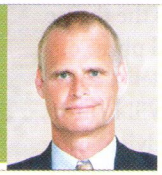
UNDERWRITING POV
BY DR. BRUCE EMPRINGHAM



Countering Client Misconceptions

There's little doubt critical illness (CI) insurance can help your clients stay on track financially even if the unexpected happens. If a client becomes ill, worrying about their finances is a stress they don't need. A lump-sum payment through a critical illness policy, and the freedom to use that money however they'd like, allows your clients to focus on their recovery and on becoming mentally and physically well again.

Helping clients understand why they should consider critical illness insurance begins with raising their awareness of the risks that life-threatening conditions like heart disease and cancer pose for all of us, even when we survive. Then they will likely be more open to understanding the product's unique advantages.

Even with a better understanding of the insurance, misconceptions may remain. Clients may suggest critical illness insurance is too expensive or worry that their eventual claim may be denied.

Advisors can help clients to see their premiums in perspective, using common examples. For instance, a 30-year-old non-smoking man can buy a $50,000 10-year term critical illness insurance policy for as low as $30 a month – less than many people spend each month on their cell phone.

Another approach is for the client to re-assign a portion of their monthly savings to their critical illness insurance policy, thereby avoiding out-of-pocket increases. Ultimately, however, the client will need to weigh the cost of premiums against the potentially devastating financial impact of a critical illness.

Regarding the misconception that "critical illness does not pay out," again, context is key. Valid claims are paid. The Canadian Life and Health Insurance Association reports the industry paid more than $340 million in individual insurance CI claims in 2014. A 2014 Munich RE Canada study found that 78 per cent of all critical illness insurance claims industry-wide were paid.

Approximately one in 10 critical illness claims insurers receive are for conditions that are simply not included in the contract. For example, claims for fractures or depression would not trigger a critical illness benefit under any of the defined conditions. Other reasons for declines — again, approximately one out of 10 — would be as a result of the lack of severity with the condition, or missing requirements.

Specific criteria must be met before a client receives a critical illness insurance payout. If their policy covers "cancer" or "heart attack," they may mistakenly believe that all forms of these conditions are considered equal under the policy and assume their claim will be paid if they are ever diagnosed. When in doubt, clients are encouraged to submit a claim so the insurer can do a full assessment of the medical situation.

Thanks to medical advances, some forms of cancers and heart conditions, for example, are not classified as *critical* or *life threatening*, and that has implications for claims. For example, today, early stages of skin, thyroid, and prostate cancers are not considered life-threatening, so the client could receive only a supplemental benefit for these, not a full payout. The same applies to certain intra-arterial procedures.

Definitions and criteria in the policy are crucial to payout decisions. Here's a section based on an actual policy example related to coverage for an *acquired brain injury.*

Acquired brain injury means damage to brain tissue caused by an occurrence of traumatic injury, anoxia, hypoxia or encephalitis, resulting in signs and symptoms of neurological impairment that:

- *are present and verifiable on clinical examination or neuro-psychological testing;*
- *persist for a period of at least 180 days; and*
- *are corroborated by imaging studies of the brain showing changes that are consistent in character, location, and timing of occurrence with the clinical symptoms and signs.*

Another important consideration is that, over time, the definitions of conditions may change to keep pace with current clinical medicine. In those situations, the contract a client initially signed takes precedence in settling a claim, even if the definition of a condition has subsequently changed. These older contracts may have more liberal definitions than what is available today because of changes due to medical advancements.

This is why you need to ensure your clients are well versed in the policy's contract language. They need to know what specific illnesses their policies cover, as well as the specific policy definitions of those illnesses. Advisors should also familiarize their clients with the underwriting process, to help them understand how their applications are evaluated and priced, as well as when and how to submit an appropriate claim, in order to reduce the likelihood of a denied claim.

Advisors will then be better prepared to help their clients make a decision that fits their life situation, armed with the understanding that a critical illness doesn't have to change one's financial plans and goals.

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