Better off dead?
The need for critical illness cover

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Speaker: **Shelley Read**

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Agenda

- Better off dead… explained
- Understanding critical illness cover
- It won't happen to me
- Income based critical illness cover
- Business owners
- Final thoughts

Learning objectives

- Have a better understanding of the importance of including critical illness cover in your client’s protection portfolio.
- Be able to describe some of the additional features of a critical illness policy.
- Understand the types of clients an income based critical illness plan would be suitable for.
- Identify opportunities within your client bank to discuss critical illness cover.

Better off dead… explained

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Better off dead... explained

- Kieran and his wife Joy have two young children.
- Joy is a part-time civil servant and Kieran is a self-employed accountant.
- They have a joint life only protection policy which they took out when they bought their house.
- Sadly, Kieran suffers a severe, but not fatal, heart attack.

Might the family have been better off financially if Kieran didn't survive?

The protection gap

	Homeowner (owned outright)	Homeowner (owned with mortgage)	In rented accommodation
Life Insurance	36%	63%	29%
Critical illness cover	8%	33%	11%
Income protection	7%	20%	6%
None of these	60%	24%	61%

Source: Royal London tackling the gender pension and wealth gap research (October 2023)

Understanding critical illness cover

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Understanding critical illness cover

A short history

1983

2024

Understanding critical illness cover

Under the bonnet

Pays out a lump sum or series of lump sums upon the diagnosis of a specific illness.

Arranged as standalone cover or combined with life assurance.

Some critical illness policies require a survival period from diagnosis of a critical illness.

Underwriting based on morbidity risks rather than mortality risks.

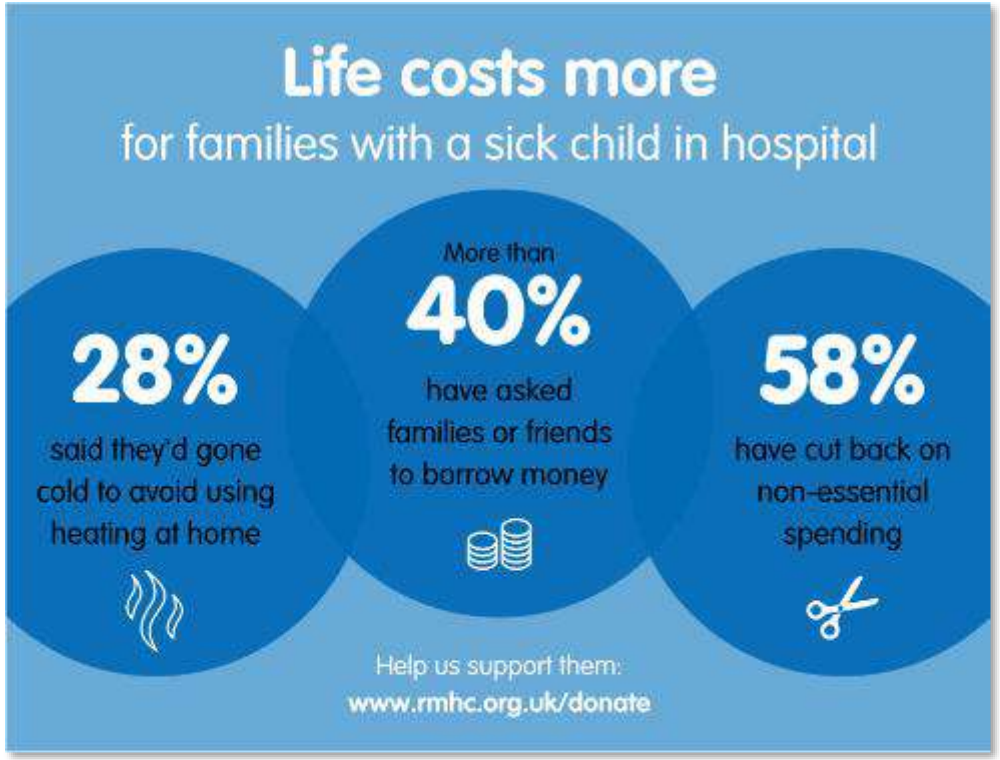
Can be set up on a level, decreasing or increasing basis.

