



# Path to Success

Expert advice on navigating CI sales

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## Program Overview

This program was designed with you, the Advisor, in mind. Path to Success: Expert Advice on Navigating CI Sales provides you with actionable ideas and scripts that can be implemented immediately into your critical illness insurance meetings.

This dynamic program will not only help introduce critical illness insurance to your clients, but also provides you with tactics and strategies on how you can overcome the most common critical illness hurdles faced in the industry. In reviewing each element of the program, perhaps even some of your own personal objections or perspectives regarding critical illness insurance and selling it to your clients will be answered or reshaped.



Each of the modules below are made up of several elements that will provide you with a:

- description of the topic written from the perspective of the critical illness meeting,
- scripting for that specific element of the critical illness sale, and
- summary video of the key learnings and sales language

To keep scripts in each element concise, we typically reference only the top three conditions when talking about the coverage provided by critical illness insurance. Please keep in mind, that while Stroke, Heart Attack and Cancer are the top three conditions claimed for, a comprehensive critical illness plan typically covers over 25 critical illness conditions.

Module	Elements
Overview of Critical Illness Insurance	<ul style="list-style-type: none"> <li>• History and Opportunity</li> <li>• The three realities of Health</li> <li>• Four Question CI Sale</li> </ul>
Overcoming Objections	<ul style="list-style-type: none"> <li>• Anticipating the objections your clients may have</li> <li>• CI is expensive</li> <li>• I can use my own money</li> <li>• I don't understand the definitions</li> <li>• I already have disability insurance</li> <li>• I'm healthy, why are you showing me this?</li> <li>• Maybe later</li> <li>• That doesn't sound like enough coverage</li> <li>• I have mortgage insurance</li> </ul>
Pivoting from other products	<ul style="list-style-type: none"> <li>• From Disability Insurance</li> <li>• From Investment planning</li> <li>• From Life Insurance</li> </ul>
Positioning	<ul style="list-style-type: none"> <li>• The Critical Illness Funds</li> <li>• CI in the Business Market</li> <li>• CI for Children and Young adults</li> </ul>
Designing	<ul style="list-style-type: none"> <li>• Overview</li> <li>• The benefit amount</li> <li>• The premium structure</li> <li>• The riders</li> </ul>
Underwriting and claims	<ul style="list-style-type: none"> <li>• Pre-positioning UW outcomes</li> <li>• CI claims</li> </ul>

You will find additional resources including:

- A client video that you can send to your clients and prospects to introduce critical illness insurance.
- Product materials on EquiLiving.
- Your Regional Sales Manager (RSM) can answer any questions you may have. Reach out to them directly.



# Overview of critical illness insurance

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### Critical illness insurance history:

Dr. Marius Barnard developed critical illness insurance in South Africa in 1983. Dr. Marius Barnard was part of the team headed by his brother, Dr. Christian Barnard, to perform the first successful open-heart transplant surgery. As medical technology continued to improve and more of his patients survived after he had treated their illness, Dr. Marius Barnard observed how the financial hardship that his patients went through after surgery/treatment adversely affected their recovery. This motivated him to start advocating for a “living benefit” insurance product.

He called it “Dread Disease insurance,” and his vision was to provide financial relief for clients/families diagnosed with any of four major illnesses/events: Heart-attack, Cancer, Stroke, and Coronary artery bypass surgery. Most critical illness insurance plans now cover a broader range of common life-threatening illnesses. Regardless of the number of covered conditions, Dr. Barnard’s vision for critical illness insurance remains: the payment of a lump-sum benefit upon diagnosis and survival of a listed major illness.



“

*I can repair a man physically, but only insurers can repair a patient’s finances.<sup>1</sup>*

- Dr. Marius Barnard

<sup>1</sup> Source: <https://www.youtube.com/watch?v=IUXaXOj0BP0>



## Critical illness insurance opportunity:

There are numerous reasons why you should be talking to your clients about critical illness insurance beyond the most important: your clients can benefit tremendously from this product when facing a difficult diagnosis and recovery.



### Current market penetration

The critical illness insurance market in North America is not as heavily penetrated when compared to the life insurance and other insurance and investment products. This is exciting for advisors since this untapped market is comprised predominantly of prospective clients that in most instances are not even aware of the product's existence and value.



### Door opener for other products, services

Many clients have an advisor for the traditional financial services products such as investments, life, disability, and health insurance. Most of these same people have not been shown the need for and the value of owning critical illness insurance. Many advisors have gained access to new clients with the critical illness insurance approach, which has led them to becoming the client's advisor of choice for future advice and purchase of the more traditional financial products.



### Current clients are a market

Another advantage to critical illness insurance is that marketing and sales opportunities exist within your current client base as opposed to having to find and convert cold—or at minimum, cooler—prospects. This ability to market within your existing client base significantly reduces the marketing cycle to gain critical illness insurance sales meetings, and due to the client's pre-established confidence in you, it leads to a shorter sales cycle and increases the purchasing rate.



### Client retention tool

Critical illness insurance is also important for you in your continual efforts to retain your current client base. The higher the number of products your client holds with you, the higher the likelihood is that they will remain with you.<sup>2</sup> Critical illness insurance can be an effective means of placing a fence around your clients, reducing encroachment from other advisors.



### Refer-ability at claim time

Critical Illness insurance claims can provide unparalleled referral opportunities in comparison to many other financial services products. Typically the claimant not only receives the funds personally but also survives to tell their critical illness insurance story.

Having a surviving claimant is different from life insurance whereby the beneficiary (not the client) receives the funds while their world is in disarray, and providing referrals is not their priority. A fully recovered critical illness claimant can be a great source of unsolicited referrals when they return to their full work and social life. These claimants may tell everyone how they used the lump-sum funds to ease their financial and emotional strain en route to recovery. Most of the people they speak to will likely not own critical illness insurance, and many will never have been presented the product by their current advisor.



### Protection of advisor asset

Critical Illness insurance helps protect your client's financial future by reducing the need for them to deplete retirement assets as a source for funding a critical illness expense. This helps protect you from the potential loss of asset-based compensation.



### Potential liability

There may be potential for a client who suffers a critical illness to take legal action against you, for not being made aware of the product's existence and merit. Some advisors ask their clients who do not proceed with critical illness insurance to sign a waiver to both illustrate the importance of the product and to protect them from future liability.

<sup>2</sup> Source: <http://www.insurancejournal.com/news/national/2009/04/22/99851.htm#:~:text=Retention%20rates%20are%20particularly%20high,bundle%20auto%20and%20rental%20policies>



It is quite natural for a client to wonder why they have never heard of critical illness insurance and why their parents and grandparents did not own it. You should be prepared to answer the question of “Why critical illness insurance today?” even if the client does not ask, as they are most likely thinking it.

Unlike home, car, travel, and even life insurance, there is no societal or generational driver of the critical illness insurance purchase. For example, when a person moves into their first apartment or home, their parents and even peers tell them to purchase house insurance. When they take a trip outside the country, the people around them recommend travel insurance. Most of your client’s family and peers are probably not aware of critical illness insurance, so it is your responsibility as the advisor to introduce it and explain why it wasn’t needed a generation or two ago but is vital in overall financial planning today.

You should emphasize that critical illness insurance was invented not by the insurance industry but by a doctor by the name of Dr. Marius Barnard. The fact that it was someone from the medical community driving the product’s inception rather than an insurance company can dramatically shift the client’s mindset into one of curiosity.

## Three realities of health

Critical illness insurance exists for today's clients because it addresses three realities of health; incidence, no one is immune, and survival with consequence. Each of these realities is important but taken together they help to explain why critical illness insurance is so vital today when it was not even available forty years ago. Unlike several generations ago when surviving a critical illness was not as likely; today while a critical illness diagnosis itself is still devastating, survival is more likely. However, with the good news comes the reality that survival and recovery of a critical illness can be financially devastating. People today will die less frequently soon after diagnosis than any prior generation, which is why Dr. Barnard invented critical illness insurance; to help survivors.



### 1 Health reality one – incidence

In our modern era, the incidence of Cancer, Heart Attack, Stroke, and other covered critical illness conditions is exceptionally high, with Cancer alone expected to occur for nearly one in two Canadians in their lifetime (source: please use from previous module). Most people intuitively know that these illnesses happen a lot, and you do not need to show your clients an endless string of statistics that your client could perceive as a scare tactic. Instead of showing numerous pages of illness statistics, you will be more successful if you relate some covered illnesses to your client. You can do this, for example, by asking them how often in the last few years have they sponsored friends and colleagues in bike rides, walks and other fundraisers for Cancer, Heart, Stroke, ALS, and so on.

### 2 Health reality two – no one is immune

A natural inclination is to assume that this product is more appropriate for other people who are perhaps older or in poorer health. You need to shift this thinking to the reality that no one is immune from diagnosis of the covered critical conditions and that they can happen to even the healthiest of people. Being healthy does not eliminate the risk of diagnosis but does improve the chances of recovering from the illness. You could point out several famous celebrities and athletes who have had these illnesses, including hockey legend Mario Lemieux, singer Sheryl Crow, and Tour de France champion Lance Armstrong. Healthy clients are more likely when diagnosed to survive and receive their critical illness insurance payout, which will assist them during treatment and recovery.

### 3 Health reality three – survival with consequence

Survival might be the most essential health reality today. Dr. Barnard recognized how medical advancements in diagnosis and treatment were keeping people alive but putting them and, ultimately, those closest to them in a difficult predicament. He saw first-hand how families that owned sufficient life insurance received no insurance payout when they survived what previously would have killed them. Dr. Barnard recognized that due to medical advancements that resulted in earlier diagnosis and better treatments people were surviving with financial struggles that the insurance industry did not have a solution for.

Life insurance was the right insurance product a generation or two ago for Cancer, Heart Attack, Stroke, and other illnesses. Modern planning, with the addition of critical illness insurance, addresses the financial outcome someone may face of not dying on the diagnosis of a significant illness. Surviving is better than dying, but survival has consequences, both financial and emotional, including significant stress during treatment and recovery.



### Advisor script

To introduce the realities of health and critical illness insurance, you might say:

The reality of major illnesses like Cancer, Heart Attack, and Stroke is very different than it was a generation or two ago.

Today, these illnesses happen a lot. Nearly one in two Canadians will have Cancer in their lifetime, and we also know that these illnesses can happen to anyone, even the healthiest of people; no one is immune.

The good news is unlike a couple of generations ago, people are not necessarily facing a death sentence on diagnosis but can recover and survive due to medical advancements. For example, eighty-five percent of Stroke victims will survive, and the survival rates for Cancer continue to improve<sup>1</sup>.

While the improved survival rates are positive, recovery is challenging, sometimes financially and often emotionally.

Dr. Barnard recognized this and created an insurance product called critical illness insurance. Unlike life insurance that pays a benefit when someone dies of these illnesses, critical illness insurance pays a benefit based on the diagnosis of a covered illness for people to use during their treatment and recovery.



<sup>1</sup>Source: <https://www.heartandstroke.ca/-/media/pdf-files/canada/stroke-report/strokereport2017en>



Many advisors have had success in introducing the need for critical illness insurance through these four questions:

- |  |  |
|--|--|
| <p><b>1</b> Do you know anyone who has had Cancer, Heart attack, or a Stroke?</p>                                | <p><b>3</b> Was it emotionally or financially challenging for them and their family or business?</p> |
| <p><b>2</b> Was it unexpected?... as these illnesses sometimes happen to even the healthiest people we know.</p> | <p><b>4</b> Would some extra money have helped? – or alternate Question 4:</p>                       |



Going back, if they had the chance to purchase an insurance product that would have provided them additional funds upon diagnosis of a significant illness, do you think that would have helped?

**Note:** If your client says “no”, you can let them know that they are very fortunate to not know anyone, since nearly one in two Canadians will be diagnosed sometime in their lifetime. (You can then proceed to the four statements on page 4).

## Four-question rationale/advice:

Each of these seemingly simple questions serve an essential purpose in the critical illness insurance sales process.

### 1 Do you know anyone who has had Cancer, Heart attack, or a Stroke?

The objective of this question is to have your client thinking of Cancer, Heart attack, Stroke, and other illnesses in terms of people they know. This makes it more personal as opposed to thinking of broader national illness statistics. Critical illness insurance is purchased on an emotional level, so thinking of a sibling, parent, or close friend who has dealt with a critical illness is more impactful than thinking about a statistic like 50,000 Canadians have a Stroke each year.

### 2 Was it unexpected? Critical illnesses sometimes happen to even the healthiest people we know.

The objective of this question is to illustrate the uncertainty of health. It is not only the unhealthy people who face the possibility of a critical illness diagnosis. Sometimes it is the person who appears healthiest that unexpectedly is diagnosed with a critical illness. If your client can think of a healthy person that they know that became unexpectedly sick, this can help eliminate the potential critical illness insurance objection of “I’m healthy, so I don’t need this.”

### 3 Was it emotionally or financially challenging for them, their family or their business?

The objective of this question is to illustrate that surviving an illness has consequences. The money from critical illness insurance does far more than pay financial expenses directly associated with the illness. It can also provide options to reduce the tremendous emotional strains those diagnosed with a critical illness and their families can go through after diagnosis. For example, a client who has reliable medical coverage may see a minimal direct financial impact from their illness. However, not only them but their family will likely be dealing with an immense amount of stress from the diagnosis, through the treatment and up to recovery. Critical illness insurance proceeds do not have to be used for medically related expenses, they can be used towards expenses not directly related to the illness such as help with things to reduce the stress for themselves and their family. Lowering stress is important during a critical illness to help support an increased chance of recovery.

Since critical illness insurance proceeds can be used for whatever the family needs to deal with their situation, proceeds can be used towards non-medical expenses as well, such as:

- help to replace lost income for a healthy spouse to take time off work
- cover costs to fly in friends and family for support
- hire a nanny to keep schedules as normal as possible for the kids
- use upon full recovery, for a family holiday to celebrate a successful recovery rather than racing back to work

### 4 Would some extra money have helped?

-or-

### Going back, if they had the chance to purchase an insurance product that would have provided them additional funds upon diagnosis of a significant illness, would that have helped?

The purpose of this question is to directly illustrate the mechanics of critical illness insurance: money that shows up for the client to use in absolutely any way they think will help them and their family. The term “help” is utilized as no amount of money makes the diagnosis and recovery “better” or “solved,” but money can certainly help.

## Four statement CI sale

Some advisors do not like to utilize the question and answer sales methods in their meetings. If you are one of these advisors, you could use the four statement CI sale to introduce the need and value of critical illness insurance. You could say:



Almost everyone I've met knows someone who has been diagnosed with Cancer had a Heart attack or suffered a Stroke.



With the people I know, most were impacted financially due to their illness, and every single person and family was shaken up emotionally.



What is unfortunate is that an illness can happen to even the healthiest person you know.



If some additional funds had showed up that they could have used however they thought best to get through the critical illness, I know that money would have helped them tremendously.

### Advisor script

**A final version of the four questions critical illness sales process is for you to use the questions to put together a testimonial about your own personal experience.**

I have known far too many people who have been diagnosed with Cancer, had a Heart attack, or suffered a Stroke...

What is unfortunate is that these events have happened to some of my healthiest friends and family.

Of the people I know who had to deal with these illnesses, some struggled financially but they all found it challenging emotionally.

If some additional funds had shown up that they could have used however they thought best, I know that money would have helped.

**Or if you are comfortable you can use these statements to be about someone specific you know personally who had critical illness insurance coverage and received a benefit to help them through their recovery.**

I know too many people who have suffered critical illnesses, and many close to me like my (brother, sister, spouse, nephew).

And he/she/they seemed to be super healthy, and we never expected this to happen to someone in our own family, but these illnesses are unexpected.

For them, it was difficult financially because of x, y, z but even more it was tough emotionally for them.

