

Critical Illness Insurance

One of the great advantages of modern technology is that it's allowing more people to survive once-fatal medical conditions. However, the unfortunate reality is that many survivors must bear a heavy financial burden for things like medical treatment outside Canada, or ongoing care at home or in a facility. What can prevent depletion of your savings if you should fall ill? Critical Illness (CI) insurance can stop loss and protect your assets.

Protect Your Financial Health

You've worked hard to save and have made wise investment decisions to ensure financial security for you and your family in the future. An unexpected change in your health situation could entail a high cost for recovery. CI insurance can help protect your financial health when what you doesn't happen, does.

Upon diagnosis of a critical illness, a CI policy imposes a waiting period. Once the waiting period has expired, the policy owner is provided a tax-free lump-sum benefit, unlike traditional life insurance that pays a beneficiary upon death. CI insurance helps to meet the high costs associated with serious illness and to avoid tax implications or loss of returns if you were to prematurely withdraw your investments. This lump sum benefit can be used as you wish, including to:

- Take advantage of private or alternative medical treatment, both in Canada and outside the country.
- Make RRSP contributions that may have lapsed during recovery.
- Replace lost income.
- Pay off a mortgage or other debts.
- Modify your home or vehicle to meet any new mobility.
- Continue to fund your children's present or future education needs.
- Allow a spouse or family member to take a leave of absence from work.
- Help your business endure while you recover.

An Investment in Peace of Mind

A common hesitation you may have as you assess whether or not CI insurance is right for you and your overall plan is cost. It is often difficult to spend money on something that may or may not be utilized. But the peace of mind CI insurance offers can be priceless.

The calculation of CI insurance premiums depends on factors such as age, sex, smoking status and current health status (specifically looking at things like height, weight, lifestyle, and medical and family history). When applying for CI insurance, you would go through a process similar to that for life insurance, including medical tests and answering questions about these personal subjects.



Stay Healthy, Get Your Money Back

The truth of the matter is CI insurance premiums are more expensive compared to traditional life insurance coverage. Since the risk of developing a critical illness is more likely than dying prematurely, insurance providers are far more likely to pay out on CI insurance policies and as such, must transfer their risk through higher premiums. However, there is an option that, if you stay healthy, you can get your money back.

Although statistics indicate a great likelihood of developing a critical illness, it isn't a certainty that you will fall ill. For that reason, many companies offer an optional rider that will return your cumulative premiums when the policy expires if you don't make a claim. The following example for a CI benefit of \$250,000 with an annual premium of \$4,002.50 (inclusive of a \$1,355.00 return of premium rider) illustrates how worthwhile this option can be.

Return of Premium Example				
End of Policy Year	Age	ROPD ¹	ROPC/E ² - 15 years	Rate of Return ³
15	55	\$60,370.50	\$60,370.50	12.66%
35	75	\$140,087.50 ⁴	\$140,087.50	5.40%

¹ Return of premium on death.

² Return of premium on cancellation or expiry – 15 years. Only payable on or after the 15th policy anniversary. The ROPC/E is zero prior to this milestone.

³ On the ROPC/E – 15 years premium.

⁴ Following the insured person's 75th birthday.

Assumes 40 year old, non-smoking male. Rates and illnesses covered will vary.

With a rider in place, if you make it to the end of your coverage (typically age 75, although some riders may allow for a partial return of premium sooner as illustrated) and don't make a CI claim, the good news is that you'll be healthy, and the insurer returns the premiums you paid into the policy.

Summary

Thanks to medical advances, the chances of surviving major illnesses such as a stroke, heart attack or cancer are significantly higher today than they were a decade or two ago. Having Critical Illness insurance in place ensures that if you do fall ill, financial concerns will not compound your health concerns. You can concentrate on that which is more important: getting well.

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