Some policies allow for partial payments if clients are diagnosed with a less severe critical illness.

Understanding critical illness cover

Cover for children

- Typically taken out alongside an adult critical illness policy.
- Pays out a percentage based on the adult's sum assured.
- A claim on a child's critical illness policy doesn't affect the adult's policy.
- Some insurers allow for children's cover to be added or removed without the need for additional medical evidence.
- While some allow for the child to take out their own adult cover when they're older.

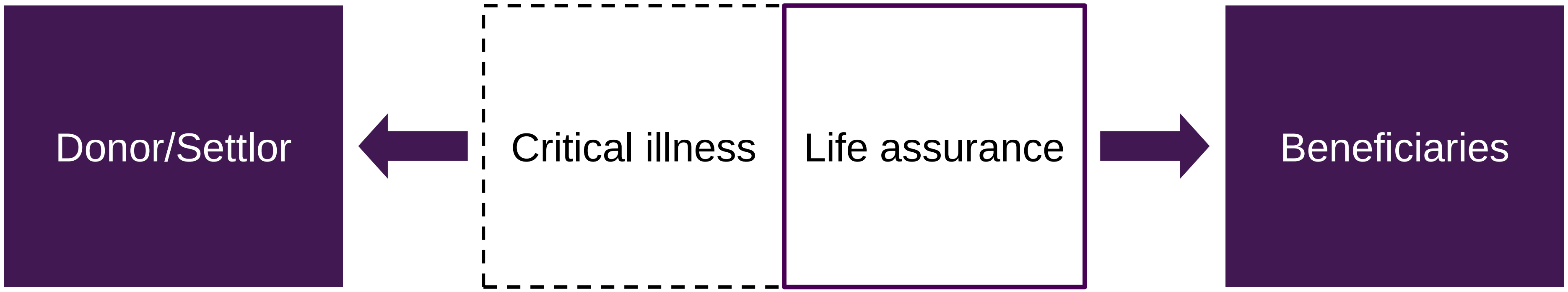


 Source: www.rmhc.org.uk/cost-of-living-crisis/ (June 2023)

Understanding critical illness cover

Trusts

Life or earlier critical illness policies should be written into a special type of trust which allows for the life assured (donor/settlor) to benefit if they suffer a critical illness, and their beneficiaries to benefit if they die.