Money would not have fixed everything but I know it would have helped.

**Or**

**What helped them is I was able to deliver a CI cheque for \$50,000 that allowed them to x, y and z**





# Overcoming objections to critical illness insurance

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Critical illness objections, like all objections, are best dealt with before your client raises them. Successful critical illness advisors anticipate potential objections. They introduce and eliminate them during their presentation before the client forms an inflexible position against the product. The goal is for your client not to have to change their opinion or admit they may have viewed the product incorrectly.

For example, you might pick one of the following objections and say:

**Some clients, when they first looked at this product, felt that:**

- since they had a lot of their own money, they didn't need extra cash if diagnosed
- since they owned quality disability insurance, they didn't need this coverage
- since they were healthy, these illnesses were not going to happen to them
- this critical illness insurance is expensive

That's not an unreasonable first thought, but after looking a little deeper, most found... (and then introduce the objection handling strategies in this program).



## Handling client objections

By designing your CI discussion to introduce and eliminate common objections, you can significantly reduce the number of client-raised objections. If your client still has objections, an excellent strategy to use is the three-step “Feel, Felt, Found” approach.



For example, in a situation where your client objects that critical illness insurance seems expensive, you might say:

- I completely understand why you feel that way.
- Many others, when they first looked at this product, felt the same way.

Most clients, however, found when they saw the actual stats on how often these illnesses occur (Cancer alone being nearly one out of two people in their lifetime<sup>1</sup>), that these illnesses are unfortunately really likely to impact them and their family and the critical illness insurance provides excellent value.

This approach acknowledges that your client’s objections are reasonable and that they are not alone in their thinking; however, others have changed their position when presented with some additional information. By utilizing this approach, you are not trying to convince your client that their initial opinion is incorrect, but rather that with further information, they will, like most others, view their objections differently.



## “Reason why” letter

CLHIA has six elements for making a suitable insurance sale, one of which is a “Reason why” letter. This letter is the final element that is required by CLHIA to ensure a suitable sale. It is a simply written, brief client facing communication that makes the connection between the advice you have given, your analysis of the client’s needs and the direction you have received from your client. You should provide a “Reason why” letter to your client following every sale.

Equitable has created sample “Reason why” letters that you can use as a guide to put together the letters for your clients.

<https://advisor.equitable.ca/advisor/en/Individual-Insurance/Reason-Why-letters>

<sup>1</sup>Source: <https://www.cbc.ca/news/health/cancer-society-annual-statistics-report-1.4168784>



### Not expensive but likely

“Critical illness insurance is expensive” is a common objection by clients when first looking at critical illness insurance. This objection is especially common if the client is looking at life insurance at the same time.

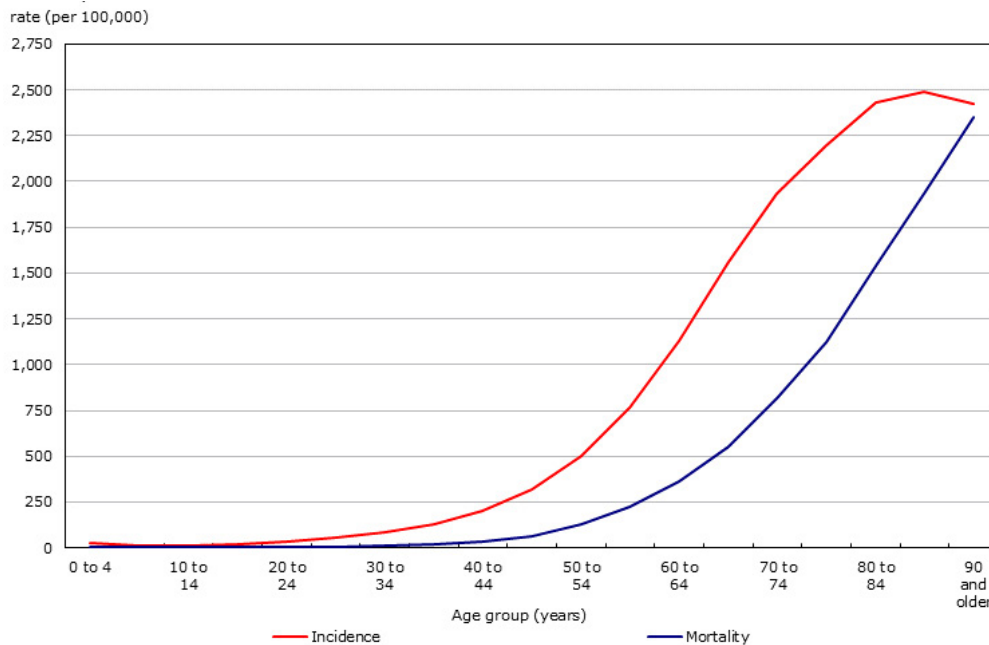
With life insurance your client may be able to buy one million dollars of life insurance coverage for the same price as \$100,000 of critical illness coverage, which results in them perceiving that “critical illness coverage is expensive.”

Neither life insurance, nor critical illness insurance are expensive relative to the risk they are covering. They are both priced based on the likelihood of an event occurring and when that event will occur based on your client’s age, sex and other factors. The sooner the event is likely to occur, the more it will cost. Comparing critical illness and life insurance for a healthy 40 year old, you are more likely to get a critical illness and survive the next 35 years than to die in the next 35 years.



If you look at the following chart, you can see that the incidence of getting a Cancer (in Canada) at a certain age and surviving that Cancer, is usually higher than getting that Cancer and dying at that age.

Age-specific Cancer incidence and mortality rates, all Cancers combined, Canada, 2012



Note: Incidence rates for Quebec were imputed as data for this province were unavailable beyond 2010.  
Source: Statistics Canada, Canadian Cancer Registry and Canadian Vital Statistics - Death Database.

Your objective should be to shift your client’s thinking from critical illness insurance being expensive to the high likelihood of a critical illness incident occurring and them surviving it. The perceived high premium is nothing more than a reflection of the high incidence rates of critical illnesses like Cancer, Heart Attack, and Stroke, and, thus, the likely potential of a critical illness insurance benefit payout from their coverage.

### Advisor script

Many people, when they first see the pricing for critical illness insurance, say, “wow, it’s expensive.” What the price is telling us is that unfortunately, Cancer, Heart Attack, Stroke, and other critical illnesses happen frequently. When you consider the Canadian rates of critical illness, and how many clients could potentially receive a payout through their critical illness coverage to help them through their recovery, the cost seems more reasonable.

This pricing is telling us what the stats and our personal experience tell us; the higher the price, the sooner and more likely the incident will occur:

- On average, 617 Canadians will be diagnosed with Cancer every day
- On average, 228 Canadians will die from Cancer every day.<sup>1</sup>

Another way to look at this- if you could buy \$100,000 of some type of insurance coverage for \$1/month, that wouldn’t tell me that it is a good deal, it would say to me that the event being covered is probably not very likely to happen. The price is a reflection of the risk. As the probability of that incident occurring increases, so does the price.



<sup>1</sup> Source: Canadian Cancer Society <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>



## Premium percentage versus incidence percentage

It can be powerful to compare the premium as a percentage of the critical illness benefit to the high incidence percentages of critical illness. The example below utilizes a \$100,000 critical illness benefit and an annual premium of \$1,000.

People often think that critical illness insurance is expensive until they step back and look at the ratio between the insurance premium and the high probability of a critical illness diagnosis.

If we look at Cancer alone, it's estimated that almost 50% of Canadians will have to deal with Cancer in their lifetime.<sup>2</sup> The critical illness premium is 1% of the critical illness payout per year (\$1,000 for \$100,000) which seems like an affordable way to shift the financial risk of a critical illness which has a high probability of occurring.

**Based on 2015 estimates: 1 in 2 Canadians (45% of men and 43% of women) is expected to develop Cancer during their lifetime.**



## Term critical illness insurance as bridging insurance

Often CI sales are lost because the advisor and client get focused on their desire for permanent coverage with return of premium, resulting in the premium being driven upwards. If your client cannot afford a critical illness permanent plan with a return of premium, you should try to pivot the focus to term critical illness insurance being used as "bridging insurance".

This strategy involves keeping the premiums low for now with term critical illness insurance. Your younger clients or middle-income clients, especially if they are starting their career or have other financial obligations which limit their disposable income for insurance, will find this strategy very helpful. Using term critical illness coverage ensures that your client locks in their health, is covered in the early years at an affordable premium, and allows them the flexibility to change their coverage to a permanent solution when they are in a better financial position.

In most cases as your client ages, they will likely be in a better financial position to cope with a diagnosis due to:

- **years of continued personal debt reduction,**
- **additional annual savings,**
- **children being older and perhaps launched, and**
- **potential increases in pay.**

This strategy focuses only on the next 10-20 years; revisit this when your client is in a better financial position.



<sup>2</sup> Source: Canadian Cancer Society <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>



### Advisor script

Many people, without a large amount of savings or disposable income, feel that they are more vulnerable financially to a critical illness today as opposed to 20 years from now.

I look at it this way: if we can get you coverage under a term critical illness plan, it will keep the premium costs down for the next 10 or 20 years. If during that period, you are not diagnosed with a critical illness, it would be likely that you were pretty healthy over that time, and:

- **you were probably able to work during that period,**
- **your children will be older and likely out on their own,**
- **you will have paid down mortgage, debt, etc., and**
- **you will have built up your savings/investments.**

Would you agree with that?

At that time, you may be in a better financial position to either make the decision:

- **that you are in a better financial position to cope with a critical illness diagnosis without insurance, or**
- **that you want to change your coverage, without providing underwriting evidence about your health, to a permanent critical illness plan, based on your need at that time.**

In situations like yours, term critical illness coverage can bridge you from today to a period in the future when you are in a better financial position.



## Guaranteed premiums

You and your client are fortunate to have guaranteed critical illness premiums in Canada and you should emphasize this in your client meetings. Medical advancements and diagnostic technology continually improve, and these advancements could lead to more frequent diagnoses of covered illnesses, which if the premium wasn't guaranteed, would create upward pressure on pricing for policyholders.

### To present this strength to a client, you might say:

We are fortunate that we can access products like critical illness insurance, where the rates are contractually guaranteed. Many people wish that their car- or home insurance would carry a locked-in price for the next \_\_ years.

These guarantees might even end up being more valuable with this product than if we could get you guaranteed pricing on all your other insurance. That is because even though the diagnosis incident rates of the covered illnesses in your policy is a moving target due to continually improving medical science, the insurance company is guaranteeing your premium rate for \_\_ years.

Regardless of what changes occur with diagnosis and survival rates in the next \_\_ years, while the insurance company can increase the premium rates for new clients, they cannot adjust your premium rates at all.



## Check covered condition count

Sometimes clients might perceive your critical illness insurance offering to be expensive because the alternative product they are looking at is not as comprehensive in number of conditions covered. While Equiliving covers xx number of conditions, there are some CI products that cover between one and four critical illnesses, some Cancer only and others Cancer, Heart Attack, Stroke, and Coronary Artery Bypass Surgery.

While these illnesses are the most common conditions claimed upon, there is a risk for the client and the advisor who puts this style of plan in place that the client suffers one of the illnesses they could have claimed on with a comprehensive product like EquiLiving.

### To introduce this, you might say:

Its important when comparing insurance pricing to make sure that the products themselves are comparable. In this case, the plan that you are looking at covers \_\_ (1,4) conditions while this plan covers \_\_. The difference in premium of \$\_\_ brings you financial relief for an additional \_\_ illnesses.

It would be a shame to have recognized how a health event presents a significant risk and not then cover off these illnesses with a comprehensive plan. I am always concerned that someone who is being proactive in protecting themselves against Cancer, Heart Attack, Stroke and Cardiovascular Bypass Surgery might have to deal with something like MS, a Brain Tumour or have an accident that puts them in a coma. To have done the planning but left \_\_ illnesses uncovered would be really devastating.



“I can use my own money” is a common objection that advisors often hear with wealthy clients. Sometimes this objection lies with the advisor who assumes their wealthy clients do not need critical illness insurance, so they do not even show it. While it is true that many wealthy clients may not require CI to have accessible cash, you can still generate significant opportunities by repositioning the product as a more efficient way to access money versus using their own money.

## Needing versus owning

For your wealthier clients who have access to significant savings should they suffer a critical illness, it is important to address up-front that we are not suggesting that they need the financial protection offered by critical illness insurance, but that they may benefit financially from owning it. Critical illness insurance can be a more efficient method to access capital than their own savings should they be diagnosed with a critical illness.



**For example, if the following client were to be diagnosed with a covered critical illness at age 55, they can:**

- Withdraw \$350,000 from their own savings, or
- Pay for a critical illness insurance policy which, in this case, would result in the client paying \$48,910 in total premiums for the insurance company to pay a benefit of \$350,000.

**Assumptions:**

- Male, 45 year old, NS
- Marginal tax rate (individual): 53.53%
- Personal dividend tax rate (for dividend income): 47.40%
- \$350,000 CI level to age 75, annual premium \$4,891\*

To get the same after-tax benefit from investing their money instead of paying a premium, your client would need the following returns from their investments:

Age at time of diagnosis	Critical illness benefit amount	100% in interest income	100% in dividend income	100% in realized capital gains income	100% in deferred capital gains income
50	\$350,000	230%	203%	146%	122%
55	\$350,000	74%	66%	47%	39%
60	\$350,000	39%	34%	25%	21%
65	\$350,000	24%	21%	15%	13%
70	\$350,000	16%	14%	10%	9%
74	\$350,000	12%	10%	8%	7%

\*Equitable illustration version 20-1 April 29, 2020



### To that end, an advisor might say

I want to talk to you about a product called critical illness insurance that you may not need, but a lot of people who have significant savings are choosing to own.

This product provides clients who are facing a significant health crisis like Cancer, Heart attack, or Stroke, with an injection of funds from an insurance company rather than from their savings that they can use however they see best to recover.

Many successful/wealthy clients look at this product this way: Why would I spend my hard-earned savings on funding my recovery when I can use the insurance company's money instead?



## Travel insurance

Would your client consider traveling outside of the country without taking out adequate travel insurance coverage? Generations of clients have transferred the financial risk of a health event while travelling, to an insurance company even for a short trip. When your client purchases travel insurance they are acknowledging two things:

- **they are vulnerable to having a significant health event (In other words, they think “it could happen to me”), and**
- **they are concerned it could happen in the short time over their vacation.**

It is your role as their advisor to extend adequate insurance protection including critical illness insurance, which addresses the same concerns as travel insurance, which are your clients:

- **are vulnerable to having a significant health event (diagnosis of a critical illness), and**
- **could be diagnosed with a critical illness at anytime**

If your client understands the risk of traveling without travel insurance, they should also be able to understand the risk of living without critical illness insurance.



### To that end, an advisor might say

Do you travel at all outside the country?

How much would you travel each year?

When you travel, do you make sure you have travel insurance?

Why?

The typical response is along the lines of: "If I had an unexpected health crisis, it would be crazy to have to pay those costs myself when I could have had the insurance company pay them."

That's smart.... when you travel x days a year; you transfer the potential costs associated with a health crisis during that time to an insurance company by purchasing travel insurance. Most Canadians don't know that there is a product that can provide funds while they are at home or away should they have to deal with a serious illness like Cancer, Heart attack, or Stroke. Unlike travel insurance, though, critical illness insurance can protect you and your family 365 days of the year at home or abroad.



With travel insurance, you pay a small manageable cost to an insurance company and shift the significant financial payout if you suffer an illness while traveling to an insurance company. This is the same with critical illness insurance; you pay a small manageable cost to an insurance company and shift the potential need for funds for treatment and recovery if you suffer a covered critical illness to an insurance company.

Shouldn't we consider protecting your finances from a major health event for more than just the x days you are out of the country each year?

