

# Packaging Medical and Critical Illness Insurance

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By Ken Smith

## I. COST DRIVERS CREATE OPPORTUNITY

Think about 3 questions:

1. Do you think ASA was a mess in 2013-2014?
2. How do you feel about commission reduction as a result of ACA?
3. Is there still opportunity for you in the individual health insurance market?

I would guess that you answered yes to question #1. For question #2 you are not happy about it & you feel like you are doing more work and earning less. For question #3, many of you probably answered no.

I would answer question # 3, “yes.” The purpose of this paper is to share my thoughts on the opportunity.

When I first started in the business, I remember talking with some of the then old timers in the business who were around when Medicare was passed in 1965. They said everyone believed that was the end of the health insurance market for seniors. Fifty years later there are agents, agencies, & carriers focused on a large health insurance market with Medicare supplements & Medicare advantage plans – a market that was supposed to be nonexistent fifty years ago.

I’ve watched a number of health agents leave the business this last year. I have estimates of 20-25% full-time individual health insurance agents leave the business. I’ve also seen health agencies discontinue operations or shrink during the last year.

I don’t think anyone would say 2013-2014 was easy but there are agents and agencies who are succeeding.

I believe there is opportunity in choosing if we are willing to adapt. I think of a Charles Darwin quote, “In the struggle for survival, the fittest win out at the expense of their rivals because they succeed in adapting themselves best to their environment”.

## II. PACKAGING MEDICAL AND CRITICAL ILLNESS

You're thinking, where's the opportunity: packaging accident expense & critical illness together with health insurance? Based on my discussions with health insurance agents only about 50% are doing this.

First, why would I include an accident plan for my clients?

With higher deductibles & out of pocket expenses exposure, how many of your clients can write a check for \$10,000?

If they have \$10,000 in savings that money may be earmarked for something.

Wouldn't it be easier to budget \$2 a day & know that if accidents happen the expenses will be covered?

Why a critical illness plan?

When someone faces a critical illness such as cancer, heart attack, or stroke, not only do they face deductibles & out of pocket expenses, they face many other costs not covered by health insurance.

What are those costs?

- ✓ Accessing medication not covered by health insurance
- ✓ Travel costs- if someone is diagnosed with cancer they want to be treated by experts
- ✓ Loss of income- not only does the person suffering a critical illness suffer loss of income but the spouse or family member has to take time off to take them for treatment
- ✓ Costs to retrofit a car or home
- ✓ Comforts during treatment

## III. PRODUCT POSITIONING

In the UK, 25% of the working population owns a critical illness plan. When I ask why they purchased, most will respond, "because of national health care in the UK". That's not the reason!

60-65% purchased as mortgage protection. If you think about it, as an industry, we are successfully selling life insurance to protect mortgages but think about it,

what's more likely to happen while you're paying on your mortgage, death or critical illness?

Think about covering two years of mortgage payments. Then ask, would it reduce your financial stress if you are diagnosed with cancer and your mortgage was paid for two years?

Answer these 4 questions:

- 1) Who do you know who has been diagnosed with cancer, had a heart attack or stroke?
- 2) Was it expected?
- 3) Was there unplanned emotional or financial stress on the family?
- 4) Would cash have helped?

The 4 questions take a prospect through the need for a critical illness protection.

We need to change our focus from product & price to solving problems.

Last year 20 million ¼ inch drill bits were sold. How many people wanted to buy a drill bit? The answer is NONE.

No one wanted to buy a drill bit. They had a problem, what they needed was a hole. The reason they purchased the drill bit was to solve the problem.

The same is true with health insurance. They want to solve a problem. ????

Does health insurance alone solve that problem?

Would your prospect rather work with someone who sells products or solves problems?

#### IV. QUESTIONS TO ASK

Questions are the best way to help prospects see they have a problem that they can solve. Here are some questions.

- 1) If you were to exceed your deductible, what do you think would be the reason?
- 2) How do you think you'll reach that large out of pocket maximum?
- 3) If you had an unforeseen accident or critical illness, would you be able to cover out of pocket expenses over \$10,000?

4) Would you like to learn a way to cover bills & other expenses if you had a break in pay because of critical illness or accident?

From there it is simple . . .give them two options. One option with and another without and let them choose.

## V. EXAMPLES

Let me share with you an example

Option #1 Gold Plan

Premium \$1,298.54

Option #2 Silver Plan with a \$25,000 accident plan & a \$40,000 critical illness plan

Premium \$1,276.05

Simple??

## VI. WII-FM

Now it's time to tune into your favorite station WIIFM.

Here's the best part, not only have you reduced the prospects exposure & provided more complete protection, you will increase your income.

3% commission on health insurance

Under option 1, you will earn \$487. Under option 2, you will earn \$1,490.

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