

Help financially protect the people that matter most

Family Income Cover



What is Family Income Cover?

Family Income Cover is there to help financially protect your client and their family's lifestyle if a life assured dies or becomes critically ill.

Instead of paying out a lump sum like traditional life insurance and critical illness policies, it pays out a regular monthly amount, agreed at the start of the policy until the end of the policy term.

The total amount paid out will depend on how long is left on the policy and therefore decreases over time, meaning it could be an effective way to protect ongoing costs and complement any existing life or critical illness policies.

- ✓ Pays out if a life assured suffers a critical illness, terminal illness or dies (depending on the cover chosen) during the policy term.
- ✓ Pays out a pre-agreed monthly amount.
- ✗ Not suitable for a one off payment such as a mortgage.
- ✗ Won't pay out if claim isn't in the policy term.



What is Family Income Cover?

Example:

In July 2024 Jack has a daughter and decides to take out a level Family Income Cover policy that pays £1,000 each month for a term of 20 years.

In May 2036 Jack sadly dies and his family lose the main breadwinner.

Because his policy still has 8 years and 2 months left, his family receive £1000 each month for the remainder of the policy term (£98,000 in total).

This money helps to cover the costs of his daughter's education when she attends university.

Which products is it available on?

- Zurich Life Cover
- Zurich Life Cover & Critical Illness
- Zurich Critical Illness Cover



What are the benefits of Family Income Cover from Zurich?

1 Regular payments to help protect their child's future	If your client has regular payments such as child maintenance or school fees that will continue until their child reaches adulthood - Family Income Cover provides a monthly payment that can be used for these.
2 Protecting more than just the mortgage	Not everyone has a mortgage. Although a lump sum is often used to help pay the mortgage off, for renters a monthly payment may be more appropriate for helping to manage costs.
3 Creating a menu based protection plan	For clients that want a comprehensive level of protection. Family Income Cover can be taken out as part of a menu plan in addition to standard life or critical illness cover.
4 A more manageable way of handling money	It's less daunting. Being give a significant sum of cash during an already stressful time could offer more confusion. Smaller monthly payments could make this more manageable.
5 Options to help make sure their needs are met	The cost of living is at the forefront of a lot of people's minds. Family Income Cover can be taken out on an increasing cover (with increasing premiums) basis, meaning that the effects of inflation can help to be offset.
6 Inbuilt flexibility to allow for future changes	Situations change and, just like our other products, Family Income Cover policies have inbuilt flexibility and can be changed throughout the policy term.

Family Income Cover for parents

Any parent will know that raising a child doesn't come cheap, but many would be surprised to learn quite how expensive it can be.

Research has shown that the total cost of raising a child to 18 is £260,000 for a couple and £290,000 for a lone parent¹.

This is a significant burden to bear, and one that could become even more challenging as a result of inflation and the ongoing cost-of-living crisis. If a parent died or lost their income due to a critical illness, how would these costs be met?

If your clients already have a form of life insurance or critical illness cover, there's a good chance their priority is ensuring their biggest fixed cost – often a mortgage – is taken care of should they lose their income.

But it's not just about keeping a roof over their child's head. What about other daily household expenses? What about clubs and activities for their children? What about the cost of private education or higher education? The average private school day fees in the UK for one year were £18,063 in 2024².

Regardless of whether your clients have children in an independent school or a state school, there are a range of other education-related costs, such as uniforms and school trips, that need to be considered. Education costs can continue into adulthood. In 2024, average living costs for a university student in the UK are about £1,104 per month³ (excluding tuition fees).

- [1. 'The cost of a child in 2024, Child Poverty Action Group, 2024](#)
- [2. 'UK private school fees'. Statista, 2024](#)
- [3. Student living costs in the UK 2024, Save the Student, 2024](#)



Family Income Cover for parents

While student maintenance loans up to £10,227 a year⁴ (or more for those studying in London or abroad) are available to help cover basic living costs such as food and rent, few students will be eligible for the full amount. Depending on factors such as the type of course studied, the stage the student has reached in their course, and their parents' combined annual income, the actual figure available could be far lower. It's likely, therefore, that many students will need additional help from their parents to make up the shortfall.

Aside from the expected costs of raising a child, it's important your clients also think carefully about what would happen in the event of a relationship breakdown. Official figures show that in 2022, more than 80,000 married couples divorced in England and Wales⁵. It's important your clients have provisions in place in the event of a divorce, should either parent no longer be able to pay child support payments due to death or critical illness.