## General insurance

Do your clients insure their valuable items such as art and jewellery, even though they might be able to purchase them again if they were stolen? Clients know that it is smart to give a small monthly amount to an insurance company to replace expensive items should they be stolen or damaged. The concept of insuring valuables is not new and can be dated all the way back to the 1st millennium BC when merchants paid to insure their goods being shipped together. The collected premiums would be used to reimburse any merchant who lost their wares during transport, due to storm or sinking<sup>1</sup>.

If general insurance makes sense to protect, for example, a \$20,000 piece of art, then critical illness insurance makes even more sense since it could potentially protect against a significantly higher amount than \$20,000. Compared to general insurance, critical illness insurance is relatively new, and therefore the prior generations who did not have access to it have not shared its importance with today's generation. We can however leverage the wisdom of general insurance to show your clients the value of critical illness insurance.



### Advisor script

When you buy something valuable, like art or jewelry, do you make sure it is insured?

That makes total sense. Why would you risk having to use your own money to replace it when for a fraction of the replacement cost you can transfer the risk to an insurance company.

What's unfortunate is most Canadians are unaware that they can transfer the risk of having to use their savings to deal with a significant health diagnosis like Cancer, Heart attack, or Stroke to an insurance company.

Critical illness insurance works very much like your general insurance. You pay a monthly premium, and upon diagnosis of a covered critical illness, the insurance company pays a benefit to help you in your recovery.



### Return of premium

The return of premium rider is covered in detail in the overcoming objections: CI is expensive module, however, it is important to mention it when dealing with the "I can use my own money" objection. Although the return of premium rider will not be suitable for all clients due to their financial position, it can be attractive to your wealthier clients who have this objection.

Your wealthier clients typically have the cash flow to purchase the return of premium and are more likely to be able to fund that rider until a refund is available.



You can end the discussion on any of the strategies discussed above, need versus own, travel insurance, general insurance, by adding:

What is great about this product is that we can add a rider called return of premium that gives you the option any time on or after 20 years if you haven't had a critical illness to cancel your coverage and get 100% of all the eligible premiums you paid for your policy back.

Think of it this way, if you did have to deal with a health crisis, your premium outlay would turn into an insurance payout to help you through, and if you remain healthy, you receive all of your premiums back.

Wouldn't it be great if your travel, general, and other insurance plans worked like that?



One of the parts of the process that advisors struggle with is how to handle the very detailed requirements in a covered condition definition. These definitions use medical terminology that describes:

- the type of condition that is covered,
- what specific medical diagnosis must occur to be eligible as a covered condition,
- what will exclude the client from qualifying for a claim, and
- when a claim can be made for the covered critical condition.

Usually the client's objections about the definitions are "It's too complicated" or "I don't understand the definition" which eventually leads to the client feeling like they don't really understand what's being covered.

This objection is less likely to occur if you take the time to:

- discuss the contract definitions before showing them to your client
- discuss the value of the detailed definitions with regards to their importance for a more objective CI claims process (this is covered in the critical insurance claims module of this program).

Some critical illness insurance was designed to pay a benefit for conditions that typically are serious enough to cause hardship upon diagnosis. Eliminating some lesser degrees of illness/diagnosis with these exclusions allow:

- **pricing to be more attainable, and**
- **claims to be objectively adjudicated with no requirement for qualifying claimants to prove any financial hardship to collect their benefits.**

Insurance companies keep critical illness insurance affordable by having exclusions in their contracts that eliminate conditions that are not serious enough to cause hardship and therefore are not covered. For example, insurers will typically exclude (or pay a partial benefit on) those conditions that:

- **have a high chance of a quick and/or full recovery,**
- **upon diagnosis typically will not have a significant financial/emotional impact to the family, or**
- **do not require extensive treatment and recovery procedures.**

While the definitions of covered conditions can be very detailed, this ensures that qualifying for a benefit is more objective (satisfy the terms of the definition) than subjective (someone else determines based on the medical evidence, any testimony and their judgement whether your client has suffered a financial loss and how much or whether your client can or cannot do the duties of their job and for how long, etc).

Simply put if your client:

- 1 has a diagnosis that meets the objective contractual terms, they receive their payout regardless of how they are impacted by the illness, or**
- 2 does not have a diagnosis that meets the objective contractual terms, they do not receive the payout regardless of how they are impacted by the illness.**

Having these detailed medical definitions of what is covered and what is not eliminates someone from determining whether your client qualifies for a benefit based on their judgement of the severity of the condition and the impact to your client. Your client does not need to provide medical bills or prove time off work to collect the benefit. They qualify or do not qualify solely based on the detailed definitions in their contract for the covered condition.



### Advisor script

**The philosophy of Dr. Marius Barnard, the doctor who invented critical illness insurance, was that coverage should be for the big things, and when those things happen, just pay the money and let the person use the money however they want to.<sup>1</sup>**

I would rather have a definition that is more detailed and specific regarding what qualifies for coverage and exactly how much benefit I will receive if I satisfy the requirements over a definition that could result in disappointment or difference of opinion at time of claim or in a payout that is based on providing proof of financial loss.

**Would you choose the same?**

<sup>1</sup> Source: <https://www.tonictoronto.com/critical-illness-insurance/>



### Advisor script

Critical illness insurance was not designed by an actuary or an insurance company. It was designed by a doctor by the name of Dr. Marius Barnard. Why is this so important?

Based on historical designs of various types of insurance, if critical illness insurance had been invented and designed by an insurance company, it might have worked something like this:

1. **Prove that the critical illness has happened with evidence satisfactory to the insurance company.**
2. **Provide evidence that the critical illness is causing you financial hardship, for example, uncovered medical expenses, receipts for prescriptions or lost wages.**
3. **A benefit will be paid that may or may not cover those costs.**

Dr. Marius Barnard's focus was on those who survived an illness. He wanted to design a plan that would pay a lump sum upon diagnosis of a qualifying critical illness.<sup>2</sup> With this foundation:

1. **If you have a qualifying critical illness that meets the contract terms you do not need to show the insurance company you suffered a financial loss.**
2. **You know and receive the exact amount of benefit that the contract states**
3. **You decide how best you can use the money in your recovery.**

### Exclusion period for some of the covered conditions

To help clients understand what they are covered for, it is extremely important that you point out to your clients that there is a clause in their contract which does not cover Cancer or Benign Brain Tumour for the first 90 days their policy is in effect. The reason this clause is in critical illness insurance policies, is to prevent people from purchasing coverage before seeing a doctor for existing symptoms that could lead to a claim.

Without this clause, there is a risk that someone who thinks they have symptoms of a covered condition would try and get coverage before going to their doctor for a diagnosis. This behaviour is called anti-selection and insurance companies try to ensure that their products aren't exposed to this risk. As you can imagine, if this clause was not in place, claims would be higher which would result in higher pricing of the product. At the same time, it's important you share the positive, which is that the majority of the covered conditions are not subject to a 90 day exclusion period and they are covered immediately from the day the policy is put in place.

While the majority of advisors and clients are most concerned about the 90 day exclusion because of the incidence of Cancer, it's important for you to know that Multiple Sclerosis and Parkinson's Disease (including Specified Atypical Parkinsonian Disorders) have a similar exclusion period for one year.



<sup>2</sup> Source: <http://www.aspirewealth.ca/critical-illness-coverage-explained-by-dr-marius-barnard/>



## Advisor script

Some people ask how soon after getting their critical illness coverage could they make a claim. You are eligible to claim on this coverage the day it goes in place and be eligible for a benefit for all the conditions with the following exceptions:

- **Cancer**
- **Benign Brain Tumour**
- **Multiple Sclerosis**
- **Parkinson's Disease and Specified Atypical Parkinsonian Disorders**

For example, if your coverage came into effect on August 1st and you unfortunately had a Heart attack on August 2nd, that claim would be eligible for a payment under the contract if all the other conditions were satisfied. The reason why things like Cancer are not covered for the first 90 days is that if it were, there would be people who could have symptoms of Cancer like a lump/growth and obtain coverage before going to the doctor to get what they suspect would be a qualifying diagnosis of Cancer on this insurance.

To protect against this, insurance companies include a 90 day clause in their contracts since most people would not risk remaining undiagnosed for that long especially for a condition that if not caught early could become terminal very quickly. Multiple Sclerosis and Parkinson's Disease have a longer one-year exclusion period because symptoms usually appear for these covered conditions months before a definite diagnosis can be made. The good news is that by reducing these types of risk, the insurance companies can continue to offer affordable protection to you and your family.





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.

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.

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.





## 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.

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



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



Even if your clients do not bring the objection of “I’m healthy why are you showing me this?”, they may be thinking it so you should raise it and address it right from the beginning. The key to dealing with this objection is to shift the focus from the likelihood of a healthy person getting a critical illness to the likelihood that a healthy person is more likely today to survive a critical illness and make a claim.<sup>1</sup>



### Advisor script:

**Your client’s good health is the reason why they should have critical illness insurance.**  
**To introduce this, you might say:**

I want to talk to you about a product called critical illness insurance and you may think it’s strange to discuss given you are in such good health.

Unfortunately, Cancer, Heart attack, Stroke, and other critical illnesses can strike anytime. Even the fittest, healthiest person who exercises and eats right every day may still get sick. What good health does is significantly increases the chances that someone will survive a critical illness.

A doctor by the name of Marius Barnard realized that with earlier diagnosis and better treatment options, healthy people were not dying, but surviving their illnesses. However, what they did suffer from was the financial and emotional costs of surviving and recovering and not having any relief to help them deal with that.

To fix that, this doctor invented critical illness insurance, which provides quick funds for survivors to help them through their recovery.

<sup>1</sup> Source: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4600146/>

## Who survives?

**This script further illustrates why their better-than-average health makes them the perfect candidate for a critical illness product.**



Imagine we had two rooms filled with 100 people each, one room with people like you who are typically healthy, and the other room with people who are not as healthy. Which group, when given diagnoses like Cancer, Heart attack, and Stroke, is more likely to survive and claim on their critical illness insurance?

**<allow client to respond -they will say that healthy people like them are more likely to survive>**

You are correct. Being healthy does not eliminate the risk of these illnesses, but it does put you in a significantly better position to have a chance at a successful recovery. The Doctor who invented this product knew that quick access to capital could greatly assist people who survived a critical illness with the emotional and financial costs of recovery.



## Famous people

**Some clients mentally block themselves from thinking about the people they know who have had to battle significant illness. Others, possibly younger clients have been spared so far, from having people close to them diagnosed with Cancer, Heart attack, Stroke, or any number of covered illnesses.**

**For clients in these situations, or with athletic people who perceive themselves as to be in excellent health and therefore more immune to illness and death, it can be beneficial to point out the large number of young, healthy celebrities and world-class athletes who have been diagnosed with a critical illness.**

In truth, no one is immune to the fragility of health. Look no further than to fit celebrities and even world-class athletes who were young and healthy when diagnosed. Think of people like:

- **Super fit actor Patrick Swayze**
- **Young singers Sheryl Crow and Melissa Etheridge being diagnosed with Breast Cancer**
- **Superman himself Christopher Reeves suffering paralysis from a freak accident**
- **NHL superstar Mario Lemieux diagnosed with Hodgkin's Disease**
- **Seven-time Tour de France champion Lance Armstrong surviving Testicular Cancer**

Being healthy does not eliminate the risk of these illnesses, but it does increase your chances of survival.<sup>2</sup> These celebrities and athletes had access to significant financial resources to help them battle through recovery. A doctor invented critical illness insurance to provide quick funds to individuals who, when diagnosed with a critical illness, need the resources that money can provide to deal with the financial and emotional consequences of their recovery.

<sup>2</sup> Source: <https://www.caring.com/articles/prevent-cancer-improve-chances/>



### A thought on younger clients

Younger adult clients often look at critical illness insurance and think that this would be an excellent product for their parents, as older age groups are more likely to have a significant health event. The key is to acknowledge that they are correct in thinking that, but insurance companies have taken this into consideration when pricing critical illness insurance. This is reflected in the higher premiums their parents would pay for coverage as compared to the premium they would need to pay for the same amount of coverage. On average, a 30-year-old will pay one-third the annual premium of a 50-year-old.



#### To address this, you might say to your client:

You might be asking yourself why I am showing you this type of coverage since you are only 30 years old and that maybe I should be talking to your parents. You would be correct in thinking that the illnesses that are covered in this type of insurance are more likely to occur at your parent's age group than to your peer group. The insurance company factors this probability of occurrence into the premium cost of the coverage so that someone 20-years older than you would pay approximately triple the annual premium amount of what we are looking at for you.

The unfortunate reality is that health events can occur for anyone, and many young people will have to deal with a significant health issue. The good news is that we can get this coverage in place for you now, for about one-third of the cost of what someone in your parent's age group would have to pay.

**For more on positioning critical illness to younger clients, please refer to *Positioning CI to children and young adults* section of Path to success.**



When it comes to insurance, a common reaction by clients is to defer the purchase. Since it represents a new expenditure and doesn't provide the immediate gratification, there are always other things that the client sees as more pressing that they need now.

When faced with this “Maybe later” objection, you should start by confirming your client's understanding of the value of the product. It's also important to explain the three significant risks of deferring their critical illness insurance purchase.

- 1 You could suffer a critical illness while you are waiting/deciding**  
 Suffering a critical illness is one of the most devastating outcomes that can occur while your client is deciding on whether or not to proceed with critical illness. Suffering these illnesses is always difficult but knowing that they had deferred a purchase that could have helped them through recovery can add additional mental stress.
- 2 If you wait too long, your health may change**  
 Over the years, a client's ability to qualify medically may change. We often take our health for granted until we don't have it. It is essential to explain to your client that their insurability could be negatively impacted by changes to their health. If they had a health crisis, there is a chance that the cost of the CI could increase, or they may not even qualify for CI coverage anymore.
- 3 It's not just about your health changing, it's about your family's health too**  
 Critical illness not only looks at your client's health but also the health of their immediate family members. A change in their immediate family member's health may exclude your client from qualifying for critical illness coverage. And with more family members, the higher the chances of an adverse change in health impacting their ability to qualify for CI coverage. Sometimes, what motivates the client to want to purchase critical illness insurance (ie. a family member getting sick) may impact their ability to get the coverage they now see as important.

It's important for your client that they understand the risk of waiting. Planting the seed early about CI can help you keep the conversation going about when the right time to purchase may be.



### Advisor script:

What I am hearing is that you understand the concept and value of critical illness insurance, but you want to revisit it later, is that right?

A lot of people have felt the same way, but when they looked at the potential risks of waiting to put this in place, they found that it made sense to get this in place sooner rather than later.

The first and most significant risk is that you have a major health issue like Cancer, which if you had coverage, may have paid a benefit to help you and your family. With the randomness of illnesses, there are many previously healthy \_\_\_ year-olds who will experience a major health event today, tomorrow or sometime in the near future.

As bad as it would be for you to be diagnosed having never known about this product, it would be even more unfortunate if you had been contemplating this coverage and deferred the purchase in the meantime.

The second risk of waiting is that you could have an adverse change in your health that would impact your ability to qualify for this product.

Since qualifying for critical illness coverage looks at not only your health but that of your immediate family members, any change in their health could also affect your ability to qualify for this coverage.

So, even if you personally remain perfectly healthy and then decide to proceed with this coverage, you may not qualify if, for example, there is a change in the health of your parents, brothers or sisters over that time.

Do you think you can guarantee that not only your health, but the health of your family will not change while you are thinking about this coverage?

Why don't we apply today, while you are healthy and more likely to qualify? Unlike deferring to apply later, there is no risk to applying today. Like I mentioned, qualifying for critical illness depends on various factors and if you do qualify, you can always change your mind about accepting the coverage. There is zero obligation.



