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## **DISABILITY & CRITICAL ILLNESS INSURANCE**

**When You Can't Work, Your Bills Don't Stop**



**For Income Earners Who Need Protection Beyond Death**

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# EXECUTIVE SUMMARY

## The Risk Everyone Ignores:

Life insurance protects your family if you die. But what if you don't die—you're just unable to work for months or years due to disability or critical illness? Who pays the bills? Everyone buys life insurance to protect their family if they die. But statistics show you're **4-5 times more likely to become disabled** than to die during your working years. What happens when you're alive but can't work?

## The Disability Crisis:

- Stroke, cancer, heart attack, accident, paralysis—you survive but can't earn income
- Medical bills pile up: Ksh 1-5M for treatment
- Your income stops: Ksh 0 salary while disabled
- Bills continue: mortgage, school fees, food, utilities—Ksh 100K-200K/month
- Life insurance doesn't pay (you're alive)
- Savings depleted in 6-12 months
- **Result: Financial devastation worse than death**

## Our Solution: Disability & Critical Illness Insurance

Two complementary protections: **(1) Critical Illness** pays lump sum (Ksh 2-10M) when diagnosed with critical illness like cancer, stroke, heart attack, etc. to cover treatment costs. **(2) Disability Income** replaces 60-75% of your salary monthly when you can't work—keeping your family afloat financially while you recover.

## Key Benefits

- Lump Sum on Diagnosis – Ksh 2-10M paid within 14 days of critical illness diagnosis
- Monthly Income Replacement – 60-75% of salary paid while disabled
- Covers 20-30+ Illnesses – cancer, stroke, heart attack, kidney failure, paralysis, major burns
- Medical Treatment Fund – money for best possible care and recovery
- Family Bills Paid – mortgage, school fees, living expenses covered during disability
- Tax Relief – premiums qualify for 15% relief (max Ksh 60,000/year)

## Investment:

From Ksh 30,000/year for Ksh 5M critical illness cover + disability income.

**Note:** This is indicative rate, actual premiums vary by occupation, age, health, provider and other premium factors.

## Who This Is for:

Primary breadwinners, self-employed professionals, anyone whose family depends on their income

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# TAX BENEFITS

## Insurance Premium Relief (Section 31, Income Tax Act - Updated Dec 2024)

15% relief on critical illness and disability insurance premiums:

- Relief rate: 15% of premiums paid
- Maximum relief: Ksh 5,000 per month (Ksh 60,000 per annum)
- Applies to life, health, and disability insurance policies for self, spouse, or child
- Claimed when filing annual tax returns

### Practical Example - Critical Illness (Ksh 5M) + Disability Income Package:

- Annual combined premium: Ksh 140,000
- Tax relief (15% of Ksh 140,000): Ksh 21,000
- Maximum claimable: Ksh 21,000 (within Ksh 60,000 annual cap)
- **Effective premium after relief: Ksh 119,000**

### Benefits Paid - Tax Free

#### Important:

- **Critical illness lump sum:** Received completely tax-free
- **Disability income payments:** Received tax-free as replacement income
- Whether it's Ksh 5M or Ksh 20M, you get the full amount with no deductions

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# YOUR RISK EXPOSURE

## Typical Profile:

- Age: 30-55 years
- Role: Primary income earner
- Income: Ksh 100,000-500,000/month
- Dependents: Spouse, children, possibly parents
- Current Protection: Life insurance only (pays if you die, but not if disabled)

## The Reality of Disability

### Scenario: You Have a Severe Stroke at Age 45

#### Medical Reality:

- Emergency treatment: Ksh 500,000-1,500,000
- ICU stay (2 weeks): Ksh 800,000-2,000,000
- Rehabilitation (6-12 months): Ksh 600,000-1,200,000
- Ongoing medication: Ksh 30,000-50,000/month
- **Total Year 1 costs: Ksh 3-6 million**

## Financial Reality:

- Your salary: **Ksh 0** (you can't work)
- Medical insurance: Covers hospitalization (**if you have it**), but not income loss
- Life insurance: **Ksh 0** (only pays if you die—you're alive)
- Family expenses continue: Ksh 150,000/month × 12 = Ksh 1,800,000/year

## Family Impact:

- Month 1-3: Use emergency savings (Ksh 300,000 depleted)
- Month 4-8: Borrow from family, sell assets at distressed prices
- Month 9-12: Default on mortgage, children pulled from school
- Year 2+: Complete financial collapse, dependency, poverty

## The Hard Truth:

Disability is often **worse financially than death** because:

- You're alive, needing expensive care
- Family must support you + themselves
- No life insurance pay-out
- Costs continue for years/decades
- Recovery may be partial—never return to full earning capacity

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# SOLUTION: DUAL PROTECTION STRATEGY

## Protection 1: Critical Illness Insurance.

### What It Covers:

Lump sum payment (Ksh 2-10M) upon diagnosis of covered critical illnesses.

