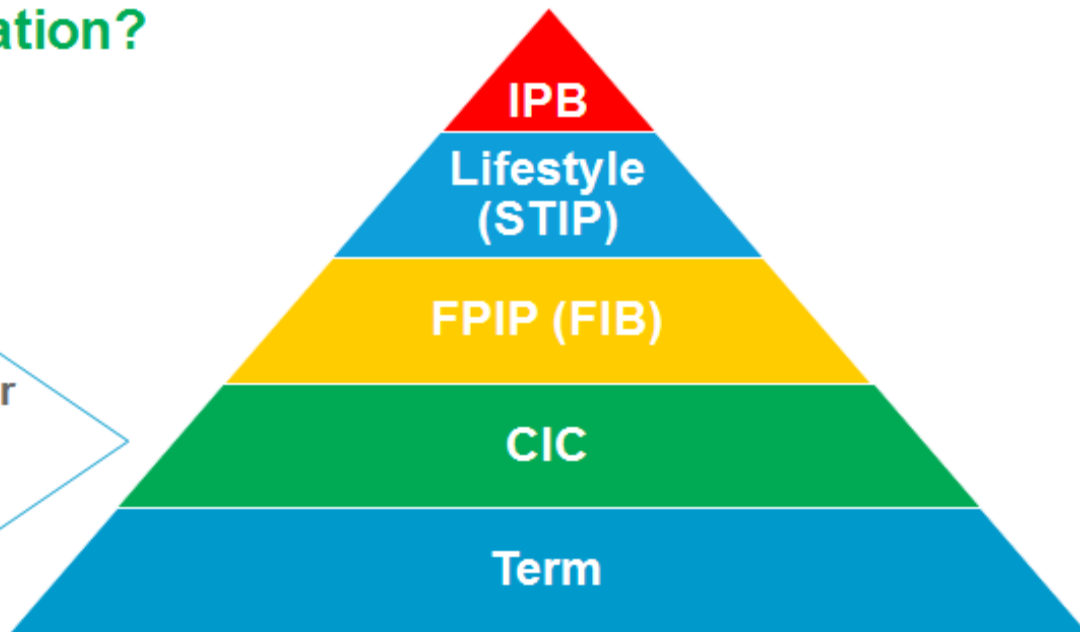
94.8%
of claims paid out*

Income protection claims

Holistic protection advice

Is it a product led conversation?

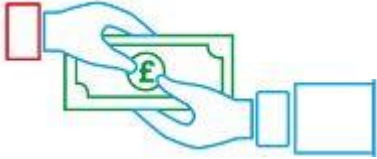
The reality is most advisers never get above CIC on the pyramid during their discussions



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Legal & General

What is income protection?



Monthly benefit if you are unable to work due to an illness or injury, resulting in a loss of earnings



