

FAQ on Critical Illness

Q. What does critical illness cover provide?

A. Critical illness insurance pays you a tax free lump sum if you are diagnosed as having a serious illness or condition, or require a specific operation, which is included in the list of insured illnesses.

The insured illnesses are listed within the policy documents issued by your insurance company

Q. Why should I want critical illness insurance cover?

A. Critical Illnesses occur more commonly than you may be aware. The average age of a policyholder claiming under for this type of plan is 47 (Source: Munich Reinsurance Co 2000).

The difference between life cover and critical illness cover is that with critical illness, the sum insured is paid out soon as the illness is diagnosed. With life insurance the sum insured is paid out on death. This means that with Critical Illness the money from the policy can be used to benefit you as well as your family.

You may believe that “it won’t happen to me” and we really hope that it doesn’t, but consider the following facts: -

- ❖ 35% of men and 46% of women who are diagnosed with cancer survive at least 5 years
- ❖ 78% of those who suffer a stroke survive more than a year.
- ❖ 1 in 5 men are diagnosed with a critical illness before their normal retirement age.
- ❖ 1 in 6 women are diagnosed with a critical illness before their normal retirement age.

Q. What's the difference between a critical-illness policy and a disability-income contract?

A. Under a critical-illness policy, the benefit is a lump sum (for example, \$25,000 or \$100,000) paid out tax-free upon the diagnosis of a designated illness (such as heart attack, cancer, or stroke). Under disability-income policies, the benefit is paid out as monthly income if you qualify under the definition of "disability" (usually related to your capacity to perform your regular job or other types of work) stipulated in the contract.

Q. What other types of insurance policy should I consider along side critical illness cover?

A. In addition to critical illness cover you should also consider: -

Mortgage Payment Protection insurance

Income Protection insurance

[Life Insurance](#)

Income Protection Insurance

Income Protection insurance pays you a regular income should you have an illness or be involved in an accident that causes you to be off work or become unemployed. Most policies will continue to provide income for 12 months.

If you claim there will usually be a waiting period of 28 days but on good policies, the payments will be backdated to the first day you were off work.

Mortgage Payment Protection Insurance

Mortgage Protection Insurance pays your monthly mortgage payment if you are off work due to illness, accident or unemployment. Most policies will pay your mortgage for 12 months.

If you claim there will usually be a waiting period of 28 days but on good policies, the claim is backdated to the first day you were off work.

Full details of this and other types of insurance are available when you speak to [COMPASS](#)

Life Insurance

Life Insurance pays a tax-free lump sum if you were to die. It is often used to settle outstanding loans and mortgages, provide money for your family to live on or simply to leave as a gift.

To a certain extent there is an overlap in its uses with critical illness insurance but we suggest that the primary function of critical illness insurance is to help you financially whilst you are alive (but ill) whereas life insurance helps your family after you are gone.

Q. Are critical illnesses during pregnancy insured?

A. Pregnancy would not be a valid reason for refusing a claim for critical illness. It would be difficult to argue that pregnancy was a 'self-inflicted injury'!

In fact, as a result of a pregnancy, there may be an increased reason that a successful claim may result e.g. a heart attack as a result of a difficult birth or a blood transfusion took place with HIV infected blood.

Q. How will a claim be paid?

A. If you have a valid claim, a normal Critical Illness policy will pay you a tax-free lump sum. Then, as soon as the payment is made the policy will end.

For a claim to be valid, you will have been diagnosed by a qualified doctor as having a critical illness or condition which is specifically listed as an insured illness in your insurer's Key Features Booklet.

All insurance companies require you to have survived for a specific number of days following your diagnosis in order to make a claim. This is normally 28 days although some insurance companies have brought it down to 14 days.

Q. Can the critical illness insurance be continued after a claim?

A. No. If the claim has been successful, the money will be paid to you and this ends the policy. If you need further financial protection you may wish to consider an Income Protection policy or [Mortgage](#) Payment Protection policy to run alongside your critical illness plan.

Income Protection policies pay a monthly income if you are off work due to accident, sickness, or unemployment.

Mortgage Payment Protection policies pay your monthly mortgage payment if you are off work due to accident, sickness, or unemployment

If you would like to discuss more issues or would like to meet one of our advisors then please contact us on 04 3357133