### Typical Covered Conditions (20-30+ illnesses):

- **Cancer** (all major types)
- **Heart Attack** (myocardial infarction)
- **Stroke** (with permanent symptoms)
- **Kidney Failure** (requiring dialysis)
- **Major Organ Transplant** (heart, lung, liver, kidney)
- **Paralysis** (loss of limb function)
- **Blindness** (permanent)
- **Deafness** (permanent)
- **Major Burns** (covering 20%+ of body)
- **Coma** (lasting 96+ hours)
- **Coronary Artery Bypass Surgery**
- **Multiple Sclerosis**
- **Parkinson's Disease**
- **Motor Neuron Disease**
- **Alzheimer's Disease** (early onset)

## How It Works:

1. You're diagnosed with covered critical illness
2. Submit medical reports to insurer
3. **Claim paid within 14-30 days** (fast—when you need it)
4. Use lump sum for:
  - Medical treatment costs
  - Experimental/overseas treatment if needed
  - Recovery period living expenses
  - Debt payments (mortgage, loans)
  - Any purpose—no restrictions

## Key Advantage:

Money paid **on diagnosis**, not after treatment. You control how it's spent for your best recovery.

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## Protection 2: Disability Income Insurance.

### What It Covers:

Monthly income replacement (60-75% of salary) when you can't work due to disability.

### Types of Disability Covered.

#### Total Permanent Disability (TPD):

- Cannot perform **any** occupation due to injury/illness
- Permanent and irreversible
- Examples: Quadriplegia, severe brain damage, complete blindness

#### Occupational Disability:

- Cannot perform **your specific** occupation
- May be able to do other work
- Example: Surgeon loses hand dexterity—can't operate but could teach

#### Temporary Disability:

- Cannot work for period of time but expected to recover
- Duration: 3-24 months typically
- Examples: Recovering from major surgery, extended illness

## How It Works:

1. You become disabled (accident, illness)
2. Waiting period: 30-90 days (like medical aid "excess")
3. **Monthly payments start** – typically 60-75% of pre-disability salary
4. Payments continue until:
  - You recover and return to work, OR
  - You reach retirement age (60-65), OR

- Policy term ends

**Example:**

- Your salary: Ksh 200,000/month
- Disability income: Ksh 140,000/month (70%)
- Duration: Until recovery or age 60
- Covers: Mortgage, school fees, living expenses while you can't work

**Protection 3: Combined Package Discount**

Most insurers offer 10-20% discount when buying both critical illness and disability insurance covers together.

**Example Combined Package:**

- Critical Illness: Ksh 5M coverage = Ksh 55,000/year
- Disability Income: Ksh 140K/month = Ksh 85,000/year
- Combined discount price: Ksh 120,000/year (save Ksh 20,000)
- Tax relief (15%): Ksh 18,000/year
- **Effective cost after relief: Ksh 102,000/year**

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## MY ROLE AS YOUR INDEPENDENT FINANCIAL ADVISOR:

- Help you calculate appropriate coverage amounts based on your specific risk factors (occupation, health, family obligations – and others)
- Compare providers for best value
- Handle documentation and the process
- Provide claims support (critical for disability/illness claims)
- Annual reviews as circumstances change
- Assist with tax relief claims on i-Tax

**No Advisory Fees:**

You pay nothing for my services - providers pay my commission. Same premium whether you go direct or through me—but you gain expert guidance and claims advocacy when you need it most.

