

# HOW BENEFIT CHANGES COULD AFFECT YOUR INCOME PROTECTION POLICIES

In April 2017, the work related activity component (WRAC) of the Employment and Support Allowance (ESA) will be removed to bring the ESA in line with the Jobseekers Allowance (JSA).



JSA claimants currently receive £73 and so weekly benefits received by ESA/WRAC claimants will decrease by around £29 from the current level of £102.15. The change only affects new claimants of ESA who are placed in the WRAC; existing ESA claimants will be unaffected.

Additional support will be available to help individuals take steps back to work but the Government has yet to provide further information on this service. The Fit for Work referral service is now fully operational and might comprise the 'additional support' - but it is not clear if this is the type of support that is meant or another measure.

## CHANGES TO YOUR INCOME PROTECTION COVER

Many employers take into account the availability of state benefits when setting the level of benefits available to staff under their Income Protection policies. Employers who take into account state benefits typically cover 75% of salary minus ESA and WRAC, ie 75% of salary minus £5,312 (2015/16).

The changes planned for April 2017 mean that we are advising our clients to re-consider any cover that takes into account these state benefits. There are two key reasons for this:

FURTHER INFORMATION ABOUT THE WORK CAPABILITY ASSESSMENT FOR EMPLOYMENT AND SUPPORT ALLOWANCE CAN BE OBTAINED FROM THE [HOUSE OF COMMONS BRIEFING PAPER](#) DATED 18 SEPTEMBER 2015.

THIS ARTICLE WAS WRITTEN BY NICOLA PRINCE, DIRECTOR OF EMPLOYEE BENEFITS.

THE CONTENT OF THIS ARTICLE IS FOR GENERAL INFORMATION ONLY AND IS BASED ON OUR UNDERSTANDING AS AT 27TH APRIL 2016. AS ALWAYS, SPECIFIC PROFESSIONAL ADVICE SHOULD BE TAKEN ON A CASE BY CASE BASIS.

## 1. INCREASE IN COST:

Income Protection providers are now factoring into their renewal and new business quotations that the level of ESA and WRAC will be reduced from April 2017. This means that the Income Protection provider is providing more insurance cover as the ESA and WRAC deduction from the total benefit will be lower, ie reducing from £5,312 to £3,801 (2015/16).

**WHAT IS THE RESULT? HIGHER UNIT RATE AND PREMIUM COST. EMPLOYERS MAY WANT TO PEG THIS COST BACK - ESPECIALLY IF YOU HAVE NOT RESERVED FOR IT IN YOUR HR BUDGET.**

## 2. LIKELIHOOD OF RECEIVING STATE INCAPACITY BENEFITS:

It is well publicised that Welfare spending is under the spotlight by the Government. The percentage of people who manage to make a successful claim for state incapacity benefits is unlikely to increase (only 18% of claimants qualified for ESA/WRAC in the year ending 2014); the forms and processes are lengthy and complex.

**WHAT IS THE RESULT? EMPLOYERS SHOULD OPT FOR SIMPLICITY BY PROVIDING A PERCENTAGE OF SALARY WITH NO REFERENCE TO A STATE OFFSET. THE PERCENTAGE OF COVER YOU PROVIDE CAN BE ADJUSTED TO FIT YOUR BUDGET.**

## MAKE SURE YOU TAKE ACTION

You should make sure that the benefits provided to employees in ill-health deliver the desired outcome at the next renewal

of your Income Protection policy.

Becketts would be pleased to review your policy and advise you on the alternatives.



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