All illnesses and injuries covered*

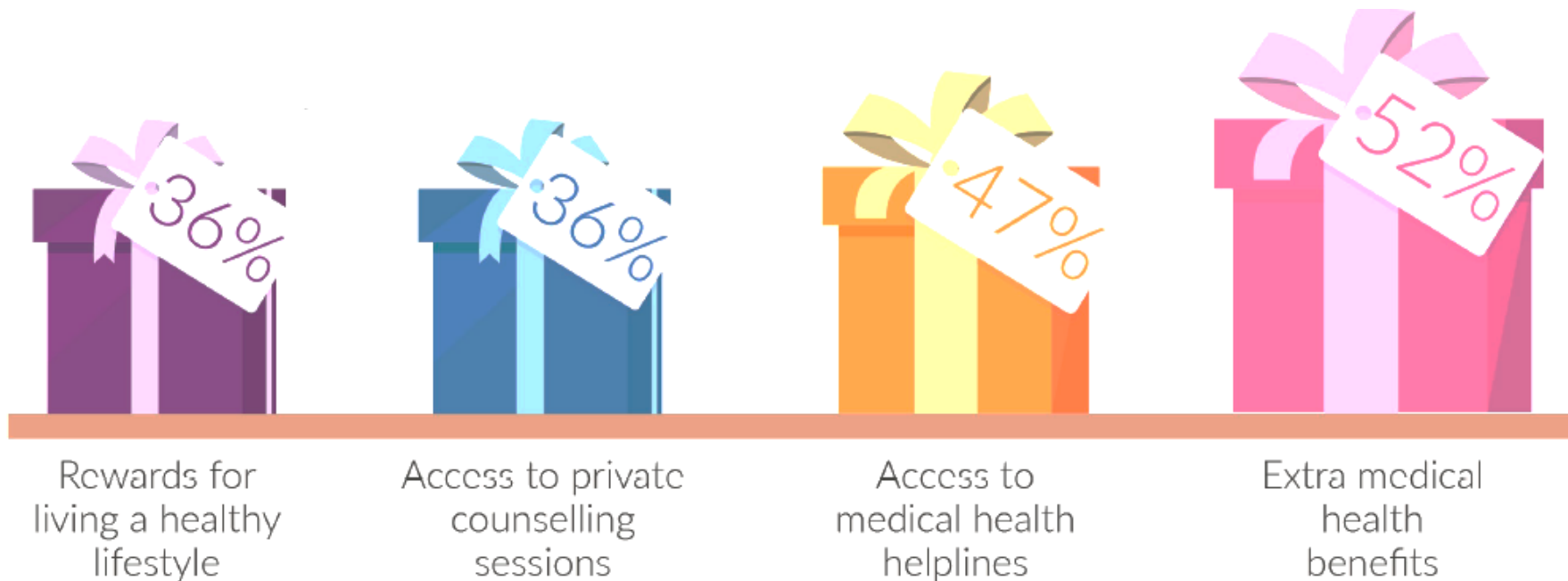


The money can be used for mortgage payments, food, shopping and household bills etc.



Payments cease on return to work, die or the policy ends

Interested in extra benefits



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Mintel /Lightspeed – Income protection 2018



Legal and General rehabilitation support

Early intervention from day one

Full rehabilitation assessments

Free for all new and existing customers

Appropriate treatment advice

Immediate access to healthcare professionals

Treatments costs included*

Ongoing reviews

From day one of their illness

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* Terms and conditions apply



Cost

Age = 35
Smoker = No
Occupation = Garage mechanic (Class 3)
Benefit required = £1,500 per month
Length of term = 25 years



IPB
Indexation
13 week deferred
period
£44.79

Low cost IPB
NO Indexation
26 week deferred
period
£13.44

Biggest impact on price?

1

**Changing the basis to a
LOW COST IPB**

Average age of a claimant

42

Income protection



Top 5 claims

- 1 Musculoskeletal - 35.6%
- 2 Mental Health - 21.5%
- 3 Cancer - 14.1%
- 4 Neurological - 6.7%
- 5 Gastro-Intestinal - 5.9%

47

Critical illness



Average age

	F	M
Cancer	46	48
Heart Attack	50	50
Stroke	47	47
Multiple Sclerosis	41	41
Total and Permanent Disability	49	49

55

Terminal illness



Top 5 conditions

Claimed and paid

- 1 Cancer - 95.2%
- 2 Motor Neurone Disease - 2.3%
- 3 Neurological - 0.9%
- 4 Respiratory Failure - 0.4%
- 5 Chronic Lung Disease - 0.3%

66

Life claims



Average age

- Cancer - 66 years
- Cardiovascular - 65 years
- Respiratory - 68 years
- Neurological - 68 years
- Gastro-intestinal/Digestive - 69 years

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Source: L&G claims 2017

Average age of a business owner

47



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Source: L&G claims 2017, *L&G State of the nations SME's research 2017