Far too many clients are shown large critical illness benefit amounts that they cannot afford, so they end up leaving the critical illness insurance meeting with no coverage at all. In some cases, the client may feel that compared to their life insurance, the amount of critical illness coverage isn't going to be enough, so why bother. In most situations, the amount needed for recovery of a critical illness does not have to be as large as their life insurance benefit.

When talking about critical illness insurance coverage amounts with your client, it is important to help them put the amount of coverage into perspective. By explaining the ways the money from a critical illness policy could help them in their recovery, this may help them better understand the amount that could help them get through a critical illness. Even a small amount of critical illness coverage can make a big difference compared to no coverage at all.

If a client does say that \$25,000 of coverage does not seem like enough money and they cannot afford a higher amount, you might say:

I would argue that \$25,000 is in fact a lot of money.

There are a couple of crucial things to keep in mind; first, the funds are entirely tax-free, and secondly-you have complete control of how best you can use the money to get you through your illness. For example, with your mortgage being \$2k a month, this payout would get rid of the stress of your mortgage payments for a full year. Alternatively, with your spouse bringing home \$4,000/month after tax, this would allow them to take a six month unpaid leave to be with you during your recovery without having to worry about how the bills are going to be paid.



Also, rather than using your own money, it usually makes more financial sense to give a little bit to the insurance company and have the insurance company pay the higher amount should an illness occur. Similar to home or travel insurance, it just makes sense to pay a small manageable cost and shift the more significant financial risk to a large insurance company. In other words, why pay more using your own money, when you can pay less and use the insurer's money?

I would rather have you pay this small premium every year to the insurance company than have us have to extract \$25,000 after tax from your savings.



**Clients who use the objection “I have mortgage insurance” often do own mortgage insurance which they assume covers them against both critical illness and death. Often this is not the case – typically their mortgage is only protected in the event of death.**

Even if the client is covered for critical illness insurance through their mortgage coverage, you should review that coverage and point out the key differences between critical illness insurance provided for mortgage insurance versus a more comprehensive plan. These differences typically include:

- **only four conditions compared to comprehensive critical illness plans that can cover over 25 covered conditions**
- **the lending institution (i.e the bank) uses the funds to waive the mortgage payments or clear the mortgage, meaning the client does not receive the funds**
- **as the mortgage is paid down the premiums remain the same for the decreased coverage**
- **less up-front medical qualification which could mean more restrictive exclusions for claim**

To introduce these differences, you might say:



### **Advisor script**

It's important to confirm that you actually have critical illness insurance included with your mortgage coverage as often these products only cover you in the event of death.

If you do have critical illness insurance through your mortgage coverage, we should take the time to review it as most mortgage critical illness insurance plans have some significant differences compared to the more comprehensive options I am showing you.

First, many of these mortgage plans only cover four critical illnesses compared to the \_\_ we are looking at.

With most mortgage critical illness insurance, you are relieved of the mortgage payments which helps your cash flow but does not provide you a lump-sum benefit that you can choose to use however works best for you at that time. Many clients, for example, would rather have \$50,000 tax-free show up than have their \$2,000/month mortgage payment go away. The lump sum gives them all the options we spoke of including time off for a healthy spouse, accessing alternate care, topping up disability insurance or flying in friends or family for support.

Also, most mortgage critical illness insurance charges a level premium but the coverage decreases as you pay down your mortgage so each year the same premium actually provides you less coverage. Last, some of these bank products can be obtained with very little medical qualification which sometimes means that there are additional exclusions and restrictions on when and how people can claim.

Let's take a look at your current coverage and make sure that we do a fair comparison of your options.



# Pivoting from other products to critical illness insurance

**Path to Success**  
Expert advice on navigating CI sales

For advisor use only



## Pivoting to CI from long term disability insurance

Some advisors see the presence of a quality long term disability insurance contract as a barrier to a potential CI sale. Conversely, top critical illness insurance advisors use the fact that their client owns long term disability insurance coverage as an opportunity to open the critical illness insurance conversation. Critical illness insurance complements disability insurance in two ways; it can offset the difference between monthly disability benefits payments and full working income, and it can provide further capital to fund increased costs often associated with a significant health diagnosis.

It's important that you communicate clearly how even the strongest long-term disability insurance contracts do not wholly and immediately replace your client's full working income. Study after study has shown that the higher percentage of income a client has replaced on a disability product, the more frequent and longer duration are the disability claims<sup>1</sup>.

Insurance companies include waiting periods and benefit maximums when designing their long term disability insurance plans which provide less than full income replacement, to incent insureds who could potentially return to work to do so as opposed to staying on disability.

Most clients are unaware of benefit maximums on long term disability insurance policies as they often have been told they have “full disability coverage” through their work, or they bought the maximum amount of coverage on their personal disability insurance that they were allowed.

Interestingly, clients who have taken out individual disability coverage may be more receptive to critical illness insurance than a client who does not own disability insurance. The personal disability insurance ownership shows their understanding that a significant health change could occur and that they believe in shifting financial risks to an insurance company. In the below example, we assume the client has a three-month waiting period on their disability insurance and that their monthly benefit is \$4,000 per month compared to their \$5,500 per month pre-disability after-tax income. To introduce how critical illness insurance complements disability insurance, an advisor might say:



It is excellent that you have this disability coverage in place as it shifts a significant amount of financial risk in the event of a significant illness onto the insurance company.

Even with this reliable disability coverage, you would still see a reduction in income if something serious like Cancer, Heart attack, or Stroke were to occur.

Critical illness insurance can be a great supplement to your disability insurance as it:

- Can help offset this reduced income while claiming on your disability for something serious like Cancer
- and
- It can also provide funds to help cover some of the new increased costs often associated with something serious like Cancer



The following format could be used to start the conversation with your client about how critical illness insurance coverage fits with their disability insurance:

Your disability insurance has a (insert the number of months your client’s disability waiting period is) month waiting period which amounts to (insert the client’s current monthly after-tax income) per month in income that you would need to replace. This means that during the waiting period for your disability insurance benefits, you will be out of pocket for (after-tax income multiplied by the waiting period).





For example (assuming the client does not have short-term disability insurance coverage):

Let's walk through what would happen if you were unable to work for a year due to a disability as a result of a covered critical illness.

With your long term disability insurance, you would have to satisfy a waiting period of three months, so you would be out of pocket \$16,500 (3 times \$5,500). Disability benefit amounts thereafter would be about \$1,500 less per month than if you were working. So, if something terrible like Cancer kept you off work for a year, just receiving disability insurance benefits would drop your household income by an additional \$13,500 over the 9 months you received disability payments. In total your household income on this disability claim would be reduced by \$30,000; the \$16,500 up-front and the \$13,500 over remaining 9 months.

I understand why these disability contracts leave motivation for people to work. Still, I think that if someone suffers something critical like Cancer, Heart attack, or Stroke that they and their family should not have to suffer financially while claiming on their disability, would you agree?

At a minimum, we should have enough critical illness insurance coverage in place so that if one of these conditions occurred, your household income would not go down. In addition to the \$30,000, we should discuss how much additional capital you would want on hand to cover off any waiting periods for disability insurance as well as for additional expenses you would want covered if you were diagnosed with a critical illness.



<sup>1</sup>source: <https://www.soa.org/globalassets/assets/library/research/transactions-of-society-of-actuaries/1990-95/1990/january/tsa90v429.pdf>



## Health testing your client's current investment plan

**Who:** Any client with investments

Most clients think that they have a strong financial plan once they have covered off protecting their families should they die and protecting their future for retirement. Rarely is much thought given into how vulnerable their savings are should they be diagnosed with a critical illness.

When talking to your client about protecting their savings, it is crucial for your client to understand that, like them, most people have not considered transferring the financial risk of a substantial health event away from their retirement savings/investment portfolio. If this isn't stressed with your client when introducing protecting their investments, human nature will cause them to push back, especially if they feel that you are singling them out as having missed addressing an exposure so potentially devastating to their planning.

Below are scripts to use when the client is your investment client or when they are someone else's. They differ, so your current client does not question why you had not addressed this risk previously.

### Script to use with your investment client

I'm pleased with our planning and your commitment to our investment planning strategy.

There is a financial risk we should discuss, which has nothing to do with investment performance, that can severely impact your investment plans, and that is a major illness like Cancer, Heart attack, or Stroke. When these major health events occur, quite often, people's ability to make their ongoing planned contributions stop, and worse, potentially they have to make a large withdrawal to help them through their recovery.

Thankfully a doctor recognized how being diagnosed with and surviving a critical illness was impacting people's savings and worked with insurers to create a product to protect you financially. With critical illness insurance, the insurance company pays you a benefit that puts additional capital into your household on the diagnosis of a covered illness, so you may not need to stop your investment contributions or, worse, access your hard-earned savings.

With Cancer alone happening to nearly one in two Canadians, I would rather see us shift this risk onto an insurance company, does that make sense?<sup>1</sup>



### Script to use with someone else's investment client

What most investment plans have in common is a well laid out plan to put a certain amount of money aside each month with the goal of getting a specific rate of return that, by a certain date in the future, will have the right amount built up to meet the investment planning goal.

What I rarely see is a retirement plan that accounts for the extremely likely scenario that a significant illness could occur and disrupt the ability to keep making those contributions. What I also rarely see is a plan addressing the risk that a diagnosis like Cancer could require a significant withdrawal of funds to help financially with recovery.

Most Canadians don't know that there is a relatively new product invented by a doctor called critical illness insurance that can transfer this financial risk to an insurance company. In exchange for a small premium, the insurance company pays you a benefit that puts additional capital into your household if you are diagnosed with a covered illness, so you may not need to stop your investment contributions or, worse, access your hard-earned savings.

With Cancer alone occurring to nearly 1 out of 2 Canadians in their lifetime, I think it makes sense for us to consider shifting that risk.<sup>1</sup>



### Why critical illness insurance is a smart solution

There are two ways your client can choose to protect their investments from a critical illness: they can earmark part of their investment or they can protect themselves with a critical illness policy. Most clients, if given the choice of blocking off \$100k of their portfolio as a health care contingency fund or paying a much smaller critical illness premium each year, will choose the latter. To introduce this, you might say:

The reality is that, regardless of current health, none of us are immune to the possibility of a significant health event like Cancer, Heart attack, or Stroke. Nearly one out of two Canadians will have Cancer in their lifetime. Unfortunately, many will have to access significant capital from their investment savings to help them through recovery.



With the likelihood of being diagnosed with a covered critical illness being relatively high, I think it's prudent to have a contingency in place for accessing capital if an illness occurs. Thankfully, there is a better way than just earmarking \$100,000 of your portfolio and leaving it for a potential health crisis. A doctor invented a product called critical illness insurance, whereby we can allocate a much smaller monthly insurance premium that would inject the \$100,000 into your household if you were diagnosed with a covered critical illness.

Most clients would choose to put aside a smaller monthly premium and enjoy using the \$100,000 in their investments on things post recovery they planned on like travel, golf, and so on.



## Registered versus non-registered

### Who: Clients with a non-registered emergency fund

Some people may argue that they don't need critical illness insurance because they have set aside money into an emergency account which they can access should they need to. Typically the account is a non-registered account or a TFSA. While this is sound financial planning compared to using taxable investments, most people don't realize that having an emergency account may not be the most efficient way to fund and cover off all types of risks. With critical illness insurance, you can show your client a more efficient way to access funds should the emergency be due to a critical illness.

I think every single person requiring funds to assist them or a family member through something serious like Cancer would take the money from a non-taxable source like their non-registered accounts or TFSA as opposed to accessing their taxable registered accounts. Utilizing these non-taxable accounts is far more efficient than withdrawing funds from a source that would require paying tax.

Now what most people don't know is that there is a way to access funds to deal with something serious like Cancer called critical illness insurance that is even more efficient than using their own non-taxable funds. A doctor worked with the insurers to develop this product that allows us to pay a small amount (or to re-direct a small amount each month from your investments) to the insurance company, and if a major illness occurs, they pay you a benefit. This payment is tax-free and only costs you a fraction per dollar you would have had to withdraw from your non-taxable savings. You can use the money any way you want to help you and your family through recovery, and the good news is that you don't have to worry about replenishing your non-registered savings account after recovery.

So, for a relatively small insurance premium you are protecting yourself and your savings if diagnosed with a critical illness and it's a far more efficient way of protecting yourself compared to having to access any part of your hard-earned savings.

With Cancer alone occurring to nearly one in two Canadians, I believe it makes sense to shift this risk onto an insurance company.<sup>1</sup>





## Registered versus non-registered

### Who: Risk averse clients

The following is a short but interesting question that can stimulate conversation with your client. Asking this question is most effective in volatile market conditions where people feel a heightened awareness of the risks to their portfolio.



**Is your portfolio subject to health risk?**

Or



**Is your portfolio protected against health risk?**



Most clients will respond with a “what do you mean?”

Unfortunately, with the high incidence of major illnesses like Cancer, Heart attack, and Stroke, many Canadians will end up drawing on their hard-earned investment savings to financially help them with their illness and hopefully their recovery.

Any withdrawal, whether large or small can have a significant impact on a long-term financial plan. Worse, if the withdrawals are made when markets and portfolios are depressed, the negative effect of withdrawing funds is further compounded.

Thankfully, a doctor created a progressive new way to shift the financial risk of a critical illness diagnosis from off your portfolio onto an insurance company. With critical illness insurance we re-allocate a small piece of your savings each month to the insurance company. By doing this, if you have a significant illness that is covered by the policy, the insurance company will pay you a tax-free benefit rather than you having to access your savings. Nearly one in two Canadians will face Cancer in their lifetime; do you think it makes sense to explore that option?<sup>1</sup>



## Return of premium

### Who: High net worth/large investment clients

Large investment clients make excellent candidates for the return of premium on death and expiry/surrender riders as part of your critical illness discussion. With return of premium, you can position critical illness insurance as a product with a significant chance of return with a downside of a 0% rate of return. Most other investments with large potential rates of return come with the potential of large risk of reduction or even the complete loss of the principal invested.

With critical illness insurance, an ultimate 0% rate of return is actually a very good thing, as it means the client lived many years without having a critical illness diagnosis and with no loss to their principal.



### Advisor script

By putting critical illness insurance in place, you pay a relatively small premium, and if diagnosed with a covered illness, the insurance company would pay you a benefit for an amount larger than the total premiums you've paid. This is much more efficient than having to access your hard-earned savings. With Cancer alone occurring to nearly one in two Canadians, I believe it makes sense to shift this risk onto an insurance company.<sup>1</sup>

We can structure this product so if you pass away prior to a critical illness benefit being payable or the policy expiring, the insurance company returns 100 percent of your eligible paid premiums to your estate. Further, if you remain healthy for 20 years or more, you can cancel your coverage and receive all your eligible premiums back.

So, there are several outcomes:

1. If you suffer a covered illness, a benefit will be paid from the policy
2. You pass away and you receive all your eligible premiums back, or
3. Ideally, you keep your policy to expiry and never suffer a critical illness, resulting in a 0% return which cost you a tiny portion of your overall portfolio.

This 0% rate of return should be our mutual goal as it would mean you did not have to deal with something significant like Cancer, Heart attack, or Stroke.



### If CI was an investment product

#### Who: Speculative investors

This strategy will resonate best with clients who may not typically be pro-insurance and with speculative investors. The approach is to present the internal rate of return of critical illness insurance with a return of premium rider and ask them if they would be interested in a vehicle that provided significant potential returns in the event of an early diagnosis, with the downside being the full return of principal due to the return of premium rider.

It is fascinating how many clients put a portion of their investments into vehicles that do not share as favorable a risk-return relationship as critical illness insurance.

Some advisors may feel uneasy positioning a high rate of return upon diagnosis as being a positive thing, and we agree. No return makes having one of the covered illnesses desirable, which is why this strategy includes the return of premium, and the advisor and client should both hope for a zero percent return, which means no diagnosis, but instead continued good health.





