



asj AGENT'S SALES JOURNAL

How to Sell Critical Illness — and How to Choose Your Prospects

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Published 4/1/2009 » [More From This Issue](#)

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There's a little-known product that can boost your income by \$60,000 or \$70,000 a year. It's an easy-to-sell policy that helps you both make new clients and serve your existing ones even better than your competition. And it's called critical illness insurance.

Relatively new in the United States, this product is common in other countries because it fills a gap. Let's say, for example, your client has a heart attack and can't work during her recovery period. Consider that most long term care insurance and disability policies are sold with 60 or 90-day elimination periods. Where does your recovering client find the money that will cover her living and/or business expenses until their disability policy starts paying benefits? Another client may face \$30,000 in out-of-pocket costs until their LTCI policy kicks in. Where will that money come from?

All critical illness policies are designed to pay a policyholder upon the first diagnosis of the most common major illnesses: cancer, heart attack, stroke, Alzheimer's disease, etc. Neither you nor your client's doctor has to submit treatment plan or continued claim forms to the insurer. The policy is easy to use, and it will appeal to many of your clients and prospects.

When a qualifying event is diagnosed, the insurance company pays the policyholder a lump sum. That first diagnosis by the client's doctor will trigger the payment to your client. Clients never have to worry about the insurer determining that they aren't truly disabled, or that they don't need long-term care. The payment they receive from the insurance company can be used for anything they need as they're recovering.

To help your clients and prospects decide how much coverage they might need, ask them how much they would need to cover three months' worth of living expenses (or operating expenses if your client is a business owner). For most people, this will be somewhere between \$25,000 and \$150,000. The minimum benefit for a critical illness policy is \$10,000; the maximum coverage can be \$500,000 (occasionally \$1 million).

Just four carriers currently dominate the U.S. critical illness market. While underwriting isn't as exhaustive as it is with an LTCI or DI plan, critical illness policies are always underwritten. Underwriters typically ask applicants if any of their immediate family members have ever had a heart attack, stroke, cancer, etc. Most companies require applicants to be younger than 60 when they apply. Most insurers will keep the policy in force for your client's lifetime, but their policy benefits may be cut in half after age 65 or 70; one insurance company maintains the full benefits in a policy until the policyholder's death.

If your client does not use the benefits of their policy, their premiums can also be returned upon their death. One company already includes this as a benefit in their policies, while others offer it as an optional feature.

Who buys it and why

Most insurance professionals understand the value of LTCI and DI, but those products can be a tough sell. Selling an LTCI policy to people younger than 65 is particularly challenging, and it can take skill to sell it even to older consumers, given the typical prospect's denial that they'll someday need long term care services. People don't like to think about going to a nursing home. It's an emotionally fraught area, and many prospects simply think, "It won't happen to me."

But many people who aren't ready for LTCI may be open to considering critical illness insurance. Ask your clients if someone in their family has had a heart attack, cancer, or a stroke. Then ask how much of a difference a \$50,000 check would have had on their peace of mind as they saw the effect on their family. In their own situation, such a check from the insurance company could mean that they won't have to worry about how to pay their bills during their recovery.

There's also less sales resistance to critical illness policies because premiums may be lower than other products. A typical critical illness policy carries a \$2,200 premium, with a 70 percent first-year commission and 4 percent renewal commissions paid to the writing agent. So, if you can sell 45 policies a year, you'll earn almost \$70,000 more income during your first year selling critical illness insurance than you would have with LTCI.

The buying "sweet spot" for critical illness insurance is ages 50 to 64. Younger people might not be as interested in getting a policy unless they've already seen some illness in their family or among their close circle of friends. Those 65 or older may have a harder time health-qualifying during the application process.

How to sell CI

One of the best ways to market a critical illness policy is by positioning it as "financial recovery insurance." Given all the medical advances today, more and more people are surviving serious illnesses and will eventually return to work. Some will need care for a period of time, yet their monthly bills will keep coming. Owning a critical illness insurance policy, however, can help your clients avoid a financial blow while they recover. Fifty percent of foreclosed mortgages on U.S. homes are due to the medical costs of an illness. In this regard, that check paid to your client on their critical illness policy can make a big difference to their family.

Positioning critical illness as a tool to help your clients weather illness-related financial difficulties can help defuse their denial and present them with a more optimistic scenario. Every prospect realizes that something unexpected could happen to them.

No one plans to have a heart attack or stroke. By having critical illness insurance, the check they receive can make their life a lot easier financially during the recovery process.

You can start selling these policies to your existing clients during their annual review, and you can reach out to new clients through direct mail and advertising. One enterprising agent advertised in a regional medical journal and is getting 45 doctor leads a month.

Remember when LTCI was in its infancy, back in the 1980s? Agents who got in ahead of the mob profited mightily. Critical illness insurance presents a similar opportunity today. Know how to position the insurance to your ideal clients, and half the battle is fought.

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