** Mintel critical illness report 2018

Understand your clients

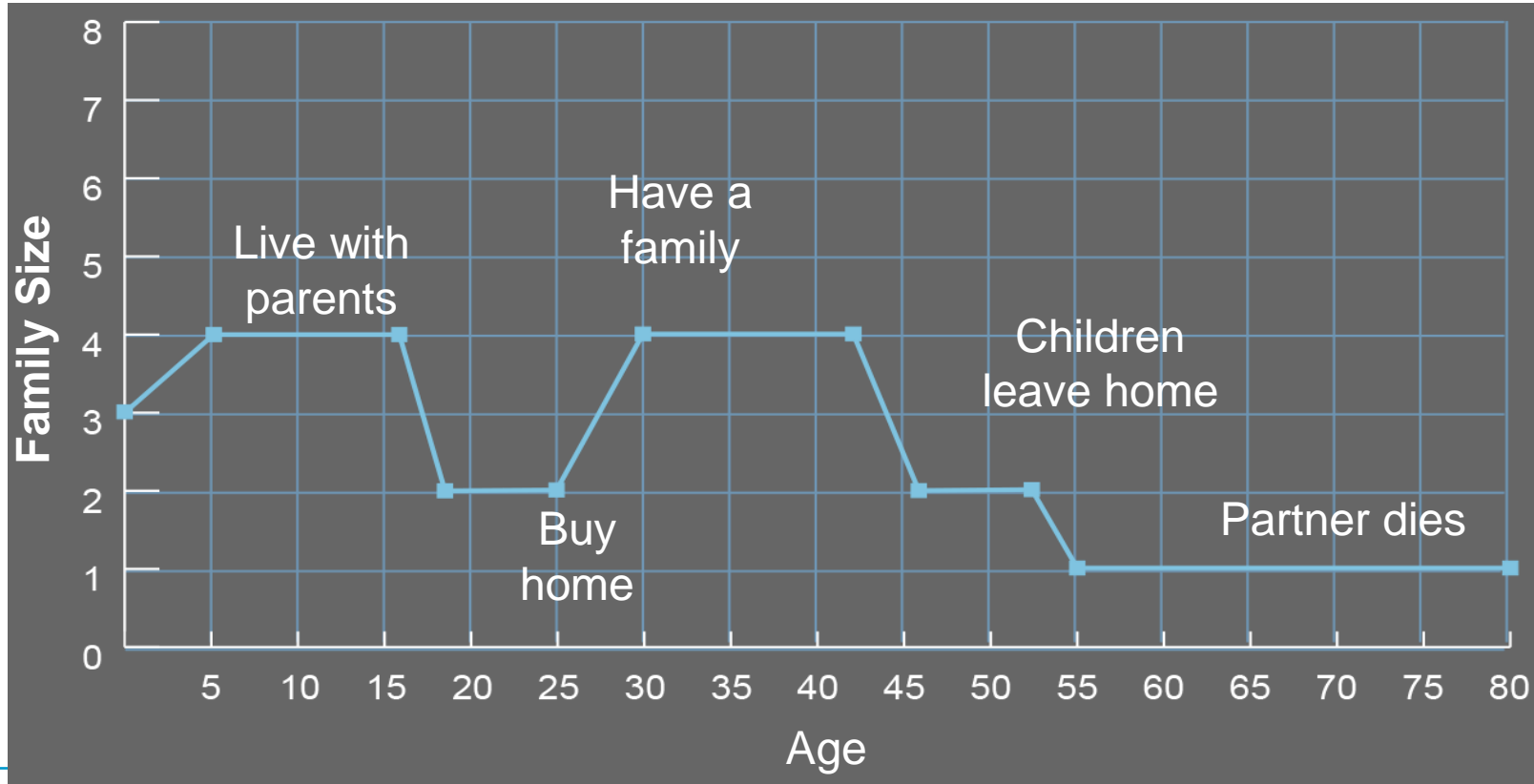
Older couples
Married
Cohabiting
Single parent