Understanding critical illness cover

More than just financial support

Tangible services

Digital support

Mental health

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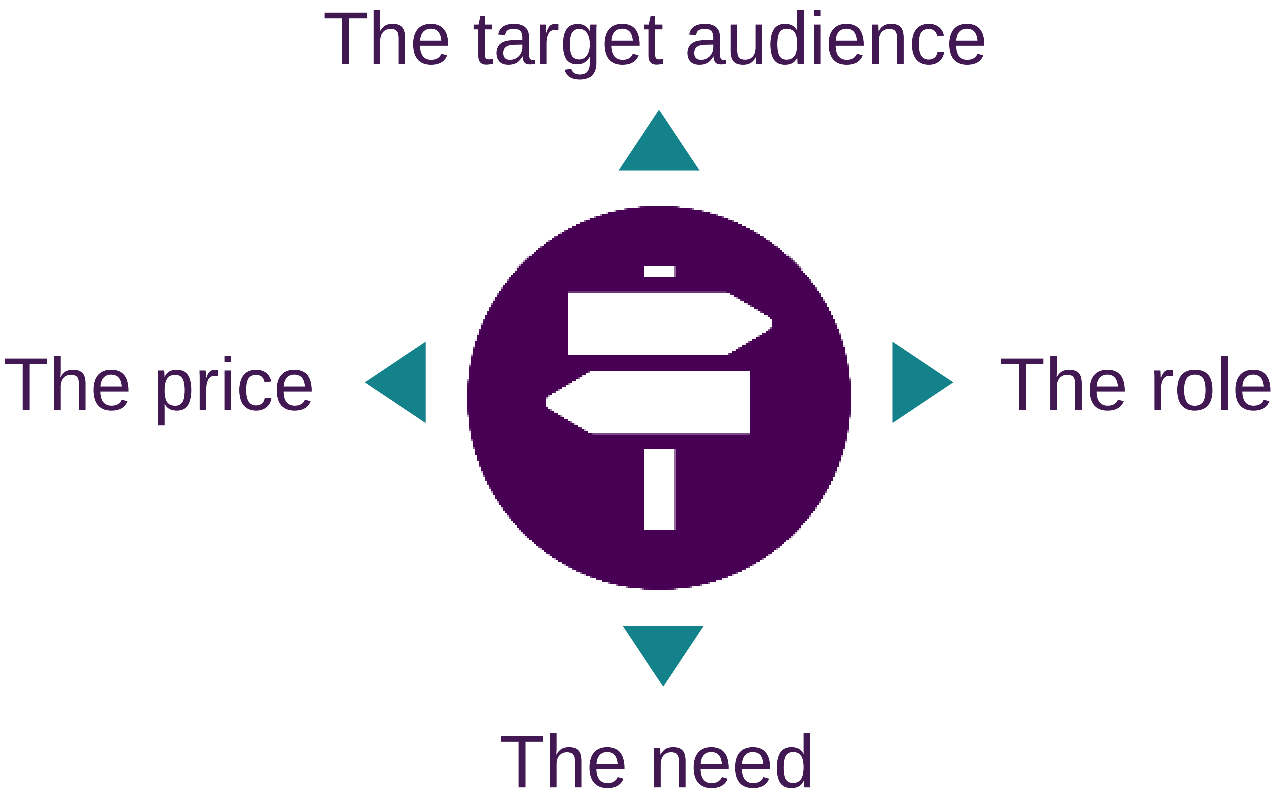
Understanding critical illness cover

