

## Insurance: Simple, but costly

### Research shows clients want a faster process

By Megan Harman | April 2015

**Life insurance companies** are expanding their "simplified issue" life insurance products in an effort to win the business of both clients who want a quicker, easier way of buying insurance and financial advisors who want a faster sales process.

However, advisors warn, by oversimplifying the process, clients could end up with expensive coverage that doesn't meet their needs effectively.

Certain insurers have long offered guaranteed issued insurance for clients who may not qualify for fully underwritten coverage, allowing those clients to secure limited amounts of coverage without a medical exam. Now, a growing number of insurers are introducing simplified issue products with higher levels of coverage designed for clients who are healthy but want to avoid the lengthy application and underwriting process associated with traditional life insurance policies.

"Our research with advisors and clients [revealed] the need for a product that's simpler to apply for and issue - a faster process," says Stephen Carter, senior vice president of product management and development with **BMO Life Assurance Co.** in Toronto. "They're looking to be able to buy something quickly without going through a lot of hassle in terms of long applications and medical testing."

BMO Life launched two new simplified issue insurance policies last September: insureNOW, a "term to age 65" life policy available to clients between the ages of 18 and 49; and insureNOW Plus, which has the same features plus critical illness (CI) and accidental disability coverage.

These two policies can be issued within a few days of submitting an application based on a series of medical questions rather than on a full medical exam. Coverage ranges from \$50,000 to \$250,000.

"[These policies] are targeted at younger individuals who are healthy and who want a fast and easy way to buy up to \$250,000 of insurance," says Carter. "[These products] really are starter personal life insurance policies."

Toronto-based **Canada Protection Plan Inc.** (CPP), which specializes in simplified issue policies for clients who are hard to insure, also is expanding its product lineup. In late March, the company was expected to launch a new category of simplified issue coverage for clients who meet a higher threshold of underwriting criteria.

CPP clients will be able to get as much as \$500,000 in coverage with minimal underwriting, up from the firm's current limit of \$300,000, and the premiums will be less expensive compared with CPP's existing policies.

"Traditionally, CPP's focus was in the higher-risk category. But we're expanding our horizons and going to a healthier clientele, as well, while still offering 'no medical' coverage," says Michael Aziz, vice president of sales with CPP. "[The new product] is for people who are a little bit healthier, but who want to get their policy issued quickly and don't necessarily want to be poked and prodded and have to wait for an attending physician statement."

The process of getting a traditional life insurance policy certainly can be lengthy, often involving two or more meetings between an advisor and client, plus medical underwriting, then an average waiting period of 35 days before a policy is issued.

A quicker buying process is likely to resonate with some clients. "Generation X and the post-boomers don't have a lot of

time," says Mark Halpern, certified financial planner and president of *illnessPROTECTION.com Inc.* in Markham, Ont. "We live in a time of instant gratification, so we want something right away."

The prospect of a medical exam also deters some clients from seeking traditional policies, even though an exam typically is far less invasive than clients realize. Although clients might like the idea of skipping that process, however, simplified issue policies aren't necessarily the best alternative. Their premiums often are substantially higher when compared with traditional policies and coverage levels are lower on simplified issue policies, which often have more limitations and fewer features and options.

"[Simplified issue] policies tend to be inferior in comparison [with traditional policies]," says Brian Shumak, an independent certified financial planner and owner of Brian Shumak Financial Services in Toronto. He believes simplified issue policies should be considered only as a secondary option for clients who have a medical condition that prevents them from getting traditional coverage.

"Even if you're in poor health," Shumak says, "it doesn't mean that you can't qualify [for traditional coverage] at a better rate, with more flexibility and more options."

Simplified issue policies also bear a higher risk of denied claims compared with traditional policies. The insurer typically reviews the policyholder's medical history at the time of a claim, and if any inaccuracies on the original application are discovered later, the claim can be denied.

"There is a very good possibility that these policies might not get paid," says Halpern.

However, Aziz notes, CPP paid out 97.5% of non-contestable claims in 2014.

Although simplified issue policies are available through advisors as well as through direct channels, Carter says, most advisors prefer to sell traditional, fully underwritten insurance. However, he adds, some advisors have embraced BMO's insureNOW products, particularly for clients with very basic insurance needs.

And Carter expects sales to grow: "It's a fast sale for the advisor; you're not waiting for 30 to 40 days for the policy. I think there's some appeal there to the advisor, particularly for smaller amounts of coverage."

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