



## PATH SUCCESS™

Expert Advice on Navigating **CI** Sales

### PREPARING YOUR CLIENT FOR UNDERWRITING OUTCOMES

It's important that you have a balanced and realistic understanding of the critical illness insurance underwriting process and the potential underwriting outcomes.

Critical illness insurance underwriting differs from the typical life insurance underwriting. These differences are critical for you to understand when attempting to submit a critical illness application on an existing life insurance client or applying for both life and critical illness coverage at the same time. You need to have the skills to be able to handle various underwriting outcomes. For example, the critical illness insurance could be rated or even declined even if your client was issued as a standard or a preferred life insurance risk.

One of the key differences with critical illness insurance underwriting is the greater emphasis that is placed on family history as compared to life insurance. Except in a few very specific cases for life insurance, family history alone will rarely impact the life insurance underwriting decision. Conversely, family history of certain covered critical conditions, particularly for diagnoses before age 65, can have a dramatic impact on incidence rates in other family members and thus is factored into the CI underwriting.

## RATINGS/EXCLUSIONS

Since the likelihood of a modified offer for critical illness is higher than with life insurance, you need to alert your client to the increased possibility of:



**Ratings: Policy issued with a surcharge/higher premium typically due to health or family health history.**



**Exclusions. Policy issued with a restriction to claim for a specified medical impairment (i.e., skin cancer) or limitation on a claim due to a specific cause such as a dangerous activity (i.e., bungee jumping).**

You will be successful at placing the critical illness coverage if instead of seeing these outcomes as negative, you shift your perspective and see these outcomes as positive. Having a policy with a rating or exclusion means that your client is a higher risk for the insurance company. The good news for your client is that their application was not declined. When you think of the numerous conditions being covered and the range of age that diagnosis of these conditions can occur, it's not a surprise that ratings and exclusions for critical illness insurance are higher than you would find for life insurance. Also, remember that with medical advancements in modern medicine, a person is more likely to suffer and survive a critical illness event than they are to die from it.<sup>1</sup> That means there are a lot of moving parts that are assessed by the underwriter in making their decision on coverage. Life insurance underwriting looks at life expectancy and assessing the probability of premature death.

Setting your clients' expectations of critical illness insurance underwriting outcomes regarding the frequency of ratings and exclusions during the sales process enhances your chances of placing a modified policy should one occur. A client who does not hear about the possibility of modified coverage until they are staring at a rating or exclusion is more likely to be surprised, then angered, by the decision—and ultimately less likely to take the coverage. Having a pre-emptive discussion is especially crucial with critical illness insurance where the modification may be necessary due to family (not the client's own) health history.

Your client is also more likely to be receptive to the modification if they feel that they are not being singled out but realize that these ratings/exclusions are common when it comes to critical illness insurance.

You should start the discussion on potential modifications before starting the application, as it creates a general conversation about how exclusions and ratings allow for more people to access critical illness coverage. Having this discussion prior to starting the application is more effective than having the modification conversation based on your client's answers regarding their health or avocation. Waiting until during the application process to have the discussion shifts the focus from a general discussion about exclusions and ratings to a more specific and personal discussion about why your client may require an exclusion or rating.

<sup>1</sup> SOURCE: <https://www.logiq3.com/blog/expert-series-critical-illness#:~:text=Life%20insurance%20is%20distinct%20in,the%20risk%20of%20premature%20death.&text=For%20critical%20illness%20insurance%2C%20the,or%20cerebrovascular%20disorder%20for%20example.>



Before we complete the paperwork, I wanted to be very clear that this product is difficult to qualify for and that a lot of people who want critical illness insurance cannot get coverage at all.

The good news is the insurance company works with us in two ways so that we can get as many people covered as possible.

- 1. If there is one specific thing that concerns the insurance company, rather than not insuring the client at all, they will just exclude the one small thing allowing coverage for everything else.**

For example, if someone, when applying, is already blind in one eye, the insurance company could exclude blindness as a covered critical condition that can be claimed on. Doing this allows the person to have coverage for all the other illnesses like cancer, heart attack, and stroke.

