

IS DISABILITY INSURANCE ENOUGH? CRITICAL ILLNESS INSURANCE, THE REQUIRED SUPPLEMENT

Author Terry Zavitz, 1999

Joan has just been diagnosed with breast cancer. She is a young mother with 2 small children at home. Her husband Bob has a demanding job starting his new law practice. Although Bob is able to take some time off to help Joan with the kids as she recovers from her mastectomy and starts her chemotherapy treatments, he cannot take as much time as they need or want. Family and friends do the best they can to help, but it is never enough. The stress associated with fighting cancer is further accentuated with the stress of trying to care for the children while Bob runs the law practice on reduced hours.

The above story exemplifies why disability insurance is not the only type of insurance to offer your clients. Joan is a stay-at-home mother and therefore does not qualify for this type of coverage. What about the client that has had the heart attack and although recovered, has no interest in continuing the 60 hour work week that helped to lead to the first heart attack? What about a client that suffers a debilitating stroke and requires extensive and expensive care? Where does the money come from to pay for this treatment?

Disability insurance is a vital insurance to own, if you can get it, but it is often not enough. Critical illness insurance helps fill the gaps left by disability insurance and is an important coverage to suggest to your clients. It helps to cover clients that do not qualify for disability insurance, like stay-at-home mothers and supplements disability coverage for serious disabilities that often require more financial resources than other types of illnesses.

Sales Support

The statistics point to the fact that critical illnesses are on the rise. The statistics also point to the fact that the odds of surviving a critical illness are on the rise as well. Statistics Canada published the following Cancer Facts:

- There has been a 1% rise per year in the incidence of cancer since 1970
- Malignant melanoma has the fastest growing incidence rate of cancer in men and the 3rd fastest in women
- Canada has the second highest rate of breast cancer in the world
- There has been a 4% increase in the long term survival rate for women with breast cancer in the last 20 years
- The 5 year survival rate for Canada's top 10 cancers is 14% for lung cancer, 74% for breast cancer, 54% for colon cancer and 62% for prostate cancer
- The Canadian Cancer Society estimates that 67% of the costs related to cancer treatment comes from indirect costs not covered by Provincial health plans

The Heart and Stroke Foundation reports that:

- 50,000 Canadians suffer a stroke each year
- 75% survive the initial event but when they return home, most require help with the activities of daily living

As I say to my clients, the chances are you will suffer a critical illness and chances are, you will survive it. Disability insurance will provide up to 85% of after-tax income if disabled but it is often not enough money. My clients that have survived a critical illness tell me that the cost of living is actually higher than when they were working. It is no secret that the provincial health plans cover less and less each year. Drug costs are high. Travel expenses are high. What about the person who has high alimony and child support payments to make, can they still be made if suffering a critical illness and on reduced income from a disability policy? Holistic medicine is becoming a popular choice of treatment often when all other form of traditional treatments have failed. It can be expensive and it is often not covered under provincial health plans.

Understanding that as society and health care changes, the need for critical illness coverage grows and the need to offer this type of coverage as an add-on to disability insurance is more important than ever.

Which Contract is Best?

There are two main points of comparison when looking at critical illness policies. One is the number of critical illnesses covered, some contracts cover 4 of them and some cover 15, and the other is the definition of the critical illness. Some of the things to consider when looking at the definitions of critical illnesses include:

- Does the definition of heart attack include silent infarcts where pain and other symptoms are slight to non-existent?
- How long does a neurological deficit need to be present in order for benefits to be paid, 24 hours or 30 days?
- Does the insured have to be on life support to qualify for benefits under the coma definition?
- What cancers are not covered? Usually skin cancers are not covered but some contracts also exclude Hodgkin's and leukemia and other types of cancers.
- How many vessels need to be blocked to qualify for the benefit under the definition for coronary artery disease, one or two?
- For the kidney failure definition, does the definition include end stage renal disease or the complete failure of both the kidneys?
- Does the definition of major organ transplant include the pancreas? Most definitions cover the heart, lung, liver, kidney and bone marrow. Some contracts will even pay the benefit if the insured is on the waiting list for a transplant over 30 days.
- Does the definition of multiple sclerosis require 2 separate clinically documented episodes as well as the diagnosis?
- Is the benefit for paralysis paid after 90 days if due to accident and 180 days if due to sickness or 90 days for both, or 180 days for both?
- How long does the loss of speech have to be before benefits are payable, 180 days, 365 days?

The bottom line is that the number and definitions of critical illnesses in these policies vary greatly. So does the type of policy. Some contracts have guaranteed premiums, some do not. Some have benefits payable for defined critical illnesses that occur prior to age 100 but most contracts provide benefits for critical illnesses present prior to 65 or 75. Some premiums

increase every 10 years, some are level. Some companies even offer a return of premium option. Virtual all contracts provide for a death benefit equal to the return of premiums paid if the insured dies but does not qualify for the critical illness benefit. Some contracts provide for a child rider that pays a benefit for more common childhood diseases such as CP and Down's syndrome and some provide extra health care benefits such as private duty nursing for the first year after the payment is made.

The Required Supplement

Critical illness coverage does not replace disability insurance, it supplements it. For you, it provides another opportunity to visit with your clients and show them a vehicle to protect their financial future. Marrying disability coverage and critical illness coverage is easy to understand. Disability insurance protects one's income and critical illness insurance covers the extra costs associated with such and illness. I will warn you though, underwriting is more comprehensive than disability insurance (if that is possible) as family history plays an important role in determining insurability. Since contracts vary greatly and insurance companies change their contracts on a regular basis, I advise keeping a copy of the contract in your client's file so you can see what is and is not covered. Most importantly, advise your clients that such a product exists. Critical illness coverage is more important now than ever.