I would like to show you a product today that if it were an investment as opposed to an insurance product, many investors would think it might be too good to be true.

The product is critical illness insurance, and in exchange for a monthly premium, upon diagnosis with a covered illness like Cancer, Heart attack, or Stroke, you receive a tax-free payout to help you and your family through recovery.

With Cancer happening to nearly one in two Canadians, many people will receive these significant payouts at a challenging time. I would rather my clients receive these funds from the insurance company than out of their hard-earned savings.

My goal for all my clients is for them never to have a significant health diagnosis and never receive a critical illness insurance payout.

What you would be interested in knowing is that we can structure this product so that if , you are not diagnosed with a covered critical illness for 20 years or more, you can cancel the coverage for a 100% refund of eligible premiums paid.

This downside protection is very different than most products or investments whereby if you can have a significant return, your principal is typically at risk of going down.

I know that many of my clients, unfortunately, will deal with a significant diagnosis and benefit from the large payout, but I like that the rest who stay healthy get all their money back\*.

**Note** It is important to read the contract for full details on how return of premium works and what premiums are eligible for return.

<sup>1</sup>Source: Canadian Cancer Society <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>

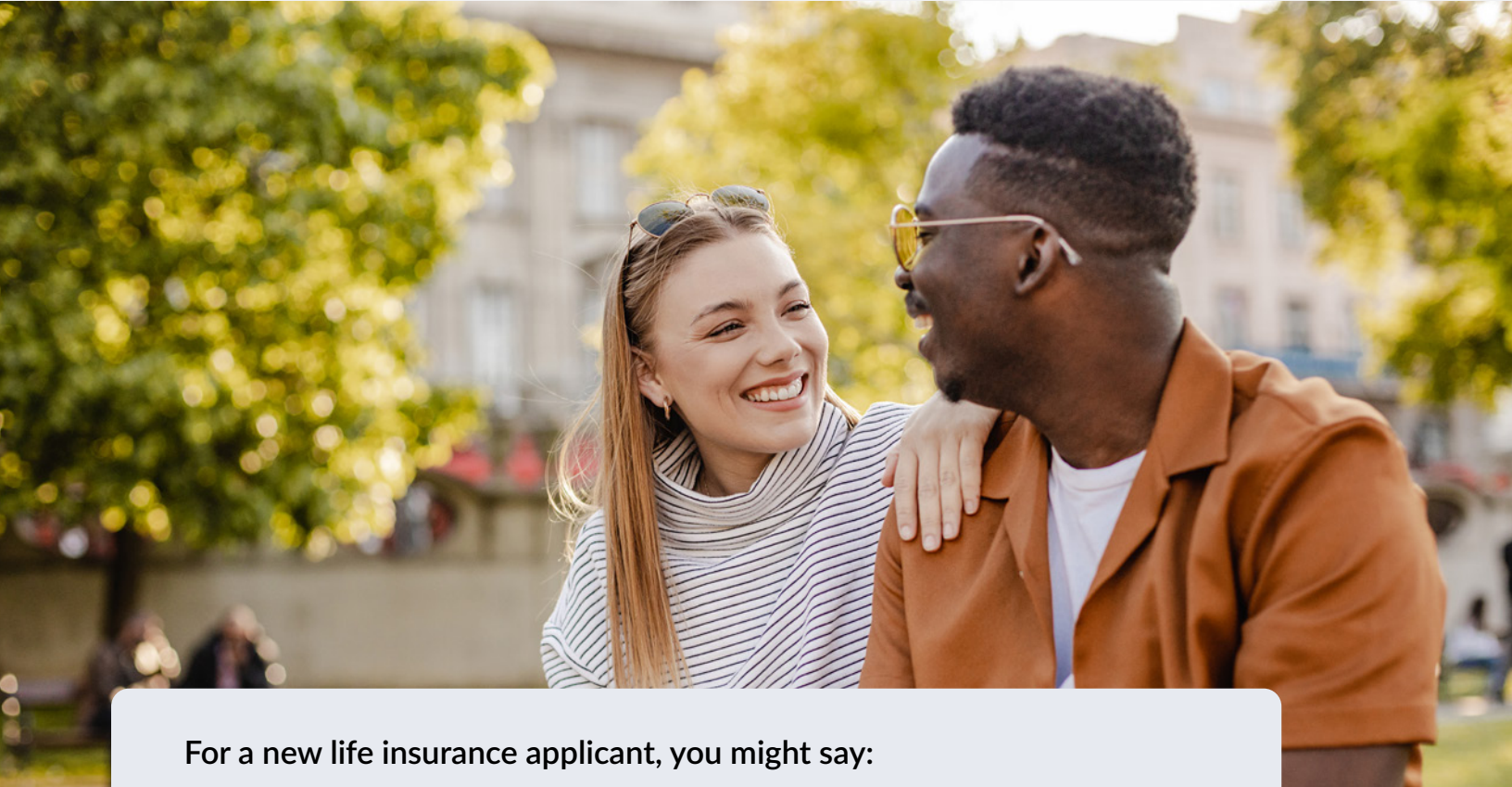


## Pivoting to CI from life insurance

You can introduce critical illness insurance easily during a new life insurance presentation or during a review of your client's inforce life insurance. If you position life insurance by using Cancer, a Heart attack or Stroke, that results in death triggering a life insurance payout; this will automatically transition to the financial struggles of recovery if the client has Cancer, a Heart attack or Stroke and survives the condition. Connecting the life insurance payout to the critical illness conditions (Cancer, Heart attack, Stroke), makes it easier for you to transition to asking your client "what would happen if you do not pass away when these illnesses strike?" Most people do not own critical illness insurance because they simply do not know that it exists or really understand critical illness insurance.

You can make the transition from life insurance to critical illness insurance with your client by:

- 1 Framing with your client, the reason they are purchasing or own life insurance, is to help protect their family or business should they pass away from an unexpected event like Cancer, Heart attack, or Stroke.
- 2 Discuss medical advancements and how more likely it is that they survive an illness instead of having their life insurance pay out.
- 3 Ask your client if they think some amount of financial relief would help them with their recovery if they are diagnosed with a covered critical illness.



### For a new life insurance applicant, you might say:

I am glad we are putting this life insurance in place so that your family is taken care of if something serious like Cancer, Heart attack, or Stroke occurs.

I know that if a significant illness like that occurred that you would rather survive and not have this life insurance payout, correct?

The good news is with improvements in diagnosis and treatment options; people today are far more likely to survive these significant health events than our parents, and our grandparent's generations would have.

Do you think some amount of funds would help if you had to deal with the consequence of surviving and recovering from something like Cancer, Heart attack, or Stroke?

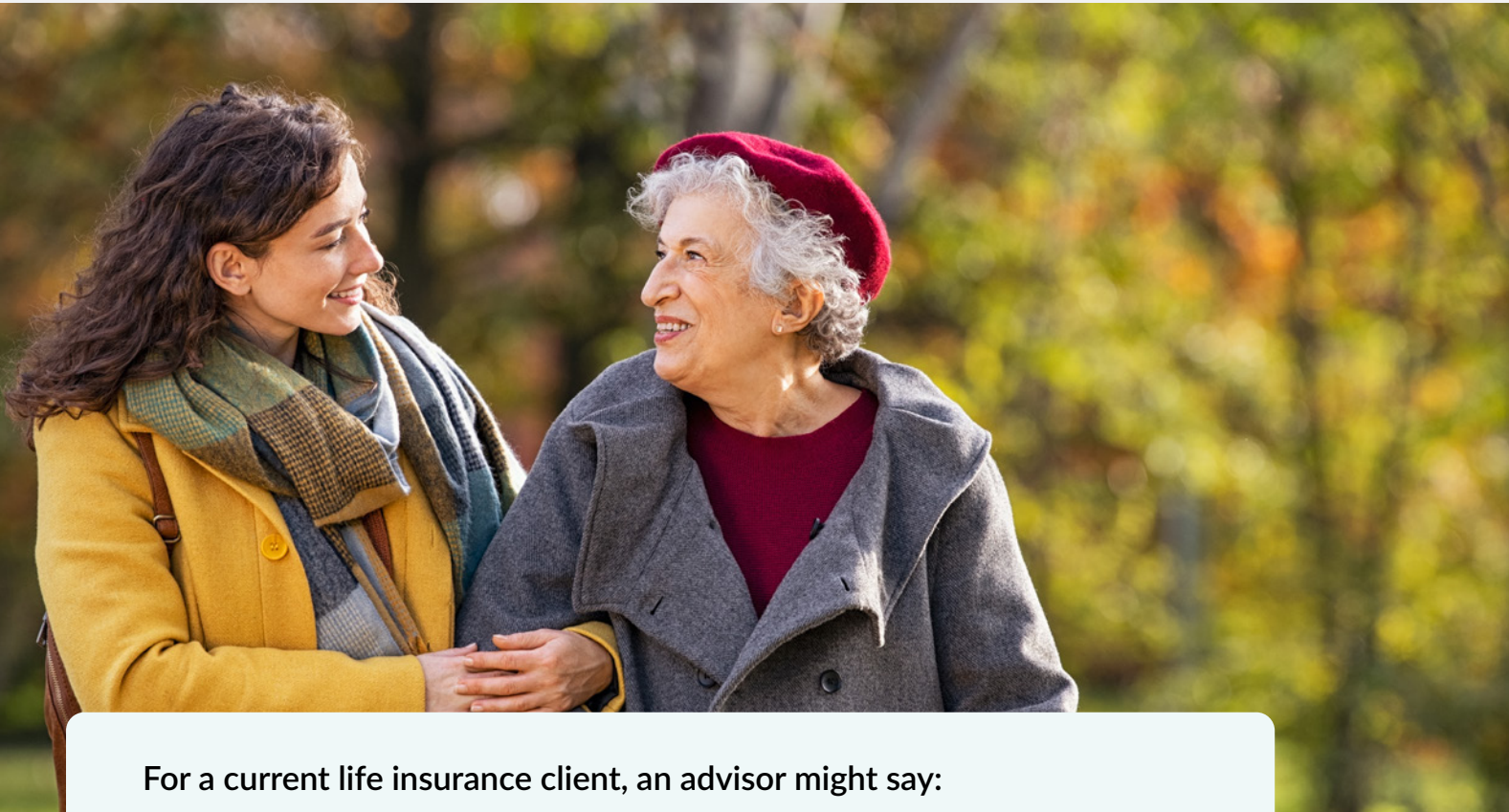
Here is my thinking, if something like Cancer, Heart attack or Stroke occurs and you were to pass away, we have agreed that you would need \$\_\_\_\_(life insurance benefit) to be paid to take care of your family.

I think surviving the illness likely comes with the need for some funds as well—I don't think we need the significant life insurance amount of \$\_\_\_\_(life insurance benefit), but it feels like more than \$0 should show up when something that serious occurs, would you agree?

A Doctor felt the same way, so he invented an insurance product that does just that, critical illness insurance. This product provides people with a lump sum cash payout, similar to a lump sum life insurance payout, to help them through recovery of a covered critical illness.

Should we look at some numbers?





### For a current life insurance client, an advisor might say:

We put this life insurance in place so that your family is taken care of should you pass away due to something serious like Cancer, Heart attack, or Stroke.

I know that if a significant illness like that occurred that you would rather survive and not have this life insurance payout, correct? If you survived, how much of your life insurance would pay out?

The good news is with improvements in diagnosis and treatment options; people today are far more likely to survive these significant health events than our parents, and our grandparent's generations would have.

You wouldn't need near as much as the amount of life insurance you have, but do you think some amount of funds would help if you had to deal with the consequence of surviving and recovering from something like Cancer, Heart attack, or Stroke?

Here is my thinking, if something like Cancer, Heart attack or Stroke occurs and you were to pass away, we have agreed that you would need \$\_\_\_\_(life insurance benefit) to be paid to take care of your family.

I think surviving the illness likely comes with the need for some funds as well—I don't think we need the significant life insurance amount of \$\_\_\_\_(life insurance benefit), but it feels like more than \$0 should show up when something that serious occurs, would you agree?

A Doctor felt the same way, so he invented an insurance product that does just that, critical illness insurance. This product provides people with a lump sum cash payout, to help them through recovery of a covered critical illness.

Should we look at some numbers?



## Life insurance: old or modern

Some of your clients may feel that you are trying to sell them critical illness insurance, not because they need it, but because it's the newest product the industry is trying to sell. The following script helps you transition your clients to thinking of critical illness insurance as a way of updating their current insurance planning.

A couple of generations ago, most people diagnosed with a covered critical illness passed away, and their families received the benefits from a life insurance plan due to solid life insurance planning. Over time as diagnosis and treatment options improved, more clients survived but received no financial relief from their insurance planning as they still only owned life insurance. The right product two generations ago to address Cancer, Heart attack, and Stroke was life insurance. Today there is a need for both life insurance and critical illness insurance. This positioning also addresses your client's question as to why their parents and grandparents did not own critical illness insurance.

In the past, insurance planning made sure that if something serious like Cancer, Heart attack, or Stroke caused someone to pass away that a life insurance benefit was paid out to help the family left behind.

Today, insurance planning says we should also cover the more likely scenario, that due to continually improving medical advancements, it's more likely that you will not pass away but rather survive the first time you have to deal with something like Cancer, Heart attack, or Stroke.

Recovery from these illnesses still comes at a cost, and a Doctor invented a product called critical illness insurance that provides a lump sum tax-free payout on covered critical illnesses to help people focus on their physical recovery.

Essentially the Doctor modernized insurance planning. If something serious like Cancer or a Heart attack occurs and someone passes away, the large life insurance cheque shows up, and if someone survives that diagnosis, a smaller cheque would show up to help them cope and recover.

Let me show you some examples on how this new insurance product can help you and your family.

### Mortgage insurance: old or modern

Most people with mortgages know they should protect their families from the financial burden of a mortgage with life insurance. If you are talking to your client about protecting their mortgage, the following script introduces the concept of adding in critical illness to modernize their mortgage coverage.

Do you want the old type of mortgage insurance or the new?

(client typically asks what's the difference?)

With the old type of mortgage insurance, if you die prematurely, the mortgage is paid off, so your spouse/kids are raised in the house and in the manner you hoped without financial strain.

With the new type of mortgage insurance, your mortgage is still paid off if you pass away, but also if you are diagnosed with Cancer, Heart attack, or Stroke and don't pass away. Receiving this payment upon diagnosis of a covered critical illness means you and your family will have less stress about mortgage payments, and can focus on getting better.

Did you know that illness, not death, causes half of the mortgage foreclosures?

(Source: <https://www.mortgagecalculator.org/helpful-advice/keeping-your-home.php>)

Which mortgage insurance would you like, the old or the new?



## Mortgage add-on?

I am glad we are putting this life insurance in place so that your family is taken care of if something serious like Cancer, Heart attack, or Stroke occurs.

I know that if a significant illness like that occurred that you would rather survive and not have this life insurance payout, correct?

The good news is with improvements in diagnosis and treatment options; people today are far more likely to survive these significant health events than our parents, and our grandparent's generations would have.

Do you think some amount of funds would help if you had to deal with the consequence of surviving and recovering from something like Cancer, Heart attack, or Stroke?

Here is my thinking, if something like Cancer, Heart attack or Stroke occurs and you were to pass away, we have agreed that you would need \$\_\_\_\_(life insurance benefit) to be paid to take care of your family.

I think surviving the illness likely comes with the need for some funds as well—I don't think we need the significant life insurance amount of \$\_\_\_\_(life insurance benefit), but it feels like more than \$0 should show up when something that serious occurs, would you agree?

