A E Thomson Ltd

Independent Financial Advisers

Your

Essential Guide to Critical Illness

Living beyond a diagnosis and the steps to secure your future

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Your Essential Guide to Critical Illness

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Welcome to our Your Essential Guide to Critical Illness.

In an increasingly unpredictable world, critical illness cover remains one of the most vital yet often overlooked safety nets. This essential protection provides a lifeline when circumstances change unexpectedly, offering crucial financial support exactly when you and your family need it most.

Adding critical illness cover to your insurance portfolio is about taking control of your financial future. While many people believe serious illness only affects others, the reality is that critical conditions can affect anyone, at any age, often without warning. This guide will help you understand how critical illness cover works and how to choose the right protection for your needs.

Financial impact of illness

Almost a quarter of parents with young children feel they would be unable to cope financially if they were diagnosed with a critical illness, and 35% are concerned about their family's financial security.

The financial impact of a critical illness extends far beyond medical expenses. When facing a serious condition, many people find they are unable to work for extended periods, with some never returning to their previous employment level.

Focus fully on what matters most

The growing burden of ongoing financial responsibilities, such as mortgage payments, household bills, childcare costs, school fees and daily expenses, can turn an already difficult situation into an overwhelming crisis.

Critical illness cover bridges this gap by providing a tax-free lump sum on diagnosis of specified conditions. This financial support enables you to focus fully on what matters most: your recovery and quality time with loved ones, without the constant worry about mounting debts or sacrificing your family's standard of living.

What conditions are covered?

Each policy clearly sets out which illnesses are covered, along with any exclusions and limitations that may apply. These details can vary significantly between insurers, making it essential to understand exactly what the protection covers.

Standard cover typically includes:

There are some 100,000 heart attack admissions in the UK annually. That equates to 1 every 5 minutes.

Source data: British Heart Foundation 2025.

8 million people are currently living with cardiovascular disease in the UK.

Source data: British Heart Foundation 2025.

- Heart attacks
- Strokes
- Certain types of cancer
- Multiple sclerosis

Comprehensive cover often extends to:

- Loss of sight or permanent hearing loss
- Total and permanent disability preventing employment
- Loss of limbs
- Major organ transplants
- Coronary artery bypass surgery
- Kidney failure

Some policies may even cover less common conditions, such as certain benign brain tumours, severe burns, paralysis and motor neurone disease.

Exclusions

Conditions that are less severe, long-standing illnesses that do not meet the insurer's specific definition, or illnesses diagnosed after a certain age may be excluded. Always consult the policy document for a full list.

Children's critical illness cover

Many family policies may include cover for children's critical illness. This typically pays out a limited sum if your child is diagnosed with a specified illness, helping parents manage additional costs, such as care or time off work.

Choosing the right policy

Your personal circumstances dictate the type of cover you need. Not all policies are created equal, and what's suitable for one person or family might not suit another.

For single individuals

For those without dependants, critical illness cover provides essential financial support to clear a mortgage, pay off debts or provide a substantial lump sum during recovery. The reassurance this offers cannot be overstated, as it ensures a serious diagnosis will not lead to the loss of your home or financial independence.

For couples and families

Couples and families equally benefit from financial relief during distressing times. The monetary support gives families the flexibility to adjust to new circumstances, pay for respite care, or cover education costs without the added worry about how bills will be managed or whether significant lifestyle changes will be needed.

For business owners

If you run your own business, critical illness cover can also be used to cover business expenses or to hire extra help, ensuring that your business can continue operating during your recovery.

Types of critical illness cover

- **Standalone critical illness cover:** Pays out a lump sum upon the diagnosis of a covered condition.
- **Combined life and critical illness cover:** Either the life insurance or critical illness element pays out, whichever occurs first (not both). Useful for families who want dual protection.
- **Children's critical illness cover:** Some policies automatically include cover for children, or it can be added as an optional extra.

