

SELF-EMPLOYED WORKERS RISK LOSING £300BN A YEAR DUE TO LACK OF FINANCIAL PROTECTION

- **93% of the UK's 4.8 million self-employed workers have no critical illness cover**
- **Taking time off due to illness would cost them an average of £67,550 each per year**
- **Collective cost of UK self-employed workers' lack of financial protection now tops £300 billion**
- **Nearly half (47%) of this workforce lack contingency plan if they get ill**

According to new research from Scottish Widows, 93% of the UK's self-employed workforce have no critical illness cover, leaving people open to financial ruin if forced to take long-term sick leave.

This is despite business owners¹ spending an average of £9,700 and six-and-a-half months of their lives setting up their ventures. And with one in seven UK workers now self-employed, this means that around 4.4 million² of them have no protection in place if they were unable to work due to serious illness.

Taking extended sick leave would cost the self-employed an average of £67,550 each per year, amounting to a national financial risk of more than £300 billion annually.³

Putting hard work and investment at risk

However, four in ten (42%) uninsured, self-employed workers insist they don't need critical illness insurance or don't see it as a financial priority. This is despite three-quarters (76%) of business owners or partners having no employees and no-one to cover for them should they fall ill and be unable to work themselves.

Those who have their own business are putting their operations at risk in other ways too, with half (50%) admitting that they don't insure the equipment which is crucial to running their venture, such as laptops and tools, and 70% of the self-employed in general saying that

¹ Those who own their own business or who are partners in a business, which account for 46% of the self-employed. Freelancers, contractors and consultants account for 50% and 4% are 'other'

² ONS – April 2017. Of the 31.84 million people in work, 4.78 million are self-employed

³ The personal cost of £67,550 and national cost of £302.95bn were calculated from the average estimated cost to the self-employed of £1,299.04 per week.

they don't have life insurance in place to protect their dependents if the worst should happen.

Lack of contingency plan leaving families financially vulnerable

Self-employed workers who forego insurance are also failing to "self-insure" adequately through other means. Almost half (47%) of them have no other personal contingency plan in place, such as backup savings, should they fall ill, despite working-age benefits like Statutory Sick Pay not being available to the self-employed.

More than an fifth (22%) of the self-employed have a mortgage to pay. But changes made last year to Support for Mortgage Interest - the only safety net in place for many families if they are unable to pay their home loan - mean that people now have to wait 39 weeks before receiving this benefit instead of the previous 13. This could be too late for many if they have no other protection in place.

Limited savings exacerbating financial vulnerability

The average self-employed worker only has enough personal savings to last an average of 9.2 months if they were unable to work. This is particularly worrying when you consider that a third (33%) have dependent children and nearly half (48%) say their household relies on their income alone.

And with their average monthly spend on running the household (including mortgage, bills and food) totalling £1,057, those savings could be put under intense strain very quickly with no other safety net in place.

Almost two-thirds (62%) of self-employed workers say they have no other source of income outside of their business, and a third (34%) admit that if they were unable to work due to illness, they would have no other resources or income to rely on.

Jackie Leiper, protection director at Scottish Widows, said: "Self-employed workers put immeasurable amounts of time and money into getting their businesses off the ground, but

our research reveals that they're failing to protect their greatest asset - themselves. This is particularly concerning when you consider that this workforce has a more limited range of working-age welfare benefits.

“Self-employment and self-reliance go hand in hand, so it’s absolutely vital that these workers have a back-up plan in place should the unexpected happen, especially with so many of their families being solely reliant on their income.

“No one wants to think about the unexpected happening, but having a financial back-up plan will provide peace of mind and allow people to enjoy the many benefits that self-employment brings.”

– ENDS –

Note to editors:

Scottish Widows’ protection research is based on a survey carried out online by Opinium, who interviewed a total of 5,077 adults in the UK between 16th and 27th March 2017.

For further information, please contact:

Lorna Waddell
07793 670682
lorna.waddell@lloydsbanking.com

About Scottish Widows:

- Scottish Widows was founded in 1815 as Scotland’s first mutual life office and is one of the most recognised brands in the life, pensions and investment industry in the UK
- Scottish Widows is a sponsor of the *Building Resilient Households* report, commissioned by the Chartered Insurance Institute, which launched on 31st October 2016. The report seeks to understand the factors affecting resilience to sickness absence and what can be done to help more families weather the effects of this in future.
www.cii.co.uk/43674
- Scottish Widows supports and is participating in the Cii Insuring Women’s Futures Programme, for detail see www.insuringwomensfutures.co.uk
- Through its Helping Britain Prosper Plan, Lloyds Banking Group recognises that the UK still faces serious social and economic challenges and is using its scale, reach and influence to help tackle them. It has publicly committed to take a lead in financial inclusion to enable all individuals to access and benefit from the products and services they need to make the most of their money. This research by Scottish Widows underscores and helps the Group deliver against that ambition.