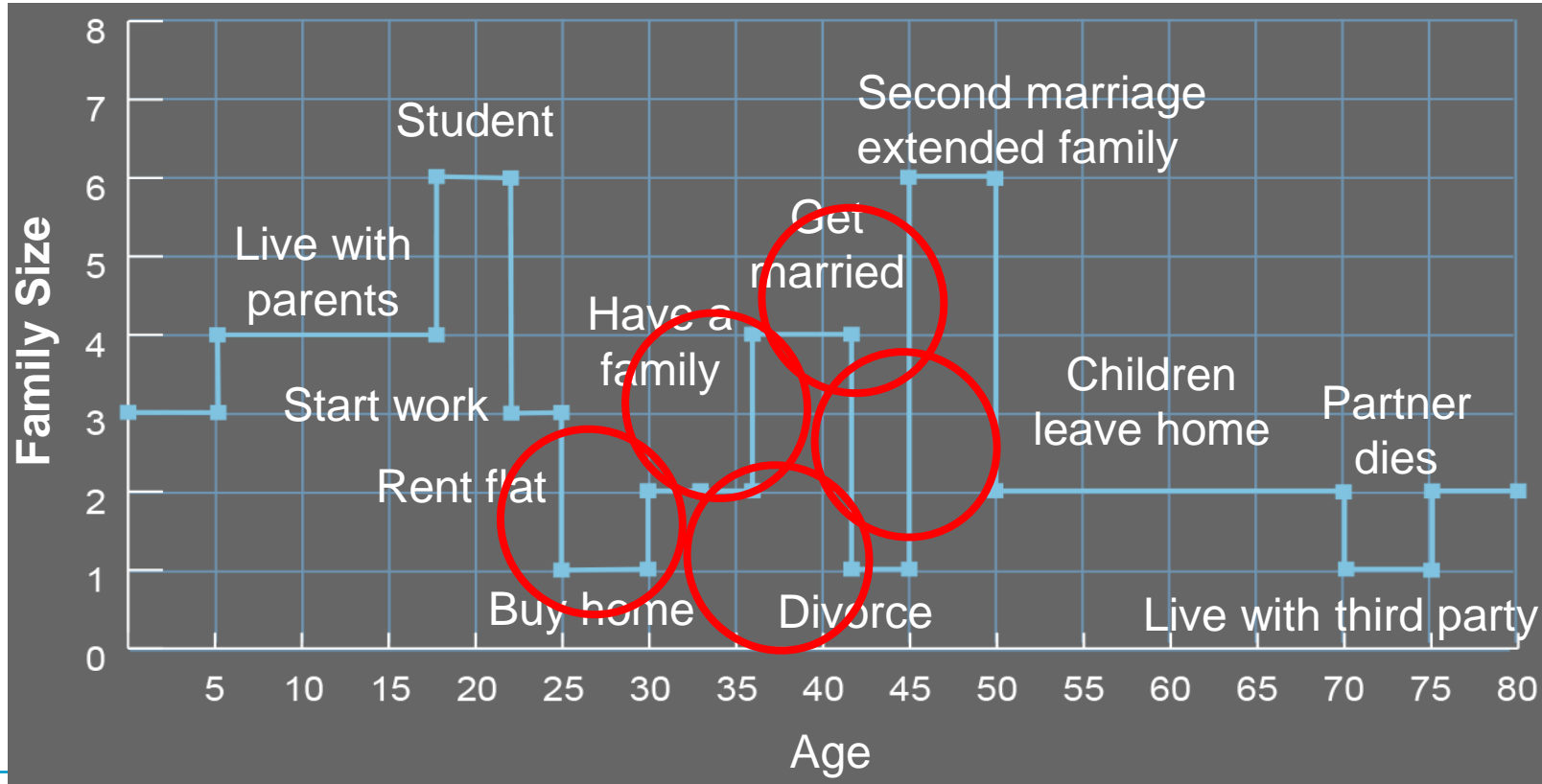
Single
Divorced
Re-Married
Married with children