A Doctor felt the same way, so he invented an insurance product that does just that, critical illness insurance. This product provides people with a lump sum cash payout, similar to a lump sum life insurance payout, to help them through recovery of a covered critical illness.

Should we look at some numbers?



## Current life insurance client: what's more likely?

Your client likely already intuitively understands the risk a significant illness could have on their lives, and with life insurance in place, your client already understands the financial risk their family would have if they pass away unexpectedly. You can leverage this understanding by using this knowledge and your client's prior decision to purchase life insurance to open the critical illness insurance discussion.

In the short-term, do you think it is more likely that people your age will pass away and have their life insurance payout or that they will have a significant health event like Cancer, Heart attack, or Stroke and survive but for some time have their world turned upside down?

You are correct that having to deal with the consequence of survival is more likely, and that is why a Doctor invented critical illness insurance. The Doctor realized that survival comes at an emotional and financial cost, so he designed the product to provide quick funds to people to help them cope through recovery.

<sup>1</sup>source: Canadian Cancer Society <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>



# Potential uses of the critical illness insurance funds

**Path to Success**  
Expert advice on navigating CI sales

For advisor use only



**There are many ways you can use your critical illness insurance funds. Here are some ideas – but the choice is yours!**



### Personal uses

- Access alternate healthcare testing or treatment
- Pay for hospital parking
- Access new medications, for example, anti-nausea medications
- Offset lost income
- Fund time off for your healthy spouse
- Supplement disability insurance income
- Retrofit a home or car
- Fund career or schedule changes
- Pay for hotels on treatment days
- Eliminate short-term mortgage or debt payments
- Fly in family and friends for support
- Hire a nanny to keep schedules as normal as possible for the kids
- Take a family holiday post recovery
- Take a golf or beach trip post recovery
- Use for cash to protect your savings and investments
- Take extra time off once recovered
- Hire homecare assistance



### Business uses

- Cover business debt during recovery
- Offset lost income revenues
- Access quick care to return to work
- Hire additional short-term staff
- Replace key person on an interim basis
- Fund buy out

Helping your client internalize how they could use the critical illness proceeds, or making them “attached” to the benefit, is one of the most integral parts of the sales process. It is not enough that your client understands these three basic things:



### Incidence

There is a high probability of being diagnosed with one of the covered critical illnesses in their lifetime.



### Can strike at anytime

It could happen to them or the healthiest person they know.



### Survival with consequence

More people are surviving, but recovery brings financial and emotional consequence.

Dr. Barnard’s design for critical illness insurance is incredibly client-friendly as it allows the client to use the money for anything they think will assist in their recovery. Many advisors, when selling critical illness insurance, emphasize this by saying, “If diagnosed with \_\_\_\_\_, you would receive \$\_\_\_\_\_, would you like that?”

Clients often hear this proposition as being asked if they would like \$x for Cancer or \$y for a Stroke. Nobody wants to get a critical illness and therefore, the answer to these questions or any “cash for illness” question should be a resounding “no!”. Nobody wants to get a critical illness and so there is no amount of money that makes such an illness worth having.

However, like with other insurance, clients are interested and want what the money can do for them and their family. Your role in the critical illness conversation is to expand the range of things that your client can perceive the funds assisting them and their family with. By doing this, you want your client to “attach” their own personal value to the funds.

For your client to value critical illness insurance, they must see that they could have medical expenses created by the illness or they could have non-medical expenses they want covered that would help reduce stress. Whatever the expenses, recovery will likely be more manageable for them and their family with a cash payout.

Some advisors utilize a written bullet point list of claim payout uses while others verbally run through a similar listing. Regardless of the approach you choose, the key is to provide numerous uses of the funds until a client can attach value to the money. Advisors should be aware that some clients (often those with connections to the medical profession) do not like the notion that these funds are needed to fund medical care and expenses. In these circumstances, it can be helpful to position how others have used the funds to offset uncovered care costs or to seek alternate care and then quickly pivot to non-medical uses such as time off for the healthy spouse, child-care costs or a holiday post recovery.





### Advisor script:

**To introduce the many ways the funds from a critical illness insurance claim can be used, an advisor might say:**

A critical illness benefit is not based on reimbursement of only a fixed number of expenses. It's a benefit that you alone decide on how best to use for your recovery. It's amazing to see the vastly different ways that funds from a critical illness insurance claim have been used to help people during their recovery. Nobody has the exact same situation or experience as someone else, which is why there has been no shortage of the unique ways that people who have claimed have used the funds to get through a difficult period.

**Any ideas on the ways people have successfully used these funds during their recoveries?**

(Note: Before giving the [list of the ways the funds are used](#), it can be beneficial to ask the client this question as their answers typically reflect how they would use the funds)



### Advisor script:

Again, thanks to the way Dr. Barnard designed it, you can choose to use the funds for medical expenses; however, in situations where there are no direct medical expenses, you still receive the funds and you have the freedom to choose to use the money any way you want. This has led to unlimited uses of the funds; especially on things that reduce the stress that comes with a diagnosis and recovery. When a person's stress goes down, their ability to fight an illness usually goes up, which can lead to a more speedy and likely chance of recovery.

Some clients have used the funds for medical purposes, including accessing testing or care anywhere in the world, while many others felt no need to get any tests or treatments outside their city.

Other clients have used the funds to offset the indirect costs of illness, ranging from parking at the hospital to retrofitting a home or car.

One of the most common uses has been using the money to allow the healthy partner to take unpaid leave from work or reduce their work schedule. If something were to happen to either of you, would it reduce your stress if your partner could be with you rather than having to do their regular work schedule or perhaps feel like they needed to earn even more?

To that end, even the most comprehensive long term disability insurance contract will not usually cover 100% of someone's income, and many clients have benefited from these critical illness payouts to top up that shortage.

There are so many different ways people use the funds including:

- **Get rid of the stress of their mortgage payment during recovery**
- **Flown in family and friends for support during treatment**
- **Paid for a hotel beside the hospital for treatment days rather than driving back and forth, especially in the winter**
- **Hire a nanny to try to keep schedules as normal as possible for the kids**
- **Earmarked some of the money for a well-deserved family holiday when they finally fully recover**

Having seen all the ways that others have used a critical illness insurance payout can you see how having these options paid for by an insurance company would be helpful?

The advisor can interject between the various uses of the funds, to ask their client if that particular way of using the funds would reduce their stress. You are battling a major illness, would it reduce your stress level to \_\_\_\_\_? (E.g., have your spouse take some time off, etc.)”

**Or**

Would it help your recovery to \_\_\_\_\_?



## Recovery insurance

The name critical illness insurance can have some negative connotations to a client. Nobody wants to talk about getting sick or suffering a critical illness. However, while the illnesses that are covered are serious, one does not need to be critically ill and certainly not in a critical care ward of a hospital, as some clients infer by the name of the insurance product. An alternate or potentially more favorable name for the product might be Recovery insurance. People do not like to imagine themselves having any qualifying diagnosis, but if they do consider the possibility, their hope would be to recover. The magic of critical illness insurance is that the client can genuinely use the funds for how they feel it would help in their recovery.



### Advisor script:

**This product could be called Recovery insurance. Dr. Barnard's product design provides the funds on diagnosis, and you decide based on your unique situation what you feel would help you and your family the most during treatment and recovery.**

<sup>1</sup> Source: <https://www.health.harvard.edu/mind-and-mood/the-mental-side-of-recovery>



### Anticipating a business owner's objection

Many advisors have had critical illness meetings with small business owners that start off very positive. This often changes when the owner sees the premium and defers or declines the coverage with the following objection: “This looks like a great product, but if I were dealing with a major illness, my company would still be producing so I would have lots of access to funds.”

At this point, you should explain to your client that it is better to give a comparatively small premium for each dollar to an insurance company and have them produce the capital if an illness occurs as opposed to using the company's money - which would cost dollar for dollar.

It's important that you point out to your client that their illness would severely impact their company despite them claiming that their business would still be operating efficiently. A skilled advisor can often eliminate this objection before the owner raises it. The goal is to have the owner voice their contribution and their importance to the business early in the meeting so that later in the meeting, they cannot state that the company would operate normally without them.

To accomplish this, you can ask your client, “What is the longest time you have taken away from the business in recent years?” Most owners answer that the longest break from running their company they have taken is two or three weeks. An alternate approach is to ask the owner what would occur if they decided to take a spur of the moment four-month holiday from running their company. Most owners will react that it would be devastating or that there is no way they could or would ever do that. This is when you can point out that sometimes owners are unable to be present to run their business due to something beyond their control like a major health diagnosis.



### Advisor script for longest holiday:

“Are you still as busy as ever running your company?”

Have you been able to grab some time away for holidays over the last year or so?

What was your longest time recently that you have been away from your business?

How would things look for your business if you decided to take a spur of the moment four-month cruise or vacation?

Most owners are just like you—they know their company would be impacted. The unfortunate reality is that many owners will be taken away from their companies---not because of a long holiday but because of an unexpected illness. Cancer alone will happen to nearly one in two Canadians in their lifetime.<sup>1</sup>

While no amount of money could replace your experience, an addition of funds to your business, if you had to step away to deal with a major illness, can be a game-changer for your company. You could use the funds to offset lost income, hire multiple people to try to replace some of your roles, or the funds can be used to pay for the quickest care to get you back to running your company.

For a minimal premium compared to your business expenses, would it make sense to offload this risk onto an insurance company?”



### Running the calendar

This script focuses the business owner’s attention on a component of the CI claim that may seem too good to be true; that they don’t need to miss any time from running their company to receive the claim payout. Many owners, even when battling a severe illness, take themselves out of a potential disability claim by going to work to at least have some oversight over their company. This script utilizes the owner’s desire to run their business and their strong work-ethic as reasons why they should consider critical illness insurance.

<sup>1</sup><https://www.cancer.ca/en/about-us/news/national/2017/nearly-1-in-2-canadians-expected-to-get-cancer/?region=on>

“Sometimes business owners misinterpret the way this critical illness insurance product works. They assume that they must need to be unable to run their company because of a critical illness to receive the benefit.

I cannot stress the following point enough.

If you are diagnosed and satisfy the requirements for the covered critical condition, you do not have to miss any time whatsoever from running your company to receive the benefits. You can work as much as you want or are able while recovering, without impacting the insurance company payout.

So to be crystal clear, a business owner could be diagnosed on March 1st with Cancer or any other listed condition, and run their company on March 2nd, 3rd, 4th, take a few days off for treatment and then be back running their business on March 7th, 8th and so on for the rest of the month. The insurance company does not factor in how much you work or what your income is, the payout is only dependent on whether you have a covered critical illness.

This product resonates with business owners as it acknowledges that even while getting treatment and recovering, you have a vested interest in keeping your business as vibrant as possible for your complete return.”



### What might keep you from work

Business owners often cannot relate to some of the reasons their employees miss work like the flu or a chronic back problem. For this reason, business owners respond favorably to critical illness insurance as its premiums only provide coverage for serious illnesses that tend to be the only conditions they could perceive keeping them from work. To introduce this approach, an advisor might say:

What types of injuries or illnesses wouldn't stop you from coming to work but might keep your employees at home like the flu or a sore back?

I suspect that if you were to write down a list of some things (Note: the list is the covered critical illnesses) that might keep you from working full time for a period, most of them would be on this list, am I right? (the list is the covered critical illnesses)

Many owners cover off the risks of minor ailments with their work ethic by just gutting it out but choose to transfer the substantial, uncontrollable risks like Cancer onto an insurance company, does that make sense to you?





## How valuable are you?

This script outlines the potential broader impacts when a business owner, rather than an employee, suffers a critical illness.

This approach is particularly effective when the owner is the primary reason for the success of the business (for example, they are the key person of the business) or when the owner perceives they are the primary reason for the success of the business. A critical illness diagnosis to a business owner creates a ripple effect that impacts the owner and many people around them.



If you were removed from your business, how long would it be before your business started to feel the negative consequences?

An extra challenge for business owners like yourself is that many people beyond you and your family would feel the impact if you had to step out for a period to deal with a significant health event. For example, at some point

- **would your staff be concerned about the business' well being and their employment?**
- **would your banker be concerned with your business' ability to pay back any loans if you had a prolonged illness?**

No insurance company can send another "you" to the business, but they can give it a significant cash injection that you can use to help alleviate the concerns of all these people.


You can use the money however you think best such as:


- **To cover any drop in revenue so all the staff can be maintained**
- **To alleviate any concern of your business banking partners**
- **To hire several people who you could help with some of your regular duties to keep business as close as possible to normal operation**
- **To fund the quickest and best healthcare, so your time away is as short as possible.**



## Overhead expense ratio

This script works best when the business has a high expense-to-revenue ratio, such as the example below, where the company has annual expenses of \$400,000 on \$500,000 of revenue. Many potential clients would naturally view a proposed \$1,000 critical illness premium as 1% of their income. A skilled advisor can position the premium as a percentage of the business expenses instead of the client's smaller income, which shrinks the perceived cost to the owner.

 **What are your annual revenues?**  
- \$500,000

 **What are your annual business expenses?**  
- \$400,000

So, the company spends approximately \$400,000 every year to ensure that you earn \$100,000. One thing that could impact your ability to run your business and generate that income is a serious illness like Cancer, Heart attack, or Stroke.

With critical illness insurance, for about \$1,000/year, which is about one-quarter of one percent of your expenses, the insurance company would pay out \$100,000 if you suffer a covered critical illness.

I am sure that you would notice the \$100,000 cheque at a challenging time more than you would see your expenses moving from \$400,000 to \$401,000 today, am I right? With nearly one in two Canadians having to face Cancer in their lifetime<sup>1</sup>, I think this makes good sense for you and your business.

In addition, investing a further \$1,000 per year for more coverage could provide an additional \$100,000 injection of funds to the business to offset any income reduction caused by your absence, to fund additional hires or to cover expenses to keep the business as close to full operation as possible while you recover.



## Key persons

This scripting forces the owner to envision the impact of one of their key people suffering a critical illness. Critical illness insurance protects the key person but also the company and the business owner.

Are there any key people in your company whose prolonged absence with something like Cancer or Heart attack recovery might negatively impact the business?

Tell me a little about what they do.

Are those types of people easy to replace?

Would it help if that key person was diagnosed with a covered critical illness if the business were to receive an injection of funds?

The business could use the funds to offset lost productivity or to acquire the right interim replacement. You could also use the funds to get (key person's name) the quickest and best healthcare treatment so they can recover and be back to helping your business.

I think it makes sense to shift the risk of a change in \_\_\_\_'s health off your company onto an insurance company, don't you?



<sup>1</sup><https://www.cancer.ca/en/about-us/news/national/2017/nearly-1-in-2-canadians-expected-to-get-cancer/?region=on>



## Business partners

This script brings to light some issues that might occur should one of the owners suffer a significant health event. Quite often, business owners have addressed the death of an owner with life insurance, but very rarely have they considered the impact of severe illness on the business.

Do you have a partnership agreement or a shareholders agreement?

Does the agreement outline what happens in the event of the death of a business partner?

What was the motivation for creating that agreement?

Is the buy-out funded with life insurance?

Does the agreement address how you would deal with a business partner having a major illness like Cancer, Heart attack, or Stroke resulting in the partner deciding to de-stress by putting less time into the business going forward?

If either one of you had to deal with a serious illness, would the business be in a better position if there was an injection of funds to offset any short term loss in productivity and revenue and to access the quickest and best healthcare care possible?

With Cancer alone happening to one in two Canadians<sup>2</sup>, I think it makes sense to shift this risk-off each other and the business onto an insurance company.



