

Critical Illness not a pleasant topic, but worth a look

LONDON -- Critical illness coverage is a newer type of insurance available in Canada. Critical illness insurance can pick up unforeseen expenses associated with a "living" disability by providing a lump sum, tax-free cash receipt after 30 days of the diagnosis of a major critical illness.

There is a long list of these illnesses. They include Alzheimer's disease, cancer, blindness, coma, deafness, heart attack, kidney failure, multiple sclerosis, Parkinson's disease, stroke, major surgery, loss of speech, major burns, organ transplants and heart valve replacement.

While the contracts issued by life insurance companies are different and the language and the guarantees need to be compared and studied, there is a common thread that has developed since critical illness insurance came to Canada in 1996 after being pioneered decades ago in other countries.

While it might be expected the majority of claims would be related to cancer, stroke and heart disease, Munich Re, which reinsures many of these contracts, has noted more than 90 per cent of the claims are linked to cancer and heart disease.

Swiss Re, another insurance company, has reported the following claims breakdown: cancer, 53 per cent; heart attack, 26 per cent; multiple sclerosis, seven per cent; stroke, six per cent; and heart surgery, five per cent.

Those percentages closely mirror figures other reinsurance companies have used during the years.

Since we've had some history on critical illness in Canada, Commercial Union, to date, says it has paid out \$4 million of its product, Life Cheque Policies. It reports 84 per cent went to cancer patients, 14 per cent to heart patients and the remainder to stroke cases.

Commercial Union says that overall in the critical illness insurance business, two of three cases have been cancer related.

At Axa Insurance, where this type of insurance was launched in Canada in October 1999, the majority of claims are likewise related to cancer, stroke and heart disease.

The Insurance Journal reports insurance companies agree the product is too new in Canada to merit a price hike.

Consequently, unless a major change takes place, there is no increase projected in critical illness premiums within the next two to three years.

In fact, with an insurer such as Canada Life Group Critical Illness, premiums have been falling. Joanne Reagan of Canada Life says the company now has more precise information for mortality and morbidity rates, specifically the various disabilities and chronic illness.

More importantly, the recent flood of claims underlines the value of the critical illness product. Reagan says in February 1998, a 37-year old woman from Ontario purchased a critical illness policy with Canada Life. Less than a year later, her physician diagnosed her with multiple sclerosis. She filed a claim and received \$200,000.

Critical illness insurance can be tailored to fit your needs along with your life and disability insurance programs.

Since 1996, when critical illness came to Canada, plans have become more sophisticated. While dwelling on this subject is not as pleasant as talking about investments, it is a much needed area to be reviewed with your financial adviser.