

Changing Benchmarks For Critical Illness

Attempt to capture 75% of advisors not selling the product

BY ROMANA KING

CICOVERAGE As of April 29, the 26 definitions currently in use by critical illness insurance in Canada are simpler to understand, easier to define and more clear and concise for both the advisor and the client.

This process was the culmination of the work conducted by the six major critical illness (CI) providers in the country who, two years ago, were disheartened and confused to learn that only 6% of the market had been tapped.

Based on their belief and confidence in the product – it provided aid in times of substantial need – the providers set out to understand why 75% of the advisor market had not embraced this living benefit product.

What they learned astounded them.

Across the country, advisors interested in offering CI to their clients had to undertake extensive spreadsheet analysis to try and understand, and compare, the numerous variations of CI in the marketplace.

The providers also learned that

these various products used different language, demanded different testimony and had used different medical measurements for the most common diseases and disabilities covered under the product.

In essence, the primary reason advisors were not selling CI was because the benchmark definitions were too complex and too varied that ease of understanding and clear communication with the client became virtually impossible.

“We realized that only 25% of advisors were comfortable selling CI,” said Helene Michaud, a spokesperson for Munich Re, one of the providers involved with redefining universal CI definitions. “We also learned that the majority of advisors were not even talking about CI, even though, as advisors, we owed it to offer this product option.”

ONLY 6% OF THE MARKET HAS BEEN TAPPED.

Michaud explains that in the 10 years since CI was introduced

many of the definitions have been updated to reflect medical advances, but that many of the providers had developed their own language and standards – and each provider was different.

“Six providers met in March 2007 to determine whether or not we could develop a set of definitions,” explains Michaud. “We purposely left out the actuaries, whose whole purpose is to talk about price and rate, because we wanted to focus on developing benchmark definitions.”

Through meetings, the six providers came up with a set of principles and began to set the framework for benchmarks rather than standardizations.

“The intent is not to standardize the definitions,” explained Michaud. “We wanted universal, easy, clear and concise definitions that didn’t require the advisor to be a medical expert, and didn’t require spreadsheet analysis but did allow for differences in what the industry could offer in their unique products.”

Michaud confesses that the process was a challenge as the “definitions are at the core of the product.”

75% OF THE ADVISOR MARKET HAS NOT EMBRACED CRITICAL ILLNESS INSURANCE.

The goal was to identify benchmarks that were clear, concise and could “stand the test of time.”

“CI is something that is meant for an event that has a significant impact. If the bar is set too high, then too few clients will benefit; if the bar is set too low, then there is pressure on the price and potential jeopardy on the feasibility of the product. It’s a delicate balance. We needed to make sure that when altering the definition we weren’t liberalizing or restricting the contract.”

While Michaud prefaces that the work of the providers was to move away from comparison and to find common ground, she offered examples to help advisors understand how the benchmarks changed the 26 definitions currently in use in Canada.

Through the process, the providers found: where one product used the word malignancy, another used the word tumour; while some

products explicitly asked for a pathologist report, others only implied it; and while some products, for example, excluded melanoma that was under 1 mm, other products excluded melanoma under 0.75 mm.

Through benchmarking we adopted the same word, same measurements and same requests across the board, said Michaud.

“Our goal was to remove the subjective claims and improve consistency across the board,” said Michaud. “We are hoping that some advisors who have stayed away will now take a second look.”

While the benchmark definitions, officially launched on Monday, April 28, are not mandatory, Michaud is confident that the industry will unanimously adopt the benchmarks.

“The response has been very positive,” said Michaud. “Several companies have already committed to adopting the benchmark definition in the near future and we are confident that more companies will adopt the benchmarks over the next few weeks and months.”

The definitions should also be available on the website of the Canadian Life and Health Insurers Association in the “next few months,” said Michaud. **AER**