

# Critical Illness: A Cash Cushion to Soften Health Blows

by J. G. P. Bonello, F.L.I.A., MANAGING DIRECTOR  
FINANCIAL PLANNING SERVICES LIMITED

**“On Monday, December 4, 1967 the world awoke to the incredible news that the first heart transplant in human history had been performed the night before. What made this more astonishing was that this historic operation had been performed not in America, Britain or Europe but on the southern tip of Africa, in Grootte Schuur Hospital, Cape Town. I was a member of that first heart-transplant team, led by my brother, Professor Chris Barnard.”**

This quotation is taken from a speech delivered at the June 2004 Annual Meeting of MDRT – The Premier Association of Financial Professionals in Anaheim, California. The speaker was Dr Marius Barnard, the youngest of the four Barnard brothers.

I had already had the pleasure, and the privilege, of meeting Marius Barnard in Kuala Lumpur, Malaysia ten years earlier, in May 1994. We were guest speakers at a conference organised by the National Association of Malaysian Life Insurance Agents. I spoke about the economic value of human life and the magic of the centuries-old concept of permanent life insurance, which recreates the economic value lost. Dr Barnard delivered an impassioned presentation on the vital importance of the then decade-old development of critical illness cover, which, contrary to disability income or medical and health insurance, simply paid out an upfront lump sum of money upon the diagnosis of a specified, major critical illness. He implored us to add it to our clients’ protection portfolio.

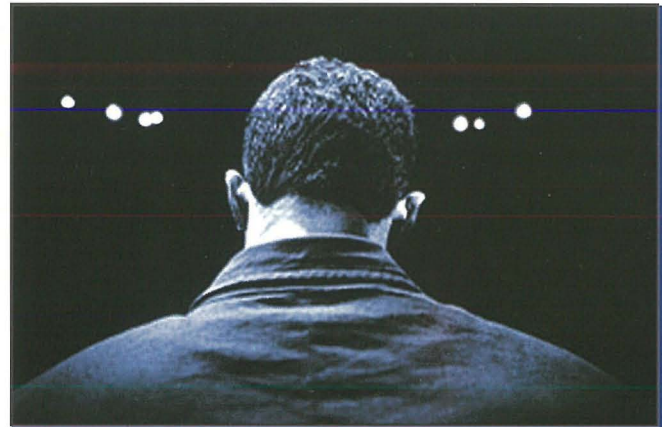
Over dinner, Dr Barnard explained to me that he could see, from the best possible vantage point, the dire financial straits that his patients fell into when they were unable to return to work and support their families. “Our first transplant patient died after 18 days, whilst our second survived for 18 months. However, the fifth survived for 15 years and the eighth for 23 years.”

Talking of his eighth heart transplant patient, Marius Barnard said: “his heart muscle had been destroyed by four heart attacks in seven years; his breathing was laboured, he could not walk, and became bedridden. He was only a few weeks, if not days, from death. Then, he received a new heart and survived for 23 years!”

“When he visited us for routine check-ups, he hardly ever complained about his health. He complained about one thing only – money – or rather, the lack of it. His business went bankrupt and he even had to sell his house. Understandably, he lost his self-esteem. What’s more, when he died, his life insurance policy paid out nothing. Why? Because he could not continue paying the premiums, and had to let it lapse many years earlier.”

This case and many others were what set Marius Barnard on what he referred to as his “new crusade”. Because after increasing the quantity of patients’ lives, he became driven to find ways and means of increasing the quality of post-illness survival – “there was just nothing that we, as doctors, could do about it. Why I thought of insurance, I’ll never know, except that I perceived it to be

**“You the reader – whether a doctor or not – may have seen so many dreams destroyed, and so many hardships caused by the economic strain following the diagnosis and treatment of critical illness”**



something that would create money at a time when this was needed the most.

Patients need money when critical illness is diagnosed, to guarantee them immediate financial health when their physical health deteriorates.

They need life insurance to protect their families when they die, but they need critical illness insurance because they are going to live.

