



Critical Illness Insurance 101

The Coverage Many Clients Can't Afford to Live Without

Quick Quiz:

What has a more affordable premium than individual disability insurance, is perfect for spouses of high wage earners, and allows the insured to receive a lump sum benefit to use as needed – no strings attached?

If you guessed Critical Illness, you're more enlightened than most. In the quest to offer a variety of clients asset protection, Critical Illness is an important solution to have in your tool belt. It's a big differentiator too, since many producers don't offer this valuable coverage.

Below you'll find everything you need to know to serve clients better and build your income by adding Critical Illness to your product suite.

● **What is Critical Illness insurance?**

Critical Illness insurance provides financial protection when a major illness occurs and a person is unable to work and earn an income. This medical insurance helps cover medical expenses that are typically not covered by other insurance policies. Paid in lump sums, Critical Illness insurance gives clients the freedom to use the money where it is needed most - from medical bills to the mortgage.

This coverage comes into play as traditional health insurance leaves consumers with more and more gaps in their coverage. As a result of high deductibles, coinsurance and limited coverage on nontraditional treatments, individuals may incur large medical bills that are not covered by their traditional insurance policy.

Critical Illness insurance works by paying for expenses that result from a long-term recovery from a covered illness. It does not pay for each medical bill, but instead provides a payment that can be used toward any condition listed on the policy.

● Who is Critical Illness insurance best suited for?

Critical Illness is best suited for:

- Spouses of high wage earners - if a doctor, lawyer or executive has to spend time away from work to care for a sick spouse, the business suffers. If the spouse has critical illness coverage, the family can immediately afford to hire in-home care, a nanny or other service providers to keep the home running smoothly.
- Self employed clients and other high wage earners who have capped out their DI limits.
- People in high-risk jobs often do not qualify for disability insurance. However, those occupations - such as firefighters, long-haul truck drivers or police officers – may qualify for critical illness insurance.
- Anyone who is concerned about not having an adequate income to absorb the critical illness costs not covered by traditional insurance.

● Is Critical Illness insurance sold in addition to DI or instead of DI?

Disability insurance, sometimes referred to as “income replacement” insurance, provides a monthly payment if a person becomes disabled and can no longer work. DI policies pay a monthly income during a predetermined period that the insured is unable to work. In general, DI benefits are limited to a percentage of the insured’s regular income and stops once the disabled person is able to earn an income or he no longer meets the definition of disability as described in the policy. Disability policies often have a waiting period from the onset of disability. Also, unlike critical illness benefits, disability benefits may be affected by any other income the insured receives.

Critical Illness insurance differs from DI in that it covers the costs related to recovery from major illnesses. Critical illness policies pay a set amount to the insured or beneficiary when a qualified event happens. Critical illness insurance provides the full policy benefit in a lump sum payment on diagnosis of a critical illness. Because each policy offers different protections, it is beneficial for insurance brokers to sell both types of coverage. In many cases, it’s advantageous to optimize protection by selling the two products together.

● What are the key selling features and benefits of Critical Illness insurance?

Coverage features vary by product so make sure you’re familiar with the product you’re selling. Most Critical Illness policies include the following key coverage features:

- Paid Expenses: Long-term recovery from an illness often includes many unexpected expenses. Critical Illness insurance fills the gaps so a person is not overwhelmed by medical bills.
- Guaranteed Renewable: As long as premiums are paid on time, the right to renew Critical Illness insurance policy is guaranteed, which provides peace of mind to clients.
- Lump Sum Benefit: If diagnosed with one of the covered conditions, a lump sum benefit is paid out to the insured. This payment then can be used for any condition that is listed on his policy. What the insured does with the benefit is up to him. He could use the money to pay medical bills, to cover his mortgage or to pay utilities. With the lump sum payment, the insured could even pursue alternative care or hire a healthcare worker.
- Benefits Paid Directly to Client: Critical Illness insurance pays the insured directly, in addition to all other insurance coverages he may have; which gives the client control of how the funds will be used. In this way, Critical Illness insurance bridges the gap between a traditional health insurance policy and the actual expenses incurred.
- Flexible Coverage Options: In some cases, clients can choose to have a policy paid up in 20 years or have premiums returned after 15 years, thus the flexibility clients need and demand.

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- Wide Range of Coverage: Although coverage differs from company to company, typical illnesses and diseases covered by Critical Illness insurance include: ALS and other motor neuron diseases, Alzheimer's disease, benign brain tumor, blindness, cancer, coma, coronary artery bypass surgery, deafness, heart attack, kidney failure, loss of limbs, major organ transplant, multiple sclerosis, occupational HIV, paralysis, Parkinson's disease, severe burns and stroke.

