

Critical Illness Insurance

AMERICA'S PRODUCT OF THE FUTURE

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Critical illness (CI) insurance is one of the best opportunities we have in our industry today. Let me present two simple reasons to support this:

1. CI insurance meets a need not met by any other insurance plan.
2. The product has a history of worldwide success.

Critical illness coverage has been successful in almost every country where it has been introduced. The typical pattern has involved CI taking hold and becoming accepted after a period of five to seven years following introduction.

In Canada, CI was introduced in 1994 with very slowly growing sales until 2001. In 2003, CI surpassed disability income insurance in terms of new sales. Even though several Canadian companies discontinued CI in 1999 (because sales were not meeting expectations), the same companies later reintroduced CI products. Experience in the United Kingdom was similar, with sales exploding after increasing gradually for the first five years.

A common misconception of CI sales is that success has only occurred because of state-run health care programs in Canada and the United Kingdom. This is not the case. Even though use of the United Kingdom's health care program does mean long waiting lists for some treatments, private health insurance is available. With that coverage, patients may avoid lengthy delays in treatment.

A patient in the United Kingdom needing surgery for non-life-threatening conditions with only national health care would have to wait 12 to 15 months for the procedure. However, individuals with a serious health condition, such

as a heart attack or cancer, receive immediate attention in the same way they would in the United States.

Ironically, Canadian agents generally describe CI as a much more *difficult* sale because of provincial health care programs. Most Canadians think the government will take care of them. Canadian agents believe CI should be an easier sale in the U.S. because of the U.S. health care system. Many Canadian agents initially tried without success to sell the CI benefit as a way to afford travel to the United States for treatment rather than being placed on the waiting lists associated with Canadian national health care. One Canadian company offers a policy that reimburses



a lump sum benefit of \$10,000 if the insured is treated in Canada, but up to \$1 million for reimbursement of actual expenses if the policyholder travels to the United States for treatment. The product has not been successful, even though the premium is less than for a policy providing a \$100,000 lump-sum benefit and the product was designed as a way to counter the disadvantages of government-provided health care.

Why So Slow to Catch On in the United States?

There are two key reasons CI growth has been slower in the United States than other countries. First, there are more barriers to introducing a product in the United States. In most other countries, an insurer only has to file a product once; in the United States, however, a company must file in 51 jurisdictions, many of which have differing regulations. As a result, the

U.S. filing process requires a major commitment on the part of the insurer.

The second reason is that most companies introducing the product in the United States have not understood the need for or demonstrated a commitment to sales training. Critical illness is a new product and a different type of insurance sale. Agents must believe in the need for CI to the point that they purchase it for themselves and their family. Additionally, the agent must clearly understand that since the prospect has neither seen nor heard of CI, the sale will involve an educational process for the consumer. The agent must have the ability to communicate the need to the consumer.

Some CI carriers have not committed to the thorough sales training process currently required in the market for an agent to be successful. As an industry, we have become accustomed to commodity-type products. Since CI is not a commodity product, it requires a much stronger commitment because insurers must teach agents how to sell it.

Most CI carriers in our industry consider training to be just an explanation of CI's product benefits and features, without an explanation of how to sell the product. Companies that entered the market early had high expectations for the product. They assumed that once CI was introduced, sales would follow. These insurers missed the most important factor: Agents must understand the need for the product so they in turn can educate the consumer. Distributors must also clearly see how CI fits with other insurance and investment products. Canadian companies leading in CI sales don't necessarily have the most competitive products.

Companies that invest in training will be rewarded. I believe Canada Life's success in the Canadian market is in part due to their investment in and commitment to training in the early years.

Canada's Toronto Dominion Bank (TDB) provides other insights. According to last year's TDB annual

report, the insurer was selling 3,000 CI policies a week. Keith Leech, a CI sales consultant in Vancouver, B.C., believes there are two primary reasons for TDB's success. The first reason is that TDB producers *ask* for the sale (the ultimate purpose of any agent sales training). The second is attachment — TDB's agents are attaching the benefit to cover mortgages and personal debt. For example, if diagnosed with cancer, financial stress is reduced because the mortgage is paid and the insured can focus on recovery.

Very successful CI salespeople from the U.K., Canada, Australia, and New Zealand generally agree: Top CI producers are using the same sales concepts, which are transferable among countries. After seeing that their sales ideas have been tested for more than 20 years, I conclude that these concepts universally produce successful CI sales.

For companies entering the CI market in this early stage, there are three keys to success. First, all insurers need an associate to serve as a “product champion.” This CI champion must relentlessly promote the product and its advantages. Companies offering multiple lines may find it easier to generate business with their existing lines than to expend a tremendous amount of effort to create sales that are nearly nonexistent from a new product line.

The second key is the commitment to sales training that we have already discussed. The ultimate goal of sales training must be for both experienced and inexperienced agents to reach a high level of confidence in presenting the product and asking for the sale. Agent training must be approached very basically in order for the agent to first understand the need for CI. In my experience, it is a greater challenge to move a successful producer to comfortably present CI than for a new producer to gain that level of confidence.

Finally, a company must have a consistently strong commitment to the product. Sales will be initially slow and will require great focus and resources. The

analogy I use to illustrate this concept involves an oil exploration company — an oil corporation must invest considerable funds in working the ground before any return is realized. The same is true in the early stages of CI marketing.

We are beginning to see CI take hold in the U.S. market. The worksite market is already experiencing success with CI sales. Several smaller carriers are also having positive results with an accelerated benefit CI rider on a life insurance plan that is packaged with individual medical insurance. In addition, Met Life, AIG, and Assurity Life have entered the market this past year, and several other insurers are considering the CI market.

Based on its success in other countries, I believe CI currently offers the best marketing opportunity for our industry. Critical illness insurance also meets a need not met by any other product. Most important, CI sales provide opportunities to see the positive difference this tremendous product has made in the lives of covered individuals who have survived a critical illness. 🌐



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