



**FROM WELFARE TO SELF-CARE... THE NEED TO
IMPROVE FAMILY FINANCIAL RESILIENCE**

SCOTTISH WIDOWS

“THE PROTECTION MYTH”

The state will provide... won't it?



Source: JT Photography, 2008

INTRODUCTION



- DWP Improving Lives: Once In A Decade Welfare Reform Green Paper



- DWP Engagement



- Universal Credit roll out throttle up – July 2017



THE COUNTDOWN TO CHANGE

End date: March 2022

23:30

**TONY BLAIR'S WELFARE REFORMS
(2003-2004)**

23:35

ESA (2008)

23:40

**REFORM OF COUNCIL TAX AND DLA
(2013)**

23:45

**UNIVERSAL CREDIT – TESTING
RULES GET REVEALED (2013)**

23:50

DLA FULLY REPLACED BY PIP (2013)

23:55

**SUPPORT FOR MORTGAGE INTEREST BENEFITS, HOUSING
BENEFITS, BEREAVEMENT BENEFITS,
INTRODUCTION OF HOUSEHOLD BENEFIT CAP**

REFORMS ARE IMPACTING ON RESILIENCE & PROTECTION NEED A REVISIT OF WORKING AGE SICKNESS, DISABILITY & BEREAVEMENT REFORM AND ITS IMPACT

Income Replacement / Top-up Welfare Benefits & Cap

2020 freeze, benefit cap, ESA WRAG,
income support, UC for gig econ, 2 kids
& 35s

Housing Support Benefits & Cap

Benefit cap, mortgage & SMI,
rent & housing benefit
UC no-earnings rule / council tax



Bereavement Benefits

Death lump sum / widowed no kids /
widowed with dependent kids

Disability Benefits

DLA for the over 16s replaced with PIP
& due to reassessment, 4 in 10 are
losing mobility cars

UNIVERSAL CREDIT

The Budget Statement made it clear that the government is not interested in encouraging insurance take-up with tax incentives.

Universal Credit will **replace** Income Support, income related Jobseeker's Allowance and Employment and Support Allowance, Working Tax Credit, Child Tax Credit and Housing Benefit, Job Seekers Allowance... and by default, Support for Mortgage Interest assistance

Working Age Bereavement Benefit and Disability Living Allowance (for the over 16s) reform is already in place.



00:00

**UNIVERSAL CREDIT GETS
ROLLED OUT**



IMPACT ANALYSIS

THE INCOME PROTECTION TASKFORCE REPORT



TABLE: REPLACEMENT MEANS-TESTED BENEFITS

Table 3: interactions between insurance products and social security

Benefit	IIP (regular payment)	GIP (regular payment)	Ci/TI (Lump Sum)	MPPI (Regular payment)
Legacy means-tested benefits				
IS, JSA-IB, ESA-IR	Counted as income. Small disregard, ranging from £5 per week for a single adult to £20 a week for a lone parent. 100% taper. ⁱ		Ignored if used to pay a debt which legally must be paid. EIS added to savings. ^g	Money above "applicable amount" not used to repay mortgage counted as income. 100% taper. ^h
HB	Counted as income. Small disregard, ranging from £5 per week for a single adult to £25 for a lone parent, plus an additional £17.10 for working and meeting other criteria such as disability. 65% taper. ^j		As above.	n/a
CTC, WTC	Counted as income. Disregard of £123 per week for WTC and £310 for CTC. 41% taper. ^v		Ignored. Income from capital above £300 /year counted as income. ^l	Money not used to repay mortgage counted as income. 41% taper. ^h
Replacement means-tested benefits				
UC	Counted as unearned income. No disregard. 100% taper. ⁱⁱⁱ	Counted as earned income. Work allowance if limited capability to work or with dependent children Then £44 per week if housing component received, otherwise £92. 63% taper. ^k	Ignored if used to pay down debt – else added to savings. ^g	Counted as unearned income. No disregard. 100% taper. ^g
Contributory benefits (unchanged)				
ESA-C	Disregarded. ⁱⁱⁱ	Counted as income. £85 disregard. 50% taper. ⁱⁱⁱ	Not counted as income. ^{iv}	Not counted as income. ^{iv}

Replacement means-tested benefits				
UC	Counted as unearned income. No disregard. 100% taper. ^{viii}	Counted as earned income. Work allowance if limited capability to work or with dependent children Then £44 per week if housing component received, otherwise £92. 63% taper. ^{ix}	Ignored if used to pay down debt – else added to savings. ^x	Counted as unearned income. No disregard. 100% taper. ^{xi}

SUMMARY

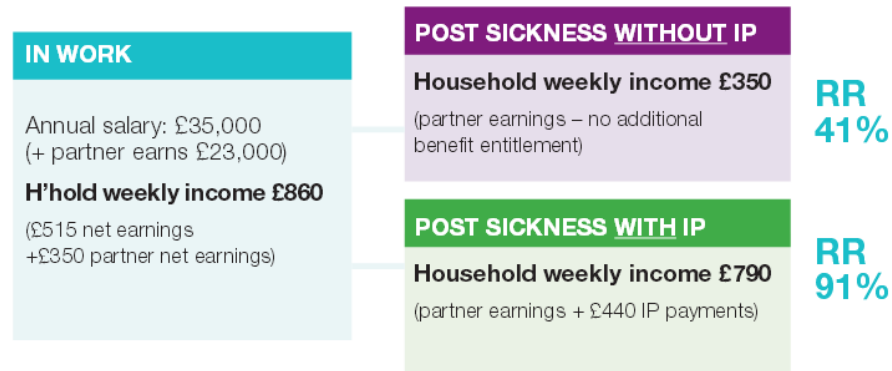
- Negative message given out
- UC entitlement reduced pound for pound with IIP – no amount disregarded
- Abandoned policies = fully reliant on state support
- Resilient Households Report indications
- Should IIP even be treated as unearned income?



INCOME PROTECTION

INCENTIVES TO HOLD INCOME PROTECTION

Young couple, healthy, both working, no children, own their own house with a mortgage; IIP at 65%, deferred period of one year - **£18.35 per month premium**



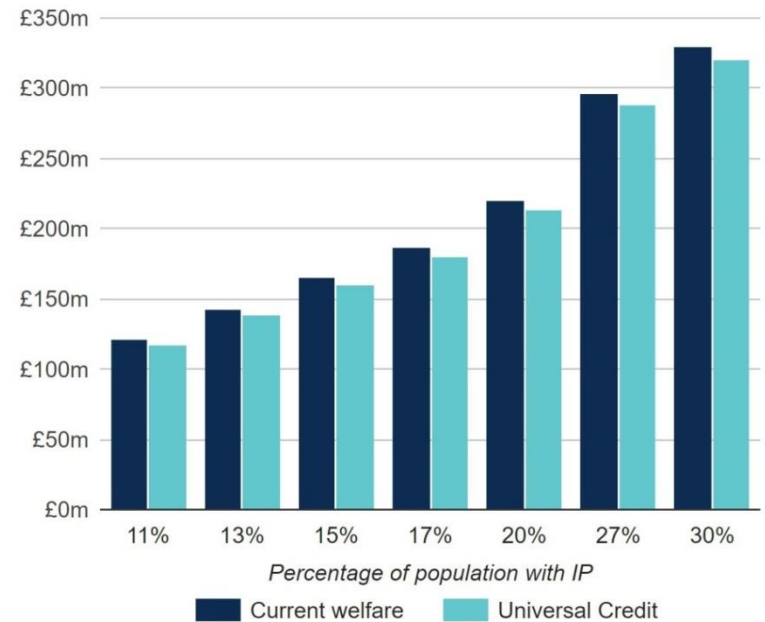
IP can sustain higher replacement rates than state benefits, however:

- Universal Credit will see the RR fall further and will now include protection products in all calculations. This is projected to increase cost to the exchequer by £20m.
- Protection to count £-£ against your welfare entitlement.
- The complexity of welfare criteria makes financial planning using protection products more difficult.
- Research shows public estimates of claims paid to be 38 – 50% and so feel the state will provide better.

BENEFITS OF IP GROWTH

IP has the potential to provide **significant savings** to the exchequer if it is incentivised and uptake is encouraged.

- At current coverage rates (11%) the exchequer already saves £120m.
- Universal credit reduces this to £110m.
- If the UK manages to emulate the USA in coverage rate (27%) then it would generate savings of £270m under UC – a **£160m** increase.

