

# Critical Illness Insurance

Critical illness insurance is a relatively new type of insurance coverage designed to help meet the extra, unforeseen financial burdens associated with recovering from a serious, life-threatening illness. While comprehensive health and disability insurance plans cover many expenses, they are not designed to pay all of the costs associated with recovering from a critical illness. If you are diagnosed as having a covered illness, a critical illness policy can provide the extra resources to pay for expenses not covered by other insurance:

- Rehabilitation costs
- Co-pays and deductibles
- Experimental and/or alternative medicine
- Out-of-network expenses
- Child care costs
- To supplement or replace lost income
- Travel, for family members or the insured

## How Does It work?

Upon being diagnosed with one of the covered illnesses, you will typically receive a lump-sum amount immediately following a 30-day survival period. Although a policy may cover more than one illness, it will generally only pay benefits on the first one to strike you. With some policies, the payments may be spread out over time.

## Types of Illnesses Covered

Coverage will vary from policy to policy and company to company. Typically, however, covered illnesses include: cancer, multiple sclerosis, heart attack, Alzheimer's, stroke, paralysis, renal failure, blindness, deafness, and organ transplant.

## Policy Costs

Policy costs vary according to several factors: age; medical condition; and the amount of coverage purchased. If you are a smoker or your family has a history of heart disease, stroke, or cancer, you may be denied coverage – or asked to pay a steep premium. Furthermore, a policy may exclude coverage for a pre-existing condition.

## Federal Taxation of Policy Proceeds

The proceeds of a personally owned and paid for critical illness policy are exempt from tax under federal law. In certain situations, the proceeds from an employer-provided policy can be taxable. State and local law can vary. Check with your tax advisor.

As with any insurance purchase, the counsel of a professional advisor is recommended.