

Financial Wellbeing: Protecting you and your family

Insurance/Protection policies are often seen as a way of providing peace of mind for policyholders in uncertain times; nothing is more uncertain than the current Coronavirus pandemic changing the world around us in ways we could never have expected. It is in these unprecedented times the spotlight is heavily cast not only on how we effectively manage our finances, but more importantly how we protect them. Whilst some people may have insurance policies in place for these kinds of scenarios, the vast majority may not have any kind of protection policy in place at all. Equally, for those people with insurance policies, its likely few have looked at the small print around what is actually covered.

Interestingly since 2014, the figures for the number of people with protection policies, have consistently dropped. As of 2019, only **23.7 million** protection insurance policies were in place in the UK – 1.5 million fewer than the previous year^[i].

So, what can you do to protect yourself?

For those who have existing policies in place, we advise you review your cover, check it is still suitable for you and your family's needs and confirm whether coronavirus is covered. Look at the terms and conditions to see what you are covered for, even if you are not looking to make a claim in the foreseeable future. Understanding the parameters of your policy's protection is always important, so you have peace of mind when times get rough.

If you don't have any protection in place (or are looking to amend/upgrade your existing cover), now is the perfect time

to consider what needs you have and what you could do to mitigate problems in the future. Insurance providers are currently reviewing their terms and conditions for coronavirus, so It's important to be mindful that any new policies may not cover the current coronavirus outbreak - With that being said, there is never a bad time to start looking at protecting yourself and your family.

Below we have outlined a range of personal protection insurance available and also a broad outline of what you can expect from their coverage:



[i] <https://www.finder.com/uk/life-insurance-statistics>

Life insurance and critical illness

cover – Life insurance pays out a lump sum upon death, however it's important to note there are various options available dependant on your wishes and budget. This type of insurance should especially be considered if you have dependents, as a way of protecting your family.

Critical illness offers protection in the event of serious illness (from a prescribed list), again a lump sum will be paid, which can also be tax free.

Death In service benefit (DIS) – Death in service is normally a benefit offered to employees by their employer; it pays out a lump sum (often in salary multiples) if the policyholder dies while employed/on the company's payroll. It's important to note that this policy will be lost if you decide to leave employment and most DIS policies also won't be calculated to cover specifics such as your mortgage or expenses (to retirement age), which means that you may still be under-protected.

Private medical/health insurance (PMI/PHI)

– Similarly to DIS, some employers will also provide their employees with private health insurance to cover the cost of private healthcare. Monthly premiums paid by the policyholder, allow the provider to cover some/all of you (and potentially your family's) private medical treatment. Personal policies can also be taken out if you are not covered through your employee benefits programme.

With the NHS currently inundated with the coronavirus, private medical insurance is something to be highly considered in the event of non-Covid related ailments and/or injuries.

Income protection insurance (IP)

– Similarly to critical illness cover, income protection pays out if the policyholder is unable to work due to illness or injury by providing a regular income. The amount of cover taken out is based on a percentage of income (typically between 50%-70% and policies can range in term depending on the premium level.

Payment protection insurance (PPI)

– Ensures the policyholder can repay credit commitments through circumstances such as death, illness, or job loss, that may prevent them from earning an income and servicing their debt.

Mortgage payment protection insurance (MPPI)

– Works in the same way as PPI in that it allows the policyholder to meet credit commitments if they are prevented from earning an income, however it is solely related to mortgage debt.

Whilst implementing the above it is worth noting that new/amended policies will take time to administer. In addition, when it comes to actual claims, various waiting periods may apply before any policy pays out so ensure you understand these terms.

It is also important to consider your family's protection needs holistically; This may be an area where you could benefit from sitting down with a qualified financial advisor (especially if you are looking to protect existing assets).

Have you also considered a Will?

Ever the uncomfortable subject, wills are one of the most important tools you have to ensure that your wishes regarding distribution of assets are suitably managed after your death – they protect you and your family should circumstances change unexpectedly. Leading financial advisory firm DeVere Group has seen a near 80% increase^[ii] in the number of people utilising their wills service through the coronavirus pandemic, which highlights the importance of planning for the unseen and prudently managing your financial affairs. Drafting a will now has never been more important and, in the event, that you already have one, it may be worth reviewing and updating as required.

Legal arrangements such as trusts may also be beneficial (under certain circumstances) and should also be considered as part of this process.

Given the current climate, it has never been more important to understand your family's needs and insurance coverage. Insurance products are an important tool to allow policyholders some control over unknown events, however this is only the case if they are fit for purpose.



If you have any questions on the above, or would like Morrinson Wealth Wellbeing to arrange a non-committal (free of charge) consultation with a qualified financial advisor, please contact us at:

 **0207 516 5773**

 **Info@morrinsonwellbeing.co.uk**

 **www.morrinsonwellbeing.co.uk**

[ii] <https://www.independent.co.uk/news>