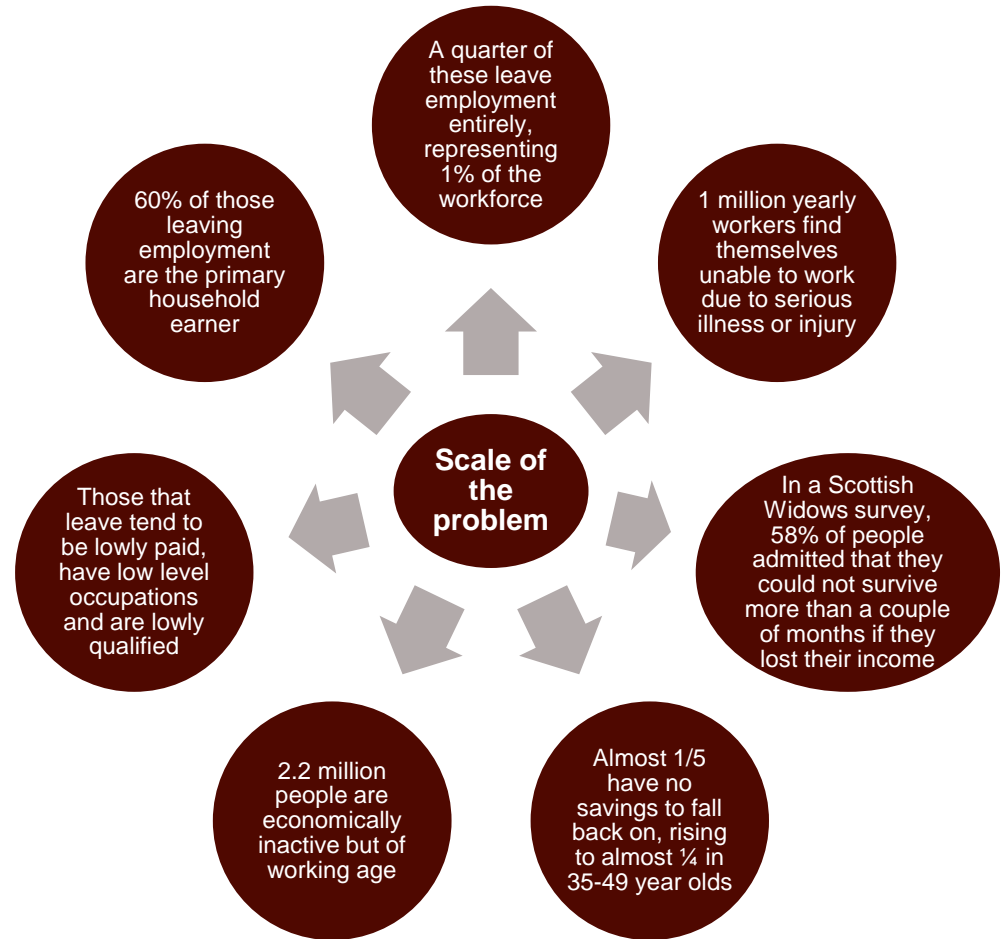




APPENDIX

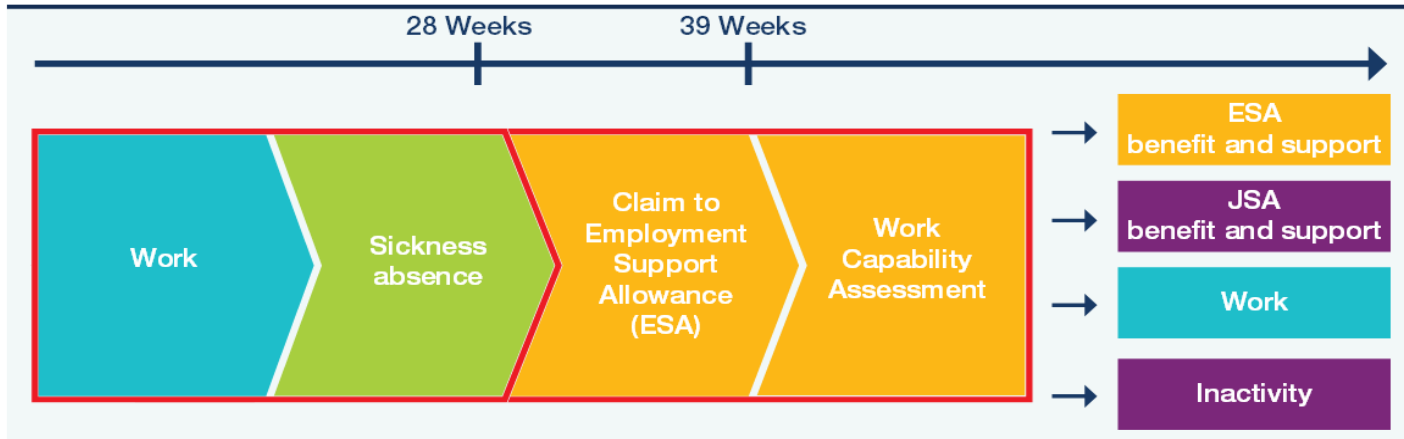
2007: WELFARE REFORM ACT

- The 2007 Welfare Reform Act brought in the **Employment Support Allowance** to replace **Incapacity Benefit**.
- **10.8 million** working families would see their income fall by over 1/3 if the primary earner had to stop working due to illness – that's 60% of all working families in the UK.
- A further **6.6 Million** would experience a decline of over 50%.



2008: THE ESA SYSTEM

The journey through occupational and State support (Source: Black / Frost Review, 2011)



- During the Work Capability Assessment, around 1/3 of people are deemed “Fit to Work” and must now seek Jobseeker’s Allowance, which has far tighter criteria.
- 50% of those who are accepted will still be required to join a government “Work Programme” or attend regular interviews via the Job Centre.
- Income ESA will be deducted £-£ from any protection products.

2013: PERSONAL INDEPENDENCE PAYMENTS

- Introduced in April 2013 by the DWP to replace DLA
- A welfare benefit available for people aged 16 to 64 to help with costs caused by a health condition or disability
- Non-means tested, non-contributory and does not take into account employment status
- Claimants can receive £21.80 to £139.75 per week.

Frequently attracting negative press attention:

- Unfair and arbitrary assessment process
- Eligibility criteria – “not disabled enough”
- Severe delays
- 50,000 disabled people having their specially-adapted vehicles taken away – denied Motability due to transfer from DLA to PIP, which has a stricter criteria

2016: HOUSEHOLD BENEFIT CAP

The **Household Benefit Cap** is a limit on the total amount of income from certain benefits a household can receive. If you receive more than the benefit cap allows then your Housing Benefit or Universal Credit will be reduced until you are brought back within the cap.

