

Report to the All-Party Parliamentary Group on Suicide and Self-Harm Prevention

The Unnecessary and Harmful Impact of the "Likely to Die Within 12 Months" Clause in Terminal Illness Life Insurance Policies

Introduction

Sponsored by the Samaritan organisation, the All-Party Parliamentary Group on Suicide and Self-Harm Prevention is dedicated to protecting society's most vulnerable. This report examines the widespread use of a clause in terminal illness life insurance policies that requires claimants to prove they are "likely to die within 12 months." A recent Financial Conduct Authority review [\(1\)](#) described the clause as having the potential to 'cause significant harm' and 'may not be fit for purpose'. This arbitrary requirement creates severe psychological and financial pressures—pressures that push those with a terminal diagnosis into a perilous position, where the fear of prolonged financial burden and self-blame for being an economic risk, has forced thousands [\(2\)](#) towards considering suicide or forgoing essential treatments.

The Unnecessary Nature of the Clause

Terminal illness policies are designed to provide financial support and 'peace of mind' during one's most challenging moments, not to impose rigid, ill-fitting time constraints based on uncertain prognoses. The "likely to die within 12 months" clause is also unnecessary for the product's primary function. Terminal illnesses by their very nature resist precise prediction; thus, this requirement places an undue and arbitrary demand on policyholders. It is not essential for insurers to cover their risk in this way and as such, represents a policy design that contributes more harm than good.

I hope we can work together to stop this poorly understood tragic issue.
Thank you for your time and consideration of this report,

Peter Bull – Campaign Lead

Terminal Illness Campaign (TIC)

Psychological and Financial Coercion

The Burden of Uncertain Prognoses

For terminally ill individuals, the requirement to predict death within a specific timeframe is not only medically unsound but also emotionally devastating [\(3\)](#). Claimants are forced to grapple with the harrowing reality that living longer than expected may mean financial ruin—leaving their families at risk. The resulting internal conflict, where survival may seem tantamount to burdening loved ones, can deepen depression, anxiety, and, tragically, suicidal ideation.

The Perception of Being a Financial Burden

The policy reinforces a notion whereby continued survival translates into heightened financial responsibility. Many terminally ill individuals come to believe that their continued life means imposing unplanned and unsustainable costs on their relatives. In contrast, an early death meets the policy's terms, providing a payout and 'peace of mind' that is seen as a final measure of financial security for those left behind. This cruel dichotomy amplifies emotional distress and can force patients into making decisions that jeopardize their health—such as refusing crucial medical treatment—to secure a financially assured end-of-life scenario [\(4\)](#).

The Role of Unscrupulous Dependants

Adding to this is the risk posed by certain dependants who may, in some instances, lean heavily on the expected insurance payout for their own financial benefit. Such dynamics create an environment where the terminally ill are subtly encouraged—or feel compelled—to hasten their exit, a situation that mirrors concerns raised in debates around the current assisted dying legislation [\(7\)](#).

Balancing Insurer Risk and Protecting Lives

Insurers may resist removing the clause for several key reasons:

- **Large-Scale Policyholder Notification:** More than 10 million existing policyholders ⁽⁵⁾ would need to be informed of any changes—a task that not only poses significant logistical challenges but also heightens the risk of customer dissatisfaction and potential legal complications.
- **Risk of Compensation Claims:** Altering the clause could expose insurers to substantial liability. Terminally ill claimants or their surviving beneficiaries might seek compensation for cases where expectations were built upon the original policy wording. The prospect of having to settle large claims can be a significant deterrent.
- **Financial Cost Concerns:** Adjusting long-standing policies is inherently accompanied by financial risk. Insurers worry that removing this clause could lead to unplanned payouts. However, highly respected insurance industry analysis ⁽⁵⁾ suggests, these increased risks can be countered with a moderate rise in premiums—a change that is both manageable and justified when considering the broader societal benefits.

The Upside of Proactive Reform

While the short-term challenges are nontrivial, insurers also stand to gain considerable long-term reputational benefits by proactively removing the clause without coercion and by embracing a more humane approach:

- **Enhanced Consumer Trust:** Customers and policyholders are likely to view insurers more favourably if they act to remove terms that inflict emotional distress and financial coercion.
- **Market Differentiation:** Insurers that lead in ethical policy reform can differentiate themselves in a competitive market, appealing to a growing segment of consumers who prioritize corporate social responsibility.
- **Alignment with Regulatory Trends:** As regulatory bodies increasingly call for transparency and fairness in consumer contracts, proactive reform would align insurers with emerging best practices and regulatory expectations.

Ultimately, while the initial steps might involve increased communication and a moderate financial adjustment, the long-term benefits—in both customer trust and enhanced corporate reputation—can more than offset the challenges of implementation.

Policy Implications and Recommendations

Given the multifaceted harm caused by the current clause, we propose the following policy reforms:

1. **Eliminate the Prognosis-Based Requirement:** Replace the “likely to die within 12 months” condition with eligibility criteria based solely on a clinical diagnosis of a terminal illness. This change would respect medical uncertainty without placing an arbitrary burden on the claimant.
2. **Adjust Policy Premiums Modestly:** Implement a minor premium increase to offset the slightly higher risk assumed by insurers. This adjustment would ensure the economic viability of the policies while removing the oppressive deadline.
3. **Enhance Transparency and Consumer Communication:** Revise policy documentation so that all terms are clear, straightforward, and free of misleading implications, ensuring that consumers fully understand their benefits without undue pressure.
4. **Safeguard Against Financial Exploitation:** Introduce robust regulatory safeguards to prevent the misuse of payout benefits by unscrupulous dependants, ensuring that the insurance support fulfils its intended purpose.
5. **Integrate Mental Health Support Mechanisms:** Develop partnerships with mental health services to provide immediate counselling for terminally ill policyholders, ensuring that their financial decisions are informed and compassionate rather than driven by coercive stress.

Conclusion

The “likely to die within 12 months” clause is an unnecessary and harmful barrier in terminal illness life insurance policies. It forces vulnerable individuals to confront an impossible deadline, creating a harmful dynamic where continuing to live is equated with being a financial burden. Though insurers may resist removing this clause—citing costly notification requirements for over 10 million policyholders [\(6\)](#) and risks of compensatory claims—the insurance industries own analysis shows that a modest increase in premiums can effectively manage these risks [\(5\)](#). Moreover, insurers stand to gain significant reputational rewards by acting proactively.

We urge the All-Party Parliamentary Group on Suicide and Self-Harm Prevention to champion these reforms. By eliminating this damaging clause and adjusting premiums accordingly, we can foster a more compassionate system that protects the mental well-being of our citizens while enhancing the credibility and social responsibility of the insurance industry.

Additional Considerations

Future research should explore alternative underwriting practices and international case studies where similar reforms have been implemented successfully. These insights could inform further policy refinements, ensuring that both insurers and policyholders benefit from a fairer, more transparent system.

References:

- 1 [FCA Review of terminal illness benefits within term life insurance.](#)
- 2 [TIC Report on Consumer Protection Failure in Financial Markets.](#)
- 3 [APPG for Terminal Illness, Marie Curie report ‘Six Months to Live’](#)
- 4 [TIC Report ‘Dying for a Payout’ page 5, case study.](#)
- 5 [SCOR Global Life report to Institute and Faculty of Actuaries.](#)
- 6 [TIC Report ‘Dying for a Payout’ page 17, Statista 2018](#)
- 7 [Terminally Ill Adults \(End of Life Bill\)](#)