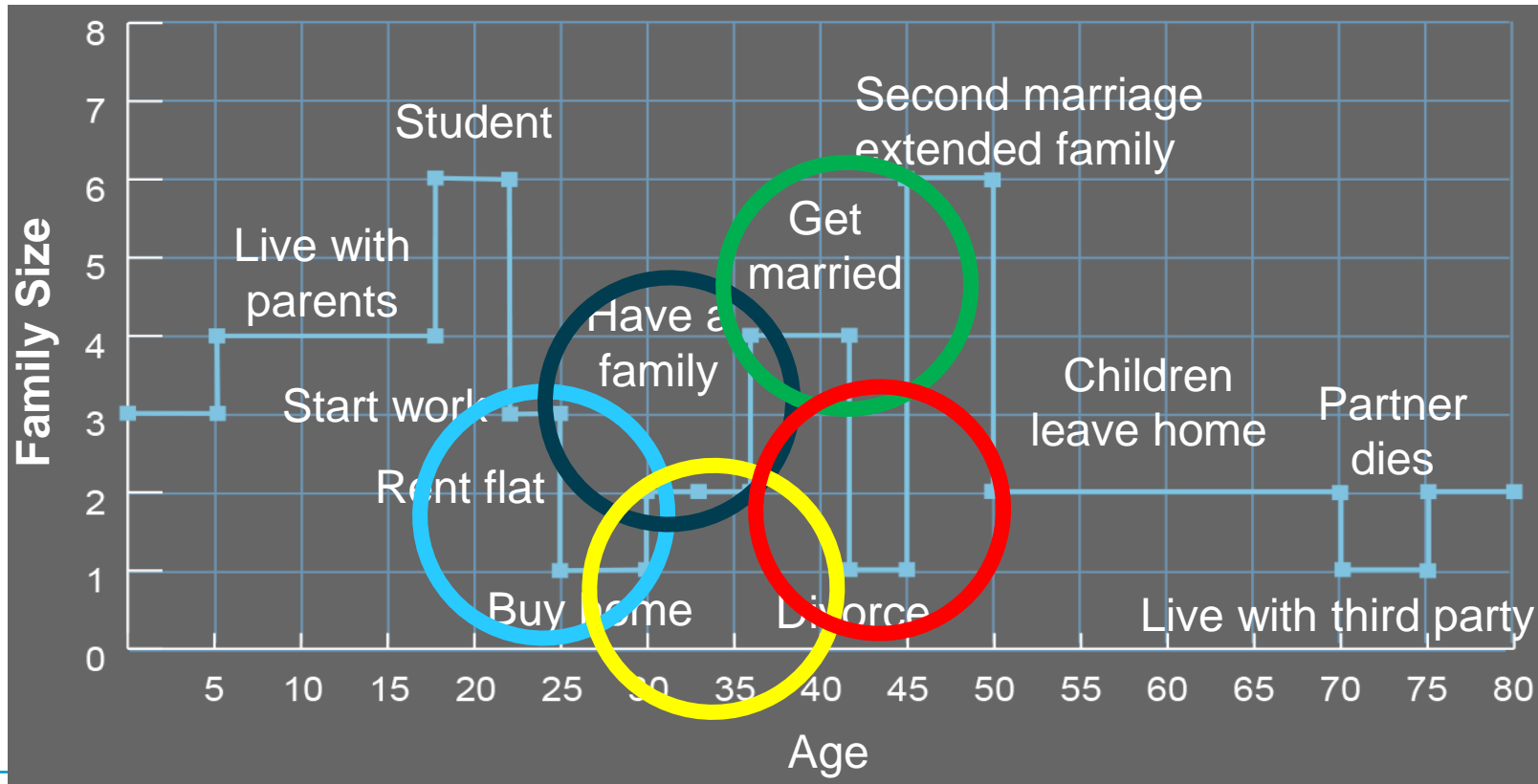
Life stages



Modern life stages



Modern life stages



Income underpins everything



Mortgage



Expenses



Childcare



Savings



Pension



Luxuries

Regular income

If your income is taken away



Mortgage



Expenses



Childcare



Savings



Pension



Luxuries

Regular income

Just protect the mortgage?



Mortgage



Expenses



Childcare



Savings



Pension



Luxuries

Mortgage
Protection

How will these other costs be met?

