

THE 35TH ANNIVERSARY OF CRITICAL ILLNESS COVER

Reviewing the 35 years
since critical illness
cover was introduced



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1983, the year that Motorola brought us the first mobile phones, Nintendo introduced us to Mario Bros, Microsoft launched Word, Hollywood gave us Flashdance, Lionel Richie released his hit single "All Night Long" and the BBC changed our start to the day with Breakfast Time.

On the 6th of August that year the financial protection industry was also disrupted when Dr Marius Barnard and insurance company Crusader Life introduced critical illness cover to the world.

Marius was a member of the medical team that carried out the first human to human heart transplant on the 3rd of December 1967. As a "super surgeon" he both contributed to and witnessed the increased survival rates and life expectancy that resulted from improvements in medical science. He also observed the financial costs of survival. While his patients increasingly lived with, and beyond, life changing medical diagnoses and procedures, sadly their financial health and wellbeing failed. He argued that, as a medical doctor he could treat his patients' physical health and improve their quantity of life, whereas Financial Advisers, who he described as "financial doctors", were better placed to treat his patients' financial health, so improving their quality of life and ability to cope with the monetary costs of survival. This led to him working with a life office and developing what we know today as critical illness cover. We often forget that this cover was designed by a surgeon who took a holistic approach to improving patient's health and wellbeing.

The 35th anniversary of the launch of critical illness cover comes shortly after the 70th anniversary of the founding of

our NHS. This is a good time to reflect on the dramatic impact of medical advances and the implication on financial resilience and protection needs. It's interesting to note that when the NHS came in to being, average life expectancy was 66 for men and 70 for women.¹ When critical illness cover was created in 1983, it had increased to 71 for men and 77 for women. Today, average life expectancy stands at 79 for men and 83 for women.² This lends support to the view that Dr Marius Barnard formed in the 1960s and inspired the creation of critical illness cover. To develop this further, if we look for example at cancer, the largest cause of financial protection claim, you are now twice as likely to survive for at least 10 years after a cancer diagnosis than you were 40 years ago³. This, again, is only possible because of the progress made in diagnosing people earlier, and vast improvements in NHS treatment and care.

But sadly, many who survive cancer and other critical illness conditions can find themselves struggling with physical, mental and financial health issues that can affect their ability to live the life they want. Many people, following treatment, are not prepared for this and can feel confused or guilty for not feeling as well as they, or those around them, expected they would.

This is well illustrated in Macmillan Cancer Support's latest report 'Am I meant to be okay now?'. The report highlights that just because the hospital appointments and treatments are over, it doesn't mean life goes back to the way it was, finding that:

- Some people find adjusting to life after cancer treatment relatively straightforward, but a third (34%) are still struggling with their physical wellbeing up to two years after treatment ends.³
- Problems such as incontinence, difficulty eating, or breathlessness can make people feel as unwell as they did during treatment.³

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- The emotional impact of cancer should not be understated either. Almost a third of people (30%) who have completed treatment in the last two years say their emotional wellbeing is still affected.³
- People frequently experience feelings of depression and anxiety, particularly around not being able to 'get back to normal'.³
- People can feel lost and find it hard not to worry constantly that their cancer might come back.³

Living in physical, emotional and financial ill health for months (or even years) after treatment has ended is not uncommon. Chronic fatigue alone affects 350,000 people who have finished cancer treatment in England. 2 in 5 people (40%) who have finished cancer treatment in the last two years are living with moderate or extreme pain or discomfort.³

Sadly, the prevalence of these issues doesn't stop many from feeling isolated. They often feel like they are the only ones still struggling to move on, to go back to work, or to just feel better. Over 80% of people who faced physical difficulties in the two years after treatment say they didn't get the support they needed to get their life back on track. This increases to 9 out of 10 people who say their emotional wellbeing was impacted by feeling they did not have enough support.³

Whilst much in relation to critical illness cover has changed over the last 35 years, some of the major challenges remain. Especially, how do I initiate a financial resilience and protection discussion with my clients? I suggest trying the following:

1. Ask - Would you rather lose your home or your mortgage?

This was a favourite ice-breaker of Dr Marius Barnard. It certainly makes people think. Our own research shows only 13% of the UK's mortgage holders have a critical illness policy,⁴ leaving millions at risk of financial hardship or losing their home if they were to become seriously ill.

Compounding the situation is the change to Support for Mortgage Interest (SMI), which is the only safety net in place for many families if they are unable to pay their mortgage. People now have to wait 39 weeks before receiving this benefit instead of the previous 13, which could be too late for many if they have no back up plan in place.

Furthermore, from April 2018, the government converted SMI from being a benefit to a loan, with a charge being taken on the property. This means homeowners now have to pay back the amount of mortgage interest the government paid for them. This can be either when they return to work or when they sell their home. The change impacts both SMI claims in progress and new claims, making this issue relevant to all mortgage clients.

2. Link protection to changes in other financial circumstances

One of the easiest ways to evidence the benefits of protection with existing clients is to link it to changes in other financial circumstances. This can be as simple as a salary increase, a new loan, or a mortgage change, which can mean that protection needs may well have changed. In this respect, protection should be the cornerstone of all financial advice.

Many protection plans are flexible - which means a client can adapt cover at any time during the policy term without having to cancel the existing cover. So, as clients' lifestyles and protection needs change, so can their cover. It is also important to check what cover your clients hold with their employers - which is often a lot less than they think.

3. Welfare Reform

Welfare reform has not featured too highly on intermediaries' agendas for discussion with clients but now is the time. Significant changes have been made to benefits such as child and working tax credits, income-based jobseeker's allowance, income support and housing benefits for those renting and with a mortgage. These are all being replaced by Universal Credit - meaning it's crucial that families review their financial resilience and protection needs

With a new 'bereavement support payment' system in place now too, it is more important than ever to review financial protection needs. Indeed, according to research from the Childhood Bereavement Network, it is estimated 91% of widowed parents will be supported for a shorter period of time than they would under the previous system.⁵

Government welfare is the only safety net in place for many families. At the same time, fewer employers are offering sickness benefits and with almost 1 in 6 workers being self-employed,⁶ it raises the question of how they will cope with their commitments when sickness strikes.

I am proud to say that Dr Marius Barnard worked with Scottish Widows and was instrumental in helping us develop our critical illness cover philosophy, culture and products.

 You can watch a short film about Dr Marius Barnard and the creation of critical illness cover here.

Marius always challenged the Doctors and Financial Advisers that he worked with to "make a difference" with their knowledge and skill. He may no longer be with us but his challenge remains!

Sources

- ¹ Office for National Statistics, July 2018.
- ² Office for National Statistics, September 2017
- ³ Macmillan report 'Am I meant to be ok now?', October 2017.
- ⁴ Scottish Widows Protection research, April 2018.
- ⁵ Childhood Bereavement Network, February 2017.
- ⁶ Office for National Statistics, April 2018.