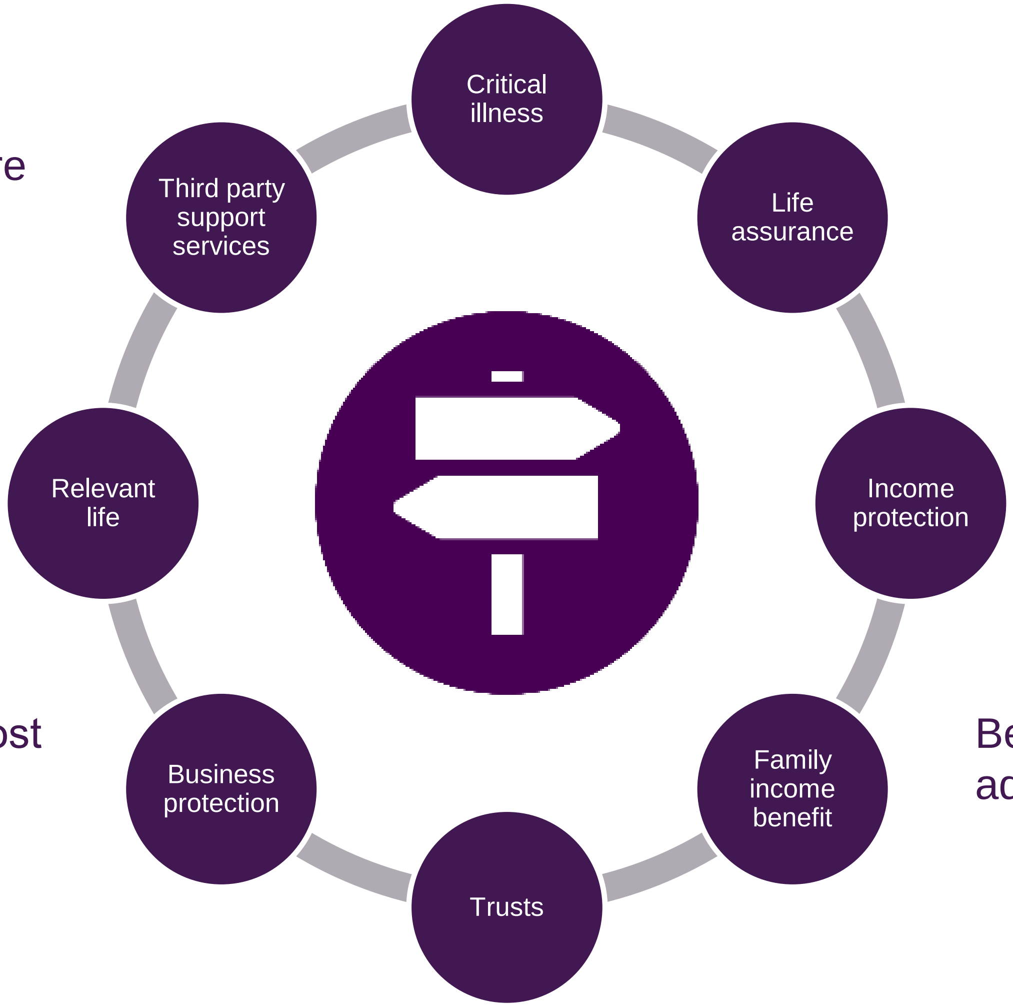
Critical illness vs income protection



Understanding critical illness cover
Multi benefit solutions

You can offer more solutions to more of your customers - creating more **revenue** for your business

Multi benefit solutions are difficult to copy, which reduces the risk of cancellations – helping you to **retain** clients



Managing **risk** when it's needed most with multiple opportunities to claim

Bespoke solutions demonstrate quality advice and help you build your **reputation**

It won't happen to me

It won't happen to me

Reasons for a claim

Nearly **1 in 2 people** born in the UK in 1961 will be diagnosed with some form of cancer during their lifetime.

Cancer

Every **5 minutes** someone is admitted to a UK hospital due to a heart attack[2]

Heart attack

The number of people in the UK experiencing a stroke will increase to **151,000** per year by 2035[3]

Stroke

Source: Cancer Research UK[1], British Heart Foundation UK Factsheet[2], The Guardian[3]

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It won’t happen to me

The cost of cancer

83% of people with cancer say unexpected expenses since their cancer diagnosis are impacting their mental health, with over a third (36%) feeling the impact strongly.

78% of people with cancer are struggling to pay bills because of the unexpected costs that come with a diagnosis

 Source: Maggies (March 2023)

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It won’t happen to me

Tackling the inequalities of cancer

Launched in 2023, the **Test, Evidence, Transition** programme is working with frontline NHS teams and academic partners to turn ideas into a reality, reducing inequalities and making sure everyone benefits from quick access to new approaches to cancer care.

Tackling hard-to-treat cancers In the last 50 years, CRUK has helped double cancer survival in the UK. But there are stark differences in outcomes, with not all cancers seeing the same improvement in survival. There is huge variation in survival between cancer types. Five-year net survival for people diagnosed between 2016 and 2020 in England ranges from 88% for thyroid cancer to 8% for pancreatic cancer. For adults diagnosed with brain tumours, lung, oesophageal, pancreatic, liver and stomach cancers five-year net survival is less than 25%.

Talk Cancer are workshops, which equip participants with the skills and confidence to have conversations about cancer and health with people in their community. They help reduce the stigma around talking about cancer and break down barriers people may have in seeking help.

It won't happen to me

Demonstrating the risk

Male
32 years old
Retirement age 68
Non-smoker

What's the chance of an unexpected life event happening?

5% chance of dying

21% chance of a critical illness

29% chance of being off work for two months or more

47% chance of any of these risks happening before age 68

Source: The Institute and Faculty of Actuaries' Continuous Mortality Investigation insured lives incidence rates.
Incidence rates for the entire population may be different to those lives that take out insurance products (August 2024)

Income based critical illness cover

Income based critical illness

- Family income benefit policies can be an efficient way to protect against the loss of an income following a death or serious illness.

- This could be a good conversation to have with clients who are:
  - Funding private education
  - Paying or receiving child maintenance
  - In the rental sector
  - Families

Business owners

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Business owners
The need for critical illness cover

Business continuity

How will they
source a replacement?

What are the
financial consequences?

Key person protection

Loan protection

Business succession

What will happen to the shares?

