

Do I need critical illness insurance?



We all get sick sometimes – that’s life. But some of us will experience serious illness. The cost of recovering from a condition like cancer or heart attack can take its toll. Not just emotionally, but financially, too.

How would you afford the cost of medical treatment? How would you cover your debts – including your mortgage – or be able to cope financially as you ease back in to work?

The risks

- In 2010, an estimated 114,000 new cases of cancer were diagnosed in Australia.ⁱ
- More than 60% of cancer patients will survive more than five years after diagnosis.ⁱⁱ
- Two out of every three people that suffer a first time stroke will be alive one year later.ⁱⁱⁱ
- About 88% of stroke survivors live at home. Most of them live with a disability.^{iv}

The reality

Australians are suffering an increasing incidence of cancer. In addition to this, we’re continuing to experience high levels of heart disease and stroke.

Advances in medical science mean we now have a greater chance of surviving these conditions. But treatment can be drawn out and expensive - forcing patients to take months or even years of work.

Still, many Australians don’t take out insurance protection because of some common misconceptions.

"My private health insurance will cover me"

The average household cost of cancer is \$47,000.^v And, while health insurance helps with medical treatments and hospital expenses, it does not cover some specialist therapies, ongoing treatment needs or the immediate care that is often required.

"I’m not the main income earner"

Child care and home help provided by a ‘stay-at-home’ spouse could be worth more than \$75,000 per year.^{vi} In recognition of this, you don’t have to be working to take out critical illness insurance.

"I have Total and Permanent Disability (TPD) insurance"

Nowadays, serious illness doesn’t necessarily result in a total and permanent disability. Advancements in medical science mean that it is now possible for patients to recover their original lifestyles. Even so, the financial costs can still be significant – which is why critical illness insurance is vital.

What is critical illness insurance?

Critical illness insurance pays an agreed lump sum benefit in the event of a listed serious illness. This money can help you survive financially while you focus on recovering and getting back to your everyday life.

What are the features?

Here are just some of the features you can expect with critical illness insurance:

- **Cover for major illness events:** Cancers, heart disease and stroke are all typically covered.
- **Choice of cover levels:** You can choose between standard contract or premium contracts, which will provide cover for additional conditions.
- **Additional benefits:** For instance, Child’s Critical Illness insurance can provide you with an additional payment if your child suffers a critical illness event

What are the cover options?

Here are just some of the options you can expect with critical illness insurance:

- **Choice of premium options:** 'Stepped' premiums increase each year in line with your age, while 'Level' premiums remain constant until an age specified by your insurance provider (at this point, they convert to Stepped).
- **Standalone or 'linked':** In the event of a claim, 'standalone' cover will not impact the level of any of your other covers. When 'linked', a critical illness claim payment will result in an equivalent reduction in the linked Life Cover (this is the more cost-effective option).

What do the payments protect?

A lump sum benefit could help you stay on top of debts, pay for medical bills and generally give you the means to maintain a reasonable standard of living while you're recovering.

- **Medical expenses and treatment costs**
The cost of ongoing treatment, including prescriptions and perhaps alternate therapies, can quickly add up. The lump sum payment can be used to help cover these costs.
- **Debt repayment**
Following a serious illness, the last thing you want to think about is outstanding debts - like mortgage or credit card repayments. Critical illness insurance helps ensure you will have the funds to cover these.

- **Additional care and rehabilitation**

Serious illness often presents the need for additional care or help around the house. Rehabilitation equipment or specialised therapies may also be required to help with your recovery. A lump sum benefit can help pay for these expenses.

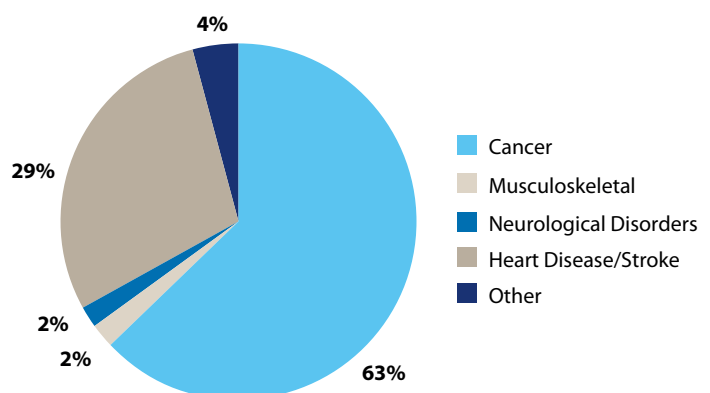
- **Lifestyle modifications**

You may need to make a permanent lifestyle change, like reducing the number of hours you work. The lump sum payment can help offset the lower levels of income. Alternatively, it could allow you to take the time to ease back into working life.

- **Cash reserve**

Use your payment to create a cash reserve, which could later help boost your retirement savings or fund a family holiday.

Causes of claim



Source: TAL Life Limited (2011)^{viii}

ⁱ Cancer Council Australia (2011) *Facts and Figures* <http://www.cancer.org.au/Newsmedia/factsfigures.htm> viewed 1 May 2012
ⁱⁱ Cancer Council Australia (2011) *Facts and Figures* <http://www.cancer.org.au/aboutcancer/FactsFigures.htm> viewed 22 May 2012
ⁱⁱⁱ Stroke Foundation (2011) *10 Things You Should Know About Stroke* <http://www.strokefoundation.com.au/blog/?p=905> viewed 22 May 2012
^{iv} National Stroke Foundation (2012) *Facts, Figures and Statistics* <http://www.strokefoundation.com.au/facts-figures-and-stats> viewed 1 May 2012
^v *Cost of Cancer in NSW* (April 2007) A report by Access Economics Pty Limited for The Cancer Council NSW
^{vi} IFSA (5 October 2005) *Australian mothers – undervalued and underinsured*, Media release, Sydney
^{viii} The figures shown represent actual claims paid by TAL from 1 January 2011 to 31 December 2011 across all TAL products.

How do I get protected?

Contact Sequoia Asset Management today and find out how we can help you tailor the right level of cover for your needs.

For more information and to obtain a critical illness insurance quote, talk to a Sequoia Adviser on 02 8114 2222 today.

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