FOR ADVISORS ONLY

Illustrating the flexibility of critical illness insurance

Help clients discover affordable options to cover the unexpected

Every client is unique, but they all have one thing in common, and that's the desire to protect themselves and their families from unforeseeable events. You can support clients to achieve this by showing them personalized illustrations that demonstrate how critical illness insurance can be a safeguard against the financial consequences of a significant illness.

Please use the following illustrations as examples only, and do not share them with clients.

Review the following sample illustrations

Sharpening your understanding about how critical illness insurance can meet clients' critical illness insurance needs will help you tailor a solution to protect them – now and in the future.

The situation:

You've worked with Bob (age 32) and Sue (age 28) for six years. They have a son, Henry, who's five years old and another little one on the way. Their portfolio consists of individual life insurance, disability insurance and wealth investments. Their priority needs include mortgage and income protection, as well as setting their children up for success.

When it comes to ROP, the Canada Revenue Agency (CRA) generally accepts that CI policies providing no ROP benefits are accident and sickness policies. The CRA has not provided its view regarding the taxation of critical illness insurance policies containing ROP benefits. The taxation of optional ROP benefits is subject to interpretation by the CRA.

Assumptions include standard risk in addition to those illustrated in this document.
The above examples are for illustrative purposes only and are current as of March 15, 2017. Critical illness insurance is provided by Great-West Life. Situations may vary according to specific circumstances.

Source: Great-West Life living benefits illustration software (version 5.51)

THE Great-West Life ASSURANCE COMPANY

Scenario one

I need coverage now

Clients may be too busy to review the extensive options available through critical illness insurance coverage. Or, at the time of your initial conversation, they may not have the financial resources to support more fulsome coverage options. If this is the case, suggest they consider term coverage that provides the option to convert – whenever it works best for them.

After two years, if the term is converted to permanent, it's considered a new sale with new first year commission.

The solution

Type of critical illness insurance	✔ Level age 75: 10-year renewable (Term) + critical condition plus (CCP)		
Bob (age 32)		**Sue (age 28)**	
Income*	$50,000	Income	$50,000
Coverage	$75,000	Coverage	$75,000
Monthly premium	$30.31	Monthly premium	$26.19
Combined monthly premium	**$56.50**	**% of combined income**	**0.7%**

*All references to "income" imply "annual income before tax".

This option meets Bob and Sue's protection needs because it:

- Addresses their budget limitations
- Provides income and mortgage protection
- Offers coverage that is 1.5 times their income, which is an appropriate amount based on their expenses
- Complements their disability insurance coverage
- Ensures they're covered today, with the option to convert for further coverage in the future
- Includes the option to add return of premium (ROP) at any time

Did you know loss of independent existence (LOIE), as covered in CCP, can be a cost-effective alternative to long-term care insurance?

This amount of income protection may not work for every client. Try exploring insurance options with different multipliers of the client's monthly income to ensure they are getting the amount of coverage that works best for them. If budget is a concern, consider not adding the critical condition rider.

Scenario two

Cover my needs now with protection for the future

Some clients are most concerned about providing for their young family now, but also understand coverage will help build a more stable future as their needs change.

This is your opportunity to reinforce there's still significant costs associated with recovering from a critical illness even as their children become independent.

Explore ROP to help reduce client discomfort about paying out money they may never see again.

The solution

Type of critical illness insurance

✔ Level age 75: 10-year renewable (term) + CCP and
✔ Level lifetime: paid up at age 100 + CCP with ROP age 60+

Bob (age 32)		Sue (age 28)	
Income	$50,000	Income	$50,000
Coverage	$50,000 + $25,000	Coverage	$50,000 + $25,000
Monthly premium	$53.32	Monthly premium	$43.58
Combined monthly premium	**$96.90**	**% of combined income**	**1%**

This option meets Bob and Sue's protection needs because it:

- Still addresses some of their budget limitations
- Provides financial coverage that's 1.5 times their incomes
- Offers coverage that suits their current needs, while also providing protection and flexibility for the future
- Has the potential to return some premium to the family if a claim isn't made

Remember, if multiple policies are issued for the same insured, one of the policy fees will be waived. One fee was removed from the illustrations above in Scenario two.

Only add ROP to term if the plan is to convert it to permanent coverage. If the plan is to convert a portion of the policy to permanent, encourage the client to take out two term polices – one with ROP and one without.

ROP is a great option because it returns a portion of or the entire premium paid if the client doesn't claim while providing access to coverage.

Get me coverage without affecting my cash flow

Some clients recognize their need for coverage, but they may also express concern about increasing their expenses to support premium payments. Start this conversation by asking clients, who say they can't afford critical illness insurance, if they would be interested in the protection if it didn't become an additional monthly expense. This may help you engage them in valuable conversation and help ensure they get the coverage they need.

The following example uses the premiums from scenarios one and two, with consideration of Bob and Sue's current situation, to show how they can get critical illness insurance without affecting their cash flow.

Bob and Sue's monthly payments	**Current** (before buying CI)	**Scenario one:** term CI	**Scenario two:** term CI and permanent CI with ROP
CI premiums they don't get back (polices without ROP)	$0	↑ $57	↑ $40
CI premiums they get back with ROP (if no claim is processed)	$0	$0	↑ $57
Investment contributions	$1150	↓ $1093	↓ $1053
Out-of-pocket contributions (stay the same)	**$1150**	**$1150**	**$1150**
Percent of income (stays the same)	**14%**	**14%**	**14%**
Effect on investment contributions	$1150	↓ $1093	↓ $1110

Illustration numbers were rounded to the nearest dollar amount.

The effect on investment contributions row outlines how the new critical illness insurance premiums affect Bob and Sue's investment contributions. Scenario two demonstrates if the client changes their insurance solution to purchase less term while adding ROP to some permanent insurance, they will get money back if a claim is not processed. This affects their future net worth less than scenario one, and still allows for a zero change to cash flow.

Use the Critical illness insurance affordability calculator to show clients how to get coverage without compromising their cash flow.

You can't prevent the unexpected, but you can help clients prepare for it.

Critical illness insurance is flexible enough to meet the needs of each client because it can be customized to reflect the client's unique situation. Be sure to keep your explanations simple and focus on why it's important for clients to protect themselves today.

Build awareness with client-focused resources:

- ✔ Explore strategic approaches to client objections within *You have the power: The critical illness insurance advantage*
- ✔ Find client-friendly videos and articles on criticaluncovered.ca
- ✔ Ask your insurance partners at the product solutions centre for additional resources to support critical illness insurance conversations

The Great-West Life Assurance Company

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