

CRITICAL ILLNESS INSURANCE: LEARNINGS FROM THE CANADIAN EXPERIENCE



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Introduction

In early 2020, the SCOR Canada team started to notice that whenever they spoke with their peers from the insurance industry, many expressed their observations about critical illness insurance and why this product was not as well known and sold as other insurance products. The team responded to this rising interest and launched an initiative to gain a better understanding of CI products and sales in Canada.

After extensive research and engaging internal discussions, the team then launched a multi-functional exploration of CI insurance in Canada named “CI REimagined” with objectives to:

- Modernize CI insurance products to substantially increase sales of this product in Canada.
- Improve the customer journey.
- Narrow the Canadian people’s insurance protection gap.

In this article, I share the learnings from our SCOR CI REimagined initiative.

Background

What motivated us to launch this initiative? After more than 30 years of selling CI insurance in Canada, our team felt that it was time for all of us who work in this field to stop and take a closer look at the work accomplished over those years, and how the product could be modernized to better meet consumers’ needs and expectations in the future. As mentioned in my previous article entitled “Critical Illness Insurance: What you need to know and why you should care about it” published in *ON THE RISK* in March 2022:¹ “The world has changed. Should we not evolve with it?”

After 3 decades of experience with this product, it is important, if not crucial, for our industry to continu-

Executive Summary *Critical illness (CI) insurance has been sold in Canada for more than 30 years. However, compared to life insurance, CI sales have been significantly lower. In 2020, the SCOR Canada team launched an initiative to deepen understanding and explore market-wide opportunities of CI products and sales in the current market. Participants included various CI industry players, including insurance companies, one MGA and others. As a result, a multi-functional exploration initiative of CI insurance in Canada called “CI REimagined” was launched. Its key objectives include:*

- *To modernize CI insurance products in order to substantially increase sales of this product in Canada.*
- *To improve the customer journey.*

In this article, the author shares the main learnings and conclusions from this initiative. Please also refer to her previous article entitled “Critical Illness Insurance: What you need to know and why you should care about it,” published in ON THE RISK in March 2022, for additional detailed information about CI insurance products in Canada.

ously review our product portfolios and ensure that they continue to be relevant for consumers. After all, is it not why we are in this business? To protect lives and provide financial support in time of need? To provide peace of mind? I see the optimization of our product offering as one of our many important responsibilities as insurers and reinsurers. Hopefully, you will find the information contained in this article both inspiring and valuable.

What Is CI REimagined?

CI REimagined is SCOR Canada’s in-depth exploration of CI insurance’s current and future potential.

When we designed this initiative, we wanted to understand the views of CI insurance professionals from various functions and from as many insurance carriers as possible. We spoke with more than 80 insurance professionals from 11 different insurance companies and one MGA. This represented the majority of insurance carriers who sell individual CI insurance in Canada, and they were all well represented during our discussions. We also had good participant representation from different functional areas including product development, pricing, underwriting, claims, distribution and sales.

During the exploratory sessions, we covered various key topics such as:

- The value of the product
- The needs of consumers
- Pain points and challenges
- Canadian Life and Health benchmark CI definitions²
- Emerging risks
- Education and promotion

First, I believe it is important to mention that 96% of all participants told us that they believe CI insurance is an important product - it has its place in their portfolios and it brings value to consumers. Very interestingly, however, when asked to share one word that came to mind when they thought about CI insurance, here is what we heard:



This is very telling. If we, as CI professionals and experts in Canada, feel this way about our own products, imagine what consumers and advisors might think! This word cloud shows us that there is a lot of room for improvement. This should not deter us from selling this product, but it should make us pause and review our approach. Ninety-six percent of participants believe that this product is valuable, but they

also recognize that it comes with many challenges to sell! But don't they say, "Where there is a challenge, there is an opportunity?" This is where the fun begins, there are lots of opportunities for us to improve this product and close the protection gap.

Pain Points and Challenges

As reinsurers, we don't always have the chance to discuss with advisors and distribution professionals. It was a privilege for us to have a chance to sit with many of them and get to understand their perspectives and perceptions of CI insurance.

