

A Guide to

# **CRITICAL ILLNESS PROTECTION**

Providing financial security at  
an emotional and difficult time



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It's easy to think "it won't happen to me," but if the worst should happen, your critical illness insurance could help provide financial security at an emotional and difficult time. Whether it helps pay off your mortgage, funds a relaxing holiday to recover from treatment, or just help you cope with the bills and expenses, the lump sum pay-out from critical illness insurance could relieve worries and let you concentrate on getting better.

Most home buyers purchase life assurance when they arrange a mortgage, but only a minority obtains critical illness insurance. Critical illness insurance pays a tax-free lump sum on the diagnosis of any one of a list of specified serious illnesses - including cancer and heart attack.

## **YOUR QUESTIONS ANSWERED**

### **Q: What is critical illness insurance?**

**A:** Critical illness insurance pays out a tax-free lump sum if you are diagnosed as having one of the specified life-threatening conditions defined in the policy. Policies often offer combined life and critical illness insurance. These pay out if you are

diagnosed with a critical illness, or you die, whichever happens first.

### **Q: What conditions are covered?**

**A:** All policies should cover seven core conditions. These are cancer, coronary artery bypass, heart attack, kidney failure, major organ transplant, multiple sclerosis and stroke. They may also pay out if a policyholder becomes permanently disabled as a result of injury or illness.

But not all conditions are necessarily covered. In 2011 the Association of British Insurers introduced a set of best practice guidelines.

The rules include clarification on when policies will pay out if a claimant suffers 'total permanent disability.' All policies automatically

include reduced cover for children but the new rules spell out when it will not apply - for example, if the condition was present at birth.

### **Q: Should I have a critical illness insurance policy?**

**A:** Your need to be covered by insurance against the diagnosis of a critical illness will largely depend on your life stage and your particular circumstances. These might include having a family to support, being a homeowner and paying a mortgage, those who have paid off their mortgage, or those who have separated from their partner and have dependant children.

If you are about to start a family (or have one already), a critical illness insurance policy is an essential way to plan for the entire family's protection from the outset.

### **Q: I have already paid off my mortgage, so why do I need critical illness insurance?**

**A:** If you have paid off your mortgage, and your mortgage protection policy

included critical illness insurance, but you still have dependants - you should have a separate critical illness insurance policy. It will enable you to continue to protect your family should the unthinkable happen to you.

**Q: Why do I need critical illness insurance cover as I'm separated from my partner?**

**A:** If you are unfortunate enough to have to go through divorce proceedings but are awarded custody of the children, you could ask your former spouse to take out a critical illness insurance policy. If your former partner is required to pay maintenance costs but is unable to work, the money spent on the children may even stop.

If you set up a critical illness insurance policy, the money could

be paid into a trust fund from which the children will benefit directly. The policy cannot be in the name of the children, however. ■

NEARLY TWO-THIRDS OF THE POPULATION HAS NO FORM OF FINANCIAL PROTECTION IF THEY BECOME CRITICALLY ILL. ADVANCES IN MEDICINE AND TECHNOLOGY ALSO MEAN THAT MORE PEOPLE ARE LIVING LONGER AND SURVIVING ILLNESSES THAT USED TO BE FATAL. IN RESEARCH CONDUCTED BY INSURER AVIVA, MOST PEOPLE AGED 45 TO 54, WHO ARE IN THE AGE GROUP MOST LIKELY TO CLAIM SAY THEY CANNOT AFFORD PROTECTION.

Critical illness insurance policies are very accessible and these days, there are literally hundreds of policies available. When choosing a policy, you should avoid simply choosing the cheapest. Similarly, the most expensive will probably cover you against every disease imaginable, and you may not need such detail in your policy.

The good news is that medical advances mean more people than ever are surviving conditions that might have killed earlier generations. For example, more than 90 per cent of men diagnosed with testicular cancer are still alive five years later, while more than 80 per cent of women diagnosed with breast cancer have the same survival rate, according to the Office for National Statistics.

**NEED HELP?**

TO DISCUSS THE OPTIONS AVAILABLE TO YOU OR TO REVIEW YOUR CURRENT PROVISION, PLEASE CONTACT US.



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