

The Shackleton Guide to Group Critical Illness Insurance for Employees

Group Critical Illness Insurance is typically arranged by employers to provide a tax-free lump sum to an employee in the event of them being diagnosed with one of a specified number of medical conditions or procedures.

What benefits are payable?

Benefits paid are either expressed as a multiple of Basic Salary or a fixed sum at the time of claim. The amount or multiple used will vary from one employer to another.

How do I join?

Joining is usually automatic (although it may be offered as a 'voluntary' benefit) and will depend upon your employer's rules. As an example, a common rule could be: "All employees after completing three months' employment".

All employees meeting the relevant rule are automatically covered by the insurer in the case of automatic joining. For 'voluntary' schemes, employees are usually invited to join once they meet certain eligibility criteria.

Will I need to complete any forms?

Most employees will be covered for their full benefit automatically without needing to apply or complete any forms.

Some employees with higher-than-average incomes may need underwriting. All schemes will have a 'Free Cover Limit' (FCL) which is the maximum amount of cover that each employee may receive automatically without the need for individual underwriting. If an individual has a salary high enough such that their benefit is over the FCL then they won't be insured for the excess benefit until they have completed individual underwriting – this may involve completing forms, insurers writing to their doctor and may even require attending a medical examination.

How are payouts taxed?

Benefits paid directly to employees are paid tax-free.

Are my employer-paid premiums taxed?

Yes, employees are liable to Income Tax on the premium that the employer pays.

When are benefits paid?

A claim is paid if the insured individual is diagnosed with one of the listed conditions or undergoes one of the listed procedures and survives for 14 days.

The exact range of conditions covered will vary slightly from one insurer to another however the most common conditions such as heart attack, stroke, cancer and organ failure are covered by all policies. Most comprehensive policies will cover around 40 conditions in total, with more basic policies covering around 13 to 15.

Pre-existing conditions are not covered, and neither are 'related' conditions for the first two years after the policy commences – please see your own scheme's technical details for exactly how this works for your employer's policy.

When does cover cease?

Cover in Group Critical Illness Insurance schemes stops when you leave the sponsoring employer's employment or reach the scheme 'cessation age'. The cessation age will normally be either a fixed age (such as 65, 70 etc) or be expressed as 'State Pension Age' at which point cover ceases for each individual as they reach their own State Pension Age.

Are there any other benefits?

Many Group Critical Illness Insurances include cover for the employee's children at no extra cost. Some Group Critical Illness Insurance policies come with an 'Employee Assistance Programme' included. This provides counselling and support services for issues such as bereavement and stress. Some may even include wellness programmes and 'virtual' GP services.

Is this sufficient?

Although your employer's cover can provide your family with valuable protection, the amount of cover isn't selected based upon your own circumstances and you may find that you need more to adequately protect you and your family against the financial effects of serious illness.

We suggest that individuals needing personal protection products should seek Independent Financial Advice – please contact us if you would like to be referred to one of our Financial Advisers in Shackleton Advisers.

More information

To find out more about the specific cover your employer offers and find out what extra benefits might be available please contact Shackleton Employee Benefits.

If your employer gives you access to our Shackleton Engage App, you can find out more about your own entitlement there.

This document deals in generalisations, is intended for information purposes only, and is not intended to provide advice. Levels and bases of taxation will vary dependent upon individual circumstances and are subject to change. Shackleton recommend that employers and individuals take specific guidance before taking any action.



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