

Association of British Insurers

A Guide to Critical Illness Cover

Information sheet

Why should I consider buying critical illness cover?

If you, or those who depend on you, would face financial difficulties if you became critically ill (for example if you had cancer, a heart attack or a stroke), you may want to consider taking out critical illness cover.

When you're critically ill, the last thing you need is any financial worry like the fear of losing your home because you can't pay your mortgage. Critical illness cover aims to give you peace of mind in these circumstances.

If you are thinking about buying critical illness cover, the information in this guide aims to help you choose a policy that will meet your needs.

What are critical illness policies?

Critical illness policies usually pay a tax-free lump sum if you suffer from one of the listed critical illnesses and meet the definition set out in the policy.

You should not confuse critical illness cover with other types of health insurance such as:

- **private medical insurance** which pays for the cost of private medical treatment; or
- **income protection insurance** which pays you a monthly income after you have been unfit to work (because of sickness or accident) for an agreed period. The income continues until you are fit to return to work or the policy ends.

What do I need to know about critical illness cover?

Before you decide to take out a policy, your financial adviser or insurance company will give you information about the policy you are considering. This will give you important details about the policy you are considering and what the policy covers. This information can help you compare different companies' policies. Your financial adviser or insurance company will be able to answer any questions you have.

Which critical illnesses are covered?

Different policies cover different critical illnesses. Each policy will only cover the conditions set out in the product literature that your financial adviser or insurance company will give you, and no others. However, all critical illness policies cover cancer, heart attack and stroke.

We have published model definitions as a minimum standard for the most common critical illnesses covered. This means that insurance companies will assess claims for all these conditions using the same or more favourable definitions.

Please remember that the name of each critical illness is only a guide to what is covered. For example, some types of cancer are not covered. The full definition under each heading shows what your policy covers. You can ask your insurance company for this information.

The model definitions are grouped into 'core' and 'additional' conditions. The 'core' conditions are generally the critical illnesses most likely to happen.

The 'core' conditions are:

- cancer
- coronary artery by-pass surgery
- heart attack
- kidney failure
- major organ transplant
- multiple sclerosis
- stroke

The 'additional' conditions are:

- aorta graft surgery
- benign brain tumour
- blindness
- coma
- deafness
- heart valve replacement or repair
- loss of limbs
- loss of speech
- motor neurone disease
- paralysis/paraplegia
- Parkinson's disease
- terminal illness
- third degree burns

Insurance companies may not cover all these critical illnesses but if they do, the company will use our model definitions or alternatives that give more cover.

Insurance companies may also cover other critical illnesses, for example total permanent disability, as well as those with model definitions.

Will any exclusions apply to the cover?

Critical illness policies usually contain certain exclusions (things which are not covered). Exclusions vary between insurance companies. The product literature provided by your financial adviser or insurance company will list the exclusions of that particular policy.

We have published model definitions for the most common exclusions. The headings of those exclusions are as follows.

- Aviation
- Criminal acts
- Drug abuse
- Failure to follow medical advice
- Hazardous sports and pastimes
- HIV/AIDS
- Living abroad
- Self-inflicted injury
- War and civil commotion

Policies which have these exclusions use our model definitions or an alternative that is less restrictive.

How do I compare policies?

The product literature provided by your financial adviser or insurance company should help you to compare the policies of different insurance companies. It will show you the critical illnesses covered and the main exclusions. It will also tell you whether, for example, your premiums may go up and whether you have to tell the insurance company if you change your occupation.

Not all insurance companies cover the same illnesses or have the same exclusions. When you compare the conditions covered by different policies, remember that the core conditions listed on the previous page are the ones most likely to happen. So cover for the core conditions is usually more important than cover for the other conditions. To help you make comparisons, the product literature will list the critical illnesses covered in alphabetical order.

What types of policy are available?

A wide choice of policy is available. So it is important that you choose the policy and cover that is right for you.

You can choose critical illness cover as an extra benefit on a life insurance policy. This usually means that the policy pays out if you die or suffer a critical illness. These policies generally only pay out once and then end – so they don't continue to provide life cover after paying a critical illness claim.

Many people want to protect their mortgage, and most mortgage protection policies allow you to include life cover and critical illness cover. You may prefer to buy critical illness cover as a separate policy, for example if you already have all the life cover you need.

You should also think about how long you want the cover for. You can choose cover for a set number of years, perhaps until your mortgage is paid off. Or you can choose a policy that has no fixed period, so you can keep the cover for as long as you need it.

Many policies automatically provide some critical illness cover for your children. If you have a family, you may want to consider a policy with this benefit.

Your financial adviser or insurance company will be able to help you decide which type of policy will best meet your needs, as well as answering any questions you have about the policy you are considering.

What is the cost?