Many of them see the value of the product, but they also see it as a potential liability. Many hesitate to sell this product because:

- The product is expensive and complex.
- The product is difficult to understand and explain to potential clients.
- Clients (potential or insureds) do not understand the product.
- The product has received negative press coverage.
- They fear:
 - Losing face if a client asks them a question that they cannot answer.
 - A bad experience at time of underwriting or claim.
 - Selling the wrong product.
 - That their relationship with their clients might be negatively affected if something goes wrong.

This was very enlightening information for our team. As an insurance carrier or reinsurer, you may think that you have developed a wonderful product that will be easy to sell and that will fill the consumers' needs, but if the people responsible for distribution and sales of the product do not understand your products and are afraid of them, what good is it to you and your company?

It is a humbling experience and points out the importance of communication and of staying close to the field. Before launching a new product, we need to ensure that it is well understood by our advisors and distribution partners, that they believe it is valuable to their clients, and that they feel confident selling it.

We Care

After spending hours discussing CI with the participants, I felt very proud of our industry. Through our products, we wish to offer peace of mind. However, let's not be afraid to say that our industry is often misunderstood by many people, including our customers. While listening to our colleagues, it was clear that we care about the end-customers and about their experience when dealing with us. Unfortunately, it does not

always appear this way from the perspective of people who do not understand insurance. Most participants agreed that when talking about CI insurance, we need a more customer-focused approach.

A more customer-focused approach includes using simpler wording. Logically, insureds and policyholders should be able to understand the product they buy and so should the advisor who sells it to them. As easy as it may sound, using simpler wording is a very complicated and challenging thing. Particularly when it comes to CI insurance, where we are defining medical conditions or medical procedures, trying to use layman’s language as opposed to medical terminology is difficult and ambitious.

We always aim to make our definitions and general contract language as clear as possible. Using medical terminology makes our definitions clear - to doctors, underwriters and claims analysts, but not always to

advisors and their clients. How can we address this while still mitigating risk and avoiding litigation due to ambiguous wording? Certainly, this is one of the crucial elements of our findings, and we do not claim to have all the answers. We should not expect or assume that treating physicians will step in to explain our policy contracts to our insureds; it is not reasonable for us to do so.

Another key finding that came out of our discussions with participants was that CI definitions should focus more on the outcomes and consequences of an illness rather than the diagnosis itself. This is a valid point, as we can see some discrepancies between certain definitions. For example, if you compare the Canadian Life and Health Insurance Association definitions for heart attack and for stroke as indicated below, you will see that heart attack is mainly based on diagnostic criteria, while the stroke definition is based on both diagnostic criteria and outcome.

	Heart Attack	Stroke
Definition	<p>A definite diagnosis of the death of heart muscle due to obstruction of blood flow, that results in:</p> <p>Rise and fall of biochemical cardiac markers to levels considered diagnostic of myocardial infarction, with at least one of the following:</p> <ul style="list-style-type: none"> • Heart attack symptoms. • New electrocardiogram (ECG) changes consistent with a heart attack. • Development of new Q waves during or immediately following an intra-arterial cardiac procedure including, but not limited to, coronary angiography and coronary angioplasty. <p>The diagnosis of heart attack must be made by a specialist.</p>	<p>A definite diagnosis of an acute cerebrovascular event caused by intra-cranial thrombosis or haemorrhage, or embolism from an extra-cranial source, with:</p> <ul style="list-style-type: none"> • Acute onset of new neurological symptoms, and • New objective neurological deficits on clinical examination, persisting for more than 30 days following the date of diagnosis. These new symptoms and deficits must be corroborated by diagnostic imaging testing. <p>The diagnosis of stroke must be made by a specialist.</p>
Exclusions	<p>No benefit will be payable under this condition for:</p> <ul style="list-style-type: none"> • Elevated biochemical cardiac markers as a result of an intra-arterial cardiac procedure including, but not limited to, coronary angiography and coronary angioplasty, in the absence of new Q waves, or • ECG changes suggesting a prior myocardial infarction, which do not meet the heart attack definition as described above.² 	<p>No benefit will be payable under this condition for:</p> <ul style="list-style-type: none"> • Transient ischaemic attacks, or • Intracerebral vascular events due to trauma, or • Lacunar infarcts which do not meet the definition of stroke as described above.²

It is not uncommon for Canadian insurance carriers to pay a CI insurance benefit to an insured who has suffered a heart attack resulting in only a brief period of disability (e.g., a month or less), while having to deny a benefit to an insured who has suffered a stroke because their only lasting symptoms are headaches and fatigue, which while being debilitating and resulting in long-term disability, are not considered as “new objective neurological deficits on clinical examination.”