● What compelling facts and statistics can I use when talking with prospects?

The facts are compelling. Use these statistics to help your prospects understand the need:

- In 2010, it is estimated that about 1.2 million Americans will have their first or second heart attack. Of those, approximately 62 percent will survive.
- On average, every 40 seconds someone in the United States has a stroke. Strokes one of the leading causes of serious long-term disability in the U.S.
- The five-year survival rate for all cancers combined in the U.S. is just 66 percent.
- Increasing medical bills are the main cause for more than 60 percent of personal bankruptcies in the U.S., according to a 2007 study conducted by Harvard University and the Robert Wood Johnson Foundation. In addition, more than 75 percent of these bankrupt families were middle-class families with health insurance who were still overwhelmed by medical debt.
- Twenty percent of those with health insurance still can't afford cancer therapy, according to a 2008 study by the American Cancer Society and the Kaiser Family Foundation. The survey found that a year of treatment for blood cancers, such as leukemia, reached \$1 million in 2008, maxing out the limits of most health insurance policies.

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● What questions should I ask prospects to determine if they're good candidates?

To determine if a prospect should consider Critical Illness coverage, ask the following questions:

- What is your occupation? You want to look for high-risk occupations or the chance of DI ineligibility.
- How would your business and family be impacted if your spouse became critically ill? Emphasize the advantage of immediate cash benefits.
- Do you have the discipline and the ability to set aside money monthly to cover long-term medical care due to critical illness? And, do you have an adequate income to prepare for such an event? Besides paying for day-to-day expenses while ill and out of work, medical bills can accrue and devastate a formerly financially sound family. Share with the prospect that the costs for a year of nursing home care is \$50,000 and higher. And, a part-time aide costs as much as \$10,000 per year.

● Why should I add Critical Illness to my suite of solutions?

As a result of rising medical costs, people living longer and traditional health insurance plans leaving more consumers with gaps in coverage, critical illness insurance should be an essential element in a person's overall financial protection portfolio.

With high deductibles, coinsurance and limited coverage on nontraditional treatments, individuals may incur massive medical costs that are not covered by traditional insurance. And, because critical illness premiums might be lower than LTCI premiums, the chance of sales resistance is lower.

Most prospects have been touched by illness, whether it is cancer, stroke or heart attack. They have seen the medical bills, the financial stress and the effects it has on extended family. Ask your clients if a lump sum payment of \$50,000 would have lowered the stress and eased the worries of the family. Without the burden of accumulating bills, the family could place their focus on healing instead of trying to stay financially afloat.

● **How big is the Critical Illness opportunity? Is this a growing market?**

As an underserved market in the past, there is plenty of room to grow and prosper with Critical Illness insurance. You could even increase your income drastically by adding this policy to your suite of offerings. Besides offering the coverage to new prospects, you can revisit current clients with the new policy.

Since Critical Illness insurance is a relatively new idea in the U.S., the market is not saturated with competition. Since disability insurance comes with many term limits and coverage limitations, Critical Illness insurance is a valuable tool to add to your arsenal of offerings.

As Americans are living longer, they are at greater risk of illness. But, because the world of modern medicine is thriving, most people will survive and recover from their illnesses. However, their finances might not be the same, unless they are covered with Critical Illness insurance.

● **How can I package Critical Illness insurance?**

Critical Illness insurance can be packaged and sold in multitude of ways. It can be offered as an individual policy, offered through an employer-paid program, as a supplement to a new or existing health insurance policy, or as a supplement to a new or existing life or disability insurance policy.

Critical Illness insurance can also be bundled into coverage categories and claims can be made in more than one category. The largest categories would be prevalent illnesses, such as cancer-related conditions or heart-related issues. A client could purchase a policy that covers just one condition, or a broader policy that encompasses more categories.

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**The bottom line? Now's the time!
Offer Critical Illness insurance before the crisis.**

No one likes to dwell on their own mortality, but they do like to dream of the future — a future of ease, peace and happiness. Dreams can be crushed by the crisis of a major illness, whether long- or short-term, if financial protection is not in place. One way to ensure dreams come true is to invest in income protection policies. Critical Illness insurance is one of those policies that cover the gaps many other policies leave open. Critical Illness policies are easy to use and are for all types of people. Start offering Critical Illness insurance today and secure your clients' financial futures while you help your own.



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