



Knowing your ABCs

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Getting insurance cover is not exactly child's play, but things are improving all the time

Is taking out protection cover as easy as ABC? In the case of critical illness, it is more about following the Cs and Ds, according to industry experts. From comparison sites, comprehensive changes to debt, critical illness has taken its fair share on the chin than other protection sectors.

Critical illness insurance was designed to alleviate financial pressures by paying a tax-free lump sum if consumers become seriously ill or totally disabled. Also known as dread disease cover, critical illness insurance pays benefits on the diagnosis of certain specified critical illnesses.

Illnesses covered notch up to about 30 conditions, covering seven core specifications, including cancer, coronary artery bypass, heart attack, kidney failure, major organ transplant, multiple sclerosis and stroke.

They will also pay out if a policyholder becomes permanently disabled as a result of injury or illness.

However, many found out that the crux in the plan was that not all conditions are fully covered.

In May 2003, insurers adopted new rules set by the Association of British Insurers that tightened the conditions under which customers could claim on such policies.

This led to the restriction on conditions such as non-invasive skin cancers, and less advanced cases of prostate cancer, being covered, which spearheaded the CI world into addressing its condition and pricing lists.

Julie Smith, head of protection for AWD Chase de Vere, believed because of this, more and more consumers were taking it upon themselves to take control.

She said: "More people are becoming aware of the necessity to protect themselves, but we are not as near as we would like to be. For example, there are more and more people looking at comparison websites, because it is more available through supermarkets, for example.

"Consumers need to make sure what they are actually buying. Unfortunately people still do go on cost, and there is a reason for that. But not everybody knows what to look for when comparing policies, which is why there is the benefit of advice."

Ms Smith added: "However, everyone is pulling together now; the providers, advisers and regulatory bodies are trying to make these products more easily understood by everybody. Although dependent on the consumer's circumstances, CI definitely has a place in protection but it is knowing what you are covered for is one area that needs to be addressed, and that is where proper advice comes in."

Clive Waller, senior partner for CWC Research, believes that the majority of Critical Illness for consumers is sold around debt which is one of the main motivations for the protection cover. However, protecting against debt is not as straight forward as it seems.

He explained: "The consumers are in a very difficult position when it comes to protection, as it is more complicated than it seems. We as an industry need to make it simple. The problem with critical illness, is that it can be the wrong product for individuals. It covers the major diseases, but what you need is cover for the long term, not just to specify on medical diseases, which many get confused about.

"Critical Illness has got other problems, as the current products have got restrictions. Many products are mis-sold and the danger will ultimately have an impact on the way Critical Illness is viewed. In addition, medical science changes the nature of diseases, which change the way conditions are set. The danger is that people think that if they have a heart attack or stroke, there are automatically covered and will receive a payout. However, the way it works at the moment does not work as easily as that, and there needs to be clarification from the outset to curb any confusion."

Peter Chadborn, principal of Essex-based IFA, CBK Colchester, agrees and believes that despite the effort to combat the confusion within CI, advisers have a vital role to play in this.

He said: "When left to their own devices, most consumers will underestimate their risk and therefore under insure.

"So therefore, advice is a good thing. We are financial advisers, not medical experts. So advisers need to think outside the box, and not just offer all or nothing. They need to add value to the advice process, in educating the client in what would be best to buy."

He also believed CI was up against a number of factors that can sway the consumer away from taking out cover.

He explained: "On top of the price war, we now have the conditions race, with more and more companies adding definitions. We want more people to have cover, and that is not going to make people buy policies.

"What consumers will want in order to buy is more in the sense of fairness, like severity-based cover. It is the concept that is more important. I believe more companies should

offer this. Rather than providers put more effort in adding more definitions, I would like to see companies meet the definition payouts earlier."

While for Ian Jeffries, head of sales and marketing for Fortis, said: "There is a need for comprehensive forms of critical illness. There is an important role that advice is playing to broaden the horizons of people. But by adding more and more CI conditions, it reinforces in minds of people that they are buying really comprehensive cover, but the danger is you are still leaving behind the gaps between the covers.

"One of the things we are keen to get across is that every opportunity to make a sale is really crucial. The longer cases sit in the underwriting process, this will hold up the transfer of the completion of the cover. Being able to offer terms very quickly is crucial."

However for David Barnett, principal for DPB Independent Financial Advisers, he believes the issue of making sales is irrelevant, in favour of highlighting the importance of choosing the right cover for the consumer.

Mr Barnett said: "In looking at Income Protection and Critical Illness, if you can have both, that's great, but Income Protection is more favourable as there tends to be a lack of clarity in Critical Illness. It tends to be governed by price, as you would tend to be a medical dictionary, doctor or consultant to know all the different aspects of cover.

"It is vital to have the right advice, as generally speaking most people will not know what they want to achieve or what they want to protect.

"It is not just a question of putting on more conditions that can cause problems. For those who also want to rebroke, they also maybe at a disadvantage because they may not satisfy the strict conditions of the changing medical terms that have to be adhered to. What people did years ago is different to what they do now. But having insurance is better than not having insurance."

With increasing changes, complications and chasing comprehensive CI, it seems that this leads to no further clarity for the consumer. But what is sure, is that advisers and providers aim to strive to lessen the load on the jargon for its customers, with the goal to categorise CI as an essential cover, not a luxury entity.

But from which direction this will take, amid the serious slump and downturn, is still a dim and distant future in getting from A to Z.

Girlye Garduce is senior features writer for Financial Adviser

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