



MILLIONS OF FAMILIES RISKING HOUSE AND HOME



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Britain is still a nation of home owners with 11.1 million mortgaged properties recorded in the UK last year¹. And despite it being harder than ever to get a foot on the housing ladder, there were still more than 341,00 first time buyers in 2016².

With the average UK house price standing at £220,706³, it's no surprise that taking out a mortgage is the biggest financial commitment most of us will ever make. And when you factor in that many micro businesses and SMEs are home based, it's clear that covering the mortgage should

be many people's main protection need. But worryingly our research shows that only 50% of UK mortgage holders have life insurance, and only 20% have critical illness cover⁴.

So here are some ways we think could help when you're having mortgage protection conversations with clients.

DON'T TALK HOUSES, TALK HOMES

Clients take out protection to be safeguarded financially, but it's by engaging people emotionally that you can make them see the true value of protection.

It's the difference between talking about a house or a home. A house is a physical building, made of bricks and mortar, four walls and a roof, but a home is where someone has made a life for themselves and their family.

Your clients aren't really worried about what happens to their mortgage or house should they become ill or die, rather what the impact will be on their family and home. The Seven Families awareness campaign may have ended, but the website still hosts impactful case studies on the families involved. These are very powerful in bringing the potential impacts to life.

LET THEM KNOW STATE SUPPORT IS CHANGING

In recent years we've seen arguably the greatest overhaul of the welfare system since Beveridge's time. Support for Mortgage Interest (SMI) has undergone some radical changes. With SMI the government pays the interest on a mortgage but not the capital (and only for the first £200,000 of an outstanding mortgage). From April 2016 the government extended the waiting period to claim the benefit from 13 weeks to 39 weeks.

And as of April 2018, the Government is changing SMI from a benefit to a loan. This means that ultimately a person claiming will have to pay back the amount loaned on their return to work or sale of the house. SMI will also form part of Universal Credit and be subject to the "no earnings" rule. This means if there are other parties to the mortgage and a spouse/partner is still working and earning, no support will be available.

¹ Council of Mortgage Lenders

² Council of Mortgage Lenders

³ Halifax, House Price Index

⁴ Scottish Widows Protection Research

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TALK TO THEM ABOUT THE EMOTIONAL AND PRACTICAL SUPPORT WE CAN GIVE

Protection needs are more than just financial, which is why we work in partnership with Red Arc to offer practical and emotional support to people covered and their families. Many insurers offer financial resilience services, highlighting the difficulties that critical illness or bereavement can cause. Discussing these services with your clients as part of a mortgage protection conversation can help demonstrate that the need isn't purely financial.

IT'S ABOUT MORE THAN JUST LIFE INSURANCE

When it comes to taking protection clients often have a budget and need to prioritise their protection needs. Often the primary focus from a lender's perspective is paying back the loan, hence the take up of decreasing life policies. This is where your advice can make all the difference.

Suffering a critical illness can be costly. Macmillan Cancer Support research, for example, shows that four out of five people find themselves, on average, £570 worse off a month as a result of cancer diagnosis⁵. And it's not just the person who suffers the illness who is impacted; according to MacMillan's recent "No Small Change" report almost one in three carers (30%) say their income or household finances are affected as a result of them spending more on travel and other caring-related costs⁶.

If a client on a restricted budget does want to buy some critical illness cover alongside the main life cover amount, you can use 'split sum assured' functionality to offer the maximum amount of critical illness cover for their budget.

So with further welfare reform on the way, financial uncertainty around Brexit and an increasing focus on financial resilience, there's never been a more important time to broach the financial protection conversation with mortgage clients.

⁵ MacMillan Cancer Support

⁶ MacMillan Cancer Support, No Small Change Report