

Dearborn National[®] responds to market changes with unique critical illness benefit

By Bruce Shutan

Many people don't realize the substantial costs associated with a critical illness even when they have health insurance. Consider the deductibles and co-payments as well as non-covered medical expenses. Then throw in non-medical costs such as child care and lost salary of either the person suffering from the critical illness or a spouse who takes time off to serve as a caregiver, and even home maintenance one is unable to perform. Just the loss of a few weeks of income after battling cancer, heart attack or stroke would spell financial ruin for most.

"Medical expenses are one of the most common causes of bankruptcy," explains Craig Nordyke, vice president and chief actuary for Dearborn National, referencing an American Journal of Medicine study.¹

However, Dearborn National's new Critical Illness Benefit provides employees a critical layer of financial protection and another arrow in the quiver for brokers and consultants who are looking to expand their product portfolio.

High deductible health care plans help fuel critical illness insurance sales

Critical illness insurance sales soared 40% last year – even in a sluggish economy, according to a Gen Re survey.² Among the possible factors driving growth are high-deductible health plans as employers seek to shake off the effects of a weak economy by lowering their costs. This may result in coverage gaps for those who would face higher out-of-pocket expenses in the event of a critical illness. Additional "gaps" could result when an individual is unable to work as a result of a critical illness.

"If you don't have disability coverage, you may want to view this product as filling some of that disability gap," notes Nordyke. "So there's some income replacement potential."

Critical illness insurance helps fill these medical and non-medical gaps.

Health care reform creates opportunity for critical illness insurance

There's no doubt that health care reform has elevated the discussion of critical illness insurance. The role of critical illness insurance could become far more prominent for brokers and agents when the full effects of health care reform begin to impact employers' buying decisions for their employee benefits.

For brokers and agents selling medical coverage, critical illness is a logical – and timely – addition to their sales portfolio. Critical illness coverage provides an answer to the concerns health care reform has raised for those offering a group medical plan benefit.

Unique plan design offers two benefits in one

The Dearborn National Critical Illness Benefit is designed on a group chassis that offers clear advantages, including guaranteed issue, pricing and portability. Where Dearborn National distinguishes its product from the competition is by including it as a rider to a life insurance contract. Insureds maintain a life insurance benefit in the event a critical illness doesn't occur or for any remaining amount not paid out as a critical illness benefit.

"That is actually unique from what we can tell in terms of plan design," Nordyke says.

Another noteworthy feature is the built-in flexibility that allows employers to remove one of the covered conditions and adjust the price of the policy accordingly. This arrangement would be beneficial in the event an employer already offers a cancer policy, eliminating any redundant coverage, not to mention resulting in more favorable pricing.

The product will be offered to employers on a voluntary or employer-paid basis.

A simple concept, a simple sale

Experience alone nearly explains the need for critical

illness insurance. It would be rare to find someone who hasn't had a friend or relative who has suffered from cancer or other critical illnesses. Once you identify the gaps left by high deductible health plans and non-medical expenses, the concept becomes clear.

"It's a fairly simple concept," Nordyke states. "You determine how much expense you would incur with a critical illness, and that determines your benefit selection along with premium affordability."

The simple concept is certainly passing the litmus test in the Dearborn National distribution system. Nordyke reports that two-thirds of predominantly group producers who were polled about this product at a recent conference sponsored by Dearborn National found that it filled a significant gap in their portfolio.

The Critical Illness Benefit may not be available in all states.

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¹ David U. Himmelstein, MD; Deborah Thorne, PHD; Elizabeth Warren, JD; Steffie Woolhandler, MD, MPH, "Medical Bankruptcy in the United States, 2007: Results of a National Study," *The American Journal of Medicine*, June 5, 2009, accessed on April 12, 2011

² *Gen Re 2010 Critical Illness Insurance Market Survey. The survey was a compilation of all critical illness policies.*

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