



Buying Life Insurance & Critical Illness Cover

A BritishLife Guide

Now's the time to protect your loved ones

Organising a life insurance policy to protect your family should the worst happen is for most people **a rare event**. That's very understandable – none of us like to think about our own mortality, even for a second.

But the consequences of not embracing this can be devastating financially for those left behind, aside from all the emotional trauma.

The **trigger points** for taking the plunge tend to concentrate around starting a family, getting your first mortgage, or witnessing the effects on a family member or close friend not having cover in place.

In the world we live in today, it would be great to just go online, answer a few simple questions and click **<Buy Now>** and it's all done. Life Insurance sorted (or "Simples!" as they say at some places)

But it's not quite as simple as that because it's insurance and there's potentially **a lot of money at stake** for the insurer if they get their sums wrong. And a lot of money at stake for your family to miss out on if you don't provide the correct information.

"The consequences of not embracing this can be devastating financially for those left behind"



What affects the price of cover?

Insurance is all about risk, and insurance companies want to know as much as possible about their customers so they can reduce their risk. For Life Insurance, the factors that affect the premiums are (in no particular order):

- Amount of cover required
- How long is the cover for
- Is the cover amount to stay the same during the term or to decrease in line with a repayment mortgage, or to increase to stay in line with inflation?
- Age of the client
- Gender
- Lifestyle factors: smoker? BMI Amount? Regular alcohol intake?
- Any existing or historical medical conditions
- Any hazardous occupations or pursuits

Some of those questions are fairly straightforward, granted, but as soon as you step outside the norm, the questions multiply. It may therefore come as no surprise that the average life insurance application form from UK life insurers is over **100 questions long**. You may not have to answer all 100-odd questions, but it very quickly becomes the kind of form that you might like some help with.

And that's why it is estimated that over 95% life insurance applications today are still completed with the help of a **qualified adviser**, whether an Independent Financial Adviser or a Protection Specialist / Mortgage Adviser.

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Are online quotes a thing?

Insurers have tried putting their forms online, but the overwhelming majority of people drop out of the process because of the complexity. Some have produced short-form versions of their application, but unless you are under 35 with no lifestyle issues and have enjoyed perfect health all your life, then **the chances of getting cover just online are remote.**

That's not to say you can't get a quote online – there are lots of companies offering that kind of service, but what they quote online and what you get in reality once you have completed a full application form can be miles apart.

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So you get a quote online, choose what you think is the cheapest, you fill out the application form with help from an adviser, and then they tell you your premiums will more than double what you hoped for (just because you hadn't been asked some of the most important questions at the beginning of the process).

At this point you'll probably feel very frustrated and may start having thoughts of giving up.




There is a better way...

Rather than wasting time with an indicative online quote, which is pretty meaningless, just go straight to the professional adviser and spend the time answering the questions they need to find you the right policy at the best price from UK insurers to fit your personal circumstances.

Insurers risk profiles vary, so some will be best priced for some types of people, other insurers for other types. Knowing who to go to get the best deal for the individual customer is part of the skill of the adviser and the firm behind them.

If you are lucky, you might be “on risk” / insured within half an hour. If you are looking to be insured for upwards of £500,000, or you have some more serious health issues, you will almost certainly have to wait for a **GP report** or have a **medical examination** which can take a few weeks if not longer. An Adviser will help manage that process.

Some health issues will mean your premiums will be rated, which means you’ll be paying a much higher premium than the standard. Some people will even be declined cover because the insurers deem the risk too great.



“However long the process takes, you will sleep easier at night knowing that your family is protected should the worst thing happen.”

Critical Illness Cover

Critical Illness Cover takes Life Insurance to another level because it also protects the family if one or each parent becomes ill with one of over 50 defined illnesses, or a disability caused by injury. **Cancer, heart disease and strokes** are the most common illnesses covered, but there are many more, and they do vary between insurers.

The core Critical Illnesses covered under a policy which includes Critical Illness Cover include:

- Alzheimer's Disease before age 65
- Angioplasty
- Aorta graft surgery
- Benign brain tumour
- Blindness
- Cancer (most malignant types)
- Coma
- Coronary bypass surgery
- Deafness
- Heart attack
- Heart valve replacement or repair
- HIV/AIDs (named groups only)
- Kidney failure
- Loss of limbs
- Loss of speech
- Major organ transplant
- Motor neurone disease before age 65
- Multiple sclerosis
- Paralysis/paraplegia
- Parkinson's disease before age 65
- Permanent Total Disability (PTD) before age 65
- Pre-senile dementia before age 65
- Stroke
- Third degree burns



Life Insurance & Critical Illness Cover

Importantly, a lot of people don't realise that for most Critical Illness policies, Life Insurance is included at no extra cost.

The risks of making a claim with a Critical Illness policy are 4-5 times greater than Life Insurance, so Critical Illness Cover is **4-5 times more expensive** for the same level of cover. But as the outcomes are different, the advice for how much cover you might consider can vary.

Fundamentally, Life Insurance and Critical illness Cover are all about protecting families from financial hardship should bad things happen. If you have to claim on a Critical Illness policy, there is hope that the illness can be treated and managed to the point that the policyholder can return to their previous responsibilities, either as an earner or a home carer, or both.

With that in mind, it's not always as important for a Critical Illness policy to provide the same level of cover as Life Insurance, particularly given the difference in cost. For most people, where to draw the line is ultimately a balance between budget and your peace of mind.

What most Advisers recommend is to consider Life Insurance and Critical Illness Cover as two separate policies protecting separate outcomes. So whereas Life Insurance might be set up to pay-off a mortgage, Critical Illness Cover might be set up to cover a lower amount, maybe more in line with the value of the annual household income, or multiples thereof.

One important factor to bear in mind is that most life policies (including critical illness cover) only allow for one claim. One alternative is to opt for a joint policy which will pay out once for each policyholder. It is potentially cheaper than two separate policies, but there is less choice in the market and it offers no flexibility in the amount of cover for each individual.

A full protection solution for a two-parent household might therefore be represented by four policies, one each for life insurance and one each for critical illness cover with potentially differing amounts of cover across each product, if not each policy.

"Critical Illness Cover protects the family if one or each parent becomes ill"

