

CRITICAL ILLNESS INSURANCE

Critical Illness Defined

Critical Illness is defined by the insurance industry as a life threatening illness from which, in all probability, you will recover. The problem is that you may lose time from work and suffer loss of income because of it. You may have additional expenses that cannot be anticipated. Your financial well being may be threatened because of any of a variety of illnesses.

Critical Illness Insurance helps people by offsetting some or all of the financial loss. As a plan of insurance, it fills the gap between Life Insurance and Disability Insurance. Life Insurance, as everyone knows, provides liquidity—cash, at death. Disability Insurance, also known as Income Replacement, provides an income to offset employment earnings.

Death is straightforward. You die they pay. Disability Insurance is a little more complex. The insured person needs to qualify to receive this benefit. It is possible to have a serious illness and not qualify for income replacement. On the other hand, you may qualify for Critical Illness benefits even though you are not disabled to the point of being unable to work.

Most people have heard of Dr. Marius Barnard and his brother, Christiaan. They performed the first heart transplant surgery. Dr. Marius Barnard is credited with creating the concept of critical illness coverage. The first product was launched over twenty years ago in South Africa. This concept has spread to many other countries, England, Australia, Japan and many others. Finally, about four years ago, it came to Canada.

Dr. Barnard got the idea when he noticed the change from patients dying with certain illness to that of surviving them. These survivors needed money. He states that during the past twenty years the dynamics of modern medicine have changed considerably. Illnesses that would have resulted in death are curable now. These critical illnesses may not cause death, but they often do cause financial hardships. Critical illness frequently causes a life style change and that may rattle your financial well being.

Why do you need Critical Illness insurance?

Many people believe that if they have adequate life insurance and a proper disability income plan that there is no need for another type of coverage. People who have saved and invested well feel that they can weather the storm. That may be so, indeed. The question is, however, why should you expose your financial security to this risk? As pointed out above one could easily not qualify for income replacement, but still suffer a financial loss from an illness. Consider the scenario in which you do not die, and you are not considered disabled in such a way that you cannot work. Nevertheless, your energy level could be depleted some what. You may want to shorten your workweek. You may have to take early retirement. The conjecture list goes on and on.