PATH to SUCCESS™

Expert Advice on Navigating CI Sales

CRITICAL ILLNESS INSURANCE CLAIMS

Even though the critical illness insurance market is relatively young compared to its life and disability counterparts, a significant number of Canadians have already purchased and claimed on their critical illness coverage.

The average claimant age on Equitable Life's EquiLiving® is age 46. Taken alone, this can lead to a false impression that critical illnesses in Canada usually occur in a person's mid 40s. In actuality, the average claimant age is reflective of the average purchase age of 42 and not the average age that a Canadian can expect most critical illnesses to occur.

For example, in Canada:

- The average age for a heart attack is 71[1]
- The risk of stroke doubles every 10 years after age 55[2]
- Seven of every 100,000 Canadians under the age of 19 will suffer a stroke[2]
- The likelihood of being diagnosed with cancer increases each decade of life starting at age 30[3]
- Cancer is a disease that mostly affects ages 50 and older, but it can occur at any age[3]
- On average there are about 943 new cases of cancer in children 0-14 years of age per year[3]

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CLAIMS PAYMENTS

Right from the first meeting with your client, it is important that you create the proper expectations as to what triggers a critical illness claim. A diagnosis must objectively meet the contractual definitions to qualify for a critical illness insurance benefit. For example, not every cancer will meet the contractual definition in your client's contract. The detailed requirements and definitions reduce subjectivity at the time of a claim. Critical Illness Insurance is different from many other types of insurance, such as car, home, and disability insurance. Some other types of insurance are not only based on an objective component such as an event happening (objective requirements) but in most circumstances include a subjective component where the client must also show how they are impacted by the event.

Setting the claims expectation with your client should start from the very first critical illness insurance sales conversation and continue through to when your client believes they may have a valid claim. You can set the claims expectation with your client by providing them with:

1. **the detailed definitions for the critical illnesses in their policy that will form the basis for adjudicating a claim**
2. **an explanation of the specific and detailed definitions, and the exclusionary clauses within the definitions**
3. **information about the objective process for adjudicating critical illness claims and the reason why a detailed definition with detailed exclusions is important**
4. **a proper understanding of the difference between a diagnosis of a critical condition by a doctor and the definition in a critical illness policy.**

By setting the proper claims expectation with your client from the beginning, you will help to reduce any potential for disappointment at the time of a claim.

It's important that you not offer your opinion on whether a condition will trigger a successful critical illness claim or not. You should always encourage your client to submit a claim on a critical illness they feel is covered by their policy. While this may lead to a denied claim, it also ensures your client does not miss the opportunity to receive a benefit they are entitled to.

Contestability

Critical illness is sold and underwritten based on the client being insurable at the time of sale. While questions asked in the application, as well as other medical information provided, helps us determine if a person is insurable based on their lifestyle behaviours, family history, and health-related risk factors that might lead to a critical illness, it also helps eliminate the risk of someone who is sick with a critical illness from applying for coverage and claiming right away. Therefore, it is very important that you guide your client to disclose all the information accurately and in detail during the application process. Even with all the measures in place to determine that clients are healthy at time of policy issue, due to the randomness and unpredictability of health, some critical illness insurance claims still occur soon after policy issue [4].

A claim within the first two years of a policy's issue or reinstatement date is reviewed more thoroughly than a claim on a policy that has been in force for a longer period. During this period, the insurer reviews the information on file, including answers in the application, to investigate whether any information may have been withheld or misstated, whether intentionally or not, that would have been material enough to result in a different underwriting decision. The insurer may also obtain additional medical evidence needed to adjudicate the claim. This two-year period is referred to as the Contestability Period in most critical illness policies.

[1] Source: Getting to the Heart of the Matter - https://www.heartandstroke.ca/-/media/pdf-files/canada/2017-heart-month/heartandstroke-reportonhealth-2015.ashx?la=en&hash=497A83F1FE8388479DC5D7DB27322C191B866D57

[2] Source: Are you at risk of a stroke? - https://bodyandhealth.canada.com/healthfeature/gethealthfeature/stroke

[3] Source: Canadian Cancer Society - https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on

[4] Source: Canadian Individual Critical Illness Insurance Morbidity Experience Study 2016. Canadian Institute of Actuaries

Explaining the Contestability Period to your client if they have submitted a claim during this period will help them understand why there may be a longer period before receiving a decision on a claim.

Physicians' Reports

To determine whether a claim is payable, the claims adjudicator must look at what criteria the doctor used to make the diagnosis and compare that with the definition of that condition in the client's contract. The requirements for a diagnosis of a critical illness by your client's physician may not be the same as the requirements to qualify for a claim for that condition under their critical illness coverage.

At the time of a claim, your client will be required to complete a claim form that includes permission for the insurer to contact your client's physician(s) for their medical reports. A decision as to whether the claim is payable can't be made until these medical reports are received and reviewed. Delays in claims processing can occur while the insurer waits for this information or further clarification from your client and/or their physician.

ADVISOR TIPS ON THE CLAIMS PROCESS

You can help manage your client's claims expectation and make the claims process much easier if you:

- **Stress the importance of disclosing all information accurately and in detail while answering the questions during the application process.**
- **Provide them with the detailed definitions of the covered critical illness conditions**
- **Help them understand the things that could delay a claims decision**
- **Explain that regardless of a doctor diagnosing a condition with the name of a covered condition, the claim is only payable if the diagnosis meets the contractual requirements for that covered condition.**

ADVISOR SCRIPT AT TIME OF CLAIM:

There are a couple of things that we can do to help your critical illness insurance claim process run as smoothly as possible and to reduce the potential for delays or confusion during the review of your claim.

As we discussed when you took out this coverage, the policy contract sets out detailed definitions of the conditions that are covered. Both you and your physician need to understand that, for a claim payment to be triggered, the condition you have been diagnosed with must meet the requirements for that covered condition as defined in your contract. I can provide you with this contractual wording right away.

The amount of time to review a critical illness claim varies significantly, often depending on the time it takes for the doctor(s) involved to provide the required information to the insurance company. Once the insurance company has complete information from you and your doctor, my experience is that decisions come quickly.

It would really help the claims process if you could encourage your doctor to complete the report with precise details as soon as possible. Doing this will help with getting a decision from the insurance company more quickly.

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