PATH to SUCCESS™

Expert Advice on Navigating CI Sales

OVERCOMING OBJECTIONS: I HAVE LONG TERM DISABILITY INSURANCE ALREADY

Some clients incorrectly see the presence of a quality long term disability insurance contract as a reason they don't need critical illness insurance. There is a tremendous opportunity to open the critical illness conversation by explaining how even the best disability insurance will result in a reduction in the client's regular income at the time of a claim.

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The ownership of individual long-term disability insurance coverage can be seen as a positive. It shows the client's understanding of the fragility of health and the wisdom of shifting the health risk to an insurance company. If a client says they do not need CI because they own disability insurance, an advisor might say:

"Thinking that critical illness insurance looks a lot like long term disability insurance is a reasonable thought, as they both help people financially when they face a significant health crisis.

Critical illness insurance can be a great supplement to long term disability insurance as it covers off some gaps that even the most reliable disability plans still have:

- **Most long term disability insurance contracts pay someone less than their full working income to leave an incentive to get back to work. Critical illness insurance can help ensure you don't take a pay cut when something as serious as cancer, heart attack, or stroke occurs.**

  and

- **Disability insurance does not address the potential increased need for funds above and beyond full working income that is created by a significant illness. Critical illness insurance provides quick access to additional tax-free money for medical or non-medical expenses.**"

DISABILITY CLAIM

It's important that we do not diminish the value of long-term disability insurance coverage that the client owns, but to point out the gaps in that coverage that critical illness insurance can cover. It illustrates how disability insurance coverage typically has a waiting/elimination period up front during which time your disabled client does not get paid. This waiting period is often 3 or 4 months where they would not receive any income benefit. After this period, once benefit payments start, almost all disability insurance policies pay a benefit amount that is less than your client's regular full employment income. These waiting periods and lower than full income disability insurance payments are required, so that the product pays for what it was designed for:

1. Long term disabilities (the waiting period ensures that short term disabilities are not covered),

Encourages the return to work when the disability is over (lower than full income disability payments reduces the risk of malingering to return to work), The example below assumes a client typically netting $5,000/month has a $4,000 disability benefit with a 90-day waiting period. To explain this, an advisor might say:

"It's frustrating that, because others have abused disability insurance, we must take less than our regular income even for something as serious as cancer, heart attack, or stroke.

The insurance companies know that if people could collect their full income from day one of a disability that there would be more claims and that they would last longer. Let's walk through how even a correctly paid claim for something serious like not being able to work for a year due to cancer would be handled.

With your individual long term disability insurance contract, your first cheque would be for the fourth month of your disability, so you would be out three months of $5,000 take-home pay per month or $15,000 for the three months.

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Then the cheques would be about $1,000 less per month than if you were working or another $9,000 reduction in income over a year of claiming. If something terrible like cancer kept you out of work for a year, a correctly paid disability insurance claim would drop your household income by $15,000 plus $9,000 for a total reduction of $24,000.

The reason why most long-term disability insurance contracts don't pay your full income is so that there is incentive for the person to return to work as opposed to staying on disability. However, I don't think you should take a pay reduction for something as serious as cancer, heart attack, or stroke.

At a minimum, we should look at $24,000 of critical illness insurance so that if one of these conditions occurred and you were off for a year, that financially your income did not drop. To that minimum, we should also then discuss what additional capital you would want to help you through treatment and recovery.

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I SEE A DIFFERENCE

This approach powerfully crystallizes the reality that the disability insurance claim's adjudicator cannot waive the waiting period or pay someone's full income, regardless of the ailment causing the disability claim. When it comes to a critical illness covered condition, there are very few people who wouldn't agree that some additional compensation should occur for the client who suffers one of the conditions.

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Long term disability insurance is designed to help you cover your lost income while you are unable to work. However, to keep plans affordable, many disability contracts do not start paying out until a disability has lasted 3 or 4 months which can be quite difficult for the disabled person. Further to ensure there is incentive to go back to work, most plans won't cover 100% of your lost income.

Now I understand why disability insurance contracts are designed like this, as some people would abuse the system to collect the benefits so unfortunately, honest clients still have to wait for a claim to start and then receive a reduced income compared to their full working income.

With something like Cancer, Heart Attack and Stroke, wouldn't you want to receive financial help as quickly as possible and receive a higher amount, right from the beginning?

That's where critical illness insurance complements disability insurance perfectly. If any ailment keeps you from work, your long term disability insurance provides you a percentage of your income every month, typically starting 3 months from when your disability started.

But if you are diagnosed with a covered condition like cancer, heart attack, or stroke, you receive an additional tax-free lump sum with critical illness insurance.

This lump sum from a critical illness insurance policy tops up your disability insurance payments and provides cash flow to seek healthcare solutions or to do things like fly in friends/family for support, retrofit your home, or even take a well-deserved holiday post-recovery.

Do you think it makes sense to have some extra funds arrive in addition to your disability insurance payments if one of these serious covered illnesses occur

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Summary of some key differences between critical illness insurance and long term disability insurance.

	Long Term Disability Insurance	**Critical Illness Insurance**
Who can be covered	Must be employed	Anyone
What is covered	Injuries or illness that prevent or limit a person from working	Specific conditions, typically acute illness and not chronic diseases
What does the policy pay for?	Typically used to replace income loss to cover monthly living expenses	There is no limitation on how the benefit can be used but typically used for costs associated with recovery
When a claim starts	The day the insured is considered disabled and unable to work	The date of diagnosis
Time when the benefit is paid from date of diagnosis assuming all conditions are met to satisfy the definition	Typically, a 90 day wait from date of diagnosis before benefits will be paid	Typically a 30 day survival period is required.
Duration of benefit	Pay a monthly benefit for a pre-established period of time, for example 5 years or until the insured reaches a certain age, typically 65	Lump sum benefit

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