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CONSULTANCY

INDEPENDENT FINANCIAL ADVISERS

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# MONEY MATTERS

GUIDE TO

## CRITICAL ILLNESS COVER

*Helping you to focus on recovery,  
not your finances*

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## GUIDE TO

# CRITICAL ILLNESS COVER

## Helping you to focus on recovery, not your finances

Everybody wants to feel that, even if they were diagnosed with a critical illness, they'd be able to cope financially. Critical Illness cover can help minimise the financial impact on you and your family if you become critically ill. Being diagnosed with a critical illness can affect anyone at any age, strike at any time and can turn lives upside down.

While it's easier to explain the importance of life cover, one scenario people often overlook is what would happen if they were diagnosed with a critical illness. One in two people in the UK will develop some form of cancer during their lifetime<sup>[1]</sup>, every seven minutes someone will have a heart attack and every 12 minutes someone will have a stroke<sup>[2]</sup>.

### Focus on getting better

In the event of being unable to work due to critical illness, having access to the right amount of money can alleviate some of the financial stress of the situation. The important thing is being able to focus on getting better and not having to worry about money.

Critical illness can severely impact the way you live your life, especially when you have to consider supporting your family while you are recovering. People finding themselves in this situation may use their savings to supplement their loss of income, some may rely on an employment benefit package, while others may find that critical illness cover is their best option.

### Minimise the financial impact

It's easy to think 'I'd cope, that'll never happen to me', but most of us know someone either

directly or through friends and family that has been affected. Any of us can become ill at any age – and with appropriate critical illness cover in place, it could help to give some financial security at a difficult time.

Critical illness cover can help to minimise the financial impact on you and your loved ones. For example, if you needed to give up work to recover or if you passed away during the length of the policy, the money could be used to help fund the mortgage or rent, everyday bills or even simple things like the weekly food shop – giving you and/or your family some peace of mind when you need it most.

### Preparing for the worst

After surviving a critical illness, sufferers may not be able to return to work straight away (or ever), or may need home modifications or private therapeutic care. It is sad to contemplate a situation where someone survives a serious illness but fails to survive the ensuing financial hardship. Preparing for the worst is not something we want to think about when feeling fit and healthy, but you never know what life is going to throw at you next.

Critical illness cover, either on its own or as part of a life assurance policy, is designed to pay you a tax-free lump sum on the diagnosis of

certain specified life-threatening or debilitating (but not necessarily fatal) conditions, such as a heart attack, stroke, certain types/stages of cancer and multiple sclerosis.

### A time of emotional stress

A more comprehensive policy will cover many more serious conditions, including loss of sight, permanent loss of hearing and a total and permanent disability that stops you from working. Some policies also provide cover against the loss of limbs. But not all conditions are necessarily covered, which is why you should always obtain professional financial advice.

If you are single with no dependants, critical illness cover can be used to pay off your mortgage, which means that you would have fewer bills or a lump sum to use if you became very unwell. And if you are part of a couple, it can provide much-needed financial support at a time of emotional stress.

### Combined life and critical illness cover

The illnesses covered are specified in the policy along with any exclusions and limitations, which may differ between insurers. Critical illness policies usually only pay out once, so they are not

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a replacement for income. Some policies offer combined life and critical illness cover. These pay out if you are diagnosed with a specified critical illness, or you die – whichever happens first.

If you already have an existing critical illness policy, you might find that by replacing a policy, you would lose some of the benefits if you have developed any illnesses since you took out the first policy. It is important to seek professional advice before considering replacing or switching your policy, as pre-existing conditions may not be covered under a new policy.

### When you need to increase your cover

Some policies allow you to increase your cover, particularly after lifestyle changes such as marriage, moving home or having children. If you cannot increase the cover under your existing policy, you could consider taking out a new policy just to ‘top up’ your existing cover.

A policy will provide cover only for conditions defined in the policy document. For a condition to be covered, your condition must meet the policy definition exactly. This can mean that some conditions, such as some forms of cancer, won’t be covered if deemed

insufficiently severe. Similarly, some conditions may not be covered if you suffer from them after reaching a certain age – for example, many policies will not cover Alzheimer’s disease if diagnosed after the age of 60.

### Survival period

Very few policies will pay out as soon as you receive diagnosis of any of the conditions listed in the policy, and most pay out only after a ‘survival period’. This means that if you die within this period (even if you meet the definition of the critical illness given in the policy), the cover would not pay out.

Permanent total disability is usually included in the policy. Some insurers define ‘permanent total disability’ as being unable to work as you normally would as a result of sickness, while others see it as being unable to independently perform three or more ‘Activities of Daily Living’ as a result of sickness or accident.

### Activities of Daily Living include:

- Bathing
- Dressing and undressing
- Eating
- Transferring from bed to chair and back again

How much you pay for critical illness cover will depend on a range of factors, including what sort of policy you have chosen, your age, the amount you want the policy to pay out, and whether or not you smoke. ■

### DO YOU HAVE A FINANCIAL CUSHION TO HELP ABSORB THE IMPACT OF A SERIOUS ILLNESS?

The good news is that medical advances mean more people than ever are surviving conditions that might have killed earlier generations. Critical illness cover can provide cash to allow you to pursue a less stressful lifestyle while you recover from illness, or you can use it for any other purpose. To find out more or to discuss your concerns, please contact us – we look forward to hearing from you.

Source data:

[1] Cancer Research UK, 2019

[2] Heart UK, 2019

# NEED A HELPING HAND FOR YOU AND YOUR LOVED ONES?

Critical illness cover is designed to help you and your loved ones cope financially if you are diagnosed with a specified serious illness or medical condition. It can provide tax-free cash to allow you to pursue a less stressful lifestyle or to use for any other purpose.

**To review your current situation or to find out more,  
please contact us for further information – we look  
forward to hearing from you.**

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