How Much Critical Illness Cover Do You Really Need?

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It’s a question that always gets a pause.
How *much* critical illness cover do you really need?

People usually guess – £50,000? £100,000? The size of the mortgage maybe? But the truth is, it’s rarely that simple. There’s no one-size-fits-all formula, and what feels like “enough” on paper can look very different when real life gets messy.

Still, there *are* sensible ways to work it out. Ways that make sense for your income, your mortgage, and your family – not just for the insurance company’s calculator.

What Critical Illness Cover Is (and Isn’t)

Let’s start at the top. Critical illness cover pays you a **tax-free lump sum** if you’re diagnosed with a serious medical condition – cancer, stroke, heart attack, and so on.

The idea is to soften the financial blow that comes with being too ill to work. Mortgage payments, childcare, treatment, household bills – they all keep rolling in, even when your income doesn’t.

It’s *not* the same as life insurance (which pays out if you die) or income protection (which pays a monthly amount while you’re off sick). It’s a middle ground – a single payout designed to stop things falling apart while you recover.

So, How Do You Decide the Right Amount?

There are three main parts to this:

1. **Your mortgage or rent**
2. **Your income and living costs**
3. **Your dependants or family commitments**

Each one plays a role in working out a cover amount that's actually useful – not excessive, but not too low to make a difference.

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1. Covering Your Mortgage

For most people, the mortgage is the big one. If you own your home, it's your largest debt by a mile – and your biggest monthly outgoing.

At minimum, many advisers suggest covering the *outstanding mortgage balance*. That way, if you're seriously ill, you could pay it off completely and remove that monthly pressure.

Example:

- Mortgage: £200,000
- Remaining term: 20 years
- Critical illness cover: £200,000

If you claim, you can clear the mortgage outright – freeing up income for other costs like treatment or recovery.

If you rent, you can apply the same logic to **annual rent x number of years** you'd want protection for. A lump sum equivalent to 3–5 years of rent might provide a similar safety net.

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2. Replacing Your Income

Even if your mortgage is covered, day-to-day living doesn't stop. Food, fuel, school runs, heating – they all add up.

So, think about how long you might realistically be out of work. Three months? Six?

A year or two?

Here’s a rough idea of what replacement income might look like:

Annual Income	Months Off Work	Suggested Cover
£30,000	12 months	£30,000
£40,000	18 months	£60,000
£50,000	24 months	£100,000

That’s not an exact science – just a starting point. Some people build in a small buffer too, say an extra £10,000–£20,000 for treatment costs, travel, or home adjustments.

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3. Supporting Your Dependants

If you’ve got children or others depending on your income, it’s worth adding a bit extra for them too. Not forever – just enough to bridge the gap while things settle.

Think school fees, nursery costs, food, clothing, holidays – the sort of things you’d hate to see disappear because illness changed your finances.

A rough formula some advisers use:

> (Annual family expenses × 2) + remaining mortgage balance = total cover

It’s not perfect, but it’s a decent ballpark.

Common Misconceptions About Cover Amounts

“I’ll just match my life insurance.”

That’s a common one – but life insurance pays out when you’re *gone*. Critical illness pays while you’re still here, often facing months or years of recovery. You’ll use that money differently.

“The NHS will look after me.”

Yes, medically. But the NHS doesn’t pay your mortgage or your council tax. And Statutory Sick Pay (SSP) is £116.75 a week. That barely covers the supermarket shop.

“I’m young and healthy – I don’t need much.”

You’re also statistically more likely to *survive* a major illness these days – which means you’ll be alive, but unable to earn. That’s the whole point of the policy.

How Lifestyle and Age Affect What’s Sensible

You can think of your cover like a financial parachute. The more responsibilities you have, the bigger you need it to be.

- **Single with no dependants** → enough to clear personal debt and cover rent for 1–2 years.
- **Couple with mortgage** → full mortgage balance plus 6–12 months of income.
- **Family with children** → mortgage balance + 2 years of household income + £10–£20k buffer.

It’s also smart to review your cover every few years. A new baby, pay rise, or house move can change things overnight.

The Mortgage Connection

Most people first hear about critical illness cover when sorting their mortgage. And rightly so – it’s where the financial risk is highest.

