

# METCALF MOAT UPDATE

YOUR FIRST CALL FOR INDEPENDENT FINANCIAL ADVICE

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## Directors

Colin Moat  
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METCALF MOAT

IFA LIMITED

'Growing by  
recommendation'

Please note, Buy to Let mortgages and Commercial Borrowing are not regulated by the Financial Services Authority.

## Gender Directive

The 21st December 2012 heralds the implementation of the Gender Directive. The EU have ruled that after this date, no insurance provider will be able to use gender to calculate premiums.

Up until now, insurance companies have charged lower premiums for women, as the average woman lives longer than the average man. The likely impact is women will have to pay more for cover.

### Life & Critical Illness

It is almost certain that Life and Critical Illness premiums will increase for women, estimates currently stand at between 10% to 30% for Life Cover and 15% for Critical Illness. It is, however, predicted that male rates could reduce for Life Cover by up to 10% and Critical Illness by up to 5%.

### Income Protection

Income Protection rates for men may increase by up to 25%. Female rates for Income Protection are likely to decrease by up to 35%.

Product	Male Premium	Female Premium
Life Cover	↓ 0 — 10%	↑ 10 — 30%
Life and Serious Illness Cover	↓ 0 — 5%	↑ 0 — 15%
Income Protection Cover	↑ 0 — 25%	↓ 0 — 35%

**However, any potential reductions mentioned so far are likely to be reduced or eradicated by new tax laws.**

### "I-E"

The tax treatment of Life Insurance Providers is going to change from January.

Currently insurance companies are allowed to offset the expense (E) of their Life Insurance business, against the income (I) arising from Investment business. However,

in the recent budget, new legislation was introduced to end this concession.

Many providers will suffer high tax charges. The additional cost for insurers will inevitably be passed onto consumers through higher premiums. The expectation is that premiums will increase (after changes for Gender Neutral pricing) by an average of 10%.

### Summary

Our current advice is whether you are male or female and require Life or Critical Illness Cover, or you are male and require Income Protection, you should **ACT NOW**.

It is also likely that despite the potential reductions in male rates due to the Gender Directive, the I-E tax change will lead to higher premiums in 2013, so again, the advice would be if you are male, **ACT NOW**.

As more and more people become aware of the need to act to obtain lower premiums, the underwriting departments of major insurers are almost certain to develop backlogs and / or be more selective - decline risks that they may have previously entertained.

It is important that any new policy has to be **In Force** by 21st December, as pending or pipeline cases will attract post Gender Directive rates.

An application could take several weeks to underwrite and process, especially if a GP Report or Medical is required.

So, in conclusion, whether you are male or female and are considering applying for one of the covers mentioned in this newsletter or are wishing to review your current Arrangements, our advice is to **ACT NOW!**

**JOHN RILEY, DIRECTOR**

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You home may be repossessed if you do not keep up repayments on your mortgage.  
Our charges for mortgage advice are usually £295.

# Income Protection

**If you believe you cannot afford it, then you probably cannot afford not to have it.**

Good protection planning could be summed up as protecting what we have. Responsible motorists insure their cars, responsible home owners insure their homes even ardent holiday makers insure their holidays.

However, when it comes to Income Protection, often people act less responsibly. They either under-insure or do not insure at all, leaving themselves and their dependents at risk of losing not only possessions, but possibly a whole way of life should anything happen to them.

It is estimated that approximately one third of the population have no accessible savings, putting them at considerable risk if illness or accident should occur.

Health and Safety Executive state, that each week:

- One million workers take time off because of sickness and most return to work within days; but
- Around 17,000 people reach their sixth week of statutory sick pay; and
- At this point, almost one in five people will stay off sick and eventually leave work.
- Mintel's\* research found that around only one in twelve adults currently hold an Income Protection policy.

\* MinTel Income Protection Insurance Finance Intelligence, January 2009

Income Protection can provide an income, once you lose your ability to earn a living, following an accident or illness.

Generally, income protection can cover up to 50% of your gross income. It is paid on a monthly basis, and is tax free, if premiums are paid by an individual.

Many of our clients who are self employed or run a business, elect for the business to pay the premiums, as Income Protection premiums can be classified as a business expense and can therefore reduce tax liability. Please note that if your business pays the Income Protection premium, the benefit payable would be taxable, however, in the main our clients believe that they would rather receive an immediate tax relief, while putting in place this valuable protection.

At Metcalf Moat, we conduct an Income and Expenditure analysis, to determine the essential outgoings (mortgage, utilities, food and so on) and recommend that this is the minimum level of benefit to consider.

The type of work you undertake will determine the rates at which your premiums per thousand pounds of benefit are calculated. The more physical and potentially dangerous your work is, the higher the rate will be.

Another factor which will determine the premiums is the deferred period (amount of time following a claim that the benefit will be paid).

If your employer offers sick pay benefits for a number of weeks, or you have access to savings that would cover essential outgoings for a certain period, the cover can be tailored around this.

Therefore, if your employer could afford to pay you an income for six months, then the deferred period can be set at six months. This will mean the premium is lower than for someone who only has sick pay or savings which would last one or two months.

The term of the cover (dependent on the type of work you undertake) can extend to age 70. However, most clients prefer to have cover until the main financial liabilities (mortgages, raising children) are expected to end.

Here are some examples based on a male and a female, both non-smokers, aged 35 with cover until age 60. The benefit is £2,000 per month (tax free):

Gender	Deferred Period	Guaranteed Premium
Female	3 Months	£35.65
	6 Months	£30.57
Male	3 Months	£22.53
	6 Months	£17.84

At Metcalf Moat we would establish your current situation and future needs. We would then recommend a level of monthly benefit, deferred period and term. Illustrations would then be obtained for the most appropriate cover.

So having read this article, if you now believe that you cannot afford not to have the cover, please call us on 01689 891919 or email us at

[administrator@metcalfmoat.co.uk](mailto:administrator@metcalfmoat.co.uk) and we would be happy to discuss your options with you.

**JOHN RILEY, DIRECTOR**