Seven Reasons To Consider Critical Illness Insurance In This New Era

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Technological Advances Continue to Change the Insurance Landscape

Long ago, heart attacks, stroke and cancer would always *kill* you. Not so long ago, heart attacks, stroke and cancer were more likely to *disable* you than kill you. Today and tomorrow, these major health events might just *cost* you—they'll cost you more, and they'll cost you faster.

We Are Embarking on a Changing System

The Patient Protection and Affordable Care Act (PPACA) is going to change our health care structure and the way we interact within the system. With everybody in the guarantee issue program, it might get a little crowded. We may end up with longer delays and rationing of services. This could result in a boom in medical travel, and it might trigger the creation of boutique private medical centers that cater to the wealthy, or those who can afford to pay for services outside of the PPACA system. PPACA could be the Trojan horse that brings us a single payer system as well, as recently indicated by political leaders.

In some countries with single payer health care systems, critical illness insurance (CII) has become a popular product. Have a CII policy in force when the heart attack, cancer, stroke, paralysis or blindness strikes and your client could be the beneficiary of $50K to $500K, possibly enough to pay for airfare, room and board, and treatment in a foreign country where treatment could be performed without a lengthy wait and for a fraction of the cost.

Critical Illness Protection = Options

CII gives your client options; options now, and options in an unknown future. If he has a heart attack today, and takes an aspirin, and then gets to the hospital fairly quickly, he probably won't become disabled. What will happen, though, is that bills will continue to come in, and there will be a few more of them, including perhaps a high deductible, and coinsurance up to the out-of-pocket maximum of the health insurance. This doesn't seem like a big deal if he has money saved or $10,000 in his HSA. The $10,000 or so of additional costs may not be that much of a burden, but wouldn't it be nice for your client to receive a check that would allow him to take it easier for a few months and maybe even take a vacation to lower his stress level?

Peace of Mind

If your client were to be diagnosed with invasive cancer, or received news that he needed a major organ transplant, it would set him back both financially and emotionally. Wouldn't it be helpful to have a check for $50K to $500K to allow him to take some time to do research and possibly travel to another county, state or country for treatment that may not be available or covered under PPACA provisions? Your client might not become eligible for disability benefits for 90-180 days, but in the meantime he surely could take time for research, treatments and rest. A check for $50K to $500K would lower stress and offer some peace of mind. PPACA will pay the doctors, DI may eventually pay the mortgage and living expenses, but during the 90-180 day elimination period (EP) there would be these and other unplanned expenses.

Lifestyle Inflation

The DI EP is like an increasing deductible. As income increases, expenses rise to meet new income, thereby making a potential disability more costly each year. It would not be unusual to find someone who twenty years ago lived on $5,000 per month, but now requires $15,000 to meet his monthly expenses. The DI EP plus health insurance deductible and coinsurance is now more than a $50,000 expense for many folks. In most cases a CII policy will be less expensive to purchase than the cost of going from a 90- to a 60-day EP on a DI policy. For example, Mr. Smith, a 50-year-old financial professional earning $15,000 per month, could qualify for about $8,400 monthly DI benefit on a personally paid basis with most traditional DI carriers, with prices ranging from $2,700 to $5,900 annually for a 90-day EP and $3,700 to $7,900 annually for a 60-day EP. A $50,000 benefit CII policy would cost Mr. Smith about $800. This can be less than half the cost of the increase on the $8,400 of coverage he would be buying when going from a 90- to 60-day EP on the DI policy.

CII Pays When DI May Not

Even though new treatments lead to better and faster results, they may cost your client more, both emotionally and financially. My CII benefit check was very helpful to me emotionally and financially. After my recent heart attack, financially, it allowed me to finish the remodel we had started, paid my coinsurance and deductible, and will pay for a nice vacation someday soon, which will be good for my emotional health. I was able to cut back my hours for a few months while I recovered and fine-tuned my new medications until they provided steady, favorable results. I was back to the office 35 hours per week within days of the event. I was back to 40-60 hours within 90 days. Since the heart attack and angioplasty recovery period was only a couple of weeks, I did not incur the 20 percent income loss my DI policy requires to be benefit eligible. I feel very fortunate to have had a mild heart attack and not collect from my DI insurance. CII has become a much more valuable product in my portfolio. I now point out the increasing cost of the DI EP over time, and the possibility of surviving with shorter recovery periods for conditions which used to kill or disable.

What Used to Kill or Disable You May Now Just Cost You

Health insurance will pay the doctors and hospital.

Life insurance will help take care of your loved ones and/or obligations when you die.

DI and/or LTD will pay you when, due to accident or sickness, you incur a long term inability to earn income.

Long term care insurance will protect retirement assets from the high cost of care not covered by Medicare, but which you will likely need before you die.

Critical illness insurance will pay you a welcomed and needed lump sum benefit upon diagnosis of a covered critical illness that might have *killed* you or *disabled* you in the past, but now just *costs* you.