If you couldn’t work for six months or longer, could your partner cover the full mortgage and bills alone? For most people, the answer’s no.

That’s why mortgage-linked policies exist – typically *decreasing term* cover that reduces as your mortgage balance falls. Cheaper, predictable, and tied neatly to your biggest liability.

But it’s worth noting: your mortgage doesn’t need to define your cover. Many people combine a mortgage policy with a *level term* plan that keeps a fixed payout – a cushion for everything else.

If you’re reviewing your options, it’s worth looking at **our page on critical illness cover** to understand how it can work alongside your mortgage protection.

The “Too Much” Trap

Sometimes people go overboard – covering double or triple what they actually need. It feels reassuring, but it’s often just expensive.

Insurers will happily sell you more cover than you require. But unless your lifestyle demands it, there’s little point in paying for £500,000 when £200,000 would more than clear your mortgage and living costs.

Critical illness isn’t an investment. You won’t get the money back if you don’t claim. It’s there for balance – not excess.

The “Too Little” Problem

On the other hand, under-insuring can be worse. £25,000 might sound generous now, but in the middle of a major illness it disappears quickly. A few months of mortgage payments, reduced work income, and medical travel – and it’s gone.

A rule of thumb?

If the payout wouldn’t let you pause your mortgage for at least a year, it’s probably too low.

Realistic Scenarios

Let’s put a few examples into perspective.

Example 1: Tom, 28, first-time buyer
Mortgage: £180,000
Income: £32,000
Dependants: None

He takes £200,000 of cover. If he’s diagnosed with a serious illness, he can clear the mortgage completely – removing his biggest expense and future stress.

Example 2: Alex and Priya, mid-30s, young family
Mortgage: £250,000
Joint income: £70,000
Two children under 10

They choose £300,000 of cover. That’s enough to clear the mortgage and replace 12–18 months of income, giving breathing space during recovery.

Example 3: Emma, 45, self-employed consultant
Mortgage: £150,000
Income: £60,000
No partner or dependants

She goes for £150,000 – enough to repay her mortgage and support herself for two years without relying on savings.

These examples aren’t rules, but they show how the logic works. The right amount depends on how much *financial pressure* you’d want to remove.

How the Payout Works

It’s straightforward:

1. You’re diagnosed with a covered condition.
2. Your insurer assesses the claim (based on their definitions).
3. If approved, the lump sum is paid – tax-free – directly to you.

The average time from claim to payout is around six weeks once paperwork’s complete. Some insurers offer fast-track claims for certain conditions, especially cancers or heart attacks.

Should You Review or Increase Your Cover?

Yes – every few years, ideally.

Life changes. Mortgages shrink, incomes rise, families grow. The amount you needed at 25 probably won’t make sense at 40.

Typical times to review:

- New mortgage or remortgage
- Marriage or divorce
- Having children
- Pay rise or new job
- Health changes

If your cover’s linked to your mortgage, your lender or broker may flag this during remortgaging – but don’t rely on them to get it right. Reassess yourself too.

Cost vs Value

Critical illness cover isn’t cheap, but it’s cheaper than the alternative – losing your home or draining your savings during recovery.

Here’s what average monthly premiums look like (for non-smokers):

Age	Amount of Cover	Typical Monthly Premium
30	£100,000	£25–£35
40	£100,000	£40–£55
50	£100,000	£80–£100

For context, £35 a month is roughly £1.15 a day – less than a coffee.

So yes, it costs something. But the protection it gives, especially if you’ve got a mortgage or dependants, can be life-changing.

A Thought on Peace of Mind

This isn’t about being paranoid. It’s about being practical.

Critical illness cover buys time – time to heal, to focus, to stay in control when everything else feels out of control. That’s not fear; it’s foresight.

And in my experience, people rarely regret taking out enough cover. They only regret not doing it sooner.

Final Word

So, how much critical illness cover do you *really* need?
Enough to stop you worrying about money when you’re ill – but not so much you’re overpaying for peace of mind.

If it covers your mortgage, replaces your income for a year or two, and gives your family breathing space, you’re probably there.

Review it, tweak it, but don’t ignore it. Because one day, your future self might be very grateful you took the time to plan for the unexpected.

Note: The information in this guide was correct at the time of publication but is subject to change.