

# VIEWPOINT

BRAYBROOK & CO

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# Think insurance companies don't pay out? Think again!



Buying a home and taking on a mortgage is often the biggest financial commitment a person will make in their lives. With this in mind, protection policies offer great financial security, not just to protect you, but to protect your family, your income and even the loan itself should the worst happen.

However, a barrier stopping some from taking out financial protection is the view that insurance companies do not pay out or that they will find any excuse not to honour the claim. But is this actually true?

In reality, this is an unfortunate case of fake news and a worrying myth that is preventing some borrowers from having these important financial safeguards in place.

## Do insurance companies pay out on protection?

The latest annual figures from the Association of British Insurers (ABI), show the protection industry paid out 98.3% of new claims in 2023, totalling more than £7.3 billion. This is a 14% increase in the total value of claims paid compared to 2022.

Furthermore, individual policies such as life insurance, critical illness and income protection saw a 14% increase in the total value of claims.

## How do different protection insurances compare?

- 90.5% of critical illness claims were paid, with the value of claims averaging at £68,354
- 96.7% of life insurance claims were paid, with an average claim value of £80,403
- 81.32% of income protection claims were paid, with an average claim value of £22,270pa

So, with insurance companies paying out more than £20 million per day in 2023, we can definitely say that the myth of insurers not paying out or honouring claims is fake news.

## Why would an insurer not pay a claim?

Given the strength of the data, it is hard to know why such a misconception exists. This is especially true as the data from the ABI continues to trend upwards each year.

Of course, there are cases where an insurer is unable to pay out on a claim. As part of its research, the ABI revealed that the main reasons for not honouring a claim is policyholders not accurately disclosing their medical history or habits when they took out the policy, or the claims not meeting the policy definitions.

How can we overcome this? It's really important to be open and honest with your mortgage adviser when discussing financial protection. Whether it's answering lifestyle questions honestly or disclosing pre-existing conditions or health concerns, this allows your adviser to pair you with the right product and provider. It also means the provider can fairly assess your application on accurate information.

## Is it too late?

If you have thought that the myth of insurers not paying out was true, the good news is that it is never too late to put some protection in place. A financial adviser is best placed to run through all the options available and provide choices that suit your individual needs and your budget.

Best of all, your adviser will review with you regularly to make sure those products are still suitable and continuing to meet your needs. This is particularly useful if your situation changes during the life of the policy – such as a new job, your family grows or your health changes. Plus, they can help you make the most of any inclusive services (such as counselling, remote GP services or physiotherapy sessions) or even help make a claim if needed.

While we all may expect to pay our mortgage every month, the truth is that life is unpredictable. Whether it's our health or something else, all could throw a spanner in the works and leave us in a difficult financial position. In those challenging moments, protection insurance can offer a solution and real peace of mind. If you're renting, buying or remortgaging it's never been so important to have that conversation and put that financial safety net in place for you and your family.

Talk to us to explore your protection options and we can tailor a plan that meets your specific needs and circumstances.