



Prepared For The Unexpected Insurance and Protection

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welcome to brighter



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Some insurances are a necessary and familiar part of our day-to-day lives because we're required to have cover (for example car insurance).

Preparing for the unexpected also means being prepared and protecting our loved ones for those unexpected events that we don't like to think and talk about – our ill health or early death.

Insurance and Protection

Being financially resilient is a crucial part of building lasting positive financial wellbeing. As recent events have highlighted, unexpected things can occur with little warning and if we are not prepared for them it can increase the stress they cause and make any recovery much more challenging. Whilst it is not nice to think about things going wrong, considering some key 'what if' scenarios and how you would cope financially should be high on your financial planning 'to do' list.

Whilst an emergency fund will help deal with some unexpected expenses, insurance and protection products play an important role in protecting you and your loved ones from bigger financial shocks. Life is unpredictable and the challenges it presents can be daunting, but being financial prepared will enable you to focus on the other areas of your wellbeing that are likely to be impacted when things don't go to plan.



A good starting point is to understand any protection or insurance policies offered by your employer.

You may find you automatically receive, are entitled to, or are able to purchase benefits that provide cover against a few big risks, so check out what benefits your employer already provides you with.

The most commonly offered protection benefits include;

- Life assurance or Death in Service, which will provide a payment to your beneficiaries in the event of your death.
- Income Protection, which will provide income if you are unable to work for a prolonged period due to illness.
- Critical illness cover, which will provide a lump sum payable on diagnosis of certain serious conditions.

You may also want to consider where other types of cover may be helpful; insuring your prized possessions, getting travel insurance when you go away, or getting private medical insurance to enable you to claim back the costs of private medical treatment may all also have a valuable role to play.

Make sure that you understand the benefits available to you and have considered the types and levels of protection you need. If there are any areas where you see a potential vulnerability, look to get protection in place as soon as possible.

Hopefully many of these benefits will never be needed, but ensuring that you are financially prepared for anything will enable you to take on life challenges, small or large, with an increased degree of confidence.

Insurance and Protection

Protecting Your Loved Ones

There are a number of ways of providing financial security to your loved ones in the event of your death.

This should be a high priority if you have financially dependent children, a partner that relies on your income, or a family living in a house that you are paying the mortgage for.

If you are financially dependent on someone else then life cover for them should also be considered.

Life assurance

Life assurance policies provide a pay-out to your beneficiaries in the event of your death.

Often employers will offer life assurance to their employees, and this is typically a multiple of your salary. In the event of your death this amount (e.g 2 x salary) would be paid as a tax free lump sum to your beneficiaries. Where this benefit is employer funded there is no cost to you, and the benefit is not classed as a benefit in kind for income tax purposes. If you require additional cover you could take out further life assurance, which can take a number of forms.



Insurance and Protection

Protecting Your Loved Ones

Term life assurance

These policies will cover a specific period of time, such as 10 or 20 years; the 'term'. If you die during this period there will be a pay-out, though you can choose how this is structured;

Level term – This is the simplest; you choose the amount of cover and term period e.g. 25 year term £100K cover. If you die at any point during the term your beneficiaries receive the full pay-out for the amount covered.

Decreasing term – Here the amount of cover reduces over time. This may be used in conjunction with a mortgage to ensure the remaining balance can be cleared. This is generally cheaper as the total cover over the term is lower. One variation of decreasing term life assurance is family income benefit, which would pay an income to a specified beneficiary each month until the end of the term.

Increasing term – Here the amount of cover increases over time. This could be required if, for example, the impact of inflation is a concern.

Whole of life policies

As the name suggests, once taken out these policies are intended to run for your whole life. They will provide a pay-out on death as long as you continue to pay the required premiums.

However, these policies are more expensive than term assurance policies and if you live for a long time you could end up paying more in premiums than the lump sum paid out on death.

Insurance and Protection

Protection Against Illness

What would happen if you were unable to work due to illness or injury? Whilst your employer may offer sick pay, often this is reduced to Statutory Sick Pay within six months of absence, with Statutory Sick Pay only payable for up to 28 weeks. Most would struggle financially without their regular income and so ensuring you are protected against a prolonged illness is important. There are also ways to cover certain medical costs that may be appropriate depending on your circumstances

Income Protection

Income Protection (sometimes also called Permanent Health Insurance) provides regular income that replaces part of your income if you are unable to work due to illness or an accident. This would typically provide a percentage of your salary (e.g. 50%) which would be payable until you reach the end of the policy term, return to work, or retire; whichever comes first.

The income is not payable immediately on become ill but after a certain period of absence (the deferred period), which is typically 13 or 26 weeks.

