

January 2008 Edition

Topic: Critical Illness Protection

In our last edition we discussed some of the basics you should consider when buying insurance. What about critical illness insurance? Is this something you really need? Doesn't your health insurance cover this? Let's take a closer look.

What is the Risk?

Let's assume for a moment that you are covered by a comprehensive health insurance plan. What is the risk if you don't have additional critical illness protection? First, let's define what we mean by "critical illness". Though the definition is certainly broader, let's keep our discussion to heart attack, stroke, paralysis, major organ transplant, invasive cancer, and end stage renal failure. Each of these diseases are not only extremely expensive to treat, but also very prevalent in today's society. When you see this list, you may see some common characteristics such as requiring long-term or permanent treatment and the fact that each are physically debilitating. The risk is the significant non-medical out-of-pocket expenses associated with these illnesses.

What is the cost?

So what is the cost of a critical illness? The actual cost of treatment could be tens of thousands, hundreds of thousands, or even millions of dollars. Fortunately, comprehensive health insurance will cover the majority of that expense. How about income? Most people suffering from a major illness find themselves unable to work. Your income may be substantially reduced or eliminated all together. In fact, in many cases other income earners such as spouses also find their income reduced due to the extra demands of caring for the family member who is ill. We also can't forget that this is likely a time of increased expenses, not decreased expenses. You may find you have extra travel expenses, meal expenses, and increased childcare and lodging expenses when treatment is delivered far from home.

What is the Impact?

The reality is that people are impacted by the cost of critical illnesses every day. In fact, a review of bankruptcy statistics illustrates some alarming facts. Half of all individual bankruptcies are preceded by a major health event. What is more alarming is the fact that the vast majority of those filers were covered by health insurance. Most people are simply not prepared to absorb the added expense that accompanies treatment of a critical illness.

The solution:

Fortunately, there are many critical illness policies available today. For a very reasonable premium, you can likely protect yourself from the financial impact of treating many critical illnesses. There are many options, from group plans to individual plans, from stand-alone policies to accelerated benefit options on life insurance policies. Talk to your insurance broker or consultant to identify a policy that works best for you.