



Adviser Guide

Children's Cover

Available on Life Cover, Critical Illness Cover or Life Cover and Critical Illness



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Introduction

Children's cover is important because it provides financial protection for parents if a child is diagnosed with a serious illness, or if they were to pass away.

It can help alleviate the financial burden that a family may face during this difficult time.

Nobody wants to think about what would happen if their child was to fall seriously ill. It's a difficult conversation to have however, given the financial impact that a child's critical illness could have, it's a conversation that needs to happen.

By discussing this option with customers, you can help them prepare for the unexpected and give them peace of mind knowing that they have some financial protection in place if something should happen.

With so much choice it can seem overwhelming, but the reality is no two clients are the same and with our children's cover options you can now craft the cover best suited to them. It's about selecting what is most important to your clients and ensuring they aren't paying for features they are unable to make a claim on.

This guide will provide you with appropriate prompts and questions to help shape those conversations.

The impact of children having a critical illness

Short term impact

In the short term when a child is seriously ill, there are various unexpected costs that could occur.

These may be direct costs such as accommodation near the hospital, meals and parking. Additionally there may be indirect costs, such as reduced wages or income due to needing time off work to care for the child or additional childcare costs for siblings.

The total cost will depend on the severity of the condition and the length of the hospital stay, as well as the individual family's financial situation.

In 2023, according to Finder, **50% of the British public had less than £1,000 in savings**, so finding the extra money for these unplanned expenses could cause significant financial stress¹.

Long term impact

In the longer term, having a critically ill child can have significant financial impact on a family.

Caring for a sick child can often require parents to give up work and take on a role as a full time carer. In 2023, carers allowance was £76.75 a week². For many people this would be a significant drop in income making it difficult to pay bills, save for the future, and maintain financial stability.

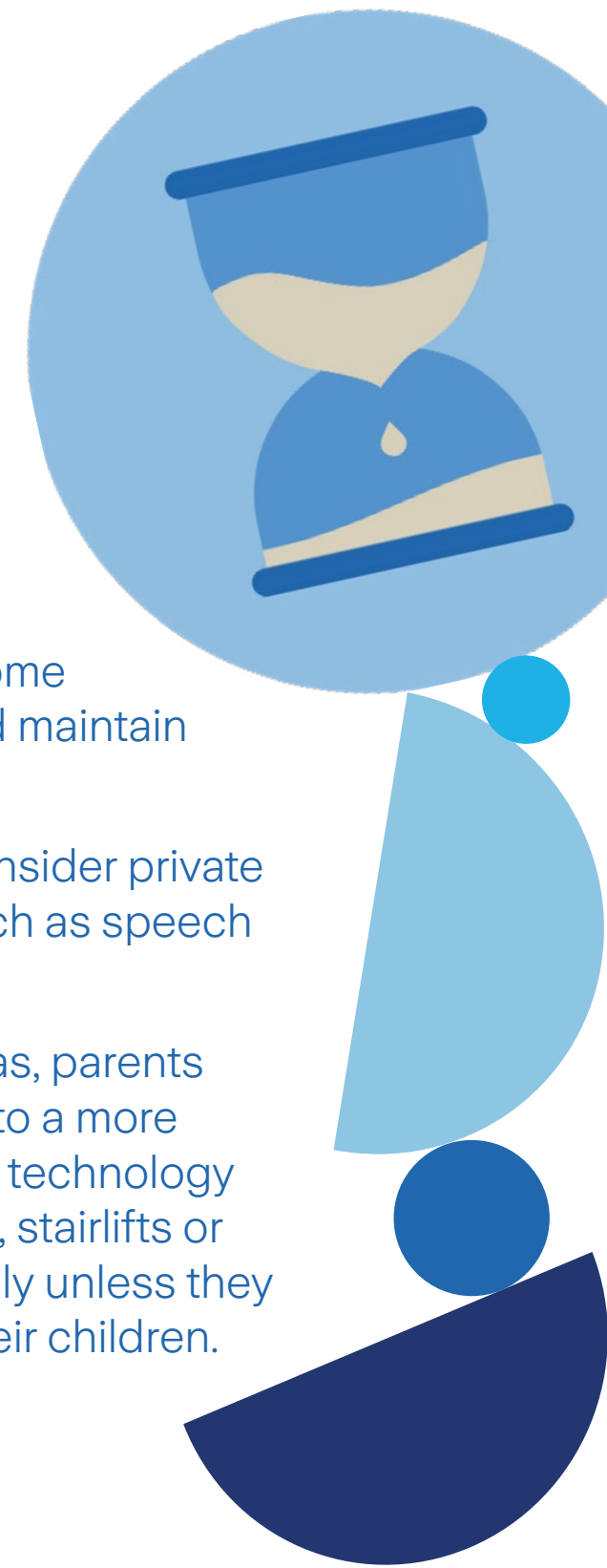
Although we have the NHS, parents may want to consider private therapies that complement their child's recovery such as speech or physical therapy.