When thinking about CI insurance, we must go back to the essence of the product and the reason it was designed in the first place, which is to provide insurance coverage after a person suffers a critical illness. Is it fair that someone who suffers a heart attack with little to no lasting symptoms or negative outcomes be paid a full benefit, while someone who suffers a stroke with lasting debilitating symptoms doesn't? It is at least worth asking ourselves the question. These two definitions are one example of the need for us to ensure that all definitions provide a better alignment between the severity of the covered condition and the benefit that is payable.

Another aspect of the product that could be improved is partial benefits. In Canada, the following are covered conditions that we see being offered by most insurance carriers and for which a full benefit is payable:

1. Aortic Surgery
2. Aplastic Anemia
3. Bacterial Meningitis
4. Benign Brain Tumor
5. Blindness
6. Cancer (Life-Threatening)
7. Coma
8. Coronary Angioplasty (partial payment)
9. Coronary Artery Bypass Surgery
10. Deafness
11. Dementia, including Alzheimer's Disease
12. Heart Attack
13. Heart Valve Replacement or Repair
14. Kidney Failure
15. Loss of Independent Existence
16. Loss of Limbs
17. Loss of Speech
18. Major Organ Failure on Waiting List
19. Major Organ Transplant
20. Motor Neuron Disease
21. Multiple Sclerosis
22. Occupational HIV Infection
23. Paralysis
24. Parkinson's Disease and Specified Atypical Parkinsonian Disorders
25. Severe Burns
26. Stroke

A few companies now also cover Acquired Brain Injuries.

The following are conditions covered on a partial basis in the Canadian market:

- Coronary Angioplasty
- Non-Life-Threatening Cancers:
 - Early-Stage Breast Cancer
 - Early-Stage Prostate Cancer
 - Early-Stage Skin Cancer
 - Early-Stage Thyroid Cancer
 - Early-Stage Chronic Lymphocytic Leukemia
 - Early-Stage Gastrointestinal Stromal Tumor
 - Grade 1 Neuro-Endocrine Tumor (Carcinoid)

You can see that the list of conditions covered on a partial basis represents illnesses that are generally less severe and for which most people would benefit from a quick recovery. However, you probably noticed that the list is also quite limited. Would it be possible for us to add a few conditions to it?

When a person receives a diagnosis of stroke, for example, regardless of their condition's severity and extent of recovery, they believe they have suffered a critical illness. Their advisor has sold them an insurance policy telling them that it would pay a benefit if they suffered a stroke, which is a critical illness covered by their policy contract. When a claim is denied because the insurer indicates that their stroke “does not meet the definition as written in the policy contract” - despite being diagnosed with a stroke and treated for a stroke by their physician - advisors and insureds do not understand.

The name of the product itself, “critical illness,” creates an expectation that if people get one of the listed conditions, they will receive a benefit payment. We work in insurance, so we understand how it works. But we have to remember that most people don't. Of course, there are cases that clearly fall outside of the policy wording, and that is unavoidable. However, could we not make CI insurance more consumer-centric to improve the experience of both customers and advisors, while still mitigating risks and having profitable products? We could review at least some of the definitions to rearrange what full and partial benefits could look like to ensure better alignment between the severity of the conditions and the benefit payable, while trying to find a way to pay more often, even if it means a smaller percentage of the face amount.

