

## Critical Illness Coverage: Changing the Face of Personal Insurance

We all know someone who has been touched by cancer, heart attack or stroke. One could argue that this was the case generations ago as well; today there just seems to be so many more cases. But along with these alarmingly high statistics is the randomness of the event itself. Regardless of exercise regimens, consuming healthy foods, choosing not to smoke or consume alcohol, we all remain exposed. When it comes to a Critical Illness diagnosis, no one is guaranteed immunity.

A generation ago, a majority of those diagnosed with a Critical Illness would not survive. With the evolution of drugs, treatments and specialized care, today's diagnosis comes with great hope: to continue to live an active and full life. For some, the ability to readapt remains nevertheless quite difficult and requires much time, patience and courage. This also means additional costs for both patient and family. People are generally unprepared to deal with the consequences of a cancer, heart attack, stroke or by-pass surgery – now just imagine those touched by the long term outlook of Multiple Sclerosis, Motor Neuron disease, Parkinson's, Alzheimer's, paralysis or loss of independence. Additional expenses quickly start adding up, brought about by the interruptions in income streams, pressure of unpaid bills, concurrently with the necessity of finding serenity so one may focus on recovery. In such situations, resources and financial means are often stretched to the limit because of credit margins and meager savings. Too often, retirement savings need to be raided. The real consequence is that even after the physical re-adaptation is completed, many end up distraught financially. In view of the randomness of a diagnosis, who comes prepared and plans accordingly?

**Critical Illness coverage** has emerged as a key protection designed to bring a substantial amount of support. To this day, many have never heard of Critical Illness protection (otherwise known as CI). In its simplest form, it is a benefit for the living. Designed for those who survive a diagnosis of one of the covered conditions (from cancer, heart attack or stroke to over two dozen life-altering conditions), it provides a lump sum of cash to the insured that can be used in any way the insured wants – no strings attached. Critical Illness Insurance is **revolutionary coverage**. By providing a lump sum of cash generally thirty (30) days after diagnosis, it can help bridge the gap between life insurance needs and disability coverage expectations. People understand life insurance pays money to a beneficiary following the death of the insured. But what people don't realize is that statistics show that prior to age 65, the great majority of people don't die following the onset of a Critical Illness. As to disability coverage, it only replaces lost monthly income based on the insured's inability to work, by way of a monthly indemnity. By design, it only replaces a portion of one's lost income, so as to encourage one's return to work. With additional expenses, income replacement often falls short in providing beyond the essential monthly expenses. As well, because many recover fairly quickly from, say, a heart attack or cancer (the two illnesses responsible for a majority of all CI claims), the extent of a disability benefit payout can often be limited (based on the policy conditions that apply to initial waiting periods and one's ability to return to work). Even though physicians may advise patients they can physically return to work within a reasonable period of time, many patients may require additional time, as mental and emotional issues relating to a Critical Illness become stumbling blocks. When examining individual situations, the benefits of all three protections are evident, so it is not to say that one should be a replacement for the other, but rather the perfect complement. Knowing this, CI coverage stands out as the ideal solution when dealing with the high incidence of Critical Illness diagnosis, along with the understanding of how life and disability policies define claim situations.

**Do you rely on group benefits provided through your employer?** One of the weaknesses of group insurance is that CI coverage is not usually found under a typical group benefit structure. Many people remain unaware of this, so one needs to look at an individually designed plan to obtain coverage. As well, many stay-at-home parents, students, or even business owners who don't yet have positive income statements, cannot qualify for personal disability coverage because of the absence of stated income for tax purposes. For a Critical Illness policy to be issued there are guidelines (addressing primarily medical and lifestyle issues) but no initial income requirement (unless the requested amount of coverage is quite substantial). It pays the benefit exclusively on diagnosis and on satisfying the survival period, both of which have nothing to do with loss of income. A generation ago, these individuals had no way of dealing with their exposure to a Critical Illness. When disability coverage remains unavailable, the ability to qualify for CI coverage is a tremendous opportunity to create an immediate, personally designed safety net.

It is also worth noting that one's family health history plays a key role in underwriting a CI policy. Unlike other types of coverage, CI policies require that members of an applicant's immediate family have a relatively good health history, since the probability of contracting a Critical Illness based on genetics remains high. It is therefore essential to consider applying for coverage well before a parent or sibling is dealt a serious health issue. It is unfortunate that many only start considering coverage after a family member has been diagnosed with a Critical Illness, which in some cases, could be too late.

Many choose to carry this coverage because of the flexibility of its cash benefit. Policies are generally issued from a \$10,000 face value up to \$2 million. When assessing one's needs, you might think that the main consideration would always be to look at the cost of medical recovery and assistance. Waiting times for treatment or diagnostics, seeking treatment abroad, access to specialized clinics, health care at home, these are all legitimate issues that can be addressed when funds are available. However, knowing there are no limitations on how the money can be used, many find additional ways to use the money: pay off mortgages, take time off, modify homes, travel or even retire earlier. Some people focus on a short term situation (parenting years, and mortgage responsibilities), while others have long term considerations well into retirement years (loss of physical or mental independence). **Flexibility is what people state as CI's greatest advantage.** With this in mind, CI policies can be purchased with short or long terms of coverage. From an initial 10 year renewable and convertible term plan to a permanent lifetime policy, the decision is often based on affordability and future need. As well, the availability of "no medical" Critical Illness coverage has now also surfaced. Through the simple process of answering just a few questions, one can quickly determine if they are eligible for coverage. A newer and simpler approach to accessing CI with smaller face amounts.

Because one is more likely to claim before the age of 65 on a Critical Illness policy than on life insurance, the cost for a CI policy is generally higher. This is always a consideration when assessing risk (higher risk = higher premium). Despite alarming statistics (3 out of every 4 families are affected by a Critical Illness), many are those who feel that they will never claim. This is understandable. In view of this, insurance providers have introduced a unique benefit: **the reimbursement of all paid premiums, in the event a Critical Illness never materializes.** A Return of Premium rider can insure partial payouts generally as early as the 10<sup>th</sup> year of the contract, with full payouts from the 15<sup>th</sup> year forward (or at policy expiry). For some, the advantage of having such a rider can be a great planning tool; for others, it is just another inducement by an insurance company to reduce its long term risk. Nevertheless one thing remains paramount: Critical Illness coverage is first and foremost insurance protection. Regardless of where one stands on the issue of a Return of Premium option, it certainly adds a dimension of flexibility for those who welcome such benefits.

The impact of Critical Illness coverage in improving and changing the landscape of personal insurance in Canada is undeniable. In the past, how people could survive the financial issues brought about by a life-altering illness is mind-boggling. In the face of a Critical Illness diagnosis, it is now possible for someone to truly focus on recovery by eliminating the stress that accompanies financial issues and obligations. Gratefully today, Critical Illness coverage has now brought some unparalleled security to individuals and their families, thus complementing one's personal insurance needs in a unique and simple way.

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