Depending on the type of condition that the child has, parents may need to consider home adaptations or moving to a more accessible property. They may also want to invest in technology to help make life easier such as electric wheelchairs, stairlifts or hoists. This may be out of reach for the average family unless they have substantial savings or appropriate cover for their children.

Sources:

¹ <https://www.finder.com/uk/saving-statistics>

² <https://www.gov.uk/carers-allowance>



Adviser benefits of speaking to clients about children's cover



Building **stronger relationships** with clients by demonstrating a commitment to their family's wellbeing.



Providing **additional revenue streams** - both at the point of sale and in the future.



Differentiating your services from other advisers who are not educated in the benefits of children's cover.



Giving you **a reason to get back in touch with clients** and check if their needs have changed.



Offering **peace of mind** to parents who want to know their children are covered.



Crafting a Personal Protection policy

Choose the type of cover needed



Life Cover



Critical Illness Cover



Life Cover and Critical Illness

Decide on the level of CI cover



Critical Illness




Critical Illness Enhanced




Critical Illness Enhanced Plus

the option to add

the option to add



Children's Cover



Children's Enhanced Cover

the option to add



Pregnancy and Early Childhood Cover (PEC)

Our product offers flexibility to meet the protection needs of your clients, both now and in the future.

With a range of options for the main policy and Children's Cover, you can create tailored protection that fits with their budget, protection goals and stage in life.

Children's Cover options



Children's Cover

Target market

For those with children who want our standard comprehensive children's cover.

- ✓ **Children's Critical Illness Cover** - choose a cover amount between £10,000 and £100,000 if a child is diagnosed with one of 41 conditions
- ✓ **Children's Death Benefit** - pays £5,000 if a child dies after they are 30 days old
- ✓ **Children's Hospital Stay Benefit** - pays £50 a night (up to £350 each week) from the 7th night



Children's Enhanced Cover

Target market

For those with children who want our broadest range of children's cover which includes conditions that are typically diagnosed in later childhood.

- ✓ **Children's Critical Illness Cover** - choose a cover amount between £10,000 and £100,000 if a child is diagnosed with one of 86 conditions
- ✓ **Children's Death Benefit** - pays £5,000 if a child dies after they are 30 days old
- ✓ **Children's Hospital Stay Benefit** - pays £50 a night (up to £350 each week), from the 7th night



Pregnancy and Early Childhood Cover

Target market

For those who are (or whose partners are) pregnant or planning to have children in the future.

This option should be removed when the customer(s) makes the decision not to have any future children and their youngest child is aged seven.

- ✓ **Children's Critical Illness Cover** - pays the chosen cover amount if a child is diagnosed with one of 10 child specific conditions
- ✓ **Specified Complications of Pregnancy** - pays £5,000 if the person covered or their partner suffers one of 6 specified conditions during pregnancy
- ✓ **Birth Defect Cover** - pays £5,000 if a child is born with one of 4 specified birth defects
- ✓ **Children's Enhanced Death Benefit** - pays £5,000 if a child dies between birth and 30 days old, including stillbirth after the 24th week of pregnancy
- ✓ **Premature Birth Hospital Stay Benefit** - pays £50 a night (up to £350 each week) from the 7th night following a premature birth

The benefits of our new Children's Cover options



Children's Cover is an optional benefit



Children's Cover is not automatically included so clients who don't need Children's Cover don't pay for cover which isn't of value to them.



Children's Cover can be added to Life Cover



Our children's cover options can be added to any Zurich Personal Protection cover type - including Life Cover.



Cover that stays level



Although our main policy may be linked to a mortgage, no matter when in the policy a child gets critically ill, the impact is likely to be the same financially. Our Children's Cover is offered on a level basis to reflect this.



Choose the amount of children's cover needed



Clients can choose the cover amount for Children's Cover. This can be from anywhere from £10,000 to £100,000.



Tailored children's cover free from restrictions



You can combine any of the Children's Cover options with any of the main policy cover options to tailor the best solution for your clients.



Reflective of modern family structures



We amended our definition of a child so Children's Cover is now relevant for biological parents, step-parents, adopted parents, legal guardians and surrogacy. Children of partners are also included.



Children's cover that can keep pace with your clients' changing needs



Clients can make changes to their plan at any point. Whether it's changing the cover amount, switching between Children's Cover and Enhanced Cover, or adding or removing Pregnancy and Early Childhood Benefit, you can adapt the policy as your client evolves.