A better catch-all definition was also suggested as one way to increase customer satisfaction and to satisfy advisors that CI insurance is a product that will truly

offer protection to their clients should they suffer a catastrophic illness or injury. The pandemic has been an eye-opener to many of us. Prior to 2020, few of us worried about ending up in the intensive care unit (ICU). Then came COVID-19. We all became aware of ICU and the long-term risks associated with being on a respirator. Unfortunately, more people than usual had to go through this type of situation, and many became disabled for a long time after it, arguing that they suffered a critical illness. Yet, if you take a close look at CI insurance policy contracts in Canada, you will not find ICU as a definition resulting in a benefit payment, whether full or partial. “How could this be possible?” people were asking. If you look at CI products from the UK and Australia, you will see that a stay in the ICU is often covered.

The only catch-all definition in Canadian CI policies is for “Loss of Independent Existence,” which can be perceived as quite restrictive, as it requires the total inability to perform, by oneself, at least two (or three) out of six activities of daily living (ADLs) for a continuous period of at least 90 days with no reasonable chance of recovery. The spectrum is quite large between being ill and meeting this definition. This criterion is not easily met. When looking at CI products in other markets such as the UK, South Africa and Australia, we can see that they have tried addressing this issue. Some carriers cover ICU visits, while others will also cover total permanent disability.

Education and Promotion

Finally, the one topic that most, if not all, participants agreed on is recognition that CI products are more complex and difficult to understand than life or disability insurance by their nature. It is imperative that we provide more opportunities for training for advisors and distribution partners. The participants from these two important functions made it clear to us that many of them do not feel comfortable selling this product because they are not confident in their ability to understand and therefore explain the coverage to their customers. It is our responsibility to provide them with better training materials, opportunities for webinars, training sessions and so on, to enable them to sell this important product.

Interestingly, when talking to the participants from an MGA, they indicated the need for “neutral” information. A website or documentation published by an industry body and not an insurance company would be perceived as neutral information rather than sales material. I am proud to report that the Canadian industry has already acted on this. The Canadian Life and Health Insurance Association has created a

new working group dedicated to creating educational materials about CI insurance which will be made available on its website as soon as it is ready to be published. Many industry members have already volunteered to work on this committee. A good example of us all getting together to improve the services we offer consumers and advisors!

As far as promotion goes, what we learn is this: Those who talk about it sell it! This applies to both insurance carriers and advisors. So, let’s start a conversation!

What Next?

When CI products were developed and launched 25-30 years ago, we had the best intentions, but this product was new to us. It was new to everyone in the world back then. We are now many years later and have considerably more experience than we did back then. What can we do to make this product better so that more individuals can benefit from this excellent product, which could make a world of a difference in someone’s life should they or someone from their family suffer from a catastrophic illness or injury?

We are at a turning point. Now that we have taken the time to understand our pain points and challenges, we must decide where we go from here. Do we pull up our sleeves and work on products to make them more accessible or do we choose the status quo? This is always the question when it comes to CI insurance.

For now, the CI products represent much less volume and income than life insurance, so few resources are attached to it. It is like the chicken or the egg question: If we don’t invest, we can’t expect significant improvements in perception of the product that could result in higher sales. It is my hope that this article will convince you that if we all put our minds to it, we can make CI insurance better and more accessible to those who need it.

If there is one thing that I know for sure, it is that our industry, not only in North America, but also around the globe, includes great minds and amazing experts. If we all put our heads together, certainly we can come up with solutions to most of the challenges listed in this article. We do not have to reinvent the wheel; many of those solutions have already been thought of and put in place by carriers in other markets. Why not do some research and reach out to them? In my experience, most people will be more than happy to help you, unless you ask a direct competitor in your own market, of course.

Notes

1. *ON THE RISK*, Journal of the Academy of Life Underwriting, March 2022.

2. Canadian Life and Health Insurance Association Inc., Reference Document: Critical Illness Benchmark Definitions (CIBD), (October 2013).

About the Author

Sophie Clément began her insurance career as an underwriter in 1996. In 2010, she became Chief Underwriter for Living Benefits at one of the largest reinsurers in North America, and then became more and more involved in the development of living benefits products. Sophie has been at SCOR since 2018 as a member of the Business Development team, working closely with her underwriting, claims and pricing colleagues. She is passionate about living benefits and enjoys sharing her knowledge with her clients and peers. She lives with her husband, two daughters and her adorable dog Mookie Betts, whose name was picked by her husband, a baseball fanatic.