Critical Illness Cover

Unlike Income Protection, payment from a Critical Illness policy is not dependent on your ability to work. These policies provide a one off tax free lump payable on diagnosis of certain conditions. The conditions covered vary from policy to policy.

If your employer funds this benefit for you then the premiums paid will be taxed as a benefit in kind.

Personal Accident Insurance

It is also possible to insure against personal injury using Personal Accident Insurance. This would typically provide varying lump sum payments based on a specified list of injuries.

If your employer funds this benefit for you then the premiums paid will be taxed as a benefit in kind.



Insurance and Protection

Protection Against Illness

Private Medical Insurance

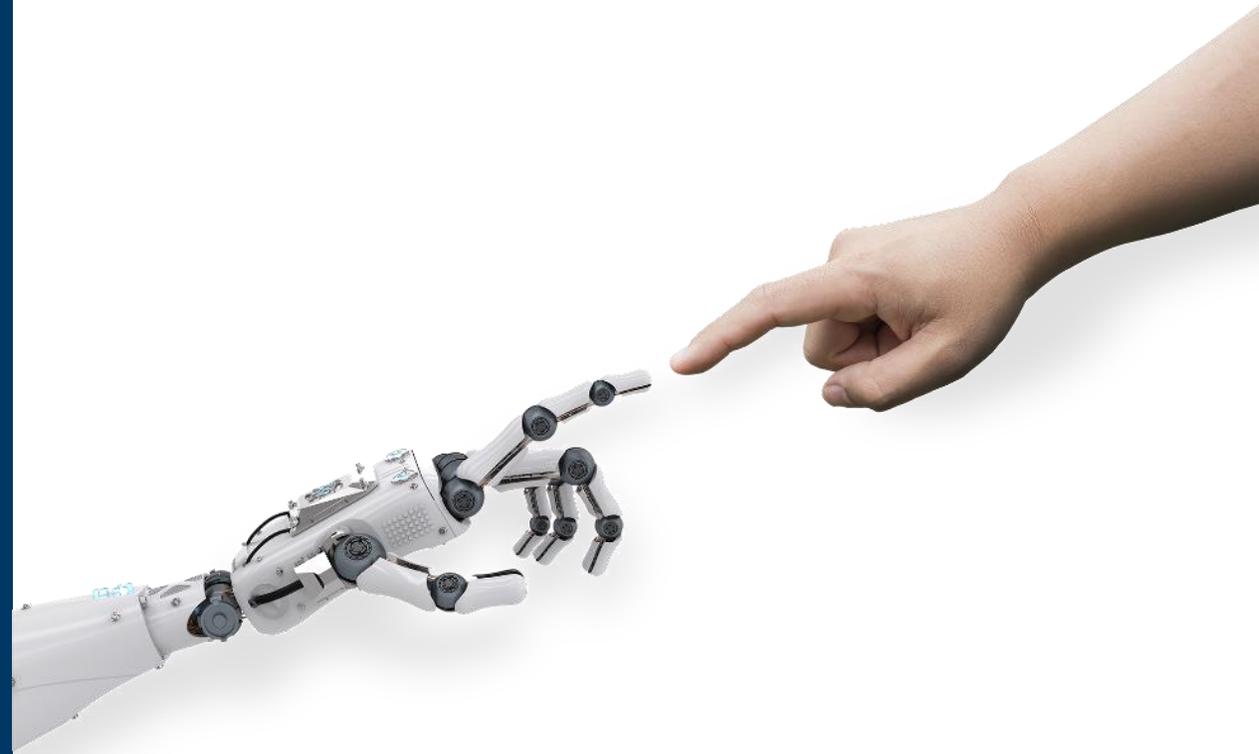
Whilst you have access to free medical treatment via the National Health Service, you may choose to have private medical treatment instead. Private Medical Insurance will cover the cost of treatment received, subject to any policy restrictions. You can choose cover to include you and your partner and/or family, with differing degree of coverage and costs varying accordingly.

If your employer funds this benefit for you then the premiums paid will be taxed as a benefit in kind.

Healthcare cash plans

Whilst Private Medical Insurance typically covers unexpected medical treatments, Healthcare cash plans offer coverage that can be used towards routine healthcare such as visiting a dentist, optician or physio. Typically there will be fixed annual amounts claimable towards each expense, so ensure that you understand the policy terms and select a policy that works for you.

If your employer funds this benefit for you then the premiums paid will be taxed as a benefit in kind.



Insurance and Protection

Protecting Your Possessions

An emergency fund will help provide some protection against small financial shocks; if your car needs a small repair or you lose something and need to replace it. However insurance will provide you with protection if something more serious happens to your possessions. Typical ways to ensure your possessions are protected are:

Buildings insurance

Buildings insurance, as the name suggests, covers the building itself. If the building is damaged or destroyed, for example by fire or bad weather, then this would cover the cost of rebuilding or repairing it. If you are purchasing a property, this will be required by most mortgage lenders as a condition and therefore will need to be arranged prior to the exchange of contracts when purchasing a property.