Why you should consider adding Children's Cover to Life Cover

Offering Children's Cover as an optional benefit on a Life Cover policy can give clients more choice and improved access to valuable financial protection. In some circumstances it may be the most appropriate solution for your client.



When a client makes a critical illness claim, the policy ends. This means that any children's cover included also ends, even though the need for it hasn't. This leaves the family vulnerable if a child was to then become critically ill.



Some clients' budget may not stretch to be able to include Critical Illness Cover. Yet they would still like to cover their children. Being able to add Children's Cover to a Life Cover policy will typically be a much cheaper option.



Some people may have critical illness cover through their employer however, this might only cover themselves and not their children. Adding Children's Cover to a Life Cover policy might be a solution in this circumstance.



It could be that due to health conditions or other underwriting criteria some clients won't be offered critical illness cover but they are accepted for life cover. Being able to add Children's Cover to a Life Cover policy provides access to invaluable financial protection.



There may be circumstances where Life Cover is the most appropriate recommendation for your client. In these scenarios, Children's Cover is now available.

How our Children's Cover can help you meet your Consumer Duty obligations

Consumer Duty sets clearer expectations for advisers in delivering better outcomes and avoiding foreseeable harm to customers. It's about providing the right products and services, to the right clients, at the right time, whilst offering fair value both now and in the future. Our Children's Cover has been designed in a way that allows you to do this and make appropriate recommendations with confidence.

Here's how our proposition can help:

Consumer Duty requires you to...

- Understand if products and services are suitable for your clients in the long term, and evidence that your product recommendations are in line with client needs.
- Ensure the price your clients pay is reasonable when compared to the benefits they'll get from the product - including regularly assessing if it's still offering fair value based on their changing circumstances and needs.









Our Children's Cover...

- ✓ Is **optional**
Clients without a need for Children's Cover are not compelled to pay for something that isn't of value to them
- ✓ Has **two levels of cover**
You can match your coverage recommendation to your client's preference and/or budget
- ✓ Has **optional Pregnancy and Early Childhood Cover**
Only those planning on having more children should include this option which covers a very specific set of clients' needs
- ✓ Allows you to **choose the cover level**
Tailor the benefit to the clients' exact need
- ✓ Can **flex and change**
It remains suitable over the long term and customers only pay for the cover they need, when and for how long they need it
- ✓ Is **available on Life Cover**
This offers access to Children's Cover even if Critical Illness Cover is not required or available



Which option is best for your client?

Use the following table to help decide which type of cover is best for your client based on our guidance by asking the following questions.

		Question 1: Do you have children?				
		No	Yes			
			Question 2: What is your coverage preference/budget?			
			Price focus	Quality focus		
Question 3: Are you planning future children?	No	Sale	No cover	 Children's cover	 Children's Enhanced Cover	
		Review	Revisit with client to see if circumstances have changed	Revisit with client when children grow up or affluence increases to explore: <ul style="list-style-type: none"> • upgrading cover level • and/or increase cover 	Revisit with client when children grow up or affluence increases to increase cover	
	Yes	Sale	  Children's Cover + PEC	  Children's Cover + PEC	  Children's Enhanced Cover + PEC	
		Review	Revisit with client when youngest child passes age 7 to remove PEC and explore: <ul style="list-style-type: none"> • upgrading cover level • and/or increase cover 	Revisit with client when youngest child passes age 7 to remove PEC and explore: <ul style="list-style-type: none"> • upgrading cover level • and/or increase cover 	Revisit with client when youngest child passes age 7 to remove PEC and consider increasing cover	

Helping you to determine the amount of cover to recommend



How much cover does your client need?

Points to ask your clients about:

- Would they need to take time off from work to look after their child? And if so, what would be the loss in earnings if they needed 3, 6 or even 12 months off work?
- Speak to your clients about any relevant benefits (such as Disability Living Allowance for children) they may be entitled to if their child is critically ill.
- Do they have enough savings to cover unexpected costs?
- What is their monthly budget for protection cover?
- How far away is their nearest hospital and what are the costs associated with visiting an ill child?
- Would they need to pay for childcare for other children?
- If they needed to give up work to care for their child, could they live on £76.75 a week carers' allowance?



Example

Jason's son is diagnosed with a serious illness and spends the first year of his life in and out of hospital with some stays being for up to a month at a time. Jason's family lives in a remote village and the nearest hospital is 40 minutes away. To visit his son whilst in hospital, Jason's family encountered numerous unexpected costs that added up to £405 a week.

