

If you were diagnosed with a critical illness, would you be able to cope financially? 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.

As we've seen from the coronavirus (COVID-19) pandemic, any of us can become ill at any age. 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.

Surviving financial hardship

After surviving a critical illness, you may not be able to return to work straight away (or ever), or you 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.

Tax-free lump sum

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.

Comprehensive policy

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.

Much-needed financial support

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.

Exclusions and limitations

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 are not a replacement for income. Some policies offer combined life and critical illness cover. These pay out if you are diagnosed with a critical illness, or you die, whichever happens first.

Pre-existing conditions

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 financial advice before considering replacing or switching your policy, as pre-existing conditions may not be covered under a new policy.

Lifestyle changes

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.

Defined conditions

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 a diagnosis of any of the conditions listed in the policy and most pay out only after a 'survival period', which 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.

Range of factors

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.

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

Make sure you're fully covered

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.

Protecting you and your family

For more information on what are the best options for you and your loved ones, contact one of our independent financial advisers for a free consultation

