

Invest



Me & My Property

Finance executive Yai Sukonthabund's personal portfolio consists of real estate, fixed income and equities. **BII**

Be in the know about critical illness plans

These are different from hospitalisation plans and help ease financial distress in health crisis



Lorna Tan
Invest Editor

Navigating through the wide variety of life insurance plans in the market can be a daunting prospect for many people.

Take health insurance. Although hospitalisation and critical illness plans have been around for decades, some people are still confused about their coverage and features.

Financial experts have encountered consumers who wonder why their hospitalisation Integrated Shield Plan does not offer a lump sum payout when they are diagnosed with a critical illness.

Just because the two types of plans fall under the category of health insurance, it does not mean that they cover the same risks.

Hospital bills are covered by a hospitalisation and surgical plan. To qualify for a lump sum payout upon diagnosis of a critical illness, you have to buy a critical illness plan.

Since Singaporeans are living longer, there is an increasing likelihood that people will survive and recover from chronic conditions

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Premiums for hospital plans are payable over your lifetime and would typically increase with age. If you had bought critical illness cover that came in the form of a rider on a whole life or term plan, check if you need to pay premiums for life or on a limited premium payment basis.

but have more years of poor health.

Studies show that individuals here are living with an average of eight out of 82 years spent in ill health, but there is a low take-up of critical illness protection policies that help cushion the financial impact.

The Sunday Times highlights what you need to know about critical illness plans.

Q What is critical illness insurance?
A Critical illness cover provides financial protection if you are diagnosed with an insured major illness. The payout is usually a lump sum to ensure that your needs and those of your family continue to be met during your recovery period.

Q Is critical illness protection essential?
A Critical illness protection alleviates financial distress in the event of major illnesses that can result in the loss of income.

Q What are the differences between critical illness and other health plans?
A Critical illness plans: The lump sum payout can be used for financial needs and obligations not covered under hospitalisation plans.

MediShield Life and Integrated Shield Plans: These are hospitalisation and surgical plans that provide coverage for inpatient, pre- and post-hospitalisation expenses.

ElderShield: This is a severe disability insurance scheme providing monthly payouts for a period of time if you are unable to perform simple activities like dressing and eating, and need long-term care.

Q How much critical illness coverage is enough?
A A 2017 survey by the Life Insurance Association (LIA) found that a working adult here has critical illness cover of just \$60,000. This is well under the LIA recommendation of about \$316,000, which translates to about 3.9 times the average annual pay of \$81,663.

Q What are the types of critical illness plan?
A Critical illness can be detected at an early stage, which has led to the availability of early-stage critical illness plans, based on the insurer's major illness definitions. There are also standard critical illness plans based on LIA's definitions for 37 severe-stage major illnesses.

It was announced recently that critical illnesses' definitions and names (that is, headers to the definitions) have been revised for clarity and continued relevance. From Aug 26 next year, all critical illness products based on definitions of 2014 may no longer be sold here.

However, policyholders with existing critical illness policies are not impacted by the new definitions. Claims assessment and benefits will follow the definitions and the terms and conditions stated in their existing policy contracts.

Q How are critical illness benefits sold?
A Critical illness cover can be sold

Plugging insurance protection gaps

PLANS TO CONSIDER



CRITICAL ILLNESS (CI) PLAN
To fend against income loss in the event of a health crisis



INTEGRATED SHIELD PLAN
To cover inpatient, and pre- and post-hospitalisation expenses, on top of MediShield Life



TERM/WHOLE LIFE PLAN
With death/terminal illness benefit to cover mortgage loans, debt commitments or expenses of dependants in the event of an unexpected demise



ENDOWMENT PLAN
To build up savings over a fixed term for purposes such as paying for your children's tertiary education



RETIREMENT PLAN
To receive regular payouts during your retirement years



Young working adults entering the workforce

PROTECTION PRIORITIES

CI PROTECTION LOW MODERATE HIGH

Provides you with financial protection if you are diagnosed with a major illness, and ensures that your needs and those of your family continue to be met during your recovery period

MORTALITY PROTECTION LOW MODERATE HIGH

Protects against financial loss by paying out a death benefit when the insured dies. It usually also covers total and permanent disability or terminal illness

