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Why Critical Illness Insurance Should Change

Cancer, heart attack and stroke are the three most common types of claims filed for critical illness insurance. This fact hasn't really changed since its introduction to the U.S. market. And yet, today, a third of all claims are denied.¹ Why?

No one likes to hear comments from a client that his employees are not getting the value they expect out of a product offered. After all, carriers believe they are providing quality products at a fair price. But because of advances in medicine, quicker treatment options, and increasing adoption of preventive measures, illnesses are being diagnosed faster, and typical critical illness products are not equipped to handle this dynamic. Early diagnoses may not trigger a benefit, and claims may be denied. Policy language remains solely focused on the seriously ill, with little benefit offered for those who remain healthy or act proactively to identify an illness at an early, treatable stage.

New consumer-focused research shows that what consumers want in a critical illness policy is actually vastly different from what is offered today. This includes more coverage for early stage illnesses and more options that encourage them to stay healthy. Consumers are gaining a larger voice, and purchase decisions will be based on how well a policy meets their specific situation and needs. So why hasn't the market listened?

Uncovering what consumers think prior to product development is a new concept

for our industry, and listening has benefits for carriers, brokers and employers.

Support for the Healthy to Remain Healthy

Most carriers provide a benefit only to those who are seriously ill with little focus on prevention. Sixty-one percent of consumers said they want more support for preventive measures that may help them avoid illness. Forty-three percent said they would even pay for a genetic testing benefit.²

Conclusion: Consumers want a way to mitigate the risk of serious illness with benefits for screenings, and preventive and genetic tests without having to choose one or the other. They want to know their family history and risks. Many say they wish they would have known what to do before their illness, to help prevent it from happening. Future products need to be created with the idea of providing more benefits throughout a policyholder's lifetime to help keep individuals healthy.

Coverage for the Full Scope of the Illness

Not many contracts today cover early stage diagnoses, which could account for the high percentage of denied claims. Policies do not pay for early indicators of illness. Fifty-six percent of consumers say they want to know they are covered from the first sign of a potential illness (an early indicator) through any stage of

(Continued on page 36)

Kraft

(Continued from page 34)

their diagnosis (early to late).³

Conclusion: Today, a serious illness is diagnosed in more people at an earlier stage than ever before. It doesn't matter how early on that diagnosis comes, these people expect to be covered. Of all claim denials, 63 percent are from conditions not being covered or definitions, which trigger the benefit, not being met.⁴ If the medical world has shifted toward early indication, so should critical illness insurance.

A Focus on the Conditions that Matter

Most worksite carriers cover 10 or more "other" conditions, which can be anything from anthrax to Rocky Mountain spotted fever. These can be added to the covered conditions list and can directly increase the cost to the consumer. Only about 10 percent of consumers are ever paid a benefit for these random conditions, yet the addition of these conditions to the covered conditions list increases their premiums.⁵ Consumers want a more affordable alternative for their base policy with an increased focus on the conditions that matter—heart attack, stroke and cancer—which account for 90 percent of all critical illness claims.⁶

Conclusion: Consumers want more out of their base policy, including better coverage for conditions most likely to be

experienced. A long covered conditions list can be a good idea, but it's not for everyone—especially if the conditions that are being added are not often utilized and provide little value, which in turn makes the product less desirable and more expensive.

Financial and Educational Support for Caregivers

Carriers today do not offer a financial benefit for caregivers—those who care for a loved one with a critical illness. And yet caregivers can typically be the person researching second opinions and treatment options. Although carriers do not offer a paid benefit, a few offer access to a second opinion service—but that offering is limited. Consumers overwhelmingly said that after diagnosis, they want information, prognosis and treatment options readily available. Consumers said their interest in owning a policy would increase with a second opinion service (54 percent) and a benefit for caregivers (55 percent).⁷

Conclusion: Caregivers have been a neglected but important audience. Consumers in this situation need and want help, and they are searching for options in the marketplace. Caregivers are equally as interested in a product that has these

features as someone personally diagnosed with a critical illness.

Less Uncertainty Surrounding Coverage

Most carriers have separation periods for illnesses and may pay a benefit for previously diagnosed conditions, but that benefit is reduced. Consumers don't want to be confused as to if and when they can receive payment. They also want to be able to receive a benefit, even if the same condition has been diagnosed, without any confusion as to how much will be paid.

Conclusion: Contract language and separation periods are confusing to consumers. They don't want to jump through hoops just to understand if they are going to receive a benefit. To a policyholder, cancer is not "in-situ"; it's stage one, two, three or four. Contracts need to be updated based on how illnesses are discussed and diagnosed today, and the steps to receive a benefit under the policy needs to be easy to understand.

So with all the advances that have happened in health care, why has critical illness insurance not changed with it? Consumer expectations have evolved as people are surviving serious illnesses at much higher rates. Today's consumers are looking for more value from a critical illness product and how it impacts themselves and those they love. They want a policy that will span the spectrum of their health experience—from prevention through diagnosis and treatment.

Consumers clearly have a lot to share with our industry, and it's time we started listening. 🗣️

Footnotes:

1. Gen Re. U.S. Critical Illness Insurance Market Survey. 2013/2014.
2. Nationwide survey of 200 individuals, May 2013.
3. Nationwide survey of 750 individuals, January and February 2012.
4. Gen Re. U.S. Critical Illness Insurance Market Survey. 2013/2014.
5. Ibid.
6. Ibid.
7. Nationwide survey of 750 individuals, January and February 2012.

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