In 1980, Marius Barnard started a long search for re-insurers, and for an insurance company prepared to launch such a product. After three years fraught with frustration, disappointment, and failure, in 1983, the world’s first critical illness policy was launched. It guaranteed the payment of a pre-selected lump sum upon a diagnosis of any of the four covered critical illnesses: heart attack, stroke, cancer and coronary bypass surgery.

Today, more than one million policies have been issued in the U.K., and millions more around the world.

Critical illness insurance is today recognised as the risk product for the new millennium, and covers many more than the original four conditions. More than 80 percent of claims have been for heart attack, stroke and cancer. Even more significantly, the average age of claimants has been 42 years.

The miraculous developments in the medical field have created life expectancies of 80 years and more. Prolonging the quantity of life requires of financial advisors that they guide clients into creating the money needed to maintain the quality that should go with a longer life, should they suffer a critical illness.

You the reader – whether a doctor or not – may have seen so many dreams destroyed, and so many hardships caused by the economic strain following the diagnosis and treatment of critical illness.

continues on page 16

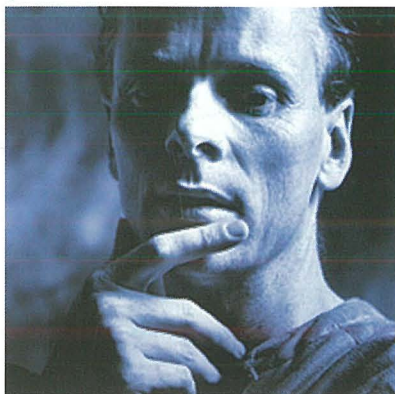
## Critical Illness: A Cash Cushion to Soften Health Blows

The physical and emotional toll that a critical illness takes on a person, and their family, may not be so well known and/or documented. What becomes less obvious to those not directly involved, is the financial decline – sometimes devastation – that results from months, and often years, of dealing with a disease.

Statistics tell us that almost one out of every three families caring for a patient suffering from a critical illness, lose a large part – if not all – of their savings over a two-year period. In the case of cancer, perhaps the most commonly discussed of all critical illnesses, nearly two-thirds of the total costs of fighting the disease are indirect, or non-medical costs.

### How to buy it

You will by now have learned to ignore the adverts and the brochures. An initial thorough understanding pre-empt problems at claim time. Therefore, ask for, and insist on being given, a copy of the actual policy document. Any company refusing to, should be reported to the Malta Financial Services Authority. The policy



document will list each critical illness covered and its definition. Remember, any claims will be paid on the basis of the legal interpretation of the critical illness, as defined in the document.

The next step is to establish an amount that you would want to receive, should a critical illness be diagnosed. I suggest a figure equivalent to three to four times your annual income. Now, ask for the premium rate to cover this amount – but keep in mind that the premium quoted will be

virtually irrelevant until the medical examination establishes whether you qualify for standard rates.

With this information, refer to an independent financial advisor who will obtain comparative quotes, and analyse comparative illness definitions.

*Caveat emptor:* this is about your money and your peace of mind. Critical illness is a very specialised type of cover. When choosing an intermediary – even if it is our company – do not be in the least inhibited: ask blunt, point-blank questions about the years of experience, knowledge and claims settled. ☒

**“One out of three families caring for a patient suffering from a critical illness, lose a large part – if not all – of their savings over a two-year period”**



Ask your contact persons Matthew, Elaine and Joe

*Their advice:*

**Financial Planning Services Ltd**

**“Don’t look for bargains in Parachutes, Surgeons and...”**

*Private Pensions Advisers ”*

On parle Français Si parla Italiano  
 STOCKBROKERS • INDEPENDENT FINANCIAL ADVISORS  
 LIFE ASSURANCE & PENSIONS • RETIREMENT PLANNING • SUCCESSION STRATEGIES  
 Licensed to conduct Investment Services Business by the Malta Financial Services Authority • Members of the Malta Stock Exchange

4, Marina Court, Giuseppe Cali Street, Ta' Xbiex MSD 14  
 Tel: 21344243, 21344244 Fax: 21341202 email: fps@waldonet.net.mt