These include the cost of regular transport to and from the hospital, hospital parking, and the costs of childcare for his other two children. In order to be able to look after his son and to reduce the costs of childcare, Jason makes the decision to give up work until his son is better, leading to lost earnings of £32,000.



How could Children's Cover work for your client?

These examples are illustrative only and based on the following costs for £25,000 of cover:

- £1.35 for Children's Cover,
- £4.10 for Children's Enhanced Cover and
- £6.10 for Pregnancy and Early Childhood Cover.

These prices may be different at a future time of application. It's important that you review regularly and check the amount and quality of cover is still appropriate for your client's needs.



Jack and Lucy are married and have two children - Matthew aged 7, and Ellie aged 9.

They recently moved home and whilst Jack gets critical illness cover through his employer, it doesn't offer any cover for their children. They took out a **25-year joint life £200,000 decreasing Life Cover policy to cover their mortgage and added on £50,000 of Children's Cover.**

Children's Cover costs £2.70 each month.

Year 15

When Matthew reaches age 22, they **remove Children's Cover** from the policy and the premium reduces.



The total cost of Children's Cover when spread over the 25-year term is the equivalent of

**£1.62
a month.**

How could Children's Cover work for your client?



Luke and Lisa have recently got married and are buying their first home. They want to start their family as soon as possible.

They take out **£150,000 of joint life, decreasing Life Cover and Critical Illness on a 30-year term with £15,000 of Children's Cover and Pregnancy and Early Childhood Cover.**

Children's Cover and Pregnancy and Early Childhood Cover costs £4.47 each month.

Luke gets a promotion and they decide to upsize their house and get a bigger mortgage.

They use **Milestone benefit** to double the sum assured on their Life Cover and Critical Illness policy. They also choose to **increase their Children's Cover to £30,000.**

Children's Cover and Pregnancy and Early Childhood Cover costs £8.94 each month.

When Tom reaches age 7, they **remove Pregnancy and Early Childhood Cover** and use the money they save to **upgrade to Children's Enhanced Cover**. They also **increase the amount of cover to £50,000**.

Children's Enhanced Cover costs £8.20 each month.

Once Tom reaches age 22, they **remove Children's Cover** as it's no longer needed.

The total cost of Children's Cover when spread over the 30-year term is the equivalent of

£6.04 a month.

How could Children's Cover work for your client?



Sam and his partner Jess have been renting together for the last two years and are now buying a house together. Jess already has a 13-year-old daughter called Amy and is currently pregnant with their first child together.

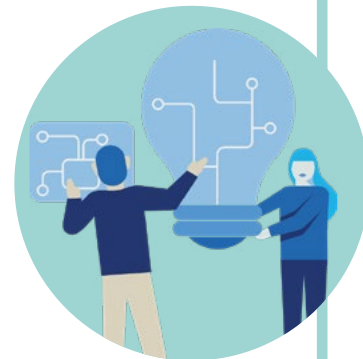
Sam takes out **£200,000 of Decreasing Life Cover and £50,000 of Critical Illness Cover over a 25-year term, with £25,000 Children's Enhanced Cover added to the Life Cover policy.** They are expecting a baby so Sam chooses to **add Pregnancy and Early Childhood Cover** too.

Children's Enhanced Cover and Pregnancy and Early Childhood Cover costs £10.20 each month.

Year 7

Once their child, who they decided to name Will, reaches the age of 7, Sam and Jess no longer need **Pregnancy and Early Childhood Cover.** They remove it from their policy to avoid paying for unnecessary cover.

Children's Enhanced Cover costs £4.10 each month.



Year 22

When Will reaches age 22, they no longer need **Children's Cover** so remove it from their policy and the premium reduces.

The total cost of Children's Cover when spread over the 25-year term is the equivalent of

**£5.32
a month.**

How could Children's Cover work for your client?



Katie recently divorced and has a daughter, called Penny aged 6. She doesn't plan on having more children. Because Katie is self-employed, she doesn't get any illness benefits from her employer.

Katie takes out **£150,000 level Life Cover for her interest-only mortgage and Income Protection for £1,500 over a 30-year term**. She adds **£25,000 of Children's Enhanced Cover to her Life Cover policy**.

Children's Enhanced Cover costs £4.10 each month.

Year 5

Katie's business is doing well and, after speaking to her financial adviser, she decides to **increase the Children's Enhanced Cover to £75,000**.

Children's Enhanced Cover costs £12.30 each month.



Year 22

When Penny reaches age 22, Katie **removes the Children's Enhanced Cover from her Life Cover policy** and the premium reduces.



The total cost of Children's Cover when spread over the 30-year term is the equivalent of

**£5.19
a month.**

For more information, please see
the terms and conditions.



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