

Critical Illness Insurance Info Sheet

What is critical illness insurance?

It is a simple insurance product that gives you a lump sum of money if you are diagnosed with one of a list of serious medical conditions – most commonly cancer, heart attack, or stroke.

It sounds like just another way to get my insurance money. Isn't life insurance enough?

How many people do you know who died before age 50, 60? Now, think about the people you know who had cancer or a heart attack, and survived, at least for a while. Life insurance doesn't pay out unless you die. So, this is insurance for when you have a serious condition, but don't die.

But everyone talks about life insurance like you have to have it. Why not this illness insurance thing? Is it new?

Yes, critical illness insurance was created by a doctor in the 1980s. Life insurance has been around for hundreds of years. In the past, if people got sick they often just died. Life insurance made the most sense.

But medicine is much better now. We live longer, we are healthier. Now, young people are more likely to live than to die.

But if I die that's a huge loss to my family.

Absolutely. It's a tragedy in so many ways. But you know what the truth is – living is usually more expensive than dying.

Either way there's still a mortgage, bills to pay, children to educate, etc. If you die, you need a funeral, some money for probate and estate costs, maybe for taxes.

However, if you have a serious condition and live, you might need expensive treatments you can't get in Alberta, to renovate your house, to pay for extra help if you are seriously disabled. Or you might just want to use your last months or years to travel, give gifts to your loved ones, and just enjoy yourself. There's no fun to buy if you are dead.

“Meena” Meenakshi Kestirke, Independent Insurance Broker

Can I get this coverage for my kids?

Yes, if they are between 0 to 25 years old you can get them a child critical illness policy. After that, they get an adult policy, but you can pay for it if you're nice like that.

I only have so much money to go around. I can't afford any more.

Okay, I get that. And what is the better option is to spread that money around. Think of how betting works:

The more likely something is going to happen, the more likely you will win some money back. By just buying life insurance you are betting against yourself and your family. You are saying, here, insurance company – take this money for this scenario that isn't very likely to happen. But I'm not interested in betting on the more likely cases of illness or disability.

Does that make any sense? My opinion is you should spread your money around and cover all your bases. Yes, you will have less of a payout if anything should happen, but it's better than zero payout if the most common things happen, and you have no insurance.

You keep talking about children. I don't have anyone who relies on my money.

Umm, I think that would be you. If you don't have anyone else who could support you, then what are you going to do if you got sick? Move back into your parents' basement? If you are independently wealthy or have lots of back-up plans, that's great – do you want to write a post for my website?

I'm too young and healthy to need insurance, right?

When you are young and healthy is the perfect time to apply for several reasons:

- You will get a cheaper policy.
- You don't have to worry about becoming uninsurable if something happens to you.
- The healthier you are, the more likely you are to survive, and need critical illness insurance, rather than life insurance.

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What does it cover?

Each company will have a list of illnesses that are covered, from around 4 to 30. Here are some of the common conditions that are usually covered:

- Alzheimer's Disease
- Benign Brain Tumor
- Blindness
- Cancer
- Coma
- Deafness
- Dismemberment
- Heart Attack
- Heart Valve Replacement
- Lou Gehrig's Disease (ALS)
- Loss of Independence
- Loss of Speech
- Major Organ Failure
- Major Organ Transplant
- Motor Neuron Disease
- Multiple Sclerosis
- Occupational HIV Infection
- Paralysis
- Parkinson's Disease
- Severe Burns
- Stroke

The majority of the claims are for cancer, heart attack, and stroke.

What doesn't it cover?

Early stage and most non-malignant cancers, either aren't covered, or have a much smaller payout.

Minor conditions aren't covered.

Diabetes isn't covered except Type 1 in a specific company's child policy.

Anything not specifically listed in the policy isn't covered.

If you die within 30 days of diagnosis the policy will not pay out.

Usually if you get diagnosed with cancer within the first 90 days you will not be paid. (Policy may or may not be cancelled.)

What can you use the money for?

