

## Grouped Individual Critical Illness Insurance

Critical illness insurance provides a hassle free way to provide liquidity to meet the financial needs during a medical crisis.

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### Why is Critical Illness Insurance Necessary?

- Disability insurance replaces income but is insufficient for the added burden of medical expenses
  - Group health coverage has restrictive limitation and maximums
  - Social medical care is eroding and cannot be relied on
  - Personal and retirement savings have intended purposes other than medical expenses
  - Long term care insurance is too restrictive and inflexible
  - Most critical illness victims make a full recovery after a lengthy expensive treatment period
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### Conditions That Could be Covered

- Cancer (life-threatening)
  - Heart Attack (myocardial infarction)
  - Stroke (cerebrovascular incident)
  - Coronary Artery By-pass Surgery
  - Multiple Sclerosis
  - Kidney Failure (end stage renal disease)
  - Major Organ Transplant (recipient of heart, lung, liver, pancreas, kidney or bone marrow transplant)
  - Paralysis (2 or more limbs)
  - Deafness (total & permanent)
  - Blindness (total & permanent)
  - Parkinson's Disease
  - Alzheimer's Disease
  - Motor Neuron Disease
  - Permanent Total Disability
  - Severe Burns
  - etc.
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### How Critical Illness Insurance Works

- Select an amount of coverage from \$50,000 to \$300,000
- Provide medical evidence of good health
- Authorize payroll deductions for as long as you want the coverage
- Claim the full amount of insurance if you survive a covered event by 30 days (paralysis has a 90 day assessment period in the event of an accident, otherwise paralysis has a 180 day assessment period; paralysis resulting from intentional self-inflicted injuries is excluded)
- Convert to an individual policy when you leave the group

## Taxation

- Claim payments are received tax-free
  - Employee contributions are not tax-deductible
  - Employer contributions are taxable income to employees
  - Premium attracts PST in some provinces
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## What to look for in Critical Illness Coverage

- Clear definitions (medical terminology)
  - No restrictions at time of claim (no HIV exclusion)
  - Comprehensive scope of coverage
  - Short elimination period (30 days)
  - Lump sum benefit payment
  - Liberal underwriting
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## Why Group Critical Illness Coverage

This is such a new product and insurers are careful not to be too aggressive in plan design or pricing. As they gain experience and critical mass they will improve the value for members. The first plans covered less than 10 events and now cover 16 events. Critical Illness insurers in the United Kingdom now cover 27 events in insurers in Malaysia cover 36 events. We can expect a few new events to be added annually. A group policy can be improved annually to attract new participants and retain existing members. If you buy individual coverage then the only way to benefit from product improvements is to apply for a new policy every time a coverage enhancement becomes available.

One method of providing value while hedging is for the insurer to provide a premium refund to members based on the profitability of the product.

Group plans are designed to allow members to purchase (not be sold) coverage in a manner that reduces the distribution costs (commissions) and administration (premium collection) costs. Ideally members would be able to continue to their coverage on a direct billing basis even after they no longer belong to the group.