<sup>2</sup>Canadian Cancer Society <https://www.cancer.ca/en/about-us/news/national/2017/nearly-1-in-2-canadians-expected-to-get-cancer/?region=on>



### Children's critical illness insurance:

No one wants to think of their child having a significant illness, but most parents understand the tremendous strain it would put on their family. When presenting critical illness for a child to parents, you should not focus on the incidence of illness but instead on the impact, both financial and emotional, that a critical illness diagnosis could have on the family. For example, many parents are likely to seek out alternative care options for their child versus for themselves, regardless of the financial costs, as long as their child gets the best treatment option available. Critical illness insurance funds can have huge benefits for parents both for alternative medical expenses and beyond, including:

- Offsetting the lost income as parents step away from work during their child's recovery
- Flying in friends and family for support during treatment and recovery
- Getting a hotel beside the hospital rather than driving back and forth on treatment days
- Retrofitting their home to make it as comfortable as possible during the treatment and recovery period
- Taking a well-deserved family dream holiday, post recovery, to celebrate their recovery

Many parents respond more favorably if the critical illness insurance coverage is positioned as setting up their children for the future. Critical illness insurance can be challenging to qualify for later in life, and the premiums that a child can lock in for many years or even their entire life are significantly lower as a child than what they would pay if they attempted to purchase the coverage as an adult. With this approach, the value is locking in the insurance at a significantly lower premium now for protection in case a major illness occurs sometime in the child's life. Often parents respond more favorably to this positioning versus focusing on how the insurance payout on diagnosis would be a positive financial outcome.



**To position critical illness insurance coverage for a child, you might say:**

Although no one likes to think about their child having a significant illness, it is not hard to see the impact it would have on you and the family. Every parent I know says two things about what they would do if their child were sick. One, they say they would spare no expense to make sure that the child got whatever care is needed and two, they would want to spend every minute possible with their sick child until they recovered. This medical care and time away from work can have significant financial consequences.

Thankfully, we have a product that puts a lump-sum tax-free benefit into your household not only for these purposes but for any use that you think would help best in getting your child through to a full recovery. People in this situation have used the money, including:

- **Flying in friends and family for emotional support**
- **Getting a hotel beside the hospital rather than having a long, two-way commute especially in the winter**
- **Ordering in more dinners, so that is one less thing to worry about**
- **Taking a well-deserved dream family vacation to celebrate getting through to full recovery**



**Insurability/pricing focus**

Sometimes, you may come across clients who think they have time to consider coverage for the child. After all, their child is still young. However, it's important to reinforce with your clients that putting coverage in place today, when their child is young, sets them up for guaranteed, inexpensive coverage for their adult years.

For adults, critical illness is difficult to qualify for, and the premium an adult pays is significantly higher than the premium you can lock your child/children in for today. Many parents put this coverage in place to set their children up for the future and view the actual coverage in the interim to be secondary, downside protection that they hope never pays dividends.

For example, we can cover \_\_\_\_\_ (child's name) with coverage for life at a guaranteed premium for life for just \$\_\_ per month.

**Or**

For example, we can cover \_\_\_\_\_ (child's name) with coverage for life at a guaranteed premium for life for just \$\_\_ per month, or you could pay \$\_\_ per month and any time after 20 years, you could cancel the coverage, and you or \_\_\_\_\_(child name) would receive 100% of all the premiums you paid. A true win-win, coverage against the unthinkable and a full return of everything you paid if \_\_\_\_\_(child's name) remains healthy.



### Critical illness for young adults

Young adults can be a tremendous market for critical illness insurance. Often these younger clients do not have significant cushions in their monthly budgets and any change to their monthly income earnings or household expenses could be very difficult to absorb.

This approach leverages young adults' desire to be independent of their parents. When these young adults become newly financially independent and able to take care of themselves financially, they do not typically have a broad financial margin to remain so.

Any disruption to their monthly financial budget, certainly those created by a significant health issue, could be enough to snatch away the very independence they recently obtained.



### Independence insurance

This approach leverages young adults' desire to be independent of their parents. A small monthly allotment to a critical illness insurance premium can protect that independence as opposed to having to depend on others for help.

Many people I work with have a tight budget each month, and any unplanned financial expenses could throw that budgeting off track.

One such unexpected financial exposure entirely beyond our control is a major health diagnosis like Cancer, Heart attack, or Stroke. Thankfully, there is a product called critical illness insurance that pays a tax-free lump sum benefit on diagnosis of a covered critical illness to help you through recovery. These funds help avoid dipping into or drying up your savings and may prevent you from having to seek funding from friends or family, especially the bank of mom and dad.

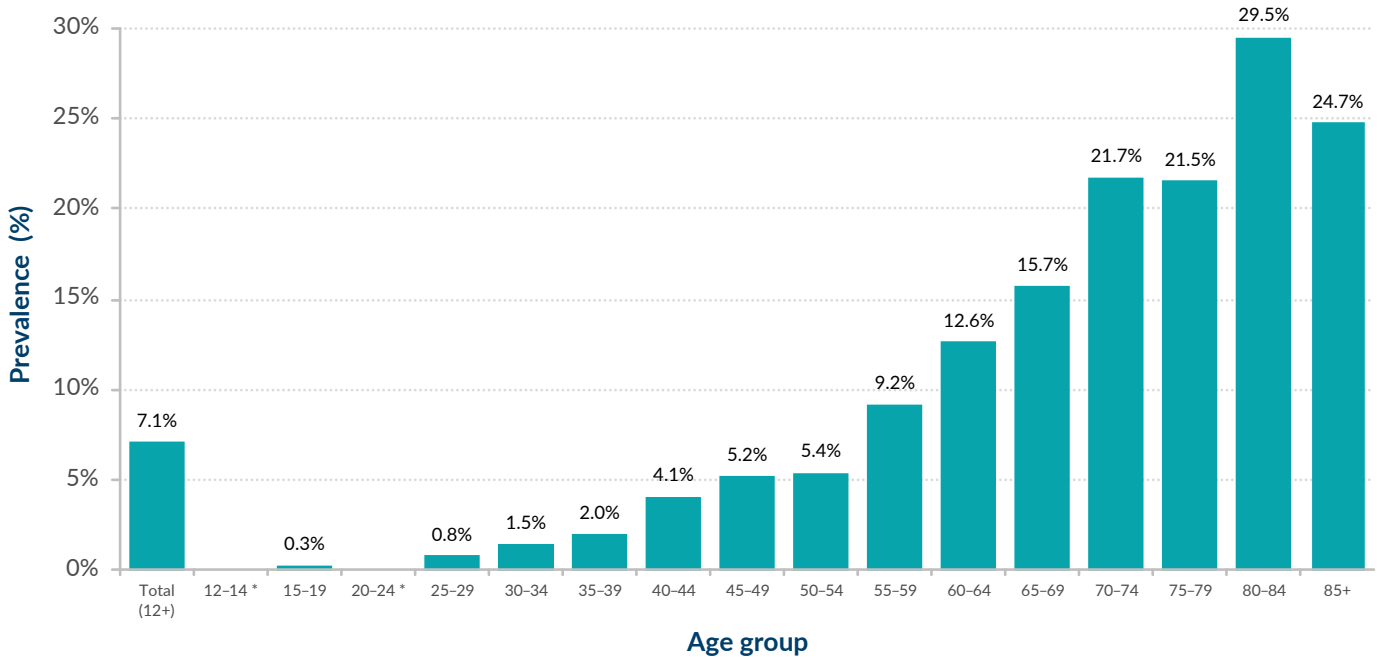
The funds also avoid the other option which is having to swallow your pride and create a Go Fund Me page and ask not just family but friends and strangers to assist you financially through what would already be a stressful time. Basically, for a small monthly amount, you can shift the financial risk of being diagnosed with a covered critical illness onto an insurance company, does that make sense to explore?



### Intergenerational purchasing or referrals

Typically, for clients over the age of fifty, the initial reaction to critical illness insurance is that the premium is expensive. You can shift that thinking by explaining how the product pricing is merely reflecting the likelihood of diagnosis and making a claim. You can point out that Cancer is a disease that mostly affects Canadians aged 50 and older, but it can occur at any age.<sup>1</sup>

Figure 2: Age-specific lifetime prevalence of Cancer among individuals aged 12 years and older, Canada, 2015



Data source: Canadian Community Health Survey, 2015 – Statistics Canada

Note: Asterisks (\*) denote estimates suppressed due to large sampling variability (i.e. coefficient of variation (CV) > 35%).



You can often obtain a sale for coverage on their children by introducing the age-sensitivity of critical illness insurance pricing to the parents or grandparents of the child. Parents of young adults are more likely to be able to financially pay a small monthly premium to protect their young adult child, while it's affordable, rather than having to help cover larger expenses should their young adult child be diagnosed with a covered illness. Before meeting with your client, you could run some rough ideas for what it might cost to protect their child.

(Make sure you have run the rates for what it would cost the client if they got the coverage on themselves if you haven't already.)

<sup>1</sup>Source: <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>



### At the meeting you could say

Critical illness insurance is incredibly age sensitive as the risk of covered illnesses typically increases with age. For example, someone age \_\_\_ (Your client's age minus 30 years to roughly approximate what the cost of critical illness coverage for their children might cost), would only pay \$\_\_\_ per month for this same level of coverage. Like you, they have pricing options to lock their pricing in for anywhere from 10 years through their entire life.

The reality is that even healthy young people face the risk of having a critical illness. Think of Lance Armstrong whose Cancer diagnosis was at age 28. By getting them coverage now, they are protected now.

We know that you would do your absolute best to find the funds to help you, your family or your child (regardless of their age) through a major health scare. Other parents, just like you, have purchased critical illness coverage for their kids so that with a small monthly premium, they can take away the stress of having to choose to use their hard-earned savings to help someone they love. We could look at critical illness protection for your child, or I could certainly talk directly to your kids if you feel this is something that your kids should have to financially protect them.





# Designing the critical illness insurance solution

**Path to Success**  
Expert advice on navigating CI sales

For advisor use only



There are so many different choices in the market when it comes to critical illness insurance coverage amounts, premium structures, and optional riders, that it can be daunting to navigate through all the options. You can simplify this process by sequentially addressing some key decisions your clients need to make that will guide you in shaping the final critical illness insurance recommendation.

Addressing each decision in the specific sequential order presented below ensures that the client isn't getting overwhelmed in product design choices. It's important that your client has already expressed that they see value in the concept of money being paid upon critical illness diagnosis before you present any product and pricing scenarios. Once you have the interest from your clients in the concept of critical illness, only then should you walk through the following key decisions they need to make in the following order:

1

#### Decision one: how much coverage?

The first decision is about how much coverage is needed which is the benefit amount. It is determined by what your client would do with their critical illness benefit if they were diagnosed with a covered critical illness. Adding up the costs of the various things your clients would want the funds to be used for sets the benefit amount before they see the multiple premium structures and various riders/optional benefits they will need to make decisions on. Addressing the desired benefit level first avoids your client from fixating on a specific product type or optional benefit that could lead them to select a different benefit amount than they want or need.

2

#### Decision two: for how long?

Once you've determined an amount of coverage, you need to help your client express how long they want to be protected and whether they want the amount of coverage to stay the same or if they see the need for the amount to decrease as they become more financially secure. Rather than using industry terminology like term coverage and permanent coverage, you can ask your client if they want the coverage for 10 years, 20 years or their entire life.

3

#### Decision three: options

Only once the first two decisions are addressed should you move to the final decision your client needs to address, which is what riders/optional benefits they want if any. It is in this part of the discussion that you would address the return of premium if your client's budget allows it.

## 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/>

Each of your clients with unique situations, and many factors influence the appropriate premium structure for them. These include your client’s desired benefit amount, cash-flow, and time-horizon. Various carriers offer various premium structures to choose from. For example, Equitable EquiLiving® product offers three premium structures, level to age 100, level to age 75, and 10-year renewable to age 75. Let’s examine how each of these structures work and why a client might select each one.

- 1 Level to age 100**

This premium structure provides a guaranteed level premium to your client’s age 100 after which time the policy becomes paid up and coverage continues. Many clients are drawn to this product as they believe their risk of illness increases over their lifetime and they do not want to have their coverage terminate in their later, higher risk years. If your client attaches the return of premium on death, they are guaranteed either a critical illness insurance payout or a return of all eligible premiums paid upon their death to their estate or to a named beneficiary.
- 2 Level to age 75**

The premium structure provides a guaranteed level premium to your client’s age 75, at which time the coverage terminates. Often clients who choose this option are looking for protection through their working years and this payment structure offers that at a premium lower than the level to age 100 coverage.
- 3 10-year renewable to age 75**

This premium structure provides a guaranteed premium which increases every 10 years until your client’s age 75 at which time the coverage terminates. Clients commonly select this type of coverage if their need/desire for critical illness insurance protection is short-term or because their cash-flow necessitates this lower initial premium structure.

## Term versus permanent: how critical illness insurance is different from life insurance

Advisors who understand the “term vs. permanent” life insurance comparison should be aware of some important differences when trying to do the same type of comparison with critical illness insurance. With life insurance, it’s easy to understand the value of having a level permanent life insurance in place as compared to term life insurance. However, as shown in the chart below, the same arguments for permanent coverage over term coverage don’t apply with critical illness insurance.

	<b>Life insurance</b> The rationale for level permanent life insurance instead of term insurance	<b>Critical illness insurance</b> Why the life insurance rationale of perm vs. term doesn’t apply to critical illness insurance
<b>Guaranteed payment of benefit</b>	Everyone dies eventually, and a permanent life insurance plan guarantees you do not outlive your coverage.	Not everyone will suffer an eligible critical illness, even if they carry coverage for life. Unlike with life insurance, some clients could pay premiums on their critical illness contract and never receive a payment. Some clients may die before experiencing a covered critical illness, and others may suffer a Heart attack late in life but not survive 30 days and thus not be eligible to claim.
<b>Age at time of claim</b>	People of all ages require coverage, but the event (death) is most likely to happen later in life where the term coverage is too expensive or expired.	It is far more likely that a client will be diagnosed with a critical illness within 10 years (years to renewal) vs dying. While most deaths typically occur later in life due to aging, a critical illness can strike at any time and at any age.  For example, a 40 year old female has about a 0.2% chance that she will die before the age of 50 <sup>1</sup> .  That some female’s chances of receiving a Cancer diagnosis in the same 10 years is 2.72% <sup>2</sup> .

<sup>1</sup> Source: <https://www.statista.com/statistics/241572/death-rate-by-age-and-sex-in-the-us/>

<sup>2</sup> Source: <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4544764/>

	<b>Life insurance</b> The rationale for level permanent life insurance instead of term insurance	<b>Critical illness insurance</b> Why the life insurance rationale of perm vs. term doesn't apply to critical illness insurance												
<b>Term renewals</b>	Term life insurance renewals are significantly higher than someone of the same age and health applying for the same coverage. Unless healthy enough to re-apply for new coverage for the lower rates, clients must convert or pay a renewal rate, which is typically significantly higher.	<p>The renewal rates on term critical illness insurance do not typically have the same level of punitive surcharge if the client cannot requalify medically that their term life insurance counterpart does. Often clients ten and even twenty years into their term critical illness insurance contracts are paying rates similar to clients of their age who just passed a medical exam to qualify. Life insurance renewals are very different, where often the client pays premiums that are multiple times higher than if they could requalify medically.</p> <table border="1"> <thead> <tr> <th></th> <th>10 year term life</th> <th>10 year term CI</th> </tr> </thead> <tbody> <tr> <td><b>Initial monthly premium</b></td> <td>\$13.45</td> <td>\$44.01</td> </tr> <tr> <td><b>Renewal premium at age 50</b></td> <td>\$56.88</td> <td>\$97.02</td> </tr> <tr> <td><b>Requalify for new coverage at age 50</b></td> <td>\$21.01</td> <td>\$97.02</td> </tr> </tbody> </table> <p>Source: Equitable Sales Illustration, July 22, 2020, MNS, 40, \$100K</p>		10 year term life	10 year term CI	<b>Initial monthly premium</b>	\$13.45	\$44.01	<b>Renewal premium at age 50</b>	\$56.88	\$97.02	<b>Requalify for new coverage at age 50</b>	\$21.01	\$97.02
	10 year term life	10 year term CI												
<b>Initial monthly premium</b>	\$13.45	\$44.01												
<b>Renewal premium at age 50</b>	\$56.88	\$97.02												
<b>Requalify for new coverage at age 50</b>	\$21.01	\$97.02												

The takeaway is not that renewable term coverage is right for everyone, but that comparing term CI against permanent CI is not the same as comparing term life to permanent life coverage.