Shareholder protection

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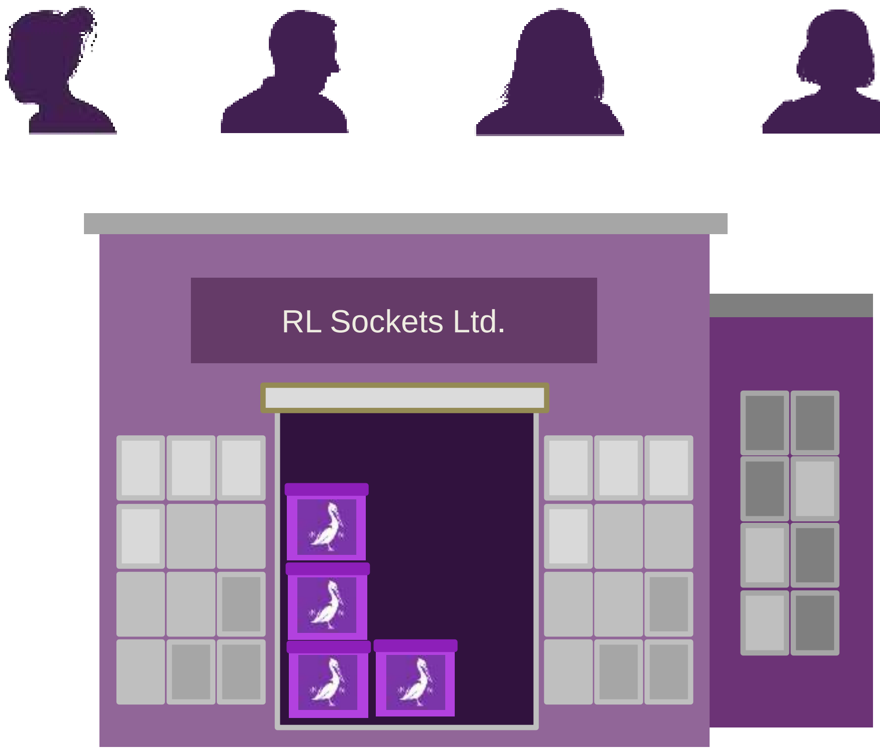
Business owners
The risk to their exit strategy

Ruth
Managing Director

Lee
Finance Director

Anita
Sales Director

Mona
Operations Director



- How much is their share worth?
- Who would buy it?
- How attractive is the business at that time?

- Are they interested in taking over?
- Do they have the skills to run the business?
- Who would they sell the share to?

- Are they saving into a pension?
- Is this a viable option?
- How is their health now/future?

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Final thoughts

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Final thoughts
The Consumer Duty

Avoid causing foreseeable harm

2A.2.8 R A *firm* must avoid causing foreseeable harm to *retail customers*.

2A.2.9 R Foreseeable harm may be caused by both act and omission, in a *firm's* direct relationship with a *retail customer* or through its role in the distribution chain even where another *firm* in that chain also contributes to the harm.

2A.2.10 G Avoiding causing foreseeable harm to *retail customers* includes:

(1) ensuring all aspects of the design, terms, marketing, sale of and support for its *products* avoid causing foreseeable harm;

(2) ensuring that no aspect of its business involves unfairly exploiting behavioural biases displayed or characteristics of vulnerability held by *retail customers*;

(3) identifying the potential for harm that might arise if it withdraws a *product*, its products change or its understanding about the impact on *retail customers* changes;

(4) responding to emerging trends that identify new sources of harm, including FCA supervisory action and/or communications; and

(5) taking appropriate action to mitigate the risk of actual or foreseeable harm, including for example by:

(i) updating or otherwise amending the design of the *product* or distribution strategy;

(ii) updating information about a *product* or updating *investment advice*;

(iii) ensuring that *retail customers* do not face unreasonable barriers (including unreasonable additional costs), for example when they want to switch *products* or providers or to complain;

(iv) allowing time and support for *retail customers* to find suitable alternatives where a *product* is withdrawn.

Foreseeable harm as a result of premature death, serious illness or long-term sickness can have a major impact on a client's financial resilience.

Protection advice can be the financial safety net.

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Learning outcomes

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Protection Guru

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