

BBD Broker Brainstorm

Group Critical Illness Insurance



What is Critical Illness?

Critical Illness Insurance Provides A Lump Sum Tax-Free* Payment To Be Used In Any Way Employees Wish:

Home Adaptation
Convalescence
Change of Occupation
Private Nursing
Investment for Future Income

Paying off Debts
Change of Lifestyle
Vacation
Supplement Future Pension
Child Care, etc.

The Need

- Most people have not set aside money to cover unexpected expenses related to a serious illness
- There are on-going financial responsibilities while earning capacity decreases

Direct needs

- Home care, home/auto modification, medical equipment, convalescence

Indirect needs

- Child care, day-to-day cost of living, vacations, etc.

The Reality

- This year alone, 145,500 Canadians will be diagnosed with cancer, 150,000 will suffer a heart attack and 50,000 will have a stroke
- 80% of males survive five years or longer after having a heart attack
- 1 in 4 males will have had either cancer, heart attack or stroke before age 65
- 60% of the 50,000 strokes each year are suffered by women
- 80% of stroke victims survive the initial event
- 1 in 20 run the risk of having a stroke before age 70

Covered Conditions

18 Illness Plan

- Alzheimer's Disease
- ALS (Lou Gehrig's Disease)
- Benign Brain Tumour
- Blindness
- Cancer
- Coma
- Coronary Surgery
- Deafness
- Dismemberment
- Heart Attack
- Kidney Failure
- Loss of Speech
- Major Burns
- Major Organ Transplant
- Multiple Sclerosis (MS)
- Parkinson's Disease
- Paralysis
- Stroke

BBD Coverage

<u>Group size</u>	<u>Max Coverage</u>
3-4 lives	\$25,000
5-9 lives	\$25,000
10-24 lives	\$50,000
25-49 lives	\$100,000
50-249 lives	\$150,000
250 (+) lives	\$200,000

Benefits to the Employee

- **Guaranteed acceptance** for eligible employees under age 65
 - **No medical questions** asked
 - **No medical testing** required
 - **The benefit is tax free***
- * At the present time, benefit is considered non-taxable

Benefits to Employee Continued

- The benefit is **paid independent of other medical insurance plans** and how employees use the funds is entirely up to them
- **Full recovery** will not affect payment
- **Conversion Benefit** – conversion to an individual policy is available to employees before age 65. Maximum of \$25,000 may be converted.
- **Access to OneWorld Medicare's Treatment Management service**

Exclusions

- Most plans have fairly standard exclusions, i.e suicide, war, participation in criminal act
- Cancer diagnosed, any signs and/or symptoms or medical problems commenced, within 90 days following the effective date of an insured's coverage will result in a refund of all premiums paid and the coverage will be void
- The most common Pre-Ex is 24/24 (No payment will be made during the **first 24 month of insurance** for an illness that resulted from a pre-existing condition which occurred during **the 24 month prior to the date of coverage (24/24)**)

How to compare products

- The first thing a client/broker looks at is PRICE, however there are important differences in a product that can explain the Price.
- The second thing a client/broker considers is the number of covered conditions.....more is not always better!
- The most important thing to look at when comparing CI products is the exclusions and definitions of covered conditions.

Voluntary CI

- Same covered conditions as the Basic Plan
- Spousal coverage available
- Medical underwriting required
- Premium rates calculated based on Insured's age and smoking status
- A fairly sizable group is needed as "take up" rate can be low
- Most successful, when paired with a Basic Plan
- *Guaranteed issue amounts available with open enrollment style for large groups (500 lives- Employee only)

Product Enhancements

Guaranteed Issue Spousal Coverage

- 10 + employees, 50% of employee amount to max \$50,000. (combined with EE or separate rate available)

Guaranteed Issue Family coverage

- 10+ employees, Spouse \$10,000 and Child \$5000, *Child specific illnesses

*Blindness, Cancer, Cerebral Palsy, Congenital Heart Condition, Cystic Fibrosis, Deafness, Down's Syndrome, Muscular Dystrophy, Paralysis

Product Enhancements

Pre-Ex Options

- 300 (+) lives, pricing options available for 12/12, 6/6 or no pre-ex

Loss of Independent Existence (LOIE)

- Available to groups with 500 (+) lives. Unable to perform at least two of six activities of daily living.

Taxation

- Lump sum benefit is not taxable for the participant
- Employer paid premiums are not taxable for employees at the federal level (CI is thus far considered as a private health plan and treated in the same way as accident and sickness insurance)
- Employer paid premiums are taxable for employees under Quebec taxation like other health premiums
- Employee paid premium for an optional plan is not taxable

Current CI Market Place

- IAP's block of Group CI has more than doubled every year
- Brokers/TPA are introducing CI to the Small Employer group market
- Larger organizations such as Unions are starting to add CI to their group plans
- Consultants are slow to introduce CI to their clients

Sales Tips

- Get in the habit of consistently offering a Group CI quote with every Group renewal. Not offering CI leave a “gap” in a full benefits program
- Use CI as a door opener for new cases, even if you can’t acquire the whole group, the stand alone CI is a “wedge in the door”
- Restructure a benefits plan (i.e “carve out” AD&D) to free up \$\$\$ to finance CI

Handling Objections

Too Expensive

- Restructuring an existing benefits plan to reduce/eliminate or “carve out” coverage can free up funds

Too Complicated

- CI contracts can be overwhelming, learning to look for the main points will take a little practice & sales support is available

Too many declined claims

- Selling a quality (not the cheapest) product will ensure high percent of paid claims

BBD CI Advantages

- BBD represents our largest block of CI based on number of cases
- CI available for 3-10 life groups
- 3-4 life groups increased maximum to match 5-9 lives (\$25,000)
- Administration/billing combined conveniently with other benefits (PAC)
- In house quoting ability

Questions?