The great thing is that you can use it for anything. Here are some possible uses for your money:

- Child care costs
- Home cleaners
- Meal services
- Travel
- Hospital parking
- Entertainment while you recover
- Debt payment
- Regular bills
- Replace your spouse's income
- Fly in friends or relatives to help out

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How expensive is it?

I'll give you an example of coverage for a family. Let's assume they are all healthy and don't smoke. They want \$50,000 of permanent critical illness insurance for each of them. And they decide to pay just for 20 years (and be covered for their entire life).

Here are the approximate costs:*

Name	Age	Monthly Cost	Total Cost
Jane	40	\$122	\$29,280
John	30	\$83	\$19,920
Bobby	10	\$47	\$11,280
Bobbietta	5	<u>\$42</u>	<u>\$10,080</u>
Total		\$294	\$70,560

So they get **\$200,000 of coverage for just over \$70,000.**

Also, with this policy if they don't make a claim before they die or decide to cancel the policy, they get between 25% to 100% of their premiums back (depending on how long they've had the policy). So if you need it, it's in place for a lifetime. And if you don't, you don't have to pay very much at all.

*Examples only based on quotes done March 2018 with one insurance company – not guaranteed to be this cost for you.

But what if I'm not healthy?

There are companies that specialize in helping people who aren't perfectly healthy. You may not be able to get lifetime coverage, but you can get some critical illness insurance at least during your working years.

One company I work with, for John, the 30 year old, he could get \$25,000 in coverage for about \$27 per month. Jane, at 40, could get \$25,000 for \$46 per month.

This would last to age 70, and they would still pay well under the \$25,000 they are entitled to claim.

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Are there different types?

Yes, there are differences between the different companies. You should think about what features are most important to you. And your broker should be able to help you make a final decision. Here are options you may see:

- Return of premiums, if cancelled, or if you die before making a claim.
- Second payout for a different category of problem.
- Number of illnesses that are covered.
- Cancer reoccurrence coverage.
- Partial payments for early stage cancers.
- Automatic increases to coverage.
- Premiums guaranteed to not increase.
- Amount of underwriting required/ease of application process.
- Cancer within 90 days cancels the policy.
- Lifetime coverage or only to a specific age.

What’s the difference between this and disability insurance?

Critical illness is straightforward and has a lot less rules. When you sign up, they don't care if you are working, what your income is, or assets are. But the payout is limited to what you paid for. Once you have used the money that is that. (Except for policies that pay out twice, but you won't necessarily get that money ever.)

For disability, it's related to your income, expenses, or debt, and your ability to work. At sign-up they care if you are working and how much you earn.

At claim time they care about whether you can work or not and if your income has decreased or not. But, depending on your policy, you may get ongoing coverage as long as you can't work.

They both fulfill different needs, and I recommend considering whether both are needed in your situation.

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What’s the difference between this and long-term care insurance?

Most critical illness policies will pay out if you aren’t able to live independently. But the money is limited. For long-term care, the payments continue up to the time limit you picked and as long as you need the coverage.

Also, be aware that long term care insurance is being discontinued by some insurers, so critical illness insurance may be one of the ways to get this coverage.

I’m going to get all the government benefits, so why would I need this?

You put a lot of faith in the government. Hey, I’m not a government-hater. I think they give us lots of good stuff, but I’m also practical. Let’s go over the various government options:

- CPP Disability – is hard to get. You have to have a severe and long term illness to qualify. The average payment is also only about \$1,000 per month.
- EI Sickness Benefit – only lasts for 15 weeks and is only if you can’t work. It only pays 55% of your pre-disability income to a maximum of \$547 per week.
- Worker’s compensation – only takes affect if you got injured at work, which is very unlikely with an illness.
- AISH (Assured Income for the Severely Handicapped)– is only for disabilities that are likely to remain permanent, and also are the main reason you can’t work. Plus they look at other income, assets etc.
- Provincial Assistance – maybe a little bit of help in some circumstances
- All of these options have hoops to jump through and there is no guarantee you will actually get money. Plus, for most people the amount they pay will not cover all your bills.

If you want to talk more about your particular situation, please book an appointment. I’m licensed in Alberta only right now, so you must be a resident to purchase from me. However, we can do everything over the phone/Skype.