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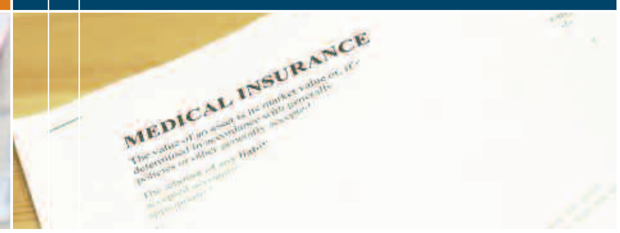

Protect your family with critical illness insurance

It used to be that insurance was mostly about taking care of your dependents by leaving sufficient funds behind after your death. In recent years, the insurance industry has designed a new range of products intended to protect your family from something else: the loss of your income while you're still alive.

As with disability insurance, critical illness insurance is meant to provide financial stability when your ability to work is diminished by a physical condition. But these two forms of insurance cover different kinds of health setbacks, and they pay out differently.

Disability insurance benefits kick in when an injury or illness prevents you from working, either completely or partially. You collect it as a regular, recurring payment – for example, $2,000 a month – while you're disabled. You can choose from a small variety of durations, such as five or 10 years, but most people buy disability insurance with benefits that last until age 65. The amount of your benefit is linked to how much you earn, since the intent is income replacement.

Critical illness insurance, on the other hand, covers you for a list of critical conditions such as cancer and coronary artery disease, and generally pays you a one-time cash benefit when you are diagnosed with a critical illness as described in your insurance contract (after you've survived the waiting period specified in your contract).

With most critical illness insurance policies, after you receive your cash benefit you are ineligible to apply for another policy or collect again. But some policies offer an Early Intervention Benefit, which can pay a percentage of your coverage (to a specified maximum) for the early stages of specified cancers and coronary angioplasty. If that benefit has been paid out, your policy continues and you could still make a claim for a different covered condition.

"Critical illness benefits are presumably used to replace your income or help pay for those additional expenses you may incur, such as medical bills, to help you recover while you maintain your quality of life," says John De Goey, a Toronto-based financial advisor and author of *The Professional Financial Advisor*. "But you're free to do whatever you want with it."

CHOOSING A POLICY

De Goey recommends making sure the policy you buy includes a firm definition of the four most common life-threatening diseases: heart attacks, strokes, cancer and coronary artery disease requiring surgery.

"Critical illness insurance typically covers about two dozen different diseases, but it's more important to have solid definitions of the top four than to have a laundry list of others," says De Goey. "Ninety per cent of claimants are more likely to get one of the big four than anything else, and you don't want to end up haggling over definitions."

Some people find critical illness insurance, like disability insurance, to be expensive. Premiums can be substantial. But that's because chances are good that you'll collect on your policy.

"In the old days, as recently as the sixties, people got sick and died," says De Goey. "Now they get sick and live."

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