



Guide to Critical Illness Cover

Understanding the advantages of critical illness cover can help you make informed decisions and ensure you're adequately protected.

The aim of this guide is to answer a few common questions people have about critical illness cover.

What is critical illness cover?

Critical illness cover is a type of insurance policy designed to provide you with a tax-free lump sum if you are diagnosed with a specified serious illness or medical condition. This financial support for you and your family can be crucial during a time when you may be unable to work, or you have additional expenses. The primary goal of critical illness cover is to alleviate the financial burden associated with serious health issues, enabling you to focus on recovery without the stress of financial concerns.

What does it cover?

The Association of British Insurers (ABI) revised their Guide to Minimum Standards for Critical Illness Cover in September 2022, which states that, to be called 'critical illness' insurance, policies must include cover for cancer, heart attack and stroke according to specified minimum definitions of those conditions. The ABI guide also sets out minimum definitions for other conditions which insurers may or may not offer, to ensure that the cover for all these conditions meets certain minimum standards.

Will my claim be paid?

Latest figures¹ from the ABI for 2024 show that 20,990 critical illness claims were paid. Cancer was the most common reason for a payout, representing 62% of all claims paid. The average payout per claim was £67,600. These are real individuals and their families who have been supported by insurance.

Can it be taken out with life cover?

Yes, critical illness cover can often be combined with life cover. Many people may take it out as an add-on option when taking out life insurance to cover their mortgage. This combination is typically referred to as a combined or bundled policy which provides cover for both critical illnesses and death. If you opt for this type of policy, it will pay out either on the diagnosis of a covered critical illness or upon death, whichever occurs first. This combination can be more cost-effective than purchasing two separate policies and provides comprehensive protection for you and your family.

Do I need it?

Determining whether you need critical illness cover depends on your personal circumstances and financial situation. Ask yourself the following questions:

- Do you have dependents who rely on your income?
- Could you afford to cover your mortgage, debts and living expenses if you were unable to work due to a serious illness?
- Do you have savings or other insurance policies that would support you during a prolonged illness?

Depending on your answers, critical illness cover could be a solution to provide you with essential financial protection. It is especially beneficial for individuals who do not have substantial savings or alternative means of income during an extended period of illness.



How much cover do I need?

The amount of critical illness cover you need depends on various factors, including your financial obligations, lifestyle and personal preferences. We will discuss this in detail with you to determine the amount of cover required, considering your personal circumstances such as:



- **Living expenses**

Including mortgage or rent, utilities, food and transport costs



- **Debt**

Including personal loans, credit card balances, or car loans



- **Dependents**

Childcare, education costs and daily living expenses



- **Existing savings and policies**

If you have savings, are these earmarked for something?

If you have existing cover, does this meet your current requirements?

A common approach is to ensure the lump sum payout would cover at least one to two years of your current salary. However, we will be able to recommend the right amount of cover which reflects your unique financial situation and plans for the future.

How much will it cost?

The cost of critical illness cover varies based on several factors:

Age

Younger individuals typically pay lower premiums because they are generally at lower risk of serious illness

Health

Your medical history and current health status will impact the cost. As will pre-existing conditions or a history of illness

Lifestyle

Factors such as smoking, alcohol consumption and physical activity level influence your risk profile and, consequently, your premiums

Occupation

Jobs with higher risks of illness or injury can lead to higher premiums

Amount of cover

The more extensive the cover, the higher the premium. Opting for a larger lump sum payment or a longer policy term increases the cost

We can help you find a policy that fits your budget and provides the cover you need.



Waiver of premium

Waiver of premium is an optional feature that can be added to your critical illness cover. This benefit allows you to stop paying premiums if you become unable to work due to illness or injury, while keeping your policy active. It provides peace of mind that your cover will continue even if your income is disrupted. Although adding waiver of premium will increase your overall premium, it can be a valuable feature, particularly if you are concerned about maintaining payments during difficult times.

Should the policy be written in trust?

A trust is a legal arrangement that allows you to leave assets like money, property or investments to family members, loved ones or whoever you choose as your beneficiaries. With a critical illness policy, you would want to receive the payout yourself, so you would not normally want to have a standalone critical illness policy written in trust. However, if you have combined life insurance with critical illness, you may want to arrange a 'split trust' which means you can still benefit from any critical illness payout while alive and leave a life insurance payout for your beneficiaries after you die.

Setting up a trust can be complex and it's advisable to seek professional advice. This is where we can help.



How we can help

Engaging with an adviser can provide valuable assistance in choosing the right critical illness cover. We can help in several ways, including:

Assessing your needs

We will take time to assess your financial situation, commitments and future goals to recommend appropriate cover

Comparing policies

With access to a wide range of policies, we can compare different options to find the most suitable fit for your needs

Understanding terms

Insurance policies can be complex, with varying definitions of covered illnesses and conditions. We can explain these terms and help you understand what your policy covers

Tailored recommendations

Because we understand your specific circumstances, we can recommend additional features that might be beneficial, such as a waiver of premium or indexation

While cost is obviously an important factor, working with an adviser will ensure that you receive comprehensive and suitable advice for a product that aligns with your needs and preferences, while considering your budget.

Reviewing cover regularly is important

Life changes... and it may be that your insurance cover needs to change as well. Regularly reviewing your critical illness cover ensures it remains adequate and relevant. We would suggest reviewing your policy in the following situations:

Changes in personal circumstances

Events such as marriage, divorce, the birth of a child, or buying a home can all affect your financial needs

Changes in health

Improvements or declines in health can influence your cover

Inflation

over time, cost-of-living increases mean you may need to adjust the amount of cover to maintain its value.

Reviewing your policy with a financial adviser periodically ensures that your cover keeps pace with your life changes. Insurance companies are also constantly evolving their policies to reflect changing lifestyles and medical advancements, so it may be possible to get more comprehensive cover than that provided by an older style policy. This is something we can check for you, as well as making sure you are paying a competitive premium.





Remember

it's important not to cancel any insurance cover without considering all your options. If you're thinking of cancelling a policy to save money, think again. It's likely to be more expensive to take out new cover because you'll be older. You might also find it hard to get insurance again if you're in worse health than when you originally took out a policy.

Contact us

We understand that it can be difficult to assess the type of protection cover you need and to understand the complexities of critical illness policies. This is where we can help by providing expert advice. If you have any queries about critical illness cover or would like to discuss any aspect of protection insurance, please do get in touch.

¹ABI, 2025

**As with all insurance policies, conditions and exclusions will apply
It is important to take professional advice before making any decision relating to your personal finances.**

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