If you are buying a leasehold property, then the freeholder is likely to be responsible for arranging buildings insurance.

If you are renting a property then your landlord will be responsible for this.

Home insurance

Buildings and contents insurances are often bundled together but are separate insurances. It is important that you understand which you need, the level of cover that is appropriate for you, and shop around to ensure you get the best deal.



Insurance and Protection

Protecting Your Possessions

Contents insurance

This covers what is usually inside your property. You can choose the level of cover that you require, so it is important that you understand the value of your possessions so that you are not under, or over insured.

Whilst covering items against loss or damage whilst at home, this cover may also extend to use outside for items such as laptops, camera and phones. Make sure you understand what is and isn't covered by your policy.

Car insurance

If you own a car, you are legally required to have at least a basic level of insurance. There are various levels of cover though offering different degrees of cover. With the most comprehensive cover not always the most expensive, it is important to understand your cover options and shop around so that you can ensure you get the best deal

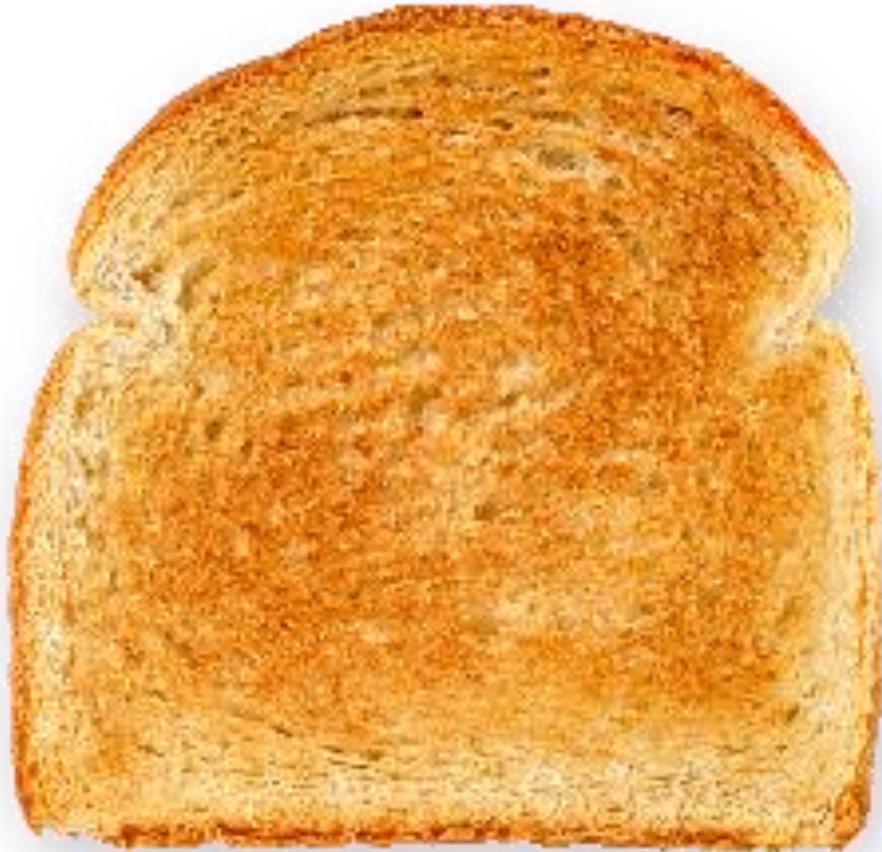
Third party

This is the minimum level of cover required. This covers you for the costs of injury or damage you cause to other people or their property, but it doesn't cover you if your car is damaged or stolen. Just because it is the most basic level of cover does not mean it is always the cheapest.



Insurance and Protection

Protecting Your Possessions



Third party, fire and theft

Like third party cover, this covers others but doesn't provide you with any protection if your own car is damaged. However this level does cover you against theft and fire.

Fully comprehensive

This is the highest level of cover available. It covers you, your car and anyone else involved in an accident. You can typically claim for repairs after an accident, accidental damage or vandalism and may also include compensation for medical treatment and legal expenses.

Travel Insurance

In addition to providing protection if there are problems with your flights and accommodation, travel insurance also provides crucial protection against medical expenses that may be incurred if you need treatment abroad. There are various level of cover available so make sure you understand your options and ensure appropriate cover is in place before you set off.

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Note that the government is continuing to introduce further measures to support individuals and families with the cost of living, through a number of financial initiatives. This document summarises, or provides links to further information available up to 30 August 2022.

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