



**NETWORTH**  
*Asset Management Inc.*

## **My View**

**By Victor Didkowsky, CFP**

It's nice to see when a highly regarded publication can do more than report doom and gloom, but instead can give a real life heads-up on an issue which has a great chance of affecting each of us, or at least, one of our loved ones! Although they are a year behind in reporting this, it is probably better late than never! Just as a note, I have been letting you know about this same situation in a proactive fashion for the past year.

We all love insurance, and of course paying the premium. This was my attempt at humor! But, in all seriousness, the consequences of not having yourself covered are much more catastrophic and devastating than we would care to admit to. Just ask someone you know who has experienced Cancer, MS, or say, a Heart Attack, and let them tell you if some extra money would have not made a huge difference to them and their family.

After you have read the attached article, if you want to learn more or take action about this unique risk management program, please give me a call at 244-7400.

Remember that the accumulation of wealth is one thing; the depletion of it for something that could have very easily been funded for pennies not dollars is another. Doesn't that make a lot of sense?

My role as your Guardian and that of your family's financial dreams is to make you aware of your options.

Stay Healthy, Wealthy and Wise.

Victor

## With premiums expected to rise 15% this year, now's the time to buy

By ROB CARRICK

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The cost of protecting your family's financial health against medical disaster is on the way up.

If you've been thinking seriously about buying critical illness insurance, now's the time to move. It's widely expected that the premiums could rise by something in the area of 15 per cent this year, and there's even speculation that less favourable policy terms may be on the way.

Critical illness insurance provides a tax-free cash payment if you're diagnosed with cancer, heart disease, stroke or, in many cases, a list of 18 or so other conditions that includes multiple sclerosis, Parkinson's disease and kidney failure. Think of it as survivor's insurance that can be used to cover your mortgage or other expenses while you're laid up, to pay for medical treatments not covered by your provincial health plan or to bridge you until your disability insurance kicks in.

Sensing they have a product that is right for the times, insurers in Canada have aggressively introduced new critical illness products over the past couple of years.

"Sometimes, insurance companies get a little bit exuberant in developing and bringing out a product," said Stephen Wise, a broker who sells critical illness insurance through his London, Ont.-based firm, Wise Financial Group. "With the little bit of claims that they are seeing, they're already getting a little afraid."

Some in the insurance industry say that claims from critical illness policy holders are higher than what was expected by insurers when they priced their policies.

Marcel Martin, assistant vice-president of living benefits marketing at Great-West Life, said the problem is more an expectation that there will be increasing claims in the future.

This comes partly from a view that there will be more instances of diseases like cancer in the future, but also from the expectation that improving medical technology will make more cancers detectable.

The bottom line here is that critical illness insurance is soon going to cost more.

"Great-West will probably experience a rate increase before the end of the year, as the other companies will, I suspect," Mr. Martin said.

The British market has seen premium increases of 30 to 50 per cent for critical illness insurance, but Canada is in a better position because insurers in this country have already taken steps to reduce claim costs.

For example, there's a 90-day cancer moratorium that means you can't make a claim if you've been diagnosed with cancer during the first three months after you get your policy.

A forecast made at the World Critical Illness Insurance Conference in Victoria this past January pegged this year's increases in Canada at 13 to 17 per cent.

That's enough to be keenly felt by individuals, especially with their overall insurance costs rising as a result of premium increases for property and auto coverage. Eventually, insurance premium fatigue sets in.

A critical illness insurance policy with a 10-year term would cost between \$508 and \$665 for a 45-year-old male, according to several websites that offer on-line quotes. Increase that amount by 15 per cent and you're up as high as \$765.

Premium increases would bite harder if you chose a policy where the premiums are level to age 65, 75 or 100, which means you wouldn't face costly renewals after each 10-year period. A term-to-75 policy that goes for \$900 now would cost \$1,035 after a 15-per-cent price increase.

Some in the insurance industry have speculated that policies guaranteeing level critical illness premiums for lengthy periods might disappear in the future because of concern about rising claim costs. It's also possible that insurers will become even stricter about weeding out applications for critical illness coverage from people who they believe are at medical risk.

This outlook suggests that the right thing to do is run out and buy a term-to-65 or term-to-75 policy right now to lock in your premiums. Certainly, an agent would be happy to sell you such a policy.

But Mr. Wise, the insurance broker, says you may not require full coverage year by year until you turn 75. He said he recently signed a client up for critical illness insurance where half the coverage is in the form of a 10-year term policy and half is a term-to-75 policy.

Another option from some companies is a policy with a 20-year term.

Something else you'll have to consider is whether you want a policy that returns your premiums to you at some point if you haven't made a claim. This will add to your yearly costs, but you do get to reclaim premium expenses that would otherwise be lost (without interest, of course).

A certain amount of dithering is normal when you're contemplating a new financial commitment like critical illness insurance.

Don't hesitate too long, though, or you'll end up paying more than you have to.

[rcarrick@globeandmail.ca](mailto:rcarrick@globeandmail.ca)



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