For most policies you must pay a regular premium, either every month or once a year, and the amount of cover you can buy obviously depends on the premium you can afford. The size of your premium depends on your age, sex, health, occupation, whether or not you smoke, the amount and type of cover you need and how long you need the cover for. Your financial adviser or insurance company will be able to give you more information on this.

Depending on the type of policy you choose, your premiums may increase over the life of the policy. Any possible increases, and the reasons for them, will be explained in the product literature. Some insurance companies offer policies which guarantee that your premiums will never increase

unless, for example, you increase the amount of your cover.

If you find that you can no longer afford the premiums you should contact your financial adviser or insurance company. They will tell you if there are any options available to you.

Who can take out critical illness cover?

Most insurance companies allow you to take out a policy if you are in good health and are within the age range they accept (usually aged between 18 and 60). Most insurance companies allow the policy to cover both you and your partner, in which case the company normally only pays the lump sum when the first person becomes critically ill and then the cover ends.

If you are suffering from, or have suffered from, a serious illness, you may not be able to take out a policy. Or you may be able to buy a policy that does not cover any critical illness directly or indirectly related to your illness, or a policy charging a higher premium. You may also have to pay a higher premium if certain conditions, for example, heart disease or cancer, run in your family. This is because you may be more likely to suffer a critical illness.

Some companies automatically provide some critical illness cover for your children from the age of 3 or earlier usually until age 18. Insurance companies do not usually cover any illness or disability that a child had at birth or when the cover began.

Can I increase my cover after the policy starts?

Some insurance companies allow you to increase your cover to keep up with inflation or after certain events – for example, if you get married. If you take up these options, your premium will increase to pay for the increased cover provided.

Other insurance companies may allow you to increase the cover at any time, but you will generally need to provide up-to-date information (for example about your health) before the insurance company decides whether you can have the extra cover.

How do I apply?

You can buy a policy direct from an insurance company or through a financial adviser. We can provide a list of insurance companies offering critical illness cover policies, which are members of the ABI. You will be asked to fill in an application form, decide the amount and type of critical illness cover you want and the period you want the cover for. Your financial adviser or insurance company will be able to give you information to help you decide.

You will also be asked to give details about yourself, including your occupation and health. Depending on your medical history and the amount of cover you want, the insurance company may ask your doctor for a medical report. You may also need to have a medical examination. The insurance company will pay for these.

How do I make a claim?

If you think you have suffered one of the critical illnesses covered, you (or someone acting for you) should tell your insurance company. They will send you a claim form to fill in. The form will ask you for details of your illness and the doctors who have treated you. The insurance company will then write to the doctors to collect information about your condition. If this information confirms that you have suffered a critical illness which is covered by your policy, your claim will be paid promptly.

You may be asked to provide other supporting medical evidence, such as the results of a new medical examination, to confirm that your claim is valid. Some conditions must be permanent for a claim to be paid. It can sometimes take time to show that the condition is not likely to improve.

For some critical illness policies, when you become critically ill you must live for a certain period before you can make a claim. This period varies between insurance companies, but is usually up to a month from the date your illness is diagnosed. This type of 'survival period' normally applies to policies without life cover.

What if I decide I don't want the policy after all?

Most policies have a cooling-off period (usually 30 days from when you receive your policy). During that period you can tell your insurance company that you want to cancel the policy and receive a refund of any premiums that you have paid.

Are these policies regulated?

Yes. Since 14 January 2005, the Financial Services Authority (FSA) has regulated all critical illness policies and any advice you receive about them.

What should I do if I want to complain?

You should first tell either your financial adviser or the insurance company. The product literature will give details of the insurance company's complaints procedure. These procedures make sure your complaint is investigated properly.

However, if you are not satisfied with how your financial adviser or insurance company has dealt with your complaint, you can ask the Financial Ombudsman Service to settle the matter. The service provided is free to customers. Their decisions are binding upon the insurance company, but do not affect your right to take legal action.

You can contact the Financial Ombudsman Service at:

Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR

Phone: 0845 080 1800
Website: www.financial-ombudsman.org.uk

Where can I get further information?

We hope this leaflet has helped you decide whether you should take out critical illness cover and, if so, the type of policy you should choose.

We have published a "Guide to the Model Critical Illness Definitions". It explains in more detail what each definition does, and does not, cover. You can get a copy at www.abi.org.uk.

Your financial adviser or insurance company will be able to answer any questions you may still have, including those about the policy you are considering.

We have produced this leaflet on behalf of our insurance company members who offer critical illness cover. You can ask us for our guide to the model definitions and exclusions. Please note that this leaflet contains general information only. You should not rely on it to give you full details of any particular company's critical illness policy.

We represent over 400 insurance companies, which provide over 96% of the insurance business in the UK. We represent insurance companies to the Government, and to regulatory and other agencies, and provide a wide range of services to our members.

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