

CRITICAL ILLNESS INSURANCE

Critical illness insurance or critical illness cover or indeed even critical illness protection all started life in way off South Africa. The year was 1983 and it went by the name of dread disease insurance or serious illness insurance or trauma insurance. More of that little story in a minute. Some companies even give the cover a pet name such as Living Assurance or LifeChoice. This is their way of giving the cover a name that more closely resembles what it is and what it does. I'll refer to it in any of it's above guises in this, my 'Life Insurance for Life' critical illness info guide.

No matter what they call it, it's essentially the same thing from whoever you buy it from. It pays out upon surviving a set time after being diagnosed with an illness that is covered by your plan. The 'set time' I've just referred to with regards to critical illness insurance can be anywhere between 8 to 30 days or somewhere in between. So for instance, your policy may say 'pays out the sum assured upon diagnosis of one of the critical illnesses contained on your policy after survival of 14 days'. That said however, the amount of critical illnesses contained on a critical illness policy can vary from company to company. It's fair to say though, that almost every company offering critical illness insurance cover the big three, those being, heart attack, cancer or stroke which accounts for nigh on 80% of all claims paid out, closely followed by neurological critical illnesses such Multiple Sclerosis.

Beware however, some companies may cover a huge array of 40 or more critical illness definitions but will you ever be diagnosed with 'red mountain goat disease'? You need to look closely at the Key Features document or brochures that the company produces as these will contain all the definitions. It may also be that you have two companies each offering critical illness protection for cancer cover. Cancer can be a very broad illness with a bewildering degree of different types of cancer. Look closely and compare insurance companies definitions. The devil is in the detail as they say. It might be that one company's definition of cancer is that little bit fairer than another company's and that the cancer doesn't need to be as invasive or widespread for that company to pay out. Most cancers however have to be more than just a freckle that can be chopped out on a day trip to the local clinic! Another classic definition might be a critical illness protection plan that pays out if you have triple bypass surgery whereas another pays out it's critical cover if you have just double or single bypass surgery so a keen eye for detail here helps. With more help regarding definitions please have a look at the independent website of the Association of British Insurers (ABI) www.abi.org.uk and there you can also find an extremely informative document showing their standardisations and definitions of illness and best practice. The direct link to the pdf is here <http://www.abi.org.uk/Media/Releases/2011/02/54762.pdf>.

Remember critical illness costs can vary and it can well be that you get what you pay for. Far more so than just life cover where if you're dead, your dead...they don't ask that they wheel in the body as proof!

Critical illness is often viewed as a bolt on to life insurance and it's true that it can be added to a life insurance plan so that the plan pays out on the earlier of either death or a critical illness. It can however be set up so that the plan pays out in the event you suffer a critical illness and then pays out again at a later date if you die. It can be set up with the same amount of critical illness as life cover or you can vary the amounts if you feel the bolt on critical cover is too dear. Eg your plan may contain life insurance of £100,000 but critical illness insurance of just £25,000 if you feel that's enough to see you through a period off work

whilst you're getting better or house modifications or paying for your own private medical help. The choice is yours and the plans can be adapted to whatever suits you depending of course on the flexibility of the company offering the critical illness insurance.

The critical illness plan itself can also have additional cover that is either integral to the plan or can be bolted in such as children's cover or buyback cover or total and permanent disability benefit or TPD for short. This can be a vital add in, but again read the small print when it comes to definition or check the ABI website above. Does it pay out on own occupation, any occupation or suited occupation. Very important differences.

A few final warnings for you. The doom mongers and cynics might say, 'critical illness cover never pays out'. Well that's untrue. A major broker last year confirmed payouts by the British insurers had risen to over 90%, that's more than 9 out of ten claims paid (Source: LifeSearch claims statistics report). In 2011 alone, one major insurer (Legal & General) paid out over £177 million pounds in critical illness claims (Source: Legal & General Claims Department 2012, based on critical illness and death claims finalised in 2011). One of the main reasons in the industry for this, is a reduction in non disclosure by people applying for the plans. Don't think you can just tell fibs when you fill in an application and pretend you're a non smoker then smoke 50 a day until you get lung cancer. They simply won't pay. They might be a little more sympathetic if your non disclosure is innocent, ie you forgot to tell them that you had childhood asthma that cleared up when you started secondary school etc, but don't take the risk. If unsure, disclose it. Tell them everything on your application. Don't give an insurer any chance to wriggle out of a future critical claim just at a time when you really need the money.

Another thing to watch out for is thinking you already have the cover on your life insurance plan. Let me explain. Many people have told me, 'Oh, I have critical illness cover on my life plan'. Upon closer scrutiny the benefit they actually have is Terminal illness benefit. This has nothing to do with critical illness cover and is very often just bolted onto a life insurance plan for no extra cost. It basically pays out the life insurance if the doctors determine that you will definitely die within 12 months. All they're doing is paying out the life cover early. Remember, critical illness pays out on diagnosis of a specified illness, it doesn't necessarily mean you are going to die. In fact the whole idea of critical illness benefit is to give you a cash injection just when you need it most so you can concentrate on getting better without the financial worries. You'll get better a lot quicker sunning it on a luxury break to convalesce in the Canaries than a cold weekend in Clacton or Blackpool!

Another oft seen mis-conception is that the benefit pays out if you can no longer work. It may well be the case that your critical illness does stop you working but it has absolutely no bearing on whether the plan pays out or not. If you want protection that pays out if you cannot work then you need to be looking at Permanent Health Insurance or Income Protection (ed, link them). Think about it, a lot of people keep on working even with cancer. It's just their way of dealing with it.

So, after all that, back to South Africa. You may be familiar with the man who was involved in the worlds first ever human heart transplant surgery in 1967, Dr Marius Barnard, a South African cardiac surgeon. He noticed over the years the devastating effects financially, that a

critical illness can have and many years later he lobbied the south African insurance companies to literally invent an insurance that would pay out for a critical illness. They called it dread disease insurance and on the 6th October 1983 the worlds first critical illness policy was launched.