

Canadian Financial Planner

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Many financially astute individuals have acquired three types of insurance coverage - life, health and disability. Ideally these plans are offered by employers who can provide excellent coverage at reasonable rates. However, these traditional forms of insurance, even when combined with provincial health care coverage, are often inadequate to cover expenses related to critical illness or long term care. Very few employers offer these types of coverage and therefore individuals must seek out private carriers.

In this edition of the Canadian Financial Planner, we shall review issues related to purchasing critical illness and long term care insurance. As these products are relatively new to Canada, there are key differences between the products offered by various insurance companies; therefore it is wise to comparison shop prior to selecting a policy.

Critical Illness Statistics

Before outlining the factors to consider when purchasing a critical illness policy, information provided by insurance companies and various health care organizations, outline the following facts which support the contention that most individuals should consider purchasing this type of insurance.

The Canadian Cancer Society reports:

- one in three Canadians will develop cancer in their lifetime
- approximately 130,000 Canadians will be diagnosed with cancer this year and over 60,000 will die from this terrible disease

The Heart and Stroke Foundation reports:

- one in four Canadians will suffer from some form of heart disease
- approximately 75,000 Canadians suffer heart attacks each year and 50% of the total is under the age of 65
- approximately 50,000 Canadians will suffer a stroke each year and 60% of these individuals will be disabled to some extent

Critical Illness Insurance

Although there are differences between the products offered by insurance companies, critical illness insurance policies tend to have the following characteristics:

- once individuals are diagnosed with an illness that is specifically outlined in their policy, they will receive a lump sum payment from the insurance company
- the amount received is normally tax free, if the premiums were paid with after tax dollars
- there is a waiting period, normally 30 days, between the diagnosis and the receipt of the payment
- a diagnosed individual receives the payment, whether or not they are able to continue working

Selecting a Critical Illness Policy

There are numerous options available to individuals purchasing critical illness insurance and although the cost of premiums is important, it is only one factor. Issues to consider include:

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