

Income Protection (Caroline Street)

Last year we invited a retired ADI who has moved into the financial services arena to attend one of our quarterly meetings to give a brief overview on the services he can offer with regard to pensions. Recently the committee tasked me with finding out more about the possibilities of setting up some insurance cover for our members. Below is a resume of these investigations.

3 types of income protection are available:

1. Mortgage Protection – this does not generally cover self-employed workers so it is not worth considering. This type of protection has recently been in the press a lot - many self-employed people having been incorrectly sold this protection.
2. Accident & sickness Plan (aka “General”) – this is not recommended by most brokers because cover is so limited.
 - Pros – pre-existing medical conditions do not need to be declared.
 - Cons – payment is deferred for the first 4-6 weeks of unemployment; additionally the payments would only be made for the first 2 years of sickness.
3. Income Protection -
 - The amount of cover available is directly related to the self-employed individual’s income so it is based on their anticipated income (using figures from previous year).
 - Providing the policy holder has had at least 3-4 days off work, payments are backdated to the first day of being unable to work.
 - Pre-existing conditions would be excluded from cover.
 - This type of insurance cannot be cancelled by insurer.
 - The individual can cancel the insurance if they no longer wish to pay the premium.

DIDU & DIA offer insurance cover but in both cases it is of Type 2 above, i.e. General insurance cover; the limitations of “general” insurance means that most advisors would not recommend this type of cover.

It is recommended that only the third type of policy is worthwhile as others do not give adequate cover.

Government benefits

Incapacity Benefit was withdrawn and has been replaced by Employment Support Benefit. A disadvantage of this benefit is that can only be claimed for 12 weeks. After 12 weeks, the GP would need to review the claimant. If the claimant is able to do any work at all but cannot return to their profession (i.e. not able to return to being an ADI), the benefit would stop.

Income Protection - Group Cover

It would not be possible for SDIA to get cover for members on a group basis because all individuals would have different pre-existing medical conditions, different incomes and, thus, different premiums.

Companies like the AA are able to offer some cover to their franchisees but the cost is included in their franchise fee. The advisor we spoke to has previously tried to arrange this type of insurance for a group of 30 ADIs but it wasn’t acceptable to the insurance companies.

Further Information

If you require a personalised quote then I can pass your name to our contact. The company he works for will not permit their employees names or the company name itself to be posted on the internet, hence why this article does not give any named references.

If you are interested in getting an Income Protection quote, please email Caroline Street via the contacts page of the SDIA web – www.southerndia.org.uk. I will email his contact details to anyone interested in

finding out more - the main information needed for a quote is your net income and date of birth. He will also be attending our August CPD meeting.