> 1 in 3 people in the UK will be diagnosed with a serious critical illness before age 60.
>
> *Source data: WeCovr 17/03/26*

> Around 22% of critical illness insurance claims are from under-40s.
>
> *Source data: WeCovr 17/03/26*

Factors affecting premiums and payouts

Premiums for critical illness cover are influenced by several key factors:

- **Age:** The older you are, the higher the premium.
- **Health and medical history:** Pre-existing conditions or a family history of certain illnesses may increase your premium or risk application rejection.
- **Lifestyle:** Smokers and those with high-risk occupations may pay more.
- **Level of cover:** The higher the lump sum payout you select, the more your policy will cost.
- **Policy term:** Longer terms may increase overall premium spend.
- **Optional extras:** Adding features such as children's cover or index-linking payouts to inflation can increase the cost but often provide useful additional protection.

Important policy considerations

When evaluating your options, keep these crucial factors in mind:

- **One-off payment:** Most critical illness policies pay out only once and should not be treated as income replacement. They provide a one-off financial boost to help cover immediate and ongoing costs.
- **Combined policies:** Some insurers offer combined life and critical illness policies that pay out on either the diagnosis of a specified condition or death, whichever occurs first.
- **Survival periods:** Most policies include a 'survival period' requirement. You must survive for a specified period after diagnosis (often 14 or 30 days) before the policy pays out. If death occurs within this period, the critical illness payout is not made, though the life insurance elements of combined policies usually still apply.
- **Definition of illnesses:** Each insurer has strict criteria for what qualifies as a critical illness. Ensure the policy's definition aligns with your expectations and medical understanding.
- **Replacing an existing policy:** Exercise extreme caution when replacing an existing policy. If you have developed health conditions since taking out your original policy, you may lose valuable benefits or find that pre-existing conditions are excluded. Always seek professional financial advice before making changes.

Flexibility and enhancements

Many policies offer the flexibility to increase cover after major life events, such as getting married, moving house or having children. This 'guaranteed insurability' feature allows you to adapt your cover to life changes without further medical underwriting.

If your current policy does not allow for increased cover, consider taking out a supplementary policy to enhance your overall protection.

It is important to recognise that policies cover only conditions explicitly specified in the policy document. Your diagnosed condition must exactly match the policy's definition. Some conditions or diagnoses made after a certain age may be excluded. For instance, Alzheimer's disease is generally not covered if diagnosed after age 60.

Waiver of premium

Under some policies, if you are unable to work due to illness or injury, you may not have to pay premiums after a set period. This feature keeps your cover active without the added burden.

Indexation

You can choose to index-link your policy so that the payout keeps pace with inflation, thereby safeguarding the real value of your protection.

Premium costs depend on several factors, as outlined above, including the type of policy, your age, the desired payout amount and lifestyle choices.

Modern medical landscape

Medical advances have significantly improved survival rates for conditions that once carried much higher mortality.

Critical illness cover recognises this shift. It provides financial support to fund a less demanding lifestyle during recovery, enable home modifications, cover private treatment options or simply give you the financial freedom to focus on getting better rather than on earning money.

Rehabilitation and adjusting to life after a critical illness can incur unexpected costs, including specialist therapies, medical equipment or additional nursing. The financial flexibility offered by a lump sum can be transformative.

Common myths about critical illness cover

'I'm too young to need cover.'
Critical illness can strike at any age. Early cover is more affordable and ensures you can obtain protection while you are fit and healthy, if your health changes.

'I already have health insurance, it's enough.'
Health insurance pays for medical bills, but it doesn't replace lost income or help with household expenses during recovery.

'All policies are the same.'
Definitions, exclusions, and covered conditions can be very different between insurers. Always compare carefully.

'My employer's sick pay will cover me.'
Employer sick pay is often limited and might not be available long-term. Critical illness cover ensures a dedicated tax-free lump sum if you face a serious diagnosis.

Instead of leaving your financial wellbeing to chance, securing the right cover ensures you are prepared for life's uncertainties, enabling you and your loved ones to focus on what matters most. ■

Ready to take control of your financial wellbeing?

Survival rates for many critical illnesses are rising thanks to earlier diagnoses and improved treatments. However, living with and recovering from such conditions often means extended periods away from work or needing greater support at home, making financial planning essential.

If you would like to discuss your options or to find out more, please contact us.

Have you planned ahead for life's unexpected challenges?

More people are surviving critical illnesses, yet recovery can mean time off work or the need for extra care and financial support.

Contact us today to arrange your consultation and discuss your options for peace of mind.

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