Family Protection in Ireland

Have we got it covered?

We all know how important it is to put adequate family protection in place for our customers. Over half a million families in Ireland with dependent children have no life insurance.[1] While those with mortgages must have mortgage protection to protect the loan, only 1 in 5 parents (22%) have life insurance in addition to their mortgage protection.[1]

It is important to ensure that the structure of a family is taken into consideration when looking at their protection needs.

Family Structures

One in three families in Ireland departs from the traditional model of a married couple both of whom are in their first marriage. One in four children under 21 years of age lives in a family that does not conform to this model. [2]

Alternative family structures are dominated by:

1. Never-married cohabiting couples
2. Mothers who are sole head of the household: those who have never married and
3. Mothers who are divorced or separated.[2]

Together with first-time marriages, these four family types account for 92% of families.[2] Let us look at the different considerations for the following 3 groups: Women, co-habiting couples, and divorcees.

Women

In 2013 the employment rate in Ireland for women aged 15-64 was 55.9%, below the EU average of 58.7% and the 10th lowest rate in the EU.[3] Regardless of whether she also works outside the home, a mothers contribution in the home equals around €720 per week.[4] €335,000 of life cover would help her family cover that €37,500 annual contribution to the home, and could cost a 35 year old just over €27 per month. (Quotation based on an individual aged 35 years & 6 months who is a non-smoker, with no health issues, taking out a twenty year term life insurance plan with life cover only of €335,000 on a level term basis with Irish Life. Actual price €27.15. Inclusive of the government levy. Price correct at April 8th 2015.)

If we look at the family structure of 35 year old women, and how it has changed since the 1970s, the number who are married with children has dropped. Those who are single with no children are increased in number, as are those who are single with children. In fact, in Ireland, more than 1 in 4 families is headed by a lone parent (that is 215,315 families).[5] The vast majority of these, 87%, are headed by a lone female.[5] The majority of these women are aged 35 – 49.[5] Most lone parents, both male and female, work outside the home as well as in the home. While they are more likely than two income families to have budget concerns, it goes without saying that should something happen to the head of that household, there will be an impact. Obviously they will all have different financial needs based on their situation. However, the gap in the levels of cover in place for women would indicate a real need for increased levels of advice in this area. In 2014, the average sum assured taken out for life cover was just over €150,000, versus €195,000 for men.[6] The claims being paid show even larger gaps between average amounts for men and women: 2 in 3 death claims paid are for men.[6]

Co-habiting Couples

The number of co habiting couples has risen, and in 2011 was estimated to be around 120,000 couples in Ireland.[7] The Civil Partnership Act 2011 defined Civil Partners and Qualified Cohabitants. Civil Partners, persons of the same sex who are parties to a civil partnership registration, enjoy similar inheritance rights and tax treatment on gifts or inheritances between them as married couples, with some minor differences. Qualified Cohabitants, same or opposite sex couples who live together, have the right to apply for a portion of their cohabiting partners estate, this is not an automatic right and any spouse or civil partner's rights would be satisfied first. In terms of Capital Acquisitions Tax these individuals remain in the Group C "strangers" category which is currently €15,075. As a result they may face a large CAT bill on any inheritance over €15,075 from their partner, which will be taxed at 33%.

There is a great need for solid advice on the financial implications of their cohabiting status in many different areas.

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By Kate Connor, Protection Development Manager, Irish Life

It's also important to ensure that protection plans that are put in place on the individuals are structured appropriately. The relationship between the person paying the premiums and the beneficiary of the plan proceeds will determine any tax liability that may arise.

Divorce

Whilst the number of divorced people in Ireland has increased steadily since 1996, to 87,770 people in 2011, the rate of divorce in Ireland remains relatively low in comparison with other countries in Europe. According to a report on the Census 2011, on population change in Ireland, "Irish family patterns are distinctive from those of some other western countries in two respects: the birth rate remains relatively high and the propensity for marriages to dissolve remains comparatively low".[8] However, those who do obtain a divorce will have specific considerations in terms of protecting their family financially.

