Symphony
FINANCIAL ADVISERS

Insurance and Protection

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Critical illness cover

Critical illness cover, also known as critical illness insurance, is a long-term insurance policy to cover specific serious illnesses listed within a policy. Should the worst happen, it gives a tax-free 'lump sum' – a one-off payment, to help pay for your mortgage or rent, debts, or pay for alterations to your home such as wheelchair access should you need it, but it's your choice how you spend it.

What is critical illness cover?

Critical illness insurance will pay out if you get one of the specific medical conditions or injuries listed in the policy. But be aware that not all conditions are covered and policy will also state how serious the condition must be.

Examples of critical illnesses that might be covered include:

- Heart attack
- Stroke
- Certain types and stages of cancer
- Conditions such as multiple sclerosis

Most policies will also consider permanent disabilities as a result of injury or illness. It only pays out once and then the policy ends. Some policies will make a smaller payment for less severe conditions, or if one of your children has one of the specified conditions.

What isn't covered?

Some serious illnesses might not be covered, for example, some cancers and conditions not listed in the policy.

You probably won't be covered for health problems you knew you had before you took out the insurance, and this type of insurance does not pay out if you die.

What's covered and what's not, will be set out in the policy details so make sure you're fully aware of them and that they cover your needs.

Do you need it?

State benefits might not be enough to replace your income if something goes wrong. If you're eligible, welfare benefits range from around £70 a week to just over £100 a week, depending on your circumstances (i.e. whether or not you have children, a certain level of savings, or if your partner works).

Critical illness cover could be considered if:

- You don't have savings to tide you over if become seriously ill or disabled.
- You don't have an employee benefits package to cover a longer time off work due to sickness.

Who doesnt need it?

You might not need it if:

- You have enough savings to fall back on and can adequately cover expenses such as bills, loans, medical costs or a mortgage.
- You have a partner who can cover living costs and any shared commitments, like a mortgage.

Income protection

No one likes to think that something bad will happen to them. But each year close to a million people find themselves unable to work due to a serious illness or injury. If you couldn't work due to a serious illness, how would you manage? Could you survive on savings, or on sick pay from work? If not, you'll need some other way to keep paying the bills – and you might want to consider income protection insurance.

What is income protection insurance?

Income protection insurance is a long-term insurance policy to help you if you can't work because you're ill or injured.

- It replaces part of your income if you can't work because you become ill or disabled.
- It pays out until you can start working again, or until you retire, die or the end of the policy term - whichever is sooner.
- There's a waiting period before the payments start. You generally set payments to start after your sick pay ends, or after any other insurance stops covering you. The longer you wait, the lower the monthly payments.
- It covers most illnesses that leave you unable to work, either in the short or long term (depending on the type of policy and its definition of incapacity).
- You can claim as many times as you need to, while the policy lasts.

It's not the same as critical illness insurance, which pays out a one-off lump sum if you have a specific serious illness.

It's not the same as short-term income protection, which also pays out a monthly sum related to your income, but only for a limited period of time (normally between two and five years) and can cover fewer illnesses or situations.

Do you need it?

According to the ABI, one million workers a year find themselves unable to work due to a serious illness or injury.

It doesn't matter whether or not you have children or other dependants - if illness would mean you couldn't pay the bills, you should consider income protection insurance. You're most likely to need it if you're self-employed or employed and you don't have sick pay to fall back on.

Who doesn't need it?

You might not need income protection insurance if:

- You could get by on your sick pay – for example if you have an employee benefits package which gives you an income for 12 months or more.
- You could survive on government benefits - but they might not be enough to cover all your outgoings
- You have enough savings to support yourself – remember that your savings may need to see you through a long period.
- You could take early retirement – if you're near retirement age, perhaps you could afford to retire early. If you are unable to return to work you may be entitled to take your pension early.
- Your partner or family would support you – perhaps your partner has enough income to cover everything the two of you need.

What is life insurance

Put simply, life insurance is a policy that pays out an amount of money if the person covered dies. In the same way that home insurance covers your property, life insurance covers your life.

While the specifics of a policy will vary from insurer to insurer and policy to policy, they will pretty much fall into one of the following types:

- Cover for a specific amount of time – for example 15 or 20 years. These policies pay out if the person covered dies within that period of time.
- Cover for the whole of life – these policies pay out whenever the person covered dies.

Within these two types of cover, it is also possible to choose a cover type. Such as:

- Level cover, where the amount paid out stays the same;
- Decreasing cover, where the amount paid out decreases over time;
- Or increasing cover, where the amount paid out increases over time.

Generally, the amount paid following a claim will be a one-off sum of money. Some policies will make payments in instalments.

You may also find policies that have other options, either included at no extra cost or selectable at an additional cost. Examples would be:

- Terminal illness cover – where payment could be made if a terminal illness is diagnosed.
- Waiver of premiums – where the premiums would be paid on the policyholders behalf.
- Critical illness cover – where payment could be made if a critical illness is diagnosed.
- Life event changes – the ability to change cover if your situation changes.

These benefits vary from company to company, so it's always a good idea to check the details carefully before buying a policy.

Once you've made a decision about which policy's right for you, you'll need to make an application. Insurers usually need to assess that application before deciding if they can offer you cover.

It's important to be honest when completing your application. The most common reason for insurance claims being declined is that questions weren't answered in full, or they were answered incorrectly.

If the insurer can offer you cover, they'll confirm how much it'll cost and what you'll be covered for. The price you pay will be based on:

- Your age
- Your health
- How long you want the cover for
- The level of cover you need
- Smoker status

With most types of life insurance, you have to carry on paying the premiums continuously. If you stop paying premiums, the cover ends and you get nothing back. In many cases the cover can last for many years and, as a result, it's vitally important you make sure you're buying the right policy. Most life insurance policies do not have a cash in value.