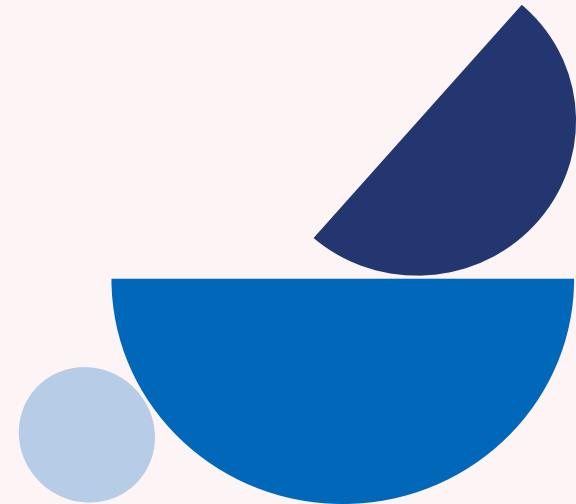
What does all this mean and how can family income cover help?

Family Income Cover can provide a fixed monthly payment to help cover the costs of raising a child if your client dies or is unable to continue paying child support due to suffering a critical illness and losing their income. The benefit of Family Income Cover is that your client can choose how long cover is in place – clients could choose to stop cover when their child is likely to be independent and no longer in need of financial support - this could be due to finishing education, moving out or no longer requiring child maintenance payments.

As a result, Family Income Cover may be required over a different term than a standard life or critical illness policy as it's helping to meet a different set of needs for clients. It can provide a complementary form of protection for parents should the worst happen.

[1. Student finance for undergraduates, GOV UK, 2024](#)

[2. Births, deaths and marriage, ONS, 2024](#)



Family Income Cover for renters

Mortgages can be a key driver of protection sales, as clients act to protect what is likely to be the biggest investment many will make. But what about those who can't afford to buy a home or choose not to?

In 2022-2023, 19% of households in England were occupied by private renters¹, and it's just as important for these renters to have financial protection in place for their family should they die or become critically ill.

Demand for rental properties and limited supply means rental costs are increasing (the average asking monthly rent in the UK excluding Greater London is now £1,344²). But it's not just the rent itself that clients need to consider; household bills, food, fuel and the cost of socialising all need to be factored in too.

If the worst happened, many families may struggle to get by on a single income. Some may have savings to fall back on, but for many, this would only go so far. For those with children, should either parent die or become critically ill, the other parent might also have to stop working or reduce their hours in order to look after their children.

1. 'Department for Communities and Local Government (UK)', 2023

2. 'Rightmove Rental Price Tracker', 2024



Family Income Cover for renters

What does all this mean and how can family income cover help?

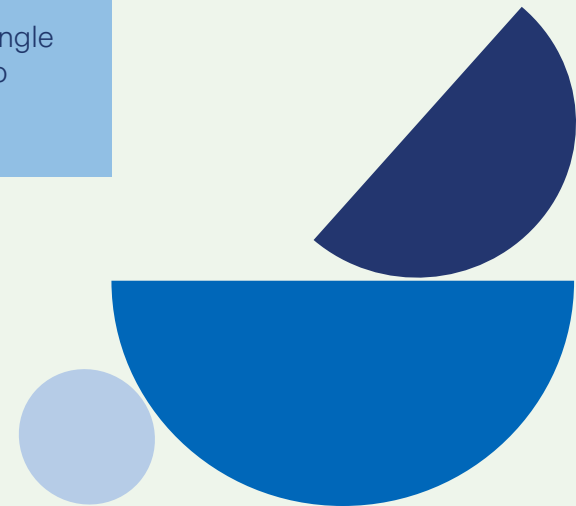
For families/couples

Family Income Cover that provides life and/or critical illness cover could be used for rental payments should either partner pass away or become critically ill and unable to work. Family Income Cover could also be used to pay for additional household expenses.

Another reason renters may choose to take Family Income Cover is if they plan to buy a home in the future. Without any form of cover, renters may be forced to use savings they have been putting aside for a deposit to pay their rent and other household costs - depleting their savings and making purchasing a home more difficult. Family Income Cover can help ensure that if renters choose to move to a mortgage in the future, they won't have to start saving for a deposit again from scratch.

For single renters

A critical illness Family Income Cover policy could also be a good option even for those without dependents. For single renters, a monthly income could help secure their lifestyle in the event of a critical illness that leaves them unable to work.



Family Income Cover for carers

Whether your clients are full-time or part-time carers, Family Income Cover can provide an income to ensure that those who depend on their care continue to be looked after, should your clients die or become critically ill.

