

Group critical illness earns goodwill for employers

Adding group critical illness to a benefits plan is an excellent employee relations investment for an employer, believes Mark Halpern, CFP and president of Markham-Ontario based *illnessPROTECTION.com*.

In an interview with *The Insurance and Investment Journal* Mr. Halpern, who is one of Canada's top critical illness insurance (CI) sales people, said "I believe that CI is probably the best PR protection product that a corporate employer could have."

He illustrated this statement with the example of an employee who has a heart attack and collects a \$25,000 or \$50,000 benefit. "Imagine this person talking around the watercooler, 'I got this \$50,000', whereas imagine if they didn't have the CI..." In that scenario the employee might be saying, "What am I going to do? I am not sick enough to start collecting long term disability benefits..."

Without CI coverage, perhaps the employer would be charitable and just float this employee some money, "but in this economy, people are not just floating money to their employees, so CI definitely plays an important role," says Mr. Halpern.

Huge potential

He adds that group CI is a growing part of his practice and he believes the group CI market in general offers huge potential to those advisors working in the group benefits market or to those specializing in CI.

"I think we've just scratched the surface with it. The last two years have seen the biggest jump. As CI becomes more mainstream, people are going to be asking for it. And I really think that's the key, the employee or the employer has to realize they have a certain amount of exposure there in not having it."

As awareness increases about this product, Mr. Halpern says employees are beginning to realize that they have a greater chance of collecting on a critical illness policy than on long term disability insurance, which has a long waiting period. "Really the question is...how many people know someone in their circle that had a heart attack? Eighty per cent of the time people who have heart attacks don't die, but they are also not sick enough to qualify for this 90 day or 120 day waiting period to receive money."

He adds that the CI benefit does not have to be large to make a difference to a sick employee. "My kind of benchmark is an amount to pay for a year's worth of mortgage



Mark Halpern

payments, or perhaps to replace a year's worth of salary. If you did that then perhaps somebody could focus on getting better as opposed to worrying about money."

Two ways to sell

Group CI is typically sold in an annual renewable type of arrangement much like group life or group disability, Mr. Halpern explains. Rates are based on the size of the employee population, their age, demographics, male-female skews, etc. These policies are generally for smaller face amounts ranging between \$10,000 to \$25,000. For executives this amount could be higher.

Mr. Halpern sees some challenges with these products, in particular the annual renewable rates. "Rates are definitely going to go up which will make it harder for employers and employees to justify paying for this important protection." As rates climb,

individuals may see less benefit in group CI which is a big mistake. "Most people have a family member or know a family that has an experience with cancer, heart attack, stroke or worse. The key is in making it affordable for everybody."

This is why Mr. Halpern often chooses to sell small individual CI policies to members within a group. "There are some guaranteed standard issue (GSI) type policies that are available through RBC Insurance. They are actually individual CI policies sold on a guaranteed basis but on a group platform."

"My kind of benchmark is an amount to pay for a year's worth of mortgage payments, or perhaps to replace a year's worth of salary."

— Mark Halpern

GSI policies are completely portable if an employee should ever leave the company. The rates are locked in forever and actually have a rider that will allow you to change it from CI to LTC down the road."

These products are sold on a group basis, i.e., for every 10 lives, you can get \$10,000 of guaranteed issue insurance. Coverage amounts max out at \$150,000.

Mr. Halpern sees more value in a guaranteed standard issue policy over traditional group CI, although to most advisors this might be a more costly alternative. However, there are ways to save money in other areas of the group plan, which can then be allocated to the CI benefit. An advisor may want to team up with a group consultant who may be able to leverage their book of business or coordinate the benefits to find such savings.

Another way to free up money to cover the cost of CI is through tax savings, adds Mr. Halpern. "The good news about critical illness insurance as well is that it does qualify much better from a tax point of view than long-term disability or life insurance." If set up properly, the individual employee could have the premiums deducted from his salary on a gross basis as opposed to a net basis. As a result, the benefit would be received tax free, explains Mr. Halpern. "So in just the tax savings alone, you're almost getting free coverage and that of course is not something that every group person knows about."

Donna Glasgow

Reproduced and distributed with the permission of
The Insurance and Investment Journal