Income Protection

fixed cost flexibility for self-employed clients

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Fixed cost flexibility is a feature of our Income Protection product designed for self-employed individuals. This flexibility helps to cover additional financial commitments in addition to salary, ensuring individuals can manage the financial challenges they face. Let's explore how this works in practice.

The self-employed income protection gap

New income protection policies increased by 18% (vs. 10% in 2023).	There are 4.41 million self-employed workers in the UK.[2]	Only 6% of the UK's self-employed have Income Protection in place.[3]

1. https://ifamagazine.com/2024-was-a-bumper-year-for-income-protection-swiss-re-term-health-watch/
2. UK Labour Market Statistics August 2025 - Figures based on April to June 2025
3. Liverpool Victoria January 2023 - Figures based on 4000 UK adults surveyed between 16 Aug and 1 Sept 2022

Deliver better outcomes for self-employed clients

Self-employed clients have liability for their ongoing costs. They may not be able to pause some of these costs, if they need to take time off work due to illness or injury.

Our Income Protection helps you get cover for self-employed clients who may not have protection in place, by giving them more flexibility to cover the fixed costs they pay to run their business.

Flexibility in practice

Meet Gary

Gary's a self employed builder.

His pre tax profit from his business is **£21,000**.

His monthly fixed overheads total **£1,341** per month (**£16,092** per annum) and include things like van hire, rent for premises, and other business expenses.

Gary's paid these costs for the last 12 months.

What level of income can he protect?

Gary's Pre-tax profits were **£21,000** and his allowable fixed overheads were **£16,092**. This comes to **£37,092**

For this level of income, our maximum cover is 65% of £37,092 = **£24,109.80**

Gary's total sum insured £24,109.80

Gary's claim

Gary's involved in a car accident and is unable to work due to illness or injury.

His business can't continue to trade without him, but his overheads remain the same. When he claims, Gary provides us with evidence of his pre-disability earnings and fixed overheads. **As all of the above fixed overheads are listed in his company accounts and are verified as continuing despite his incapacity, his claim can be paid in full.**

Had Gary's accounts for the latest tax year not been available we wouldn't have formal evidence of his pre-incapacity earnings and fixed overheads that would continue, despite his illness. **We can help Gary cover his costs, we'd make a payment "on account".**

This is a provisional payment made based on the evidence that's available, subject to the full reports and accounts being submitted when they become available. Once we have these, we make an adjustment to the income protection payments being made if required - in the event of any shortfall we'd make a further payment, and any overpayment we made to Gary would be repaid by him.

Gary's fixed costs reduce

6 months after the IP claim starts to be paid, Gary's van loan comes to the end of its term as it's been fully repaid.

As Gary is no longer liable for the loan repayments, this monthly amount is deducted from his outgoings and his monthly claim payment would be reduced to reflect that.

Getting his business back up and running

Once he's ready, Gary decides to employ staff to allow his business to continue to trade in his absence.

If the business continues to make a profit, and the income from this cover together with business profit exceeded the maximum annual benefit, we'll reduce the amount we pay accordingly.

What can't Gary use the fixed cost flexibility for?

There's lot of things we can cover for in order to leave Gary with peace of mind his business will still be there for him when he is ready to return to work. There are a few things that we don't cover under this option. These are:

- If Gary employs any staff, we don't cover staff wages as part of the fixed costs flexibility within his Income Protection plan
- Fixed cost agreements that started after incapacity
- Any income tax or national insurance that Gary's liable for

Additional peace of mind for your clients

When you choose Royal London for Income Protection, all clients could benefit from a wide range of additional benefits and features, and you'll have peace of mind that your recommendation delivers great value for them over and above our fixed cost flexibility.

Fracture and hospitalisation cover as standard

We'll pay up to £4,000 per fracture cover claim. And they won't need to wait for their deferred period to end to access this benefit.

Helping Hand support*

Access to a wellbeing support service, including a 24/7 GP consultation access, physiotherapy and mental health support. Available even if they don't need to claim.

Helping Hand is a package of support services and each service is provided by third parties that aren't regulated by either the Financial Conduct Authority or the Prudential Regulation Authority.

These services aren't part of our terms and conditions and don't form part of your insurance contract with us, so can be amended or withdrawn at any time.

This means that your client or your clients family's access to these services could be amended or withdrawn by us in the future.

To find out more about our Income Protection and how you can support your self-employed clients speak to your usual Royal London contact or visit adviser.royallondon.com/income-protection

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September 2025

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