Protection , not just the mortgage



Mortgage

Mortgage
Protection



Expenses

Income
Protection



Childcare



Savings

Family and
personal income
plan



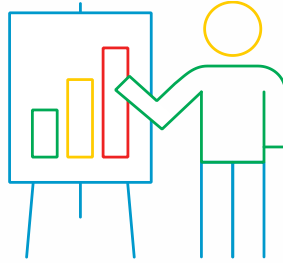
Pension

Critical Illness
Cover



Luxuries

Critical illness claim call

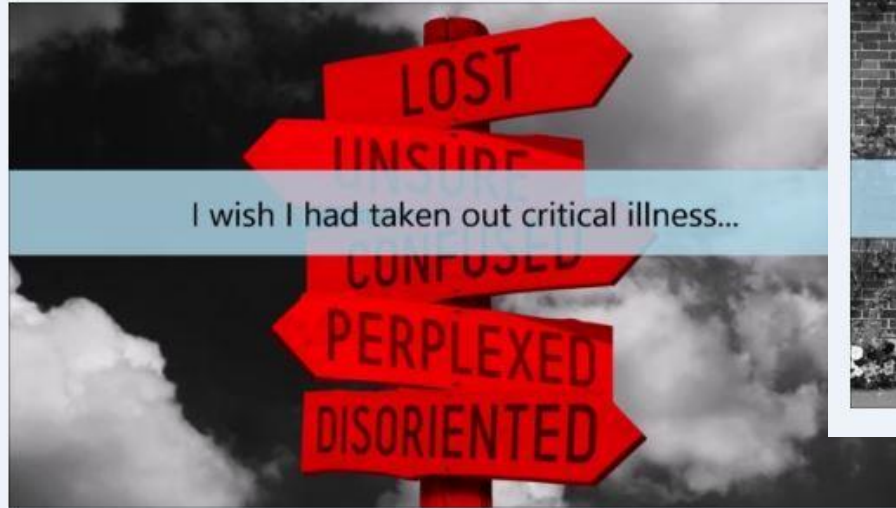


What did we hear?


of course I was diagnosed 5 years ago...

I was out of work for two years
without any pay...

What else did we hear?



Was that it?

I am only going to get Statutory sick pay from my job...



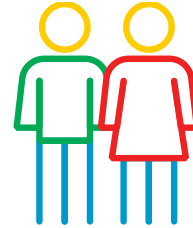
With the benefit of hindsight



Ideally what protection could they have had?



How different could that call have been?



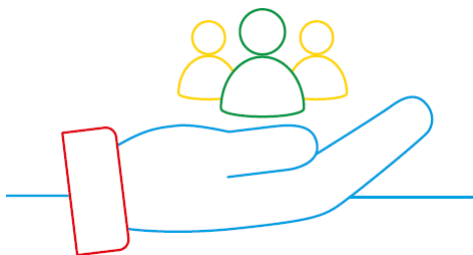
Could that have been your client?

The outcome



Over 13,000

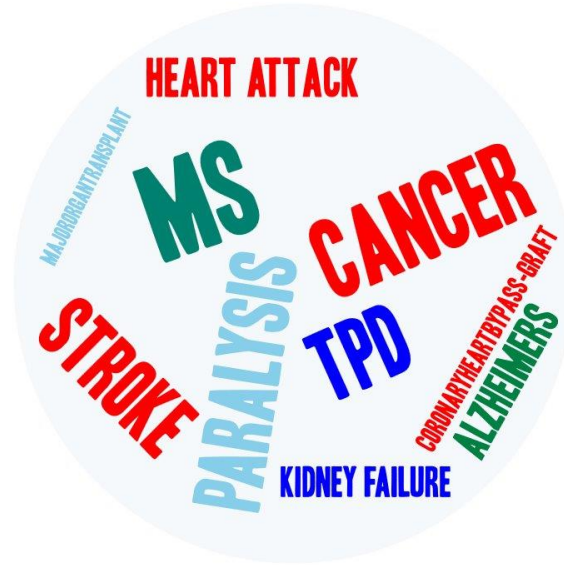
Of our customers received claims payments on their life, critical illness, terminal illness and income protection policies in 2017.



636 Million

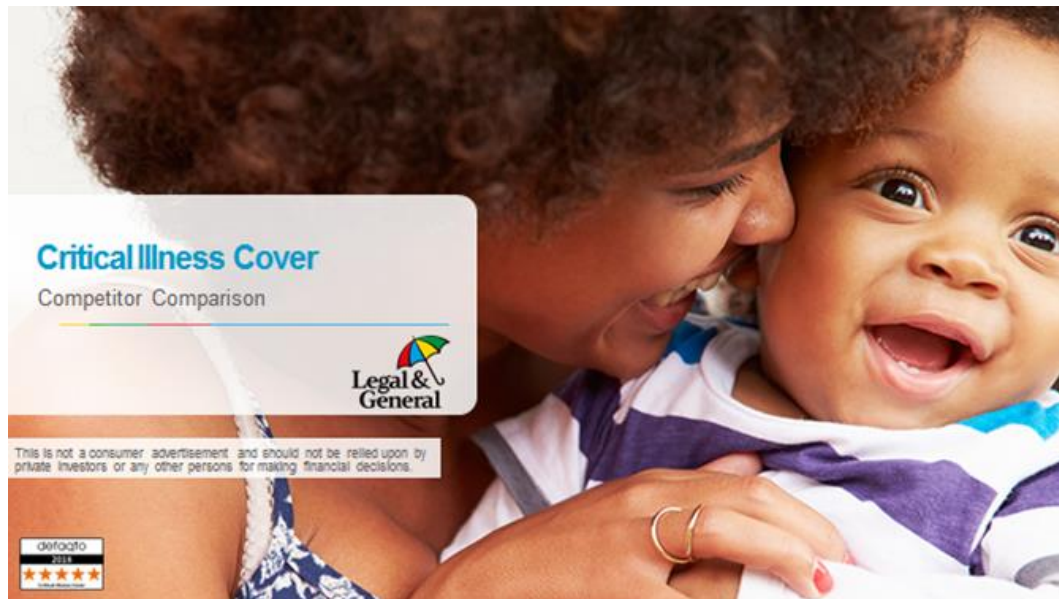
£636 in individual protection claims to our customers in 2017.

The evolution of critical illness





Cutting through the gibberish



Critical Illness Cover
Competitor Comparison


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DEFAQTO STAR RATINGS - FACTS, NOT
OPINION



CIEXPERT
CRITICAL ILLNESS KNOWLEDGE BASE

Critical Illness Cover today



Critical illness

41 conditions covered



Children's critical illness **Extra**



GP24



Nurse support service

Critical illness **EXTRA**

95 conditions covered

What do you do?



My job is to discuss protection with you

Please don't make it my job to discuss with your family why you did not have any.

Why we do it

Adviser: You know, when you're so young and fit and healthy it is something that you've got to come to terms with and you do question '**why me?**'...

Learning objectives



Refresh your understanding of how to Position Income protection and Critical Illness policies.



Demonstrate how the benefits available from protection insurance can help meet your clients needs.



Identify improvements you could make to your process to demonstrate compliance with the Insurance Distribution Directive

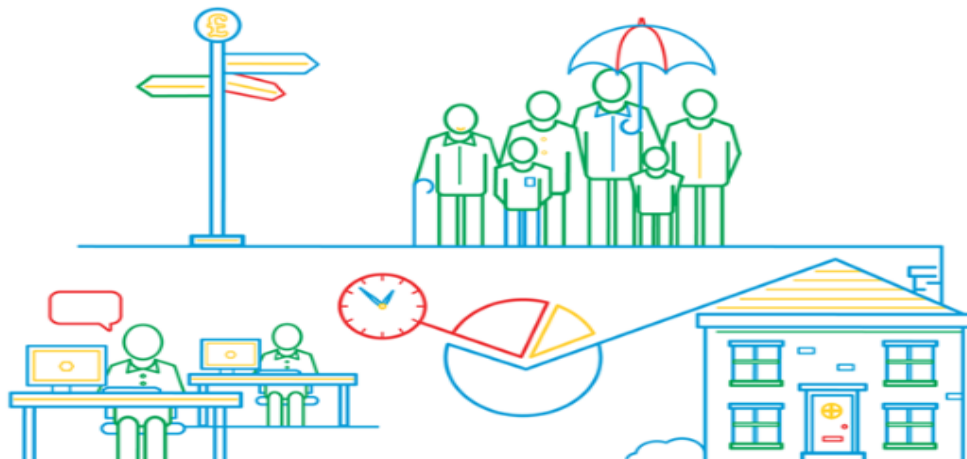


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Advisers and Wealth Managers

Legal & General's website for advisers and wealth managers.



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Training Workshops Webinars



Online application & Signature-free Trusts



We can all do more together

Talking protection

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