

HOUSE OF FINANCE

PENSIONS

INVESTMENTS

PROTECTION

A Guide to Serious Illness Cover

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How would the sudden onset of a serious illness impact my financial wellbeing?

If you were to be suddenly affected by a serious illness like cancer or a stroke, this would have a significant bearing on your ability to maintain your lifestyle and provide for your dependants.

Serious illness may affect your ability to work at all or you may have to reduce your work hours significantly, leading to a substantial drop in income. This drop in income could in turn impact on your ability to continue meeting your day to day expenses and overheads, such as mortgage and other loan repayments.

If you are an employee and pay PRSI, the social welfare Illness Benefit or Invalidity Pension may replace part of this lost income. However, the benefits are low and if you are self-employed you are not covered for these benefits at all.

A serious illness policy could offer you financial stability if you were to experience a sharp drop in income due to a serious illness.

Offers you financial stability if you were to experience a sharp drop in income due to a serious illness

SERIOUS
ILLNESS
COVER

What is serious illness cover?

Serious illness cover pays you a tax-free lump sum if you are diagnosed with a specific illness covered by your policy. This lump sum can be used to pay living expenses, your mortgage, short-term debt and your medical expenses, if necessary. On the diagnosis of certain illnesses covered in your policy the full capital sum insured is payable and for other, less serious illnesses, part of the capital sum is payable.

Serious illness cover can also be called 'critical illness cover' and 'specified illness cover'. Though it is often sold as an optional extra on a life insurance or mortgage protection policy, it can also be sold as an insurance policy on its own.

Every insurance company is different and will cover different illnesses. The precise definitions of each illness that qualifies for a payout will also likely differ, as will decisions on whether the full or partial sum insured is payable on a confirmed medical diagnosis of that illness.

Surgery Benefit: Some serious illness policies pay out a certain amount if you are diagnosed as requiring certain serious surgery such as coronary artery bypass, graft or heart-valve replacement or repair surgery. This immediate payment can help you to get immediate medical care and give you more options about when and where to have the surgery carried out.

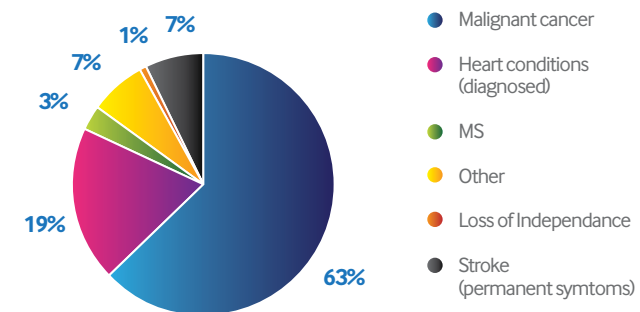
Children's Cover: Some serious illness policies also cover your children for a limited amount, such as €15,000, should they be unfortunate enough to suffer from certain serious illness covered by the policy.

Restricted Cover: Currently on the market there is the option of cancer-only cover, which may be suitable for you for a number of reasons: the specified cover is what you are looking for and you are not interested in protection against other illnesses; the cost will generally be cheaper than more comprehensive cover; and you may have a pre-existing medical condition which means you cannot get comprehensive cover but the specialised cover may still be open to you.

Because of the many differences between policies from various insurance companies, serious illness cover can be a confusing product to understand. Your Financial Broker will explain it in easy-to-understand language and will outline the nature of the cover and what benefits are payable under different circumstances.

What are the key causes of serious illness claims

Analysis of Specified Illness Cover claims paid in 2012



Source: A major life company operating in the Irish market.

What is a Financial Broker?

A Financial Broker is an expert in financial matters who works with you to understand your financial goals and helps you create a plan to meet those goals. In helping you to make a decision about protecting you and your dependants from the financial impact of serious illness, your Financial Broker will research your options.

If your Financial Broker recommends serious illness cover as the most suitable option for you, they will recommend a plan from the range of life assurance companies they deal with, providing you with a "fair analysis" of the market.

Financial
Broker

Ultimately, your Financial Broker will ensure you choose the option and product best suited to your needs

Why would I need to use a Financial Broker?

There are many different forms of protection against the financial impact of serious illness. Only some policies may be suitable for your needs. Choosing the right way to protect yourself can be a daunting task.

Different insurers may charge different premiums for the same level of serious illness cover over the same term. That's why it's so important to shop around when arranging serious illness cover in order to get the best combination of cover and cost, suited to your needs and circumstances.

Your Financial Broker will be able to explain the choices available to you in simple language allowing you to make an informed decision. They can guide you on the level of cover you need and the best type of cover for you based on your personal and financial circumstances.

They will then help you through the process of setting up your serious illness cover, help you to make sense of the cover provided and the restrictions and limitations of such cover.

Ultimately, your Financial Broker will ensure you choose the cover and product best suited to your needs and circumstances.

What's the difference between income protection and serious illness cover?

Income protection cover can protect part of your earned income if you are off work due to illness or disability for a prolonged period. However, it may not fully financially protect you for a number of reasons:

- Unlike serious illness cover, income protection pays a regular taxable income, not a tax-free lump sum. This regular income is only payable as long as you are considered unfit to work. You may need access to a capital sum to deal with the financial consequences of a sudden serious illness.
- You have to be off work sick for a prolonged period, such as three or six months, before income protection cover starts to pay out.
- You can only get income protection cover if you're working and earning an income.
- Income protection cover will only insure part of your lost earned income (typically it is limited to three quarters of your annual income).
- You may not be able to get income protection cover if you work in certain occupations.
- You could suffer certain illness such as a heart attack or have to undergo a heart by-pass operation, which can give rise to significant medical expenses and other outlays, but which may not leave you out of work sick long enough to claim income protection cover.

Talk to your Financial Broker about the key differences between income protection and serious illness cover. They will be able to advise you which product is best suited to your needs.

How much will serious illness cover cost me?

The monthly cost of a serious illness policy will depend on a number of factors:

- How old you are when you take out the cover
- How long you want the cover, i.e. the term of the policy
- The level of cover you want, and whether you want this cover to increase annually
- Your general health
- Whether you smoke or not; smokers will be charged more than non smokers for the same cover
- Whether you want the serious illness cover on its own or added to a life insurance policy

Your Financial Broker will be able to shop around for you for the best serious illness cover based on your needs and financial circumstances.

FINANCIAL
BROKER

Your Financial Broker will be able to shop around for you for the best serious illness cover based on your needs

Can I add serious illness cover to my life insurance cover?

You can take out serious illness cover on its own or as an addition to life insurance cover. For example, you can arrange for your life insurance cover to be paid early if you are diagnosed as suffering from any of the illnesses covered by the policy. In this case, the cover is paid once only, either on serious illness or on death. Alternatively you could arrange the serious illness cover to be paid in addition to your life assurance cover. This latter option is more expensive.

Talk to your Financial Broker about the option of adding serious illness cover to your life insurance policy. They will be able to advise you on whether it is the best approach for you.



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