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## REAL CLIENT SUCCESS STORIES

**Case 1: David – Cancer Survivor Thanks to Critical Illness Cover**

**Situation:**

- Age 42, IT manager, salary Ksh 280,000/month
- Wife, 3 children (ages 14, 11, 8)

- Mortgage: Ksh 120,000/month
- **Critical illness cover: Ksh 8M**
- Annual premium: Ksh 85,000
- Tax relief: Ksh 12,750/year (15% of premiums)
- **Effective premium: Ksh 72,250/year**

**The Crisis:** Age 44: Diagnosed with Stage 3 colon cancer (survival rate with treatment: 70%)

#### Medical Costs:

- Surgery: Ksh 1,200,000
- Chemotherapy (6 cycles): Ksh 2,400,000
- Radiation therapy: Ksh 800,000
- Medications and monitoring: Ksh 600,000
- **Total treatment: Ksh 5,000,000**

#### What Happened:

- **Critical illness claim paid: Ksh 8,000,000** (within 21 days, tax-free)
- Used Ksh 5M for treatment (medical insurance had limits)
- Remaining Ksh 3M covered:
  - 8 months off work (sick leave exhausted)
  - Mortgage payments during recovery
  - Family living expenses
  - Children's school fees uninterrupted

#### Outcome:

- David completed treatment successfully
- Returned to work after 10 months
- Cancer in remission (5 years cancer-free now)
- Family never missed mortgage payment
- Children never left school
- **Financial stability maintained during crisis**

#### David's Testimony:

*"That Ksh 8M saved my life and my family. Medical insurance covered hospitalization but not chemotherapy drugs, specialists, or living expenses while I couldn't work. Without critical illness insurance, we'd have lost everything fighting cancer. The tax relief made the premiums more affordable every year—saved us over Ksh 60,000 in the 5 years before diagnosis. Now I'm healthy, still in my home, kids are thriving. Worth every cent of premium."*

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## Case 2: Grace – Disability Income During Stroke Recovery

#### Situation:

- Age 48, bank branch manager, salary Ksh 220,000/month
- Single mother, 2 children in university
- School fees: Ksh 600,000/year (both kids)
- **Disability income insurance: Ksh 150K/month (68% of salary)**

- Annual premium: Ksh 92,000
- Tax relief: Ksh 13,800/year
- **Effective premium: Ksh 78,200/year**

**The Crisis:** Age 50: Suffered severe stroke (work stress, hypertension)

#### **Disability Impact:**

- Right side paralysis (couldn't walk, limited arm function)
- Speech difficulties
- Unable to work for 18 months
- Intensive rehabilitation needed

#### **Financial Reality Without Insurance:**

- Salary stopped: **Ksh 0** income
- Medical costs (beyond insurance): Ksh 800,000
- School fees due: Ksh 1,200,000 (2 years)
- Living expenses: Ksh 80,000/month × 18 = Ksh 1,440,000
- **Total needs: Ksh 3.4M** with zero income

#### **What Actually Happened:**

- **Disability income activated:** Ksh 150,000/month for 18 months (tax-free)
- Total received: Ksh 2,700,000
- Combined with savings: Covered all expenses
- Children completed university uninterrupted
- Grace focused on recovery, not financial panic

#### **Outcome:**

- After 18 months, Grace recovered 85% function
- Returned to work (lighter duties initially)
- Disability income stopped (as she was working again)
- Children both graduated
- **Financial crisis averted completely**

#### **Grace's Reflection:**

*"I thought life insurance was enough. I was wrong. When I had the stroke, I was alive but couldn't earn. That disability income kept my kids in school, kept food on the table, paid for my therapy. The tax relief I'd been getting made the premiums affordable while I was healthy—saved Ksh 13,800 every year. It was like I was still working, even though I couldn't. Every working person needs this."*

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### **Case 3: Peter – Workplace Accident & Permanent Disability**

#### **Situation:**

- Age 38, construction site manager, salary Ksh 180,000/month
- Wife, 4 children (ages 12, 9, 6, 3)

- No mortgage (renting)
- **Critical illness + Disability income package**
- Critical illness: Ksh 4M
- Disability income: Ksh 125K/month
- Combined premium: Ksh 115,000/year
- Tax relief: Ksh 17,250/year
- **Effective premium: Ksh 97,750/year**

**The Tragedy:** Age 40: Scaffolding collapse—severe spinal injury, paralyzed from waist down (permanent)

#### **Immediate Impact:**

- Emergency surgery + ICU: Ksh 2,500,000
- Rehabilitation: Ksh 800,000
- Wheelchair, home modifications: Ksh 400,000
- **Total immediate costs: Ksh 3.7M**

