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CI completes your DI plan
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If you do disability planning for your clients, then critical illness insurance (CI) needs to be considered an integral part of any complete disability insurance (DI) plan. Both policies provide financial protection for an unforeseen injury or illness and they complement each other very well. In fact, in most cases, if you are selling DI without CI, you are only covering half the problem. It is not unusual for a CI policy to pay substantial benefits for situations that do not generate any benefits from a typical quality disability policy.

As with DI, your clients need CI because they are more likely to survive a serious illness or injury today than ever before. We have been covering the "other situation" for decades with life insurance. But now more than ever, we need to plan to cover the cost of survival. It is a good news story but it has a cost. The cost of survival! Survival is often more expensive than death would have been. Your clients now survive conditions like cancer, heart attack and stroke that used to result in death claims on their life insurance policies. However, many of the costs of survival are not covered by their health insurance and can mount up to being thousands of dollars well before the DI policy starts to pay benefits. In addition, the DI policy was designed to replace the income loss and not the additional expenses caused by the survival process. Both DI and CI provide financial support for your client when a significant accident or illness strikes. They do it in different ways and fit together very well without having to coordinate benefits.

Unlike DI, CI is a lump sum payment normally made upon diagnosis of a covered condition such as cancer, heart attack, stroke, paralysis, major burns, blindness, deafness, accidental loss of speech and several other serious conditions. CI provides that "upfront money" your client will need to seek the very best treatment solution available and still have the financial peace of mind that they are not required to spend down assets to get treatment. Similar to a DI benefit, this money can be used by your client as they see fit. It does not coordinate with or offset any DI benefits or health insurance benefits. CI is a great way to "fund" a client's DI waiting period. For example, you may write a DI policy for a client with a $7,500 monthly benefit and a 90 day waiting period. But that client will not see any DI payment until at least 120 days (DI claims are always paid at the end of the claim month, so the 90 day waiting period plus first month benefits accrue). In this example, the client has a $30,000 elimination period exposure (four months x $7,500/month). A $50k CI policy would not only cover that exposure but would also provide additional money for family or medical needs long before the DI benefit kicks in to gear.

Another situation where CI compliments DI is when a client suffers a serious illness or injury, but recovers fairly quickly. This client may never satisfy the DI policy elimination period, but most likely will still have a loss of income and increased expenses of survival. For example, it is not uncommon for a client who suffers a minor heart attack to be back to work within 90 days, with several thousand dollars of expenses not covered by his health insurance. When your client questions why his DI plan has left him with all these bills, are you prepared to tell your client, "Sorry, you were not disabled long enough to collect from your disability policy and I did not do any other 'survival planning' for you?"

CI can also be used to cover other weakness and gaps in DI policies. One example would be the financial gaps that DI issue and participation limits create. As important and financially necessary as disability income coverage is to any financial plan, it can leave significant gaps for many clients. CI can fill those gaps for your affluent clients that many times can only get DI coverage for 45 percent or less of income from a domestic insurance company. It also will help those clients that are limited in the DI coverage they can get due to their occupation -- for instance, government workers, 100 percent in-home businesses, or new start up businesses with no financial track record.

Other times, there are impaired risk clients that either cannot obtain DI or can only qualify for a substandard policy. For middle to upper middle class clients, the impaired risk DI policy is normally too expensive. Sometimes these clients can be written a CI policy, particularly if the issue is current mental-nervous treatment.

Lastly, CI is a great solution for those situations that DI simply will not cover. A homemaker has no salary so cannot get DI coverage, but few will argue the negative financial impact to the family should the homemaker suffer a serious injury or illness. Pilots, flight attendants, those with no full time job but maybe two or three part time jobs, along with entertainers and artists are examples of those that traditionally cannot find DI.

CI is a natural combination sale with disability. As important as disability income insurance is, it does not make your client whole. DI provides a replacement for some percent of the lost income but it does not cover the additional cost of survival. CI is what keeps him from raiding his retirement funds and savings account or being forced to sell off assets in an untimely manner. CI completes the financial security plan. As a disability planner for your clients, you want to make sure that you are offering as complete of a solution as is available. This way when your client is disabled, you will not be faced with answering the question, "Why did you leave me partly uncovered?"

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