If there is something that concerns them but that they can't easily exclude (say, for example, the heart), the insurance company will keep everything covered but offer the coverage at a higher price to reflect the additional risk. This is typically called a rating by the insurance company.

There are several ways that someone can deal with having their coverage rated:

- **Some people say they require the benefit amount they applied for, so they will pay a little more than anticipated understanding that the probability of them claiming is higher than someone who doesn't have a rated case**
- **Others are limited to a budget and are unable to spend more to address this risk. With this group of people, we simply drop the coverage a little or find a cheaper product to make sure that the plan fits into their budgeted amount.**

We have no way of knowing now what the underwriting outcome on this application will be, but if it were you and underwriting comes back with a rating, would you want to keep this coverage or would you want to adjust your coverage to fit the same premium amount?



## DELIVERING A MODIFIED POLICY

When delivering a modified policy, it is important that you re-emphasize the difficulty many people have obtaining critical illness insurance at all. The goal is to celebrate getting offered some coverage, as opposed to focussing on the modification.



If you recall we discussed at the time of application how critical illness insurance coverage is challenging to qualify for, and many people who apply for it cannot get coverage at all.

The good news is that we were able to get you a policy. During our last conversation, I recall you saying that you were going to budget \$X/month and no more towards this risk.

To that end, I made sure to work within that budget and am glad to say we were able to obtain \$\_\_,000 of coverage for just under \$X/month.

## MYTH: CI UNDERWRITING TAKES FOREVER

Critical illness underwriting cycle times are nowhere near as long as many Advisors perceive. These statistics from Equitable Life's 2019 critical illness underwriting timelines shatter the myth that CI underwriting takes forever:

- **29% of CI cases approved within 10 days**
- **53% of CI cases approved within 20 days**
- **69% of CI cases approved within 30 days**

With critical illness insurance and the risk being underwritten, attending physician reports are requested more frequently than for life insurance. Waiting for a doctor's report is one of the leading factors that prolongs the underwriting decision, so it is very important that you obtain all the information being asked for in the application regarding the client's doctors and specialists. Providing relevant and up-to-date information on the application means that the underwriter, if needed, can get a request for an attending physician's report out as soon as possible versus having to reach out to you and your client for further information; prolonging the underwriting process. When completing the doctor's information on the application it's important that you also pre-sell the client on the fact that they might be called upon to encourage a doctor to complete the attending physician statement if the statement isn't completed in a timely manner.

To accomplish the above goals, an advisor might say:



The underwriting process, which is the process the insurance company takes to review your application and medical history can sometimes take a fair bit of time. I like to make sure that we do whatever we can to keep the process moving so that we can get a decision on your coverage as quickly as possible. There are a couple of things that are in our control with regards to this:

1. **first we need to make sure you complete any paramedical testing quickly so that the results can be sent to the insurance company as soon as possible**
2. **The second thing is that we need to keep on top of any report requested from your doctor. If your doctor doesn't respond quickly to the insurance company's request for an attending physician's report, it can really slow the process down since the underwriter can't make a decision without this information. If we get caught in that situation, I may ask you to give your doctor a call, as that always tends to speed things up.**



## MEDICAL CLOSE "IF YOU QUALIFY."

The medical close, with critical illness insurance is a very important step in the sales process. Critical illness insurance is not only more challenging to qualify for than other insurance products, but clients are also more likely to be rated or declined due to the impact of family history on their insurability.



Of all the insurance products I offer, critical illness insurance can be the toughest to qualify for based on the various conditions being covered, when these conditions can occur and the fact that no matter how careful we are, being diagnosed with a critical illness can happen to anyone.

With critical illness insurance, the insurance companies not only look more in-depth at your health history than they do with most other products, but they also factor in the health of your immediate family.

Unfortunately, many will not get the product, and many more will get it at a differing price due to high-risk factors like family medical history.

For that reason, I always recommend that we apply so that we know if you even qualify for coverage and if there are any limitations, exclusions, or ratings. Once we know you can get coverage and under what conditions, we can always change the product design and amount to fit your needs. The first step though is seeing if you even qualify for coverage.

Let's put them to work and see what our options are...does that make sense?