Counting the cost of care

According to the NHS, a typical hourly rate for a carer to come to your home is around £20, but this will vary depending on where you live. Having a carer who lives with you costs from around £800 a week, but could cost as much as £1,600 a week if you need a lot of care, while a room in a care home costs around £700 a week for a residential home, and over £850 a week for a nursing home¹.

1. ['Social care and support guide', NHS, 2022](#)



Family Income Cover for carers

Wouldn't the government cover these care costs?

The level of government support depends on individual circumstances. For example, eligibility for non-means tested state benefits, such as Personal Independence Payments (PIPs), depends on how serious a person's condition is. In 2024, the most someone can receive through this benefit is £184.30 a week¹.

Eligibility for many other types of state support depends on what level of savings or assets a person has. Those with savings of more than £23,250, or who own their own property and are moving into a care home, will not be entitled to help from their local authority towards the cost of care².

It is important your clients have a clear understanding of what support would be available for their loved one should they no longer be able to care for them, including the possibility that (without any kind of protection) their loved one may need to use up a substantial proportion of their savings to pay for their care.

1. 'PIP - How much you'll get', Gov UK, 2023

2. 'Social care and support guide', NHS, 2022

What does all this mean and how can Family Income Cover help?

Family Income Cover can provide valuable peace of mind by providing funds that could pay for family member's care.

If a client is a carer or is paying for care for their parents or relatives, Family Income Cover payments could help to make sure care continues if the client dies, or is unable to continue being a carer or make payments to a care provider due to suffering a critical illness.

The monthly payment could be used to ensure that loved ones don't have to eat into their savings to fund their care, or perhaps ease the pressure on other family members who may otherwise be forced to take on caring responsibilities.

Family Income Cover for day-to-day costs

While most people can appreciate the financial security and peace of mind that a life or critical illness policy can offer, they often chose to take it out to protect their largest financial commitment - their mortgage.

But as the cost of living continues to rise, people are becoming more aware of how much everyday items are adding up. When a traditional life or critical illness policy pays out, the beneficiary receives a fixed lump sum amount. This lump sum is great for covering large, one-off expenses costs such as a mortgage. However, with Family Income Cover, the amount paid out is a monthly income. This monthly income could be used to cover expenses outside of the mortgage and be part of a menu plan that increases the client's financial resilience particularly at this time.



Family Income Cover for day-to-day costs

Let's consider the average weekly spending of a family
(excluding rent/mortgage payments) in the UK between April
2022 and March 2023¹

Fuel, power and housing maintenance costs	£58.50
Food and non-alcoholic drinks	£63.50
Transport	£79.20
Communications	£20.30
Recreation and culture	£65.40
Restaurants and hotels	£40.50
Clothing and footwear	£16.80
Alcohol, tobacco and narcotics	£10.80
Household goods and services	£35.50
Miscellaneous goods and services	£40.30
Healthcare	£8.90
Education	£5.10

This is a total of £444.80 per week or £1,927 per month. If your client was to lose their income, their mortgage might be covered but what about these costs? Although there may be financial support from the government available, with statutory sick pay of £116.75 per week² – it's inevitable that there would be a deficit.

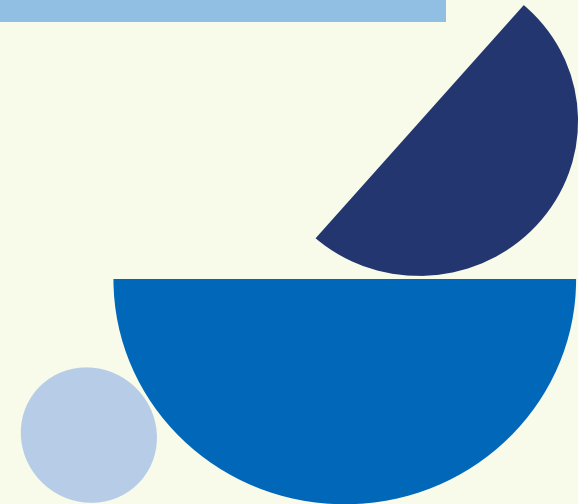
1. 'Family spending in the UK'. ONS. 2024

2. 'SSP - What you'll get' GOV UK, 2024

What does all this mean and how can Family Income Cover help?

Family Income Cover could help by working with a lump sum policy to ensure that if something happened, everyday expenses could be covered and the financial burden of these eased.

At an already difficult time, it would mean that your clients do not have to worry about how to cover these costs. This is because Family Income Cover, provides a monthly payment that can help to meet the needs of the client.



For more information
on Family Income Cover,
please speak to your
usual Zurich contact

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