Where maintenance is being paid, the recipient should consider protecting this insurable interest. This could be done with a life of another contract. Where existing cover was cancelled following a divorce then a review of their cover may be warranted.

In summary we can see that both the structure of families and the traditional 'head of the family' role has changed over time. Recognising why these changes occur is a hugely beneficial exercise and is why Irish Life research the Irish protection market. As an industry our thinking must also develop as we need to provide financial advice and products that match these changing customer needs in the market of today and tomorrow.

1. Source: Red C Survey on behalf of Irish Life 2015. 2. Source: Report: "Households and Family Structures in Ireland" funded by the Family Support Agency and produced by researchers from the ESRI and UCD. December 2011 3. Source: CSO QNHS, Eurostat LFS Central Statistics Office: 'Women and Men in Ireland 2013'. 4. Source: Samples derived from an online survey of 1000 individuals aged 16+ Coyne Research May 2013. Research carried out amongst mothers with children under the age of 18. Samples derived from an online survey of 1,000 adults conducted by Coyne Research (May 2013) on behalf of Irish Life. Time values are based on Mothers hourly estimations. 5. Source Census 2011, & www.OPEN.ie 6. Source Irish Life Protection & Claims Statistics 2014 7. Source: Census 2011 8. Source: This is Ireland – Highlights from Census 2011

Irish Life Assurance plc is regulated by the Central Bank of Ireland

State Street Global Advisors Launches First Infrastructure ETF to Offer Combined Exposure to Equities and Bonds

State Street Global Advisors (SSGA), the asset management arm of State Street Corporation recently announced the launch of the SPDR® Morningstar Multi Asset Global Infrastructure UCITS ETF. The fund is the world's first infrastructure exchange-traded fund (ETF) to offer investors combined exposure to both infrastructure equities and bonds. This launch follows the release of research by SSGA which shows that 35 percent of intermediaries and 33 percent of institutional investors plan to increase their investment in infrastructure as soon as the second quarter of 2015.*

The ETF, which listed on the Deutsche Börse Xetra recently, tracks the Morningstar® Global Multi-Asset Infrastructure IndexSM. It allows investors to access the publicly available infrastructure universe in one trade.

SSGA recently surveyed 120 intermediary and institutional investors across Europe. The results found that 21 percent of intermediary investors and 20 percent of institutional investors who already invest in, or plan to invest in infrastructure consider using mutual funds or ETFs.

The findings also showed that investors investing in infrastructure directly or in unlisted private funds see illiquidity and the size of investment required as an issue in gaining access to the asset class. Amongst the intermediaries surveyed, 26 percent quoted illiquidity as a problem and 15 percent saw the size of investment required as a barrier to entry. Among institutional investors the figures were 20 percent and 18 percent, respectively, for both factors.

Commenting on the launch and the survey results, Alexis Marinof, head of SPDR ETFs EMEA, said, "Infrastructure investment has a number of key benefits: it has low correlation with traditional assets, provides access to long-duration and inflation linked assets and is less sensitive to business cycles."

"Our new fund aims to fill a clear need in the market at a time when investor interest in infrastructure is strong. However, many investors don't have the scale to invest in unlisted infrastructure or directly into debt securities, making it difficult for smaller investors to get exposure," continued Marinof. "Our fund aims to combat this, by offering a regulated, open-ended vehicle through which to access the asset class. The ETF also helps larger investors who have an allocation to direct infrastructure, by offering a temporary home for committed, but uncalled capital."

"The new ETF allows investors to benefit from a risk-adjusted returns profile that resembles direct investment in the underlying asset, but without the liquidity, transparency and cost issues otherwise associated with direct infrastructure investment."

Sanjay Arya, head of Morningstar Indexes said, "The Morningstar Global Multi-Asset Infrastructure Index is a unique index that combines both equity and fixed-income exposures to infrastructure."

"Spanning 18 industry segments, the broadly diversified global infrastructure index comprises companies that typically have long-duration assets, high entry barriers, provide essential services and demonstrate predictable revenue streams that are often indexed to inflation."