



# MAKING THE CASE FOR CRITICAL ILLNESS COVER



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When we look at critical illness cover, the figures don't seem to add up. In the UK, people are more likely to suffer a serious illness than die before the age of 65.<sup>1</sup> But, according to our protection research, people are four times less likely to take out critical illness cover (8%) than they are to get life insurance (34%).<sup>2</sup> Clearly, there is a gap between perception and reality when it comes to the need for this type of cover. Here are the most common reasons customers give for not taking out critical illness cover, and how you can overcome these.

## TOO COMPLICATED TO UNDERSTAND

Customers can struggle to understand what they'd be covered for with critical illness cover, with 5% of people in our research giving this as their main reason they don't take out this cover type.<sup>2</sup> As an industry, we've historically focused on adding more and more definitions, but is it needed? After all, our own claims statistics show that 90% of claims relate to just four conditions.<sup>3</sup>

It's our responsibility as an industry to develop straightforward methods to ensure customers understand the ins and outs of a critical illness policy. At Scottish Widows we aim to provide simple but comprehensive cover, where it matters the most. An example of this is our one additional payment for cancer in situ requiring surgery. With cancer the most common critical illness condition claimed for, and with more than 200 types of cancers, this give breadth and depth to our cancer definitions.<sup>4</sup>

## INSURERS PROBABLY WON'T PAY OUT

Some people still believe that insurers will not pay out in the event of a claim, and 8% of people give this as the reason why they don't take out critical illness cover.<sup>2</sup> What you can do here is to supply the overwhelming evidence to the contrary. The ABI's own figures showed the industry paid out over £1 billion in critical illness claims last year, with 92% critical illness cover claims paid out.<sup>5</sup> Individual providers also publish their stats – we paid 93% of critical illness claims, slightly above the industry average, which equated to paying over £82 million in claims.<sup>3</sup>

However, we need to make it about more than just the numbers. Customers need to trust that we'll act on our promise at purchase, to support them when they need it the most. This is where real life examples can help you bring out the emotional impact of being under protected. The 7 families campaign still has some good case study videos on its website, which you can use with customers.

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## I DON'T NEED THIS TYPE OF COVER

Medical advances mean we're better at identifying and treating diseases much earlier, but customers don't realise the financial impact that serious illness can still have. This is backed up by our research, with 23% of people saying they didn't think they need critical illness cover.<sup>2</sup> Conversations around life cover are easier, due to the long term impact a death can have on a family and their finances. With critical illness cover you can instead talk to your customer about the short term – how much savings do they have versus their immediate outgoings, household bills and other liabilities? How long would your customers be able to cope with a disruption to their finances as a result of illness?

People can struggle to see the benefit of an insurance product they might never claim on. However, many critical illness cover policies now provide tangible benefits from day one, through access to financial resilience services. We give policyholders and their families access to Scottish Widows Care, provided in partnership with RedArc. This personal nurse adviser service gives practical advice and emotional support when required, and for as long as it's needed. Such services can be invaluable, as the latest report from Macmillan Cancer Support 'Am I meant to be okay now?' illustrates, survivors of serious illness can continue to experience physical and health issues long after their treatment ends.<sup>6</sup>

## COVER IS TOO EXPENSIVE

Price can be a barrier, with 33% of people either thinking or knowing they can't afford critical illness cover.<sup>2</sup> There's no denying the cover is more costly than an equivalent life cover amount, but that's because people are more likely to claim for it. And some cover is often better than none at all. Research by Macmillan Cancer Support has highlighted that four in five people with cancer are, on average, £570 a month worse off as a result of their cancer diagnosis.<sup>7</sup> Therefore, even £25k of cover, could help negate the cost impact of cancer for a period of over 3½ years. Allowing your customers to concentrate on what's truly important – getting better.

The cost of £25k of critical illness cover for a man aged 35 (non-smoker) can be less than £10 a month.<sup>8</sup> When you compare this with what people spend monthly on TV packages, insuring pets and cars, it doesn't seem quite so expensive. For a relatively small monthly premium they can secure a level of support against the short to medium term impact of serious illness. Recommending a menu-based plan that includes even a small amount of critical illness cover can help your customers build better personal financial resilience, by giving them more comprehensive cover.

## HELP WITH THE CONVERSATION

For the reasons mentioned, having a conversation about critical illness cover can be daunting. On top of this, discussing a customer's health can be a sensitive subject. With over 200 years' experience in this market, we want to help and support you in having these conversations. That's why at Scottish Widows we have useful online tools, content and insight that you can use to help make this case. The benefits from doing so, is that your customers will have a product that will support them and their family in times of illness and uncertainty.

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<sup>1</sup> Source: Moneysupermarket.com

<sup>2</sup> Scottish Widows 2017 protection research

<sup>3</sup> Scottish Widows 2016 claims statistics

<sup>4</sup> Cancer Research UK

<sup>5</sup> ABI 2016 claims statistics

<sup>6</sup> Macmillan Cancer Support – 'Am I meant to be okay now?' report

<sup>7</sup> Macmillan Cancer Support

<sup>8</sup> SWP Quote as at 20/11 (Male, non-smoker, 20 year term)