### Timelines, not product types

You should ask your client to express the period for which they want protection before you show them the various product types and their associated premiums. "How long might you want this coverage for" is easier for your client to understand than industry jargon such as "renewable term" or "permanent."



We can tailor your critical illness insurance to match your objectives.

From our discussion, you have said that you see how transferring some significant health risk to the insurance company makes sense and that if you were diagnosed with a covered critical illness, you would like \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ [re-state goals for funds such as mortgage paid, time off for spouse, etc.]. That equates to approximately \$ \_\_\_\_ of coverage.

What's interesting is people differ widely in how long they feel they would need or want this coverage. For example, some might say they want that sum of money if they had to deal with a health crisis tomorrow, but they would be in a much better position to deal with it themselves if it occurred ten years out, as the kids would be older/ mortgage paid down/ten more years of savings and growth and so on.

Others say that they want coverage for the long term as they feel the likelihood of a significant health diagnosis increases as they age and they do not want to have to access money they are putting away for retirement.

**So for yourself, what is your thought on how long you would want this protection?**

**Do you see yourself perhaps wanting more protection at a particular time?**

**Do you see yourself possibly wanting less protection at a particular time?**

Then pivot off client's answer to the appropriate product.



### Permanent

It sounds like you would want to have protection throughout your life, which means you would want your coverage to not expire when you get older. The good thing about this type of coverage is that you will have critical illness insurance protection in place at a time when there is a high frequency of diagnosis of the covered critical illnesses.

Thankfully there is permanent critical illness insurance, which provides you coverage for your entire life. What is great about this plan is we can lock in a guaranteed rate for that whole time. You only pay premiums to age 100 after which the policy becomes paid up and continues for life without any more premium payments. The insurance company cannot increase your premium even if diagnosis and claim rates are higher than they anticipated.

We can add a rider to your plan called a return of premium on death. While the rider is in place, if you die of any cause, not just a critical illness, all the eligible premiums you paid for this coverage will be refunded to your estate. With this added, if a covered critical illness occurs, you receive the larger lump sum payout, and if no illnesses occur, all your eligible premiums get refunded back to your estate.



### Renewable term

There are some real advantages to renewable term critical illness insurance. It is the lowest-priced option as the insurance company charges you a rate for the next ten years based on the risk of illness to a pool of people with your age, sex, and smoking status. With more extended rate guarantees, you overpay in the early years compared to your actual risk of critical illness and underpay in the later years. So, the only way to benefit from those longer-term rates is to keep the coverage for a lengthier period.

Many people who choose these lower-priced term plans want to get the right amount of coverage in place today at the most reasonable price possible.

The thinking is that the financial impact to them now if they were diagnosed with a covered critical illness would be significant compared to 10 or 20 years from now when they would be in a better financial position. Typically these clients feel that they are probably able to work through the next 10 to 20 years, pay down some debt, increase their savings, and the kids would be much older and perhaps not as financially dependent on them. They only need the early years to be covered in case a critical illness throws a wrench into their plans. A last positive of this type of plan is that you can switch to a critical illness insurance coverage that provides level premiums to age 75 or even a permanent critical illness plan without having to prove you are healthy. That means, for a lower premium you lock in your health today for the period of time you feel you need coverage for and if circumstances change in the future you have the flexibility to change your coverage to something more suitable any time before you turn 60.

I think it makes good sense to get this type of coverage in place now where the difficulty to cope with a diagnosis might be at its highest, does that make sense to you?





**Most insurance products have optional riders that can be added so that the base coverage can be enhanced with other features.**

Here are the most common riders available to add to a critical illness insurance plan:

## Disability waiver of premium

This rider is triggered when an insured covered by this rider is disabled for a set period of time, typically greater than six months. At that time, the rider refunds the six months of premiums and waives future premiums payable until the time the insured is no longer considered disabled. There are two types of disability waivers:

- 1 Applicant's death and disability waiver of premium rider:**  
Available on juvenile policies, this rider waives the premiums if the applicant/owner of the policy (typically a parent) suffers a total disability or upon their death. Having this rider on a juvenile policy ensures that coverage remains in force until the time the insured "child" can take over making payments.
- 2 Disability waiver of premium:**  
Available on adult policies, this rider waives the premiums if the person insured under the rider suffers a total disability. Typically, the person insured under this rider is the same person who is insured under the critical illness insurance coverage, however the policy owner can also be insured under this type of rider as well.

## Return of premium at death

This rider triggers a return of all eligible premiums paid if the insured person dies while the critical illness insurance is in place. It's important to point out to your clients that death does not have to be a result of a covered critical condition, as clients often assume that incorrectly.

The likelihood of a client receiving a payout on this rider increases the longer they hold the coverage. For this reason, the return of premium on death is chosen more on longer-term premium structures like permanent coverage.

With this rider on permanent coverage, if the client does not lapse coverage, there will either be a payout of the critical illness funds on diagnosis or a return of all eligible premiums paid at death. This guaranteed return of premium can lead to clients purchasing a larger policy as they know that, in a worst-case scenario, all the eligible premiums they paid will return to their estate and, ultimately, their children.

### Advisor script

We can add a rider to your plan called return of premium on death. This rider ensures that while this plan is in place if you die of any cause, not just a covered critical illness, all the eligible premiums you paid into your policy get refunded to your estate. The benefit of adding this is, if a covered critical illness occurs, you receive the larger lump sum payout, and if no illness occurs, all eligible premiums you paid into the policy get refunded back to your estate. Does that make sense for your protection during your life and your estate on death?

I wish we had this as an option to add to our home, car, travel, and other insurance plans.



## Return of premium on expiry

This rider is available on term renewable critical illness coverages and can only be optioned when the policy expires, typically at age 75\*. This rider provides a return of all eligible premiums paid if there has been no claim for a covered critical illness insurance benefit and the coverage is in force until expiry.



## Return of premium on surrender/expiry

This rider is typically available on level to age 75 plans and permanent T100 plans. This rider rewards clients who remain healthy for a certain amount of years by allowing them to cancel their coverage in exchange for a return of premiums. There are various designs of how many years must be satisfied before a return of premium will be payable and how much is eligible to be returned at that time. For example, this rider can provide a return of 75% of eligible premiums paid if the coverage is cancelled at year fifteen, increasing by 5% every year thereafter until it reaches 100% return of eligible premiums paid on cancellations made year 20 onwards<sup>1</sup>.

This rider is often attractive to:

- 1 clients who want protection should they suffer a covered critical illness but are confident in their health compared to the regular population. With this rider, these healthy clients can have the downside protection against illness while betting that their health puts them in a better position than their peers to remain healthy and receive their premiums back.
- 2 wealthier clients who can comfortably afford to pay the high cost for this rider with the thought that they will, in the worst-case scenario, receive all the eligible premiums back that they have paid for the coverage.

You should emphasize that this rider is not a fit for every client, nor will all clients benefit from owning it. The people who purchase critical illness insurance with return of premium who would not benefit from the extra return of premium cost are clients who:

- 1 pay this extra premium who lapse/cancel their coverage before they are eligible for a return of premium claim on their critical illness coverage.
- 2 By adding this rider, the client ended up paying a premium that is too high. By not adding a return of premium rider, this client could have paid a lower premium or reallocated the return of premium money to buy more coverage, which would have produced a larger critical illness insurance lump sum payout.
- 3 want to cancel the coverage prior to the 15th coverage year but must keep paying the premium to secure a return of premiums.
- 4 purchase a return of premium rider with a plan to cancel in twenty years and then when they are twenty years older, they are more concerned with their health risk, so do not choose to cancel. The internal rate of return on a return of premium on surrender/expiry rider lowers each year the client does not cancel once eligible.

The scripting below gives a balanced view of return of premiums, which will lead to the right clients selecting it and those who cannot afford it, not feeling like they are missing out.

<sup>1</sup> The maximum premiums to be returned is limited to the sum insured on the date the client elects to surrender the policy



## Advisor script

We have a unique option with critical illness insurance that does not exist with other insurance plans like home or car insurance.

- **The first option is like home and car insurance, where you pay a premium, and if no claims occur, those premiums stay with the insurance company.**
- **The second option is unique to critical illness insurance whereby you can bet on your continued good health and that you will not make a claim. With this option, you pay a higher premium each year, and if you don't have a critical illness for a set amount of years, you can choose to cancel your coverage any time thereafter for a full return of all the eligible premiums you paid for your coverage.**

Now you might be thinking, “this sounds too good to be true, how can the insurance company provide such a benefit?” It's all based on probability and various outcomes:

1. Some people will need to cancel their coverage due to unforeseen circumstances: In this case, the person has paid extra for a chance to receive a return of premium if they cancel their coverage. However, by cancelling their coverage prior to being eligible for a return of premium they lose this chance. In this case, they would have been better off not adding the return of premium rider to their coverage in the first place since they paid a higher premium for a return of premium benefit they will never receive from the insurance company.
2. A critical illness can strike anyone at any time, even those who are healthy: In this case, the client pays extra for the return of premium rider but suffers a critical illness prior to optioning it. Since the critical illness insurance benefit is typically larger than the return of premium benefit, these clients are still pleased to have had critical illness protection and receive a benefit to help them with recovery. However, the client would have been better off just paying for the base coverage or allocating the money they used to purchase the return of premium rider towards a higher coverage amount.
3. Circumstances may arise where someone may want to cancel their coverage sooner, but instead keep their coverage in force until they are eligible for a return of premium: In this case, the client may need to keep paying premiums for several more years until which time they are eligible to elect their return of premium option.
4. Some people will purchase this optional rider thinking they will cancel when they are eligible for their return of premium benefit (say in 20 years): However, when they are eligible for a return of premium, they are older and maybe more concerned with their health and the risk of a critical illness, so they choose to keep their coverage in force and not elect a return of premium. In this case, the client would have been better off just paying for the base coverage from the beginning or allocating the money they used to purchase the return of premium rider towards a higher coverage amount.





# Underwriting and claims

**Path to Success**  
Expert advice on navigating CI sales

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## 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:

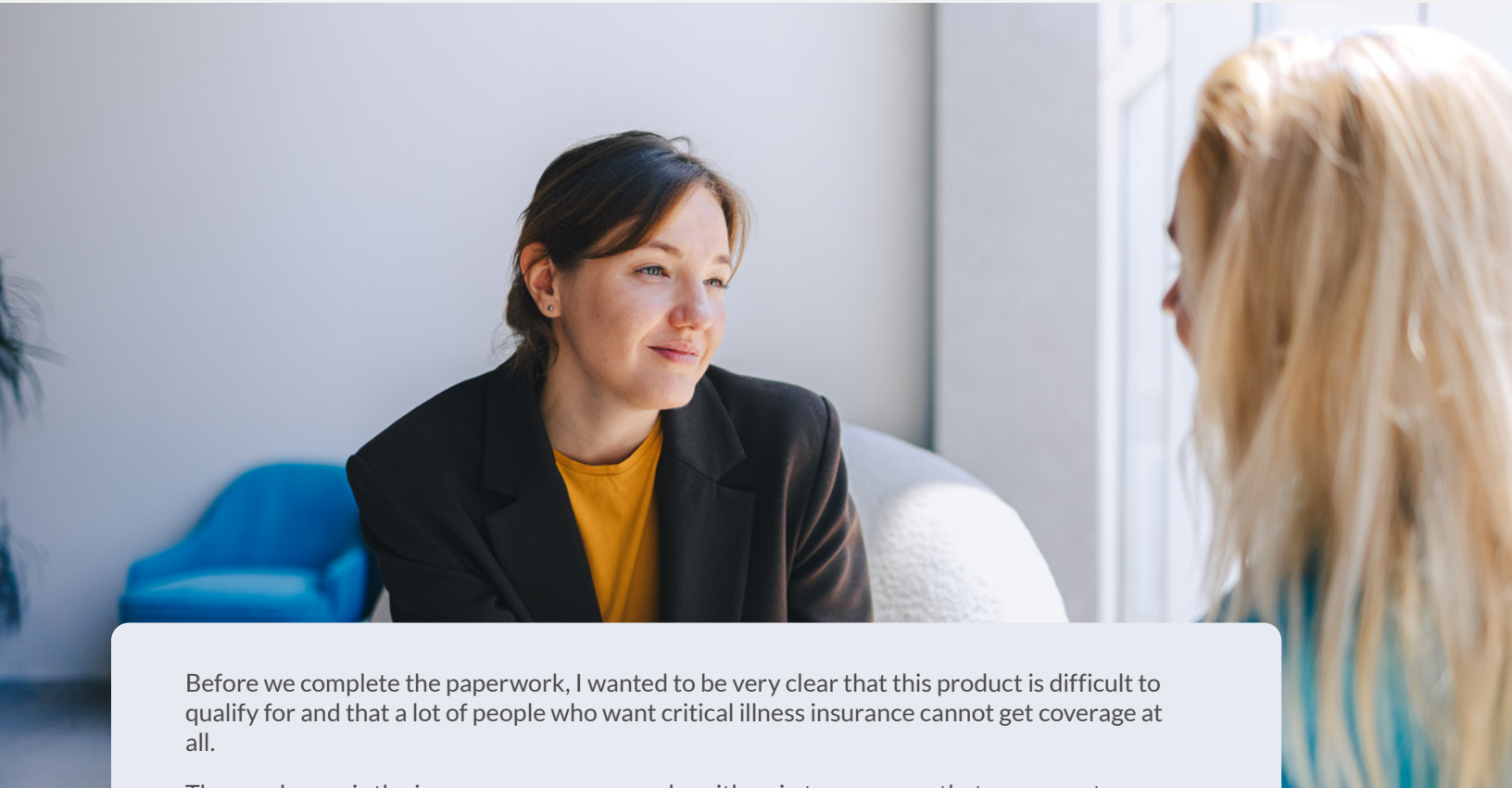
Policy issued with a restriction to claim for a specified medical impairment (i.e., Skin Cancer) or limitation on a claim due to a specific cause such as a dangerous activity (i.e., bungee jumping).

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. 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.



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'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?





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



## 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<sup>4</sup>.

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.

<sup>1</sup>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](https://www.heartandstroke.ca/-/media/pdf-files/canada/2017-heart-month/heartandstroke-reportonhealth-2015.ashx?la=en&hash=497A83F1FE8388479DC5D7DB27322C191B866D57)

<sup>2</sup>Source: [Are you at risk of a Stroke? - https://www.heartandstroke.ca/what-we-do/media-centre/news-releases/stroke-in-canada-is-on-the-rise](https://www.heartandstroke.ca/what-we-do/media-centre/news-releases/stroke-in-canada-is-on-the-rise)

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

<sup>4</sup>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.



*A decision as to whether the claim is payable can't be made until medical reports are received and reviewed.*

## 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.



Help them understand the things that could delay a claims decision



Provide them with the detailed definitions of the covered critical illness conditions



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.



# About Equitable

At Equitable we believe in the power of working together. This guides how we work with each other. How we help our clients and partners. And how we support the communities where we live and work.

Together, with partners across Canada, we offer Individual Insurance, Group Insurance and Savings and Retirement solutions. To help our clients protect today and prepare tomorrow.

We believe the world is better when we work together to build an Equitable life for all.

