



# Designing the CI solution: amount of coverage

**Path to Success**

Expert advice on navigating CI sales

For advisor use only

## Amount of coverage

One of the questions that both advisors and clients find difficult to answer is “how much critical illness insurance coverage do I need?” There is no doubt that there is a wide variance in how your client would be impacted based on what they are diagnosed with and their circumstances at the time they are diagnosed.

The following examples highlight the various scenarios that add confusion in determining the amount of critical illness coverage that should be put in place:

- 1 A client diagnosed with an early qualifying stage of Cancer may not miss work or incur any significant additional medical costs. However, if that same client had a Heart Attack, Stroke, or a more severe Cancer, they might incur substantial expenses and be unable to return to work for a prolonged period.
- 2 You can have two similar clients who want to purchase CI to protect themselves financially due to the risk of the same illness; however, they both want different benefit levels due to their unique objectives for the funds. One client’s goal for the CI benefit amount might be to fund the best global healthcare solution possible, while the other’s goal could be to have their spouse take an unpaid leave from work while they are recovering in their home town. The two objectives require different amounts of critical illness coverage.



With life insurance, you can do a detailed numeric needs-analysis because there is no “range” in the severity of the event; a client dies or does not. For that reason, it is easier to mathematically quantify how much funding is required to achieve your client’s and their beneficiaries’ goals.

Most advisors understand the need for significant life insurance face amounts to properly deal with the death of a client, especially if that client is the primary breadwinner. These same life-advisors would cringe at the notion of having to deliver a death benefit of \$25,000 since they know that it would not come close to addressing the emotional and financial loss created by their client’s death. However, that same amount delivered to a client diagnosed with a critical illness can have a tremendous impact on their client’s financial and emotional ability to recover. Most clients outside of an inheritance rarely, if ever, will see an additional after-tax cash injection of \$25,000 into their regular working cash-flow.

In truth, there is no “right” answer you can give your client to the question: “how much critical illness insurance should I own?” Only your client (with assistance from you) can answer that question. There are two approaches you can use to help your client with putting the right amount of coverage in place for them:

1. A conversational needs analysis, or
2. A structured needs-analysis tool.

## Conversational needs analysis

A conversational needs analysis is not you simply asking your client, “How much critical illness insurance do you want?” That question will typically lead to your client answering with “I don’t know” or “What do most people buy?” which does not help with determining the right amount of coverage that your particular client needs.

The conversational approach involves first running through a list of all the ways successful claimants in the past have used their critical illness funds. You can expand your client’s thinking by presenting various ways that the benefit could help, such as:

- covering the costs for a hotel room beside the hospital on treatment days,
- six months of pre-paid mortgage payments,
- unpaid leave for their spouse,
- access to new medication that may not be covered by their group benefits,
- flying in their family for support
- accessing the best care at the top Cancer clinic in the world

For more information on the critical illness insurance benefit and potential uses, please refer to the following Path to Success elements:

1. Positioning the critical illness benefit
2. Potential uses of the critical illness benefit

### Advisor script:

Once you’ve discussed the the various ways the critical illness insurance funds could be used, you would then use one of the following scripts:

It is interesting to see all the different ways that people have used their critical illness insurance benefits.

No one wants to imagine getting sick, but if you (spouse/child/key-person) had a diagnosis of one of these illnesses, what would your biggest concerns be and what might you want to do with the critical illness insurance benefit?

- or Let’s say for example, you had been diagnosed with Cancer a couple weeks ago. How much coverage would you need right now to be able to focus on your recovery and reduce your financial stress?
- or There is an unlimited number of ways that someone could use their critical illness insurance payout. For me, I decided on \$ \_\_\_\_ amount of coverage. My biggest concern would be \_\_\_\_, so as I would want the money to \_\_\_\_, \_\_\_\_ and \_\_\_\_.

No one wants to imagine getting sick, but if you (spouse/child/key-person) were diagnosed with one of the covered critical illnesses, what would your biggest concerns be and what might you want to do with the critical illness insurance benefit to help reduce your concern?



## Mathematical needs analysis

Some of your clients will be more committed to the critical illness insurance benefit amount if they complete a more structured benefit calculation. The link below provides access to a needs analysis tool which is similar to a life insurance needs analysis tool. You can use the critical illness insurance needs analysis to help with determining the amount of benefit your client would need based on their current financial situation and what they think their financial situation would look like if they were diagnosed with a covered critical illness. One caution to keep in mind when using a mathematical needs analysis is that clients tend to want all expenses to be covered when presented with a list. This could lead to a large benefit with premiums that may be too expensive for some clients.

<https://advisor.equitable.ca/calculator/ci/>

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