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5 Ways Critical Illness Insurance Can Be a Financial Life Saver

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It was a world-famous heart surgeon, Dr. Marius Barnard, who created critical illness insurance, as he saw how the financial stress that accompanied cancer, heart attack and stroke was killing his patients. This type of insurance typically gives you a lump-sum cash payment if you are diagnosed with one of the illnesses specified in your critical illness policy.

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But one of the challenges of critical illness insurance is understanding the many ways you can use the benefit—the money paid out—if you ever need it. Here are some of the ways I have seen:

1. To pay for deductibles, copays and other out-of-pocket expenses related to health care. This is the most obvious use, especially as deductibles and out-of-pocket expenses for health insurance plans continue to increase.

2. Expenses not covered by health insurance like travel, hotels, babysitting, etc. I know a person who had a great health insurance plan. He was diagnosed with colon cancer. His doctor told him, “You need to go to MD Anderson.” Complicating the whole issue, he and his wife had just had a child. So, they took his father-in-law along to watch his son. He had to charge airfare, meals and the hotel costs to his credit card. Several years later, he was still paying off that credit card.

3. Income protection, especially for the self-employed. If a self-employed person has an income-protection plan, including disability insurance, it most likely will have a 90-day elimination period before benefits are paid. One self-employed person I know was diagnosed with cancer. She would take her chemo treatments on Fridays. Then she would use the weekend to recover and try to be back at work on Monday or Tuesday. She did not miss enough days from work to meet her elimination period. Did the cancer impact her income? Significantly!

4. Mortgage protection. Many people purchase life insurance so that if anything happens to them, the family’s home will be paid off and the family will be able to stay in the home. But what’s more likely to happen while paying on a mortgage—death or a critical illness? Depending on age, you could be as much as four times more likely to suffer a critical illness while paying a mortgage than to die.
Typically, insurance that covers from two to five years of mortgage payments will help significantly through the transition. A great thought-provoking question is, “Would it reduce your financial stress if you are diagnosed with cancer to know your mortgage will be paid for two years?”

5. Retrofit a home or car. I had a woman tell me that her husband had had a stroke. The couple had to take out a second mortgage to make modifications to their home, including a wheelchair ramp, significant changes to their bathroom, and the widening of doorways to accommodate the wheelchair.
No matter how you’d use the money, critical illness insurance always does one thing: It reduces financial stress. There is always emotional stress for a family with a family member who has a critical illness. Emotional stress increases directly with financial stress. A critical illness plan reduces the financial stress, which then reduces emotional stress. If you’d like to learn more about this important coverage, contact your insurance agent or advisor.