Are you protected?

Having the right staff can make or break a business. Which is why more employers are listening to what employees want from their overall package and are offering more than just a competitive salary. The protection market has evolved enormously in recent years and big insurers are now offering financial, emotional and practical support when employees need it most. Below, we have summarised the main types of policies you would expect to see but for details of exactly what cover you have, please review your employment contract.

Life Assurance

Often seen under the title 'Death in Service', this is the most common of protection benefits offered by employers in the UK. According to a CIPD survey, over 6 in 10 employers offer some form of death in service benefit. Commonly, this is a multiple of your salary or a fixed lump sum but occasionally it can be paid as a dependents pension to your spouse or young children. The purpose of this is to provide employees with security to know their families can be financially secure, should they pass away.

Contrary to what the name suggests, you don't actually have to be on duty to benefit from the payment. As long as you are an employee of the company, you should still be covered – so if you feel a heart attack coming on, don't dash to your workplace, get to the hospital instead!

While it's great to have life insurance as an employment perk, it's worth remembering that, should you leave, you would also lose this. If you have a mortgage or other debt, you should factor individual life insurance into your overall financial planning.

Income Protection

A policy which is less dramatic than life assurance but equally as important is Income Protection. Offered by around 12% of employers, according to LV, this type of policy will allow your employer to continue paying a percentage of your salary if you are unable to work through illness or injury for a prolonged period.

Many employers will offer a period where you will still receive salary – perhaps 3-6 months – but what happens if you are unable to return to work after that? It's estimated that a third of working age Brits have less than £1,000 in savings and may have to rely on Statutory Sick Pay or friends and family.

Having a policy which protects a regular income allows you to focus on recovery. While it's possible to also have a personal income protection policy, you will only be able to claim a maximum amount – so definitely worth checking with your employer what coverage you have if you have a private policy in place.

Critical Illness Cover

Critical Illness insurance is a sort of halfway house between Life Assurance and Income Protection. If you are diagnosed with a severe illness, which would impair your ability to work, you may be eligible to claim a tax free lump sum. The level of cover will vary, and the list of conditions which qualify are narrower than that of Income Protection, but the purpose of a Critical Illness benefit is to give you a one off payment that could be used to make adjustments to your home or support you through treatment.

Depending on the illness, you may be able to claim on both Critical Illness and Income Protection – one does not override the other. It may be that you have an illness, for example cancer, but you are still able to work. However, for other illnesses, you may not be able to return to work for a substantial period and so the Income Protection policy could be claimed on.

Critical Illness Cover can be an expensive benefit to cover and also has a tax liability as it's treated as a benefit in kind, so that should be factored in.

Private Medical Insurance

One of the lesser spotted protection benefits, but one proving more and more valuable, is Private Medical Insurance. This offers employees to go private for medical treatment, check ups, referrals etc. With the NHS suffering its worst waiting times since its inception, this option is proving to be extremely valuable to a range of employees.

The cost of cover is covered by the employer but, similar to critical illness, it is also a P11D benefit, so it will need to be declared on your tax return. However, depending on the level of cover, you may only have a small excess to pay to have access to a wide range of treatments that could ordinarily stretch into the £000's to fund.

The summary above is designed to give you an idea of what the common types of protection benefits offered by employers are, but we would recommend checking your employment contract or speaking to your HR department to check what policies you are eligible for.

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