

# Benefiting from living benefits

Simplifying under-utilized products can be a boon for you and your clients. Here's how to get your conversation on the right track.

BY MATT PAIS

**S**hawn R. Bjornsson, CPCA, is a general practitioner and financial planner who wants to focus more on living benefits like disability insurance and critical illness coverage for his clients, primarily couples between the ages of 35 and 55 with kids. Corry Collins, CLU, CH.F.C., has made those products and their relevance to physicians the core of his practice for the last 27 years.

So it only made sense to have Bjornsson, a 19-year MDRT member from Winnipeg, Manitoba, Canada, interview Collins, a 16-year MDRT member from Halifax, Nova Scotia, Canada, for guidance and expertise. Here is an edited version of their correspