



LIVING BENEFITS CRITICAL ILLNESS INSURANCE

CONTINUING EDUCATION ON THE WEB
(Rev. 02/2010)

CRITICAL ILLNESS INSURANCE

BACKGROUND:

Critical Illness Insurance was first introduced in 1983, in South Africa by Crusader Life. Instrumental in the development of Critical Illness was Dr. Marius Bernard. Of major interest, it was his brother Christian who in 1967 completed the first successful heart transplant operation on Louis Washkansky in Cape Town, South Africa.

Over forty years later, we live in a complete different environment. For example, while the transplant of organs is a major life threatening operation, each and every day these operations are performed and most patients survive.

We transplant not only heart, but also kidneys, liver, lungs to name a few. Securing the necessary organs has become a major challenge.

Pick up your daily newspaper, and no doubt you will find articles concerning the shortage of organs for transplant, and suggesting the registration of vital organs with appropriate authorities. In Ontario as an example, thousands of people are waiting for a kidney transplant.

Introduced in Canada in the mid – 1990's as a rider to a life insurance policy, today most Canadian insurers sell Critical Illness insurance as a “stand alone” policy in amounts ranging from \$10,000 up to \$2,000,000 or higher.

While Canadians are living longer today due to major medical advances and improved lifestyle habits, the incidence of disabilities is much greater than in the past.

For example, in the last 25 years the incidence of disability is up significantly for heart disease, hypertension, stroke and diabetes, all of which could ultimately result in a claim being paid under a Critical Illness Policy (i.e. hypertension resulting in a heart attack).

A basic understanding of Critical Illness Insurance is a necessity for the professional insurance agent in the 21st century, as **living benefits** are increasing in popularity.

Individuals are surviving critical illness much more than in the past. The following statistics covering the major critical illness demonstrates this.

CANCER STATISTICS:*

- An estimated 171,000 new cases of cancer (excluding about 75,100 non – melanoma skin cancer) will occur in 2009.
- Of that amount 89,300 males and 81,700 females will be diagnosed with cancer.
- Based on current incidence rates, among men, 45% will develop cancer during their lifetimes and amongst women 40%.
- On average, 3300 Canadians will be diagnosed with cancer every week over 471 each and every day.
- It is estimated that 1 in 9 Females will develop Breast Cancer during their lifetime.
- It is estimated that 1 in 9 Males will develop Prostate Cancer during their lifetime.

It is estimated that 62% of people are expected to survive for 5 years after their Cancer diagnosis; however survival rates differ according to the type of cancer.
For information regarding survival rate for specific types of cancer, I would suggest you visit the society's web site.

*Canadian Cancer Society – www.cancer.ca

HEART STATISTICS:**

- 1 in 4 Canadians will contract heart disease.
- 1 in 2 heart attack victims are under age 65.
- 70% of all open-heart operations are for coronary by passes.
- 75,000 Canadians suffer heart attack each year.

However, survival rates are up.
50% decrease in heart and stroke death rate since 1950.
Two-thirds of people survive the immediate impact of Stroke and vast majority survives at least one year.
50% of men under 65 suffering a first Heart Attack go on living for at least 5 years.

STROKE STATISTICS:**

- 75% of all stroke victims will survive the initial event.
- 1 in 20 runs the risk of having a stroke before age 70.
- 50,000 Canadians suffer a stroke each year.

** Heart and Stroke Foundation – www.hsf.ca

OTHER STATISTICS:

- More than 50,000 Canadians have Multiple Sclerosis. It is the most common neurological disease among young Canadians.
- Alzheimer's disease affects 1 in 20 Canadians over age 65. It is the most common form of dementia. It is estimated that by the year 2031, close to 750,000 Canadians will suffer from Alzheimer's.

As can be seen, the likelihood of a critical illness occurring is substantial, but the chances of surviving are improving each year.

USEFUL WEBSITES FOR MORE CRITICAL ILLNESS INFORMATION

Alzheimer Society of Canada	http://www.alzheimer.ca
Canadian AIDS Society	http://www.cdn aids.ca
Canadian Association of Transplantation	http://www.transplant.ca
Canadian Brain Injury Coalition	http://www.cbic.ca
Canadian Cancer Society	http://www.cancer.ca
Canadian Hearing Society	http://www.chs.ca
Canadian National Institute for the Blind	http://www.cnib.ca
Canadian Paraplegic Association	http://www.canparaplegic.org
Heart and Stroke Foundation	http://www.hsf.ca
Kidney Foundation of Canada	http://www.kidney.ca
Multiple Sclerosis Society of Canada	http://www.mssoc.ca
The Parkinson Foundation of Canada	http://www.parkinson.ca

A CHANGING MARKETPLACE

Critical Illness Insurance has become an extremely popular policy in the Canadian marketplace.

To demonstrate its popularity, the following statistics from LIMRA's *International Market Survey of Canadian Individual Critical Illness (CI) Sales* is worthy of examination.

- Total policies in force up to the end of the second quarter in 2009 now total over 436,000 with annualized premiums of over \$451 million. By comparison, at the end of 2002, LIMRA had reported over 102,000 policies are in force with an annualized premium base of over \$99,000,000.

From the foregoing, it is easy to see that Critical Illness Insurance has indeed made market impact.

What is extremely compelling is that this information is gleaned from only 16 of the over 30 companies selling Critical Illness Insurance and does not include the results of Combined Insurance. Combined Insurance is one of the leaders in the number of policies sold. While Combined Insurance policy provides protection for life, approximately 68% of policies sold are temporary protection (term) with the coverage terminating by age 75.

Some other interesting facts:

- Without exceptions, every major life insurance company offers Critical Illness Insurance with each company vying for market share by adding new features and benefits.
- For example, Desjardins Financial Security's CI policy now covers complications from four infectious diseases, namely West Nile Virus, Lyme disease, E. Coli bacteria and flesh eating disease. As well some companies including Desjardins cover aplastic anaemia and bacterial meningitis.
- A number of companies are selling a basic Critical Illness policy online covering cancer, stroke, heart attack and heart bypass surgery.
- Transamerica introduced a revolutionary product to the Critical Illness market. The plan combines some aspects of CI and Medical Care Insurance. All policies have the same coverage, the insured may elect a \$25,000 lump sum payment upon the diagnosis of a covered condition to be used at their discretion, or if treatment is desired outside of Canada, up to \$1,000,000 of treatment expenses will be paid for 3 years in consultation with Best Doctors. An additional \$10,000 is available for travel expenses. While this policy sounded appealing, it has been discontinued, one of the reasons being it was too complicated for the average person to understand.
- Clarica introduced new coverage to its child policy when the insured is **ages 2 to 19**. The conditions include congenital heart disease, muscular dystrophy, type -one diabetes, cystic fibrosis and cerebral palsy.
- Desjardins now sells a Critical Illness policy with a Home Care Service Benefit. The home care benefit will provide up to 1% of coverage amount to a maximum of \$25,000 per month with a benefit period of 1 to 2 years, selected at the time of application. For example the purchase of a \$100,000 Critical Illness policy will also provide \$1,000 per month for nursing care, home help, heavy duty house work.
- Sun Life sells a Critical Illness with a long term care conversion option without evidence of insurability being required. The conversion must take place between the ages of 60 to 65 and future premiums are based on attained age.

The Critical Illness market is evolving rapidly, and it is likely that many changes will occur in the future as insurers try to establish market penetration of this exciting product.

WHY CRITICAL ILLNESS INSURANCE SHOULD BE CONSIDERED:

People are living longer; however the incidence of disability has “skyrocketed” over the last 25 years.

Think about it, medical advances are truly staggering. As a young person growing up in Montreal in the late 1950's, the word cancer or heart attack signified death, not only to me but also to most people. In those days, it was not unusual for a person who suffered a heart attack to be off work for three to six months or more, if in fact they survived, and not many did. Today, heart attack victims are back to work in a matter of weeks.

The National Cancer Institute of Canada has consistently made the following points in recent years:

- More Canadians are expected to develop cancer in the next decade, because of smoking, as well as an aging and expanding population. They have clearly indicated that Canada faces a crisis situation unless all levels of Government deal seriously with this problem.
- Canadians diagnosed with cancer **are expected to live longer with the disease.**
- More than 50% of those diagnosed with cancer **will be living after five years.**

It is estimated that over 171,100 new cases of Cancer will occur in 2009. Unless a significant breakthrough in medical research is accomplished, over the next 10 years, more than 1,700,000 Canadians will develop some form of cancer; furthermore, a majority will survive at least 30 days.

Similarly, if we look at the statistics regarding heart disease and stroke, over 125,000 Canadians will be diagnosed with these serious conditions in 2009.

Over 10 years, this translates to over 1,250,000 people suffering from a heart condition or stroke.

If they owned a Critical Illness policy, most would receive a “lump-sum” payment from the insurance company, in the amount contracted for, to use as they see fit.

CRITICAL ILLNESS INSURANCE DEFINED

Critical Illness Insurance is an Accident and Sickness Policy that provides a lump-sum benefit when the insured, is diagnosed or suffers from a covered critical condition.

To receive benefits, the person insured has to survive by a period of 30 days. Combined Insurance policy is quite unique in that it states that 10% of the coverage will be paid if the person insured survives by one day with the balance being paid upon surviving by a period of 14 days.

When benefit is received by the insured, the proceeds might be used:

- To meet ongoing expenses such as rent or mortgage payments.
- To purchase drugs or treatments not covered by provincial health care plans.
- For modifications to the home, or your car.
- For special training or for home care during recuperation.
- To replace loss of income during the period of disability.
- Transportation expenses and actual costs for treatment outside Canada.
- For a needed vacation while recuperating.

The important point is that the proceeds can be used for any purpose deemed necessary; there are no restrictions.

BEST DOCTORS

Most Insurance companies that sell Critical Illness Insurance provide as a “value added” benefit access to the services of Best Doctors or some such similar service.

Our policy provides this excellent service and reproduced from our marketing material is an overview of advantages that it provides, if a client is diagnosed or suffers from a covered critical condition.

It should be clearly understood that our Provincial Health Care Programs cover **basic** medical expenses. However, many illnesses require financial expenses not covered under these plans.

For example, private duty nursing care, physical therapy, the loss of income which are not covered under Provincial Plans. More important however, do we have the right diagnosis from our doctor, are there new procedures and/or research developments that can be used to aid the insured, who can give us the best up to date information and the best second opinion.

This is where Best Doctors excels as can be seen from the following material.

As an additional feature available with your Combined Insurance Critical Conditions Policy, you are eligible for **Best Doctors Services**.

Best Doctors is a world leader in connecting people with the best medical care.

Some of Best Doctor's services include: immediate answers to medical questions without having to leave home; ongoing support to help clients make informed healthcare decisions; quick confirmation of the diagnosis of a Critical Condition; immediate access to a unique database of 50,000 doctors who have been deemed "**best**" by their peers; and assistance with the hospital admittance process and with medical appointments. Best Doctors will also monitor the treatment process on the patient's behalf to ensure that his/her medical priorities are met.

COMPARISON OF DISABILITY INCOME CRITICAL ILLNESS AND LONG TERM CARE

Unlike a disability income policy where a condition for coverage you have to be employed and have earned income, a Critical Illness policy can be purchased by any individual, employed or not, provided they meet the underwriting requirements of the insurer and have the ability to pay the premiums. There are no restrictions on the amount of coverage that can be purchased, other than those set by the insurer.

The following chart compares these differences:

	DISABILITY INCOME	CRITICAL ILLNESS
When are benefits paid?	When the individual is totally disabled and unable to work as a result of an accident or a sickness.	When an individual suffers a specified Critical Condition and survives that condition for a period of 30 days.
How are benefits paid?	Generally, <u>monthly</u> as long as individual is disabled.	In a <u>lump sum</u> provided the individual survives the condition.
What happens when the individual recovers?	Benefits stop, however coverage continues to age 65.	Once a claim has been paid, coverage terminates.
Who can buy?	Based on the individual's occupation and earned income.	Anyone within the Insurance Company's guidelines.
To What age?	Generally between the ages of 18 to 60.	Generally between the ages of 18 to 64
Amount of benefit	A percentage of earned income (generally between 60 to 70%).	Based on Net Worth and Income. Generally sold in amounts from \$10,000 to \$2,000,000.

THE ROLE OF CRITICAL ILLNESS INSURANCE IN FINANCIAL PLANNING

Although Critical Illness insurance is an important element of an overall risk management plan, it should never be implemented in place of Disability Insurance or Life Insurance. Following the acquisition of necessary life and disability insurance policies, Critical Illness insurance should be added, as it offers an opportunity for the insured to receive additional support during a difficult time.

EXAMPLE:

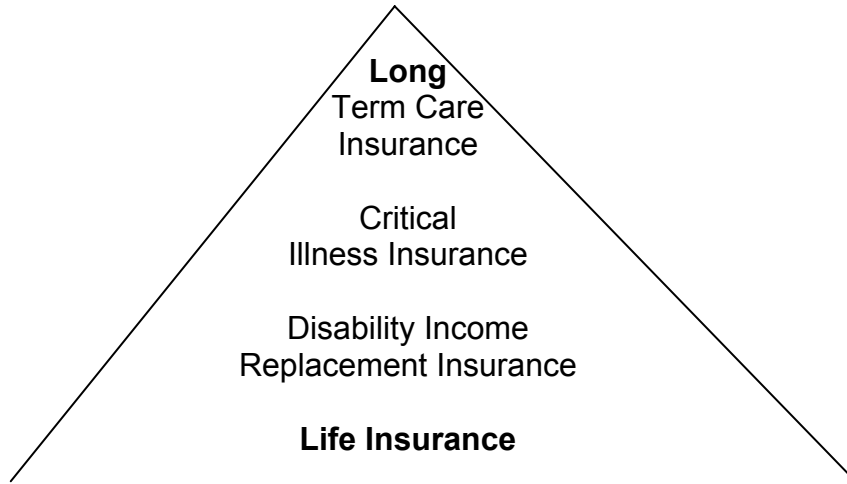
Kim is 26 years old, a non-smoker and is employed full time as a sales analyst. After hearing the statistics on the occurrence of cancer and other life threatening illnesses, she became concerned about incurring a critical illness. Unfortunately, she does not have any additional funds to purchase critical illness insurance, because last year she purchased Disability Insurance with an elimination period of 60 days. Although she is aware that, upon becoming totally disabled, she will be entitled to replacement income, she fears that she will not be able to meet her immediate needs if she is diagnosed with a critical illness.

Her concern prompted her to approach her insurance broker. She wanted to know what she could do to prepare herself for an unexpected absence from the workforce. Should she change her disability policy, or cancel it all together in order to apply for critical illness insurance? She did not think she could afford both. Her representative advised her not to cancel her disability policy, or to choose one form of insurance over the other. Instead, he suggested that she switch her elimination period from 60 to 90 days on her disability insurance, and use the savings from that change to purchase critical illness insurance.

In terms of their character, critical illness policies lie somewhere between life insurance and disability insurance. They are a hybrid: they pay out a single lump sum (like life insurance), they pay only once and then the policies will terminate (again, like life insurance), but they pay on the occasion of affliction to a *living* life insured and usually pay benefits to the life insured himself or herself, rather than to a third party beneficiary (more like disability insurance).

In terms of priority, though, critical illness plans should be considered to be a *completion* of a comprehensive personal risk management program (complementing life and disability insurance policies) rather than a full program in and of themselves.

In terms of personal life and health insurance coverage, the priority pyramid is as follows:



The risk of loss due to death should be provided for first. Ultimately (although not at every age) it is the highest risk – since every one of us will die eventually. Also, death is the one calamity from which there is no recovery: there is no opportunity for the afflicted to “get better” or to return to productivity. The losses caused by death are final and absolute. As a consequence, premium dollars should first be allocated to ensure that the life insured has adequate coverage to pay expenses and replace income losses that would occur as the result of his or her death.

Both disability and critical illness may result in financial losses and the risks of their occurrence may be very similar, at various ages. But, while critical illness may result in losses, a disability severe enough to meet the claims definition in a policy will virtually *always* involve losses. This is because the various policy definitions of disability (except for presumptive disability) hinge upon the fact that the life insured is unable to perform the duties of his or her occupation. A person could, however, contract a critical illness (some forms of cancer, for example) and still be able to continue productive work throughout their treatment and for many years thereafter. Consequently, providing adequate disability income replacement coverage should be the next step (after life insurance) in a comprehensive risk management program.

Critical Illness insurance fills the gaps left by the first two levels of coverage. What if the client becomes seriously ill but *lives*? Life insurance won't provide benefits until many years in the future – and then only helps the survivors, not the afflicted life insured. Disability insurance only pays in the event that the life insured is unable to work due to injury or illness. If the disabled party continues to work or resumes work, benefits are not payable.

Even where benefits are payable under Disability Insurance, restrictions may make those benefits inadequate to provide for all of the life insured's needs:

- There may be a substantial waiting period before benefits commence;
- Benefits may only be payable for a limited period;
- Benefits are capped at a maximum of 65-70 percent of earnings; and
- Benefits are designed only to replace income, not to provide for additional expenses incurred as a result of the affliction – expenses that may not be covered by government or employee benefit health plans.
- Critical illness policies fill that gap. They provide a lump sum of cash to the *living*, to be used for *whatever purpose* the insured deems to be appropriate, in the event of diagnosis of a covered critical illness.

Lastly, individuals should consider the risks that, in old age, they may require long term care, to assist them to perform the basic functions of everyday living. Home care or nursing home costs can be prohibitive. Coverage is available, under separate *long term care* policies, to provide reimbursement for just these kinds of expenditure.

The emphasis in the risk management priority pyramid is on *priority* of coverage: no one type of coverage stands alone as a comprehensive risk management program. The coverage must be balanced. All of the types of coverage are important – and all must be incorporated in a plan if it is to be comprehensive and complete.

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DEFINITION OF CRITICAL ILLNESS CONDITIONS ARE IMPORTANT

While the concept of Critical Illness Insurance is easy to understand, we all know someone who has been diagnosed with cancer and survived or survived a heart attack), what the insurance industry is beginning to learn is that representative aren't properly trained on the importance of family history or on understanding the nuances of the product. Nowhere is this truer with regards to the definitions contained in various contracts. If you read the definitions of cancer for example from various companies, you will find significant differences which could impact on the insured at claims time.

Currently, there is a movement by advisors for standardization of definitions which would go a long way to better explain medical terms that they are not well versed in, and would give them a clearer picture on what is covered and what is not covered.

Because of these concerns, many advisors are reluctant to sell and market Critical Illness Insurance.

The following outlines the more important conditions generally covered in a Critical Conditions policy, and the definition of the covered condition. How the condition is defined in the contract determines whether benefits will be paid.

- **Cancer** – definition contained in Combined Insurance Old Critical Conditions Policy, which covered up to 12 conditions.

“Cancer” means leukaemia or a malignant tumour treated by a physician that is characterized by uncontrollable cell growth and which results in a positive diagnoses, based upon a microscopic examination of the affected cells by a legally licensed Doctor of Medicine certified by the Royal College of Canada or by an Osteopathic Pathologist (unless a pathological diagnosis is deemed medically inappropriate, in which case a clinical diagnosis will be accepted.) The pathologist establishing the diagnosis shall base his or her judgement solely upon the criteria of malignancy as accepted by the Royal College of Canada after a study of the suspect cells.

Skin Cancer is not covered under this Policy, “Skin cancer” means basal cell (epithelioma) carcinoma.

- **Cancer** – definition contained in Combined Insurance Current Policy

“Life-threatening Cancer” means leukaemia, Hodgkin’s Disease or a malignant tumour treated by a Physician that is characterized by uncontrolled cell growth and which results in a positive diagnosis, based upon a microscopic examination of the affected cells by a legally licensed Doctor of Medicine certified by the Royal College of Canada.

“Carcinoma-in-situ” means a diagnosis of cancer where in the tumour cell still lie within the tissue of the site of origin without having invaded neighbouring tissue.

“Stage A Prostate Cancer” is histologically described as Tumour Node Metastasis Classification T1 or equivalent staging.

Skin Cancer is not covered under this policy. “Skin Cancer” is any Skin Cancer, including squamous cell carcinoma and basal cell carcinoma, except malignant melanoma.

The definition of Cancer in our current policy is much more specific. It clearly indicates that in order to receive benefits, the cancer must be “life threatening,” unlike the previous contract.

Further, it defines “carcinoma-in-situ” and “Stage A Prostate Cancer.” Unlike some policies sold by other companies, Combined Insurance current policy will pay 25% of the amount of coverage purchased if carcinoma-in-situ or Stage A Prostate Cancer is diagnosed and the policy remains in force. The remaining 75% will be paid if the cancer becomes “life threatening” or the insured is diagnosed with another covered condition.

As previously stated, definitions of covered conditions vary from company to company, advisors are not expected to be medical experts, training on medical terms by insurance companies leaves much to be desired.

Until such time that if definitions are standardized, there will be reluctance on the part of advisors to sell Critical Illness Insurance.

For purposes of clarification, we include definitions of the “Top Ten” covered conditions as outlined in Advocis’s LLQP Manual. Please pay careful attention to the definition of cancer.

HEART ATTACK (MYOCARDIAL INFARCTION)

Diagnosis by a physician of the death of a portion of the heart muscle as a result of inadequate blood supply to the afflicted area, generally caused by a blocked artery. The diagnosis must be based upon a history of chest pain, new electrocardiographic changes and the elevation of cardiac enzymes. There must be a definite event with medical evidence to support the diagnosis. The “degree of severity” of the heart attack is usually not a factor, provided all of the criteria are met.

CANCER

In order to qualify for a claim, the cancer must be “life threatening.” This includes any tumour characterized by the uncontrolled growth and spread of malignant cells. Although most life-threatening cancer are covered, many minor (or early stage) cancers (such as many skin cancers) are little more than a minor inconvenience and are easily curable (these are generally listed in the policy exclusions). Hence, these more minor forms of cancers are not covered. If one of the excluded cancers is not cured and later worsens, benefits may be paid if, of course, the policy is still in force. Payment is generally subject to a 90-day waiting period – no benefit will be paid if the investigation leading to the diagnosis commenced within the 90 days following the later of the issue date or last reinstatement date of the policy.

STROKE (CEREBROVASCULAR INCIDENT)

Diagnosis by a physician of a cerebrovascular incident (excluding any non-life threatening, transient ischemic attack (TIA)), caused by infarction of brain tissue, hemorrhage or embolization from an extra-cranial source. To qualify for this insured condition, the diagnosis must be supported by evidence that the stroke lasted for at least 24 hours and produced severe, permanent, measurable neurological deficit, or damage to the central nervous system, which has persisted for at least 30 days. Evidence of such damage may include (but is not limited to) paralysis of the right or left side of the body or disturbance of speech or vision. Stroke generally causes permanent brain damage, which may improve considerably over time. The effects of a stroke are generally observable for at least 30 days.

CORONARY ARTERY BYPASS SURGERY

The undergoing of heart surgery, on the written advice of a cardiologist, to correct the narrowing or blockage of one or more coronary arteries with bypass grafts. The definition normally excludes such non-surgical techniques as balloon angioplasty, laser relief of an obstruction, and/or any other intra-arterial procedures. Emergency bypass operation performed outside of Canada, without the recommendation of a Canadian-registered cardiologist, may be considered, upon the review of the hospital records.

MULTIPLE SCLEROSIS

An unequivocal diagnosis by a neurologist that the insured has multiple sclerosis. The diagnosis must be based on at least two episodes of well defined neurological abnormalities, with objective evidence of lesions at more than one site within the central nervous system, and supported by modern investigative techniques. In the case of some contracts, a single neurological episode, supported by objective evidence, is sufficient to confirm the condition.

KIDNEY FAILURE

Diagnosis by a physician of chronic, irreversible failure of both kidneys (end stage renal disease) that requires the patient to be undergoing regular dialysis.

MAJOR ORGAN TRANSPLANT

The patient undergoes surgery, as the recipient, for one or more of the following organs or tissues: liver, kidney, lung, entire heart, pancreas or bone marrow. "Transplantation" means the replacement of the recipient's malfunctioning organ(s) or tissue from a donor considered suitable under generally accepted medical procedures. Bone marrow transplants where the patient's own bone marrow is extracted, treated and later re-infused into the patient are also covered.

PARALYSIS

Diagnosis by a physician of the complete and permanent loss of function of two or more of the life insured's limbs, as a result of physical paralysis. Any permanent type of paralysis of two or more limbs (paraplegia, quadriplegia, etc.) whether caused by accident, illness or disease, is covered. Accident is the most frequent cause. It may take some time to determine the full extent of recovery, which may be hampered by the effects of other injuries sustained in an accident causing the paralysis. Consequently, there may be a waiting period of from 90 to 180 days (with respect to paralysis arising from an accident), prior to qualifying for a claim. This period is generally sufficient to determine that the condition is not temporary. If the condition is confirmed prior to the end of the waiting period, then the insurance company may decide to waive the waiting period.

BLINDNESS

Blindness is generally covered regardless of cause. It is usually defined as the loss of vision to a corrected visual acuity of 20/200 or less in both eyes, or the field of vision must be less than 20 degrees in both eyes. The blindness must be permanent and must be confirmed by an ophthalmologist practising in Canada.

DEAFNESS

A claim for deafness requires a diagnosis by an otolaryngologist of the permanent loss of hearing in both ears, with an auditory threshold of more than 90 decibels. Note that the insured does not have to be what is normally considered as “totally deaf”.

NOTE: Condition covered, and the definitions of these conditions, will vary from insurer to insurer. Minor variations in those definitions may be critical at the time of claim. For this reason, it is vitally important that clients (and agents choosing to provide critical illness products) have a clear understanding, at the time of policy application, of the nature and scope of the conditions defined under the recommended policy.

HOW MUCH CRITICAL ILLNESS COVERAGE IS REQUIRED

The amount of coverage required depends on many factors such as financial obligations, continuing income, business needs, welfare of dependants and the effects of the critical illness to the insured and loved ones.

The following worksheet is designed to provide guideline as to the amount of coverage that should be considered.

CRITICAL ILLNESS WORKSHEET

PURPOSE	AMOUNT REQUIRED
To pay off or pay down debts (mortgage, car loan, credit card)	\$ _____
To top up existing disability income coverage (difference between pre-disability income and disability benefit x 12)	\$ _____
To meet business expenses (hire a replacement, pay off debts)	\$ _____
To obtain home care, home making or childcare services (average cost \$25 per hour)**	\$ _____
To purchase equipment or other assistive devices *	\$ _____
To secure alternative medical care not covered under Provincial Medical Plans	\$ _____
To continue an educational fund for your child/children**	\$ _____
To continue your retirement fund**	\$ _____
Total Funds Required	\$ _____

*All provinces and territories provide some level of home care, however securing services is not guaranteed and the number of hours provided is modest.

**COMPARING CRITICAL ILLNESS POLICIES
COMBINED INSURANCE AND THE INDUSTRY**

	COMBINED INSURANCE	INDUSTRY
Issue Ages	18 to 64	18 to 64
Amount Offered	\$10,000 to \$100,000	\$10,000 to \$2,000,000
Type of Policy	Guaranteed Renewable (Premiums can be increased by the company by classification)	Most companies offer a Non Cancellable Guaranteed Renewable Contract. (No changes can be made to the contract once it is issued.)
Plans Offered	Premiums Paid for Life (Lifetime Protection)	<ul style="list-style-type: none"> ➤ 10 Year Renewable Term to Age 75 ➤ Level Term to Age 75 ➤ Term to Age 100 (Plans vary from company to company)
Conversion Option	None – Not required, as policyowner has purchased lifetime protection.	Most companies permit the Level Term or 10 years Renewable Term to be converted by the insured prior to age 60 or 65 without providing evidence of insurability. It should be understood that converting the policy to lifetime coverage would result in a much higher premium.
Return of Premium at Death	This provision is part of the contract and not a rider. In the event of death for any reason other than a Covered Condition, a full return of premiums paid, less any benefits paid under the policy, including riders.	Most companies include this provision in their contract; others offer it as a rider. Generally reimburses the estate 100% of the premiums paid if the person insured dies and no claim has been made.

	COMBINED INSURANCE	INDUSTRY
	RIDERS	
Return of Premium while Alive (Maturity)	<p>Offered to policyholder's between the ages of 18 to 50. Provides a full refund of all premiums paid after 20 years. Any benefit paid to the insured reduces the amount paid.</p> <p>The Return of Premium terminates upon a return of premium after reaching age 65.</p>	<p>Mostly offered as a rider. Provided no benefits have been paid, a full refund of premiums at maturity. With some companies refund of premium is on the base policy and excludes premiums paid for riders.</p> <p>Also, some companies will pay a reduced benefit if contract is cancelled after, for example 15 years.</p>
20 Year Paid Up Policy	<p>Provided the premium has been paid on time for 20 consecutive years, the policy becomes fully paid up. Only offered to individuals ages 18 to 50</p>	<p>A few companies offer the option of paying premiums and having a paid-up policy.</p>
Coverage for Children	<p>Offered for children 1 to 17 who qualify. Coverage for child ends at age 21.</p>	<p>Offered by most companies. Conditions covered vary from company to company.</p>

CLAIMS EXPERIENCE

While there has been a proliferation of new conditions added to many Critical Illness Insurance policies, a study of claims history tabulated from many insurance companies tells us one thing.

The majority of claims on Critical Illness Insurance will result as a consequence of being diagnosed with **life threatening cancer**, suffering a **heart attack**, or having a **stroke**. Statistics from most insurance companies are consistent on this, and it is estimated that 75% to 85% of all claims are due to these conditions.

As the market continues to mature, a number of challenges confront the industry. Munich Re, the major reinsurer of Critical Illness Insurance recently confirmed that 27% of claims submitted for CI have been declined.

They attribute this due to lack of education rather than tougher underwriting. Also compelling, 38% of the denied claims were due to conditions not fulfilling the definition contained in the contract and 19% to conditions not being covered in the CI contract.

From this, it can be gleaned that there is a serious need for the standardization of definitions contained in CI policies sold by Canadian companies, as well as a greater emphasis on educating both advisors and clients on an ongoing basis.

For example, in the United Kingdom (UK), the definitions of Critical Conditions have in fact been standardized and reports indicate that it has eliminated a lot of confusion and also served to better educate advisors selling this important product.

A FINAL WORD – THE CHALLENGES

While Critical Illness Insurance is an exciting product there are challenges ahead for insurance companies.

Similar to the Term to 100 situation of the late 1980's, what insurance companies are finding out is that policyholder's are very reluctant to cancel their coverage. This in turn has caused insurance companies to increase their premium rates on new policies issued. A few companies (those that sold a Guaranteed Renewable contract) have had to increase the premium rates to existing policyholder's.

Critical Illness Insurance is a product that will become very popular with Canadians once they become aware of its benefits. A recent survey prepared by RBC Insurance clearly pointed out that a majority of Canadians are not even aware that such a product exists.

All of us no doubt know of someone who has survived cancer, heart attack or stroke.

Critical Illness Insurance provided tax-free cash, capital that can be utilized for any purpose the insured deems necessary, with absolutely no restrictions.

It is becoming, and truly *will* be the product of the 21st century in the judgement of many in the Insurance industry.