

**Press Release**

**Embargoed until 6.a.m 31st October 2016**

**Working age welfare and working age self care:**

**Action needed to tackle financial resilience in the home**

* **A million people suffer a prolonged absence from work each year due to sickness, but only one in ten is covered by insurance**
* **Someone who is off work for six months could be £9,000 out of pocket**
* **Report examines the future of financial provision for those too ill to work**

A new report commissioned by the Chartered Insurance Institute and authored by SAMI Consulting, tackles the issue of financial resilience among British households and calls for a taskforce to be established, involving the Government, which will bring change to means-testing rules and help to create a welfare system that best serves the public interest.

Launched today, the Building Resilient Households report seeks to understand the factors affecting resilience to sickness absence and what can be done to help more families weather the effects of this in future.

It is sponsored by the Income Protection Task Force (IPTF) Welfare Working Group and a number of IPTF members, namely Scottish Widows, Aviva, LV=, The Exeter, British Friendly and Swiss Re, all of which worked on the ground breaking ‘Seven Families’ initiative that highlighted the financial vulnerability of long-term illness and disability.

A million people suffer a prolonged absence from work due to sickness each year[[1]](#footnote-2), but only one person in ten is covered by income protection insurance[[2]](#footnote-3), leading to many families experiencing financial hardship. A fortunate minority will continue to be paid by their employer, but most have to rely initially on Statutory Sick Pay of £88 a week, which means a fall of £325 week for the average earner and a loss of £9,000 for someone who is off for six months[[3]](#footnote-4).

While some can rely on savings, many others can’t, with almost half (46%) of UK households having savings of less than £1500[[4]](#footnote-5). A quarter (25%) of Britons could only afford to pay household bills for a maximum of three months if they or their partner were unable to work due to long-term illness, and just over a quarter (26%) could only make a maximum of three monthly mortgage payments[[5]](#footnote-6).

The *Building Resilient Households* report raises questions about product design and distribution and how to build public confidence. For the Government, it asks what can be done to the benefits system to better encourage collaboration and where appropriate, improved household financial resilience and financial protection insurance-based provision and rehabilitation, bearing in mind that every £1 spent on rehabilitation and support services can bring savings of £16.80 by reducing length of sickness absence[[6]](#footnote-7). Many of the people who receive this support are covered by insurance through the terms of their policy.

The report calls for a task force to be established, involving the Government and, bringing together the Money Advice Service, employers, distributors, the FCA, relevant charities, health providers and insurers, ensuring that all opportunities are seized to alert people to the need to plan for contingencies such as sickness absence.

It also makes it very clear that current means-testing rules provide a positive disincentive to taking out private protection cover. One of the aims of the report, therefore, is to create a business case for the DWP to amend the rules, providing more of an incentive to arranging financial protection and to pave the way for a move from *welfare* to *self-care*.

**Keith Richards, Managing Director, Engagement, the Chartered Insurance Institute**, said: “Too many households have inadequate protection to cover long-term sickness absence. Yet a large proportion of the public are either discouraged or barred from filling this gap. There’s a clear need for a more joined up and effective social welfare system bringing together the Government and the income protection insurance profession.

“Now is the time for action and we look forward to collaborating actively with the full range of stakeholders to bring about a system that best serves public interest, and which enables the state welfare system and private provision to complement each other.”

**Peter Le Beau, chairman of the Income Protection Taskforce**, said:

“This excellent report lays bare the vulnerability of the vast majority of people in this country if they were to fall seriously ill. The report highlights why the public don't protect themselves and the role that insurance can play in combating this vulnerability.

“Importantly too the research indicates that a pound spent on rehabilitation services which are an important part of most insurance contracts can yield benefits of £17.The report challenges government and the insurance industry itself to take this situation very seriously and to focus their efforts on helping to protect and support those who need income protection cover .”

**The report will be available from 9 a.m., 31st October at the following link:** [**www.cii.co.uk/43674**](http://www.cii.co.uk/43674) **.**

**Note to editors –**

Chartered Insurance Institute – The CII is the world's largest professional body for the insurance and financial planning professions. With over 120,000 members they are committed to promoting higher standards of integrity, technical competence and business capability.

SAMI Consulting – SAMI provides consultancy, research and training in scenario planning and other futures and foresight techniques to help organisations develop strategy and policy with an eye on the future

Income Protection Task Force (IPTF) – Trade body set up to promote awareness of the financial impact of long term sickness and disability, and the need for income protection insurance education, product solutions, support services and rehab interventions.

Income Protection Task Force Welfare Working Group - The IPTF work stream that has been reviewing working age welfare reform and the interaction of financial protection products at claim stage with working age welfare means-testing. Members of the Group are – Richard Walsh SAMI Consulting, Ron Wheatcroft Swiss Re, Nicki Plews Swiss Re & Johnny Timpson Scottish Widows.

The Seven Families Project (www.7families.co.uk) – A health and disability charity led project in collaboration with the Income Protection Task Force, Reinsurers, Insurers and Financial Advisers to raise awareness of the financial impact of sickness and disability and benefits of improved financial resilience, appropriate financial advice, protection solutions, support services and rehab interventions. A Seven Families eBook is available at

<http://www.covermagazine.co.uk/cover/news/2472953/e-book-the-seven-families-story>.

The project team would like to thank Paul and Vicky Pickford, for giving permission for their Seven Families case study to be used in the report.

1. DWP 2014 [↑](#footnote-ref-2)
2. Swiss Re [↑](#footnote-ref-3)
3. Current average is £25,207 or £505pw, Source – ONS, Aug 2016 [↑](#footnote-ref-4)
4. Money Advice Service [↑](#footnote-ref-5)
5. Scottish Widows [↑](#footnote-ref-6)
6. Centre for Economic & Business Research for Unum. [↑](#footnote-ref-7)