

Providing financial resilience

How income protection can address government benefit gaps.



How would people without protection insurance cope?

“The government would provide for me” – or will it?

Whilst clients may receive some support from the government it may not be enough to cover their regular outgoings for very long.

As advisers, it's super important to know what your clients may be entitled to and why income protection is a must-have for all clients. Income protection insurance is key for offering financial security when times are tough.

Most people would cover mortgage payments, rent and bills with their savings. Closely followed by applying for state benefits. But just how much are your clients likely to get?

Remember, any income, savings and private pension payments your clients receive will affect these amounts.

“I’m covered through work”

£123.25 per week is the statutory sick pay paid by employers to those too ill to work. It's only paid up to 28 weeks.

The median value of occupational sick pay is the equivalent of 6.5 weeks' full pay during their first year of employment post-probation, rising to 26 weeks' full pay for employees with five years' service.

Source: Income data research, 2024 – Occupational sick pay typically worth 26 weeks' pay after five years.

Median weekly earnings for full-time employees were £766.60 in April 2025.

Source: ONS, April 2025 – Employee earnings in the UK – Office for National Statistics.

“The government will look after me”

New Style Employment and Support Allowance (ESA) can provide support if your client's health limits their ability to work. Payments are up to £95.55 per week while being assessed (age 25+), and up to £145.90 per week for those placed in the Support Group (age 25+). New Style/contribution-based ESA is time-limited to 365 days for people in the Work-Related Activity Group (and assessment phase), but there is no time limit in the Support Group.

Homeowners may be entitled to Support for Mortgage Interest (SMI), which is a loan they'll have to repay with interest.

- Help with paying the interest (not capital) on up to £200,000 of borrowing.*
- SMI is a loan that must be repaid when the claimant returns to work or the house is sold.
- 39 week waiting period to claim.
- Government use an interest rate of 3.66% to calculate the amount of SMI available.

Bereavement support

Made up of first payment and then up to 18 monthly payments.

There are two rates:

Rate	First payment	Monthly payment
Higher	£3,500	£350
Lower	£2,500	£100

Maximum payment is £9,800 (higher rate) or £4,300 (standard rate), depending on eligibility.

*The limit is reduced to £100,000 if your client is getting Pension Credit or they started claiming another qualifying benefit before January 2009 and they were below State Pension age at that time.

The 2025 spring statement brought in some big changes to welfare benefits. The aim is to cut government spending and push for self-reliance. This means stricter rules for getting benefits, lower payments, and a bigger focus on employment. While these changes might encourage financial independence, they also create challenges for those who can't work due to sickness or injury.



Only 1 in 4 people
fully understand the welfare reforms
set out in the spring statement.

Source: LBG – Spring statement survey,
March 2025

Overall, it is estimated that in
2029/2030 there will be
3.2 million families – some current
recipients and some future
recipients – who will financially
lose as a result of this package,
with an average loss of £1,720 per
year compared to inflation.

Source: DWP, Spring Statement 2025 health and disability benefit reforms –
Impacts (updated 30 Oct 2025).

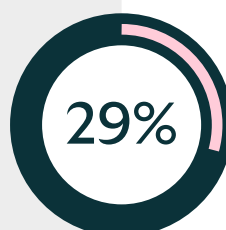
Summary of spring statement changes to benefits

1. Change PIP entitlement rules to introduce an additional requirement so that claimants must score a minimum of 4 points in at least one daily living activity to be eligible for the daily living component (England & Wales only). The government expect these changes to PIP entitlement rules to mean 430,000 future PIP recipients will not get the PIP they would otherwise have been entitled. The average loss is £4,500 per year.
 - The assessment which assigns potential recipients with a score will change to put greater emphasis on scoring higher on a single activity, making those who score lower on a number of tasks no longer eligible.
2. Rebalancing support in (Implementation timing will be confirmed in government guidance; eligibility changes are planned for England & Wales as part of the Spring Statement package.) Universal Credit to address perverse incentives and encourage more people into work – the government expect 730,000 future recipients of UC health to be impacted (average loss of £3,000 per year).
 - UC health element: frozen at £97pw for existing recipients until 2029/30; for new claimants reduced to £50pw in 2026/27 and then frozen until 2029/30.
3. Where people may have been entitled to benefits previously their partner may also have been entitled to carers allowance also. If they now will not qualify under new rules, they won't be able to apply for carers allowance either.

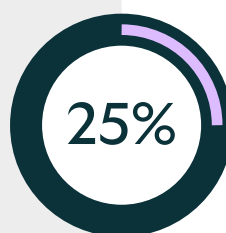


**“It won't happen
to me”**

Around 2.8m
people in the UK
are estimated to be
unable to work due to
long term sickness.



According to LBG
consumer insights
survey March 2025,
only 29% of people
feel there is going to
be enough support
for benefits claimants
following the changes.



And **only 25%** feel
optimistic about their
future finances.

Source: LBG – spring statement insights,
April 2025

How Scottish Widows income protection can help

Reassuringly simple income protection

Designed with simplicity and quality in mind, our income protection gives your clients the reassurance that they'll still have a monthly income if they can't work due to illness or injury.

Key benefits include:

- Fracture cover providing lump-sum payments for bone fractures.
- Hospitalisation cover offering up to £125 per night.
- Rehabilitation and proportionate income benefits to support clients returning to work.
- Immediate income payment during claim assessment.
- Access to practical advice, emotional support, and a dedicated Personal Nurse.
- Free 24/7 access to UK doctors.
- Minimum Benefit Guarantee to ensure payments even if earnings reduce.
- Options to increase cover for life events such as marriage, child birth, or mortgage increase.

Tailored to your clients' individual needs

Your client can:

- Get up to 60% of first £70K of gross earnings, plus 45% of any income above that amount, tax-free.
- Make multiple claims on the same policy.

With our income protection, your clients can easily select the options that are right for them. Our straightforward, flexible cover means evolving client needs are met.

Reduced earnings

With our Minimum Benefit Guarantee, even if their earnings have reduced, we may be able to guarantee payment for their cover amount, or £1,500, whichever is lower.

Career breaks

If your client is on an agreed career break and their job is being held open, or they've accepted a new job offer, they're assessed against their own occupation definition. This maintains their ability to be assessed against earnings around the time of a break, even though they may not have been working for up to 90 days.

With over 20 years of online underwriting experience, we continue to be transparent in our underwriting decisions. We'll always aim to understand your clients' full circumstances, provide instant decisions and provide simple access to immediate cover. We prioritise paying claims promptly, with a 98% claim payout rate across our life insurance and critical illness products in 2025.

This information reflects statutory payment and benefit rates in force from 6 April 2026 (2026/27) and our understanding of the Spring Statement 2025 welfare reforms (DWP impacts update 30 October 2025).

Every care has been taken to ensure that this information is correct and in accordance with our understanding of the law and HM Revenue & Customs practice, which may change. However, independent confirmation should be obtained before acting or refraining from acting in reliance upon the information given.

