

## Critical Illness Insurance-A Primer

Your trusted medical doctor of the last 20 years looks at the results of your most recent blood work. A solemn look appears on his face as he says, "I'm sorry to inform you but the results of your recent tests were positive. You have cancer."

The rest of the appointment was a blur. There was talk of treatment options and even an assurance that this early of a diagnosis was very likely to have a good outcome. Now home, your car is in the driveway but you couldn't remember the ride home.

Your mood and optimism began to rebound in the coming weeks. Your friends and spouse are supportive. You did some digging on the internet and educated yourself on the advances in medicine and high probability of success. A follow-up visit was completed and your first treatment is scheduled for next month. Life, slowly began to return to normal.

With the treatment set to begin a new host of problems began to emerge. Your desire for independence meant you had left your employer for self-employment and as such, no benefits plan existed. Your spouse and you had recently purchased a new home and your rainy day fund had been used to maximize the kids' education fund. Newer vehicles sat in your driveway with 2 years of payments left on one. Christmas was just over and you were planning on going south in March with the kids. You quickly realized that life's requirements were difficult with 2 incomes and near impossible with just one.

The brain child of a medical practitioner in the United Kingdom, he noted that while he was able to treat and cure many serious conditions his patients suffered most from the financial burdens associated with a steep drop in income.

Many of the costs of healthcare in Canada are covered under medical plans. Even some of the costs for travel and accommodation to larger and more sophisticated centres for treatment are reimbursable at least to the patient. However, the primary consideration is what impact will a loss of household income have on you and your situation?

An employer-sponsored disability and long term benefits program is a godsend -if you have one. Otherwise, your options are; liquidate savings, borrow or the consideration of the purchase of a disability or critical illness policy. A disability policy may be an option but being more comprehensive they are significantly more expensive to purchase. Policies are suitable for most age groups into their early 50's but likely cost prohibitive for those 60 and beyond.

Critical Illness policies cover many conditions but the big three are cancer, stroke and heart disease. Following detection of a covered condition, a critical illness policy pays out a lump sum to the owner and

the money can be used any way required. The money allows time and flexibility so that the patient and their family can fully concentrate energies on recovery. This may include a spouse or other loved one taking a leave of absence to assist as required. A common rule of thumb is the face amount being equal to 1 year's income.

To keep rates affordable you will likely undergo underwriting and a medical exam similar to applying for life insurance but with a slightly more stringent interpretations. Easier underwriting is possible but rates will reflect additional uncertainty. If you have had any of the listed conditions covered in the past you are ineligible to apply. In addition, with vast improvements in detection certain precursors not deemed serious may be excluded and there is an initial black-out period at the beginning of the policy to prevent abuse.

The good news is that the policies are likely a lot more affordable than you would first imagine for base coverage. In recent years a host of options, terms and riders have emerged which can include the full return of your premiums in the future or paid-up coverage for life. There is no requirement to make application in conjunction with life underwriting but it does make things easier and often there is a financial incentive for doing so.

This coverage should not be considered an alternative for life insurance but rather a complement. Life coverage is largely aimed at providing dependant assistance to others. In addition, critical illness is aimed at providing funds for recovery and no payout is made in the case of death within 30 days of diagnosis.

As important as this coverage can be on a family with 2 working spouses it may be even more important for those whom are single or a primary earner. For if you can't financially take care of yourself, who will?

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