

Supreme Court's ruling may shine a new light on critical illness policies

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Starter kits for people keen to embrace private medicare are now available.

Just contact your insurance company or bank and ask to apply for critical illness insurance. Should you be unfortunate enough to get cancer, heart disease or several other nasty conditions, a critical illness policy would help you afford the cost of treatment at private hospitals and clinics.

Last week, the Supreme Court of Canada struck down a Quebec law prohibiting private health insurance. Prime Minister Paul Martin's reaction was that Canada will not have a two-tier health care system, but it's hard to believe there won't be opportunities for people to eventually buy private medical services.

If that's the case, then insurers could introduce new types of private health insurance for those wealthy enough to pay the premiums. In the meantime, there's critical illness insurance.

This kind of insurance is expensive in its own right, and it's not a slam-dunk that you'll get your application approved because of increasingly stringent screening procedures. But if you can get a policy, you'll receive anywhere from \$25,000 to as much as \$2-million in lump-sum, tax-free benefits if you're diagnosed with one of the diseases or conditions specified in your policy.

Anyone who sells life and health insurance must be loving the ruling. There's not much growth to be found in selling life insurance policies these days, but critical illness coverage is quite the opposite. Any insurer can produce reams of statistics showing how much more likely people are to become seriously ill rather than die, and yet many people have a life insurance policy but not critical illness coverage. Now, the Supreme Court has made critical illness coverage more attractive by raising the possibility of private health care.

In theory, you can use critical illness benefits for anything at all. If you're off work without any group disability coverage, you can use the money to pay the mortgage and other expenses. Alternatively, you can hire a private nurse, try alternative treatments, or even make contributions to your retirement fund.

But these benefits are nothing compared with the ability to use private medical facilities where your treatment starts now, no waiting required. So what if the care costs \$50,000 -- if you have a critical illness policy, you've got it covered.

That's the hype with this type of insurance. The reality is that it's a pricey form of coverage with lots of nuances to master.

Take the cost, for example. Quotes from on-line sellers of critical illness insurance show a 42-year-

old male non-smoker like me might pay between \$685 and \$815 for a \$100,000 critical illness policy with a 10-year term, or something like \$1,300 a year for a \$100,000 policy that lasts until age 75. The cost would be even higher for a policy add-on that returns your premiums if you reach 75 without a claim.

Don't put too much stock in these quotes because they may not have a long shelf life. Insurers project increasing claims on critical illness policies, so they've been raising premiums in anticipation.

There are bargain critical illness policies, but they cover just a handful of conditions that would generally include cancer, heart disease and stroke. A more comprehensive policy might cover 20-odd conditions, including multiple sclerosis, Alzheimer's disease and Parkinson's disease. Notice that you won't be covered for hip replacements, knee surgery and other procedures that commonly involve a wait in the public system.

Qualifying for a critical illness policy can be routine if you meet the age requirements and the medical history of you and your close family members is clean. But if you've smoked, if you're overweight or if you have parents who were treated for serious diseases before they reached old age, you may find you'll have to pay extra-high premiums or that you're rejected. Certainly, the rejection rate for critical illness applications is much higher than for life insurance.

If you're approved for critical illness insurance and can afford the premiums, it's a smart buy because of the way it can ease the financial strain of being so ill you can't work. Disability coverage, either through a personal policy or group plan at work, can help pay the bills if you're off work, but it won't leave any left over for extras like private care.

For those who are relatively young, a policy providing level premiums to age 65 or 75 is a better bet than a less-expensive 10-year policy. A 40-year-old is certainly going to want an extra 20 or 30 years of coverage and getting this by renewing a 10-year policy over and over will mean big price increases.

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