Critical Illness

Introduction

A Critical Illness plan is **designed to pay out a lump sum** if you are unfortunate enough to suffer from any of the specified critical illnesses but survive for a period of time after diagnosis (normally 28 days).

The policy is designed to pay out **on diagnosis** of the critical illness and you do not have to pay the money back when you recover!

The lump sum could be used to pay for things like nursing care, home-help or adapting your house to accommodate a disability.

You could use it to pay off your mortgage or give you a holiday to recover from the treatment.

Type of Product

You can apply for critical illness insurance as a **stand alone product** as well as an **addition to** other protection and investment products.

It can be used, for example, as a **mortgage protection** type plan or for **family protection**.

An employer can apply for **key person critical illness cover** to provide the business with a cash injection after the sudden serious illness of a key employee.

Illnesses Covered

The illnesses covered can be split into three groups as follows:

- **Life threatening** - such as Cancer or liver failure.
- **Disabling** - such as multiple sclerosis or Parkinson's disease
- **Traumatic** - such as heart attack or stroke

This is just for convenience as a heart attack could be both life threatening and traumatic.

Core Conditions

Most product providers will cover what are known as the **core conditions which account for the majority of claims**.

These would include cancer, heart attack, kidney failure, multiple sclerosis, major organ transplant and strokes.

Other Conditions

The comprehensiveness of conditions covered varies enormously. You should make sure that you study the product provider's literature to determine what will and will not be covered to ensure it meets your purposes.

The following is a typical list:

Alzheimer's disease	Loss of limb
Aorta graft surgery	Loss of speech
Benign brain tumour	Major organ transplant
Blindness	Mastectomy
Cancer	Motor neurone disease
Coma	Multiple sclerosis
Coronary artery bypass	Open heart surgery
Creutzfeldt Jakob Disease	Paralysis/paraplegia
Deafness	Parkinsons disease
Heart attack	Permanent total disability
Heart valve replacement	Pre-senile dementia
HIV infection*	Severe head injury
Kidney failure	Stroke
Liver failure	Terminal illness
Loss of independent existence	Third degree burns

* via blood transfusion or in the course of certain occupations such as the medical profession and the emergency services

This is not a comprehensive list and more or less conditions may be covered by any particular policy.

Type of Premium

Some companies offer guaranteed or fixed premiums, whilst other plans reserve the right to review premium levels on a periodic basis.

Few product providers currently offer a guaranteed premium and there would be an additional cost for this.

Terminal Illness Benefit

Some companies offer a terminal illness benefit. In the event of you being diagnosed as suffering from a terminal illness, ie **one where the expectation of life is less than twelve months**, the sum assured under the contract will become payable.

Permanent Total Disability

It is usual to include cover for permanent total disability within the contract. The definition of Permanent Total Disability does vary and some insurers define it as being **unable to follow your normal occupation** as a result of sickness whilst others will define it as **being unable to independently perform three or more activities of daily living** (ADLs) as a result of sickness or accident.

Waiver of Premium

This option ensures that premiums continue to be credited to your policy in the event that you are unable to work as a result of accident or sickness. This benefit commences after a specified period of absence, referred to as the deferred period.

The definitions of disability vary considerably as follows:

- **totally unable** by reason of sickness or accident **to follow your own occupation** (the widest cover), or
- **totally unable** by reason of sickness or accident to follow your own occupation **and any other for which you are suited by reason of experience and/or qualifications** (more restricted cover), or
- **totally unable** by reason of sickness or accident to follow **any occupation whatsoever** (the least generous cover).

Children's Benefit

The critical illness benefit can often be extended in the plan to cover young children.

The cover levels are normally expressed as a percentage of the basic cover under the plan.

Risk Factors

Information given relating to Income Tax legislation and Social Security benefits is based on our understanding of legislation and practice currently in force. Whilst we believe our interpretation of current law and practice to be correct in these areas, we cannot be responsible for the effects of any future legislation or any change in interpretation or treatment.

In particular you are warned that levels of tax and tax reliefs and also State Benefits are subject to alteration and, in any case, the value of such reliefs and benefits may depend on an individual's circumstances.

These notes are intended as a guide only and do not replace the full product details that accompany each Income Protection Insurance illustration.

If for any reason you cease contributions cover will lapse.

Failure to disclose any requested or relevant information may affect any claim.

Payment will not be made for a critical illness claim arising from an excluded cause.

Your plan has no surrender value.

At the end of the term selected, cover will cease and no further benefit will be payable.

For Further Info

If you would like to receive a personal illustration of a Critical Illness Plan, or any other form of health insurance, please ask your usual Arch adviser or contact us via one of the following:

Tel: **01483 204600**
Email: **enquiries@arch-fp.co.uk**
Online: **www.arch-fp.co.uk**

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