



A Critical Part of Your Employee Benefits Plan

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When was the last time you sat down to review your employee benefits plan? Most good plans generally include: basic life insurance coverage, disability insurance, prescription drug coverage and a dental plan. But, did you know that critical illness insurance can also be a part of your company's benefits plan?

The Advent of Critical Illness Insurance

Critical illness insurance was first created in South Africa, where Dr. Marius Barnard observed how financial stress was hindering the recovery of his patients with a critical illness. In the years since then, critical illness insurance has become common in South Africa, Australia, and England. More recently, it has begun to gain traction in Canada. Since 2001, critical illness insurance has been the fastest growing sector of the Canadian insurance market.

In recognition of the real expenses of critical illness, the insurance industry decided to create and offer group critical illness insurance products. This offering is an attractive part of many companies' employee benefits plans, as it supplements existing coverage by paying for many of the expenses that would otherwise fall through the cracks.

Critical Illnesses: The Need for Coverage

The latest statistics coming out of the Canadian Cancer Society and The Heart and Stroke Foundation are as follows:

- 1 in 3 people are predicted to develop some form of heart disease in their lifetime.
- 1 in 3 Canadians will develop cancer during their lifetime.
- 1 in 9 women will develop breast cancer.

There are up to 500,000 strokes in Canada each year, almost half are women. Unfortunately, Canadians across the country can testify to their own painful experiences of having been diagnosed with a critical illness, surviving, and then facing medical bills and other expenses totalling thousands of dollars even after all the insurance providers have paid their claims.

The bad news is that about one-third of Canadians will develop a form of life-threatening cancer, affecting around 75% of families. The good news is that 30% of those cancer patients will be completely cured. Similarly, about one-third of Canadians will suffer from some form of heart disease, but fortunately 95% of us survive our first heart attack. In other words, there is a high likelihood that you will contract a critical illness and survive it – and incur significant expenses as a result.

Critical illnesses often require ongoing medical treatment even after it's clear that the patient will survive. Although medical insurance combined with OHIP can cover the costs of treatment, and disability insurance can guarantee continued income until the patient is ready to resume work, those programs don't provide assistance for many of the other costs of convalescence. These include in-home care, dependent care, transportation, medical devices/equipment, and home modifications for disability.

Benefits

The conditions covered by a group critical illness insurance policy vary with the insurance provider. Some of the more common insured conditions include Alzheimer's, sensory failure (blindness, deafness, loss of speech), cancer, heart attack, major organ failure, organ transplants, multiple sclerosis, paralysis, Parkinson's disease, and stroke, among other conditions.

Unlike disability insurance policies, critical illness insurance generally provides a single lump-sum payment

when an individual is diagnosed with a critical illness – but only once he or she has survived past a certain period of time, usually 30 days. Some critical illness insurance policies provide additional coverage for a second critical illness event in the policyholder's life. Whereas other policies pay medical care providers directly, individuals receiving payments through critical illness insurance have considerable freedom in deciding how the money should be spent. Some group critical illness insurance policies also provide smaller payouts. For example, if you had hip or knee replacement surgery, some companies will pay you 10% of the principal sum to a maximum of \$10,000. Early stage prostate cancer treatment could pay you 20% of the principal sum to a maximum of \$20,000, while loss of independence could pay you 25% of the principal sum.

Most employer benefits packages that include critical illness insurance offer their employees, and their families, a standard minimum amount of coverage of a \$10,000 flat benefit. This is the most basic plan. Employees then have the option of purchasing additional coverage, perhaps in \$5,000 increments, for themselves, their spouses, and their dependants. Depending on the company, you may qualify for up to a maximum of \$100,000 benefit. Additional coverage is subject to additional requirements, including the results of a medical exam.

Many insurance providers make the standard minimum amount mandatory and available to all employees and their dependents, regardless of their current health or medical history. Insurers will usually require a minimum number of 5 employees to participate in the plan, while other insurers might require you have a minimum of 10 employees to implement a group plan.

Limitations and Exclusions

When selecting a critical illness group insurance policy, it is important to read the descriptions of insured conditions very carefully. Like any other insurance policy, group critical illness insurance stipulates certain limitations and exclusions. For example, group critical illness insurance does not cover suicide or self-inflicted injuries, acts of war, and diseases not covered by the policy (including HIV/AIDS and certain types of cancers). Most group policies commonly cover invasive cancers, but not site specific, in situ cancers, which are more easily treated. Also, watch out for the 90-day cancer exclusion which stipulates that once the policy has been in effect you are not covered for cancer if you are diagnosed within 90 days after the coverage took effect.

Most critical illness group insurance policies also place restrictions on their coverage for pre-existing conditions, although the definition of that term varies

by insurance provider. In general, pre-existing conditions are any medical condition that was diagnosed or treated within the two years prior to the policy's effective date. However, some group critical illness insurance policies waive the limitations on pre-existing conditions if the policy covers some minimum number of individuals (often 300 lives).

As with any insurance policy, it is important to read the fine print and understand precisely what is – and is not – covered by critical illness insurance policies.

Summary

Group critical illness insurance is a valuable addition to any employee benefits plan. It minimizes the financial burdens associated with treatment for a critical illness, allowing the individual to focus on full recovery and make payments as needed. When selecting a policy, it is extremely important to have a full understanding of which types of critical illnesses are excluded.

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