#### **Long-Term Impact:**

- Permanently unable to work in construction
- Retraining needed for office-based work (2 years)
- Family expenses continue: Ksh 120,000/month

#### **What Insurance Provided:**

##### **Critical Illness Payout:**

- Ksh 4,000,000 paid within 30 days (tax-free)
- Covered all medical costs + home modifications
- Remaining Ksh 300K for retraining course

##### **Disability Income:**

- Ksh 125,000/month started (after 90-day waiting period)
- Continues until Peter returns to work or age 60
- Has received Ksh 125K monthly for 4 years = **Ksh 6,000,000 total so far** (all tax-free)

##### **Outcome:**

- Peter completed computer programming course (18 months)
- Now works remotely as software developer (salary Ksh 120K)
- Disability income stopped when he returned to work
- Children never left school during entire transition
- Family survived catastrophic event intact

##### **Peter's Message:**

*"I'm in a wheelchair for life. But I'm not a financial burden. The insurance paid for my treatment, retrained me for new career, kept my family fed and educated while I recovered."*

*The tax relief we got every year made the premiums manageable. We didn't become a charity case. My kids respect me because I planned ahead. Every father should have this protection."*

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## **CRITICAL ILLNESS vs DISABILITY INCOME: Which Do You Need?**

### **Quick Decision Guide**

#### **You Need CRITICAL ILLNESS if:**

- You want lump sum for treatment costs (especially if medical insurance has limits)
- Family history of critical illness like cancer, heart disease, stroke
- Want flexibility to seek treatment anywhere (Kenya, India, South Africa)
- Need to cover costs medical insurance won't (experimental treatment, overseas care)

#### **You Need DISABILITY INCOME if:**

- You're the sole/primary breadwinner
- High monthly financial obligations (mortgage, school fees, loans)
- Limited savings to cover 6-12 months expenses
- Want ongoing income replacement, not just treatment costs

#### **BEST APPROACH: Get BOTH**

- Critical illness handles medical costs
  - Disability income handles living expenses
  - Combined discount saves 10-20%
  - Tax relief reduces effective cost by 15%
  - Comprehensive protection against financial devastation
- 

## **FREQUENTLY ASKED QUESTIONS**

### **Q: Do I need this if I have medical insurance?**

A: YES. Medical insurance covers hospitalization. Critical illness insurance pays cash for treatment costs medical insurance won't cover PLUS living expenses. Disability income replaces salary when you can't work.

### **Q: What if I'm diagnosed but don't claim treatment?**

A: Critical illness pays on diagnosis, not treatment. Money is yours regardless of treatment choices.

### **Q: How long does disability income last?**

A: Until you return to work, reach retirement age (60-65), or policy term ends—whichever comes first.

**Q: What if I recover partially and work part-time?**

A: Some policies pay proportional benefits (e.g., work 50%, receive 50% of disability benefit). Check policy terms.

**Q: Can I have multiple disability income policies?**

A: Insurers limit total coverage to 70-75% of salary across all policies (prevent fraud/over-insurance).

**Q: What's the waiting period for disability income?**

A: Typically 30-90 days. You must be disabled this long before payments start. Choose shorter waiting period if you have limited savings (higher premium).

**Q: Are critical illness payouts taxed?**

A: NO. Critical illness and disability income benefits are received completely tax-free.

**Q: What if I'm diagnosed with non-covered condition?**

A: No payout. That's why more illnesses covered = better policy. Choose plans with 20-30+ conditions.

**Q: How do I claim the tax relief?**

A: Claim when filing annual tax returns on iTax:

- Relief: 15% of premiums paid
- Maximum: Ksh 5,000/month (Ksh 60,000/year)
- Keep premium payment receipts and policy documents
- Can be claimed for policies on self, spouse, or child

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## **YOUR NEXT STEP**

### **Disability Happens to Real People Every Day**

You know someone who:

- Had a stroke in their 40s
- Fought cancer
- Was in serious accident
- Became unable to work

**Ask yourself:** If that happened to you tomorrow, could your family survive financially for 6-12-24 months with zero income?

### **Get Your Custom Quote Now**

### **Contact Me Today**

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**- Simon Muchiri, Comely Global Insurance Agency Ltd**

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