REASONS TO ACT NOW

1 CI premium increases with age

2 Less likely to have pre-existing conditions that could exclude you from coverage or subject you to higher premiums

3 Sudden income loss and strain on family funds can happen in the event of a health crisis

PLANS TO CONSIDER ► CI PLAN, INTEGRATED SHIELD PLAN



Newly married couples or couples with young children

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REASONS TO ACT NOW

1 Sudden income loss and depletion of family funds can happen in the event of a health crisis

2 Mortality protection ensures that loved ones can continue to have a reasonable lifestyle even in your absence

3 Support of dependants, including young children, requires you to start saving early and build a well-diversified investment portfolio

PLANS TO CONSIDER ► CI PLAN, TERM/WHOLE LIFE PLAN, ENDOWMENT PLAN



Pre-retirees or retirees

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REASONS TO ACT NOW

1 Potentially more health issues as one ages

2 Need to defray costs from age-related health issues and medical treatments

3 Retirement savings should not be eroded by healthcare needs

PLANS TO CONSIDER ► CI PLAN, INTEGRATED SHIELD PLAN, RETIREMENT PLAN



Working individuals supporting aged parents

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REASONS TO ACT NOW

1 Both CI and mortality protection are particularly important as the family is dependent on one person for income

2 A CI incident can wipe out savings and cause financial hardship

3 A premature death can cause upheaval to the lives of loved ones

PLANS TO CONSIDER ► CI PLAN, TERM/WHOLE LIFE PLAN

RECOMMENDED ACTIONS

USE THE PROTECTION GAP CALCULATOR
To find out your protection needs www.lia.org.sg

VISIT COMPAREFIRST
To learn about and compare life insurance plans www.comparefirst.sg

SPEAK TO A FINANCIAL CONSULTANT
To work out your protection needs and gaps

Source: LIA SUNDAY TIMES GRAPHICS

as a standalone critical illness plan. It can also be sold as a rider – a supplementary benefit attached to a base life insurance plan, which includes a whole life or term plan.

Factors to consider when buying critical illness plan

CONSIDER HOW MUCH COVERAGE YOU NEED

This would include the income required during recovery to maintain the desired standard of living and support for your dependants.

As a rule of thumb, experts recommend covering a minimum of five years, as this is roughly the amount of time the average person needs to recuperate from a critical illness, return to work and adjust his lifestyle needs.

The types of illnesses and treatments matter too. Some illnesses, such as cardiovascular diseases and cancer, and the treatment options they involve, may require longer recovery periods and thus more critical illness coverage.

Some plans allow multiple claims and higher sum assured payout for certain stages of critical illness, or conditions such as a recurrence of cancer.

PREMIUM PAYMENT TERM

The premium payment term and affordability of the insurance plan are important factors. Based on your financial circumstances, project the cost of the plans and decide if they fit your needs and affordability over the long run.

Premiums for hospital plans are payable over your lifetime and would typically increase with age.

If you had bought critical illness cover that came in the form of a rider on a whole life or term plan, check if you need to pay premiums for life or on a limited premium payment basis.

A limited basis means premiums cease after a specified period while the cover continues for as long as you own the plan.

YOUR FAMILY'S MEDICAL HISTORY, IF ANY, AND CONDITIONS COVERED

If there is a high incidence of cancer in your family, for example, you might want to look into a multi-pay plan, as cancer is a critical illness that can recur.

Each plan will defer in the number of critical illness conditions covered. There are policies that cover just the standard 37 critical illness conditions and some that extend coverage to juvenile conditions, diabetic complications or gender-specific conditions.

WHETHER THE PLAN STIPULATES A WAITING AND/OR SURVIVAL PERIOD

Some critical illness plans come with waiting and/or survival periods, which mean the benefits will come into effect only after a certain period of time has passed since your diagnosis.

Similarly, a plan with a survival period may pay your claim only if you can survive a period of seven, 14 or 30 days after being diagnosed. This depends on the terms of the plan.

TYPES OF CRITICAL ILLNESS PLAN PAYOUTS

Based on your needs, here are four types of critical illness plans:

- Early-stage plans that provide payout for critical illnesses diagnosed at the early stage;
- Riders or plans that provide payout for severe-stage critical illnesses;
- Single-pay plans that provide only a lump sum payment upon diagnosis; and
- Multi-pay plans that provide multiple payouts upon diagnosis. This feature is especially crucial for longer-term illnesses that may recur.

OTHER BENEFITS

Some plans have additional features such as free health check-ups, premium refunds or maturity benefits.

TO FIND OUT MORE ABOUT LIFE INSURANCE...

To learn more about critical illness and other life covers, visit the CompareFirst portal www.comparefirst.sg, to compare and look for suitable plans before buying.

It is also prudent to speak to a financial adviser on your protection needs.

lornatana@sph.com.sg

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