Since **November 7th 2016** the benefit cap has been reduced:

£442.31 a week if you are a couple / have children and live in London
£384.62 a week if you are a couple / have children and live outside London
£296.35 a week if you are a single person and live in London
£257.69 a week if you are a single person and live outside London

The benefits included when seeing if your benefit income exceeds the cap (non-exhaustive list):

Child Benefit	Housing Benefit	Income Support
Jobseeker's Allowance	ESA	Widowed Parent's / Bereavement Allowance

2017: BEREAVEMENT BENEFITS

On April 6th, a new Bereavement Support Payment will replace the current set of three bereavement benefits (Bereavement Payments, Bereavement Allowance and Widowed Parent's Allowance).

The changes to the bereavement benefits and the reformed **Household Benefit Cap**, reformed **Support for Mortgage Interest Benefit**, reformed **Housing Benefit**, reformed **Council Tax support** plus reform to **Tax Credits** means that life for bereaved families with young children could be harder post April.

These reforms have a **disproportionate impact** on working age women as they are statistically more likely to suffer bereavement.

2018: MORTGAGE INTEREST BENEFITS

Changes to SMI

- Currently, SMI is a benefit. However, the government will change this to a **loan** with a charge being taken on the relevant property. In effect, the claimant will have to pay back the amount to the government upon their return to work or sale of the house.
- These loans also attract **interest**, although the rate is likely to be low and linked to gilts.
- This change will come into effect from **April 1st 2018**.
- Help to meet the costs of **council tax** was also reformed and significantly reduced since April 2013, especially in England where each individual council now determines tax support. Due to cuts to their budgets by central government, today there is limited council tax support available.