

News & Views



OKDFS Client Newsletter -
Protection Special

Beat protection premium increases - take action now.

The recent much publicised judgment from the European Court of Justice (ECJ) effectively means that insurers will no longer be able to take gender into account when setting rates for different types of policies. The media has generally focused on the implications for car insurance, annuities etc, but the ruling will affect many more types of insurance including Life Insurance, Critical Illness cover and Income Protection cover.

Men currently pay more for Life Insurance cover than women, but pay less for Critical Illness and Income Protection cover. The expectation is that whichever sex currently pays less will pay more in the future, but it does not necessarily follow that whichever sex currently pays more can expect to pay less.

A study by the Association of British Insurers found that life assurance rates for women could rise by 20% if gender is excluded, and have predicted even bigger rises for men under Critical Illness and Income Protection policies. Although the implementation date for the ECJ ruling is December 2012, many insurers are expected to move to unisex rates well before then. Buying protection cover now in advance of any changes to rates could be a prudent move.

Please contact OKDFS for further information and to arrange bespoke quotations.



Welcome to the latest edition of the OKDFS newsletter.

This quarter we are highlighting some important areas regarding the need for protection insurance.

For full details on our company and our range of services please visit our website
www.okdfs.co.uk



The need for Protection cover

We all insure our car and our house, but many people forget about arguably the most important insurance of all - insuring themselves.

A recent survey conducted by Aviva showed that 61% of UK families do not have Life Insurance cover, 87% do not have Critical Illness cover and 89% do not have Income Protection cover.

Every family should have some sort of financial protection in place to help them and their loved ones should the worst happen. OKDFS can provide appropriate solutions suited to you.

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Critical Illness v Income Protection

Income Protection policies and Critical Illness policies can easily be confused, however they are two different types of contracts. Although Income Protection provides an ongoing income as opposed to Critical Illness which provides a lump sum payout, both contracts can pay out on contrasting sets of illnesses.

More than half of claims paid under Income Protection policies are for musculo-skeletal disorders such as back, neck and joint pain and for mental disorders such as anxiety or depression - none of which would trigger a claim under a Critical Illness policy.

The most prevalent claims under Critical Illness plans are for cancer, heart attacks and strokes



The need for Income Protection

Have you ever thought about where your income would come from if an illness or injury stopped you from working?

The prospect of not being able to work for several months or even years is not a remote possibility. Statistics show that a male age 35 is 7 times more likely to suffer an illness or injury that keeps him off work for a period of 6 months or more than he is to die before the age of 65. You may have insured your life but have you insured your health?

Your employer or your business may pay you for a period if you are unable to work, but after this you would need to rely on the State to pay you sickness benefits if you were unable to work long term. Currently Statutory Sick Pay of £81.60 per week is paid for the first 28 weeks of any incapacity. After 28 weeks you may be eligible for Employment and Support Allowance (ESA.) ESA is subject to an assessment, is taxable and most eligible claimants should expect to receive a gross weekly amount of approximately £94.00. Could you survive long term on this income?

Hypothetically, let's say that you have been offered a new job tomorrow. Your new employer offers you the choice of 2 salary packages:-

Option 1 is an annual salary of £30,000. If you were unable to work due to illness or injury after 6 months, you would not receive any salary but may be entitled to a taxable ongoing income of approximately £5,000 each year. If you were unable to ever return to work then you may be entitled to receive taxable ongoing income of £5,000 each year until you retired.

Option 2 is an annual salary of £29,500. If you were unable to work due to illness or injury after 6 months, you would receive an ongoing salary of £15,000 pa tax free and also may be entitled to a taxable ongoing income of approximately £5,000 each year. If you were unable to ever return to work then you would receive an ongoing salary of £15,000 pa tax free until you retired and also may be entitled to a taxable ongoing income of £5,000 each year on top.

Which option would you choose?

Individual Income Protection contracts are designed to pay an ongoing tax free income to you after you have been unable to work after a set period of time. This tax free income continues to be paid to you until the earlier of you returning to work or until your policy's specified expiry date, with the policy usually written to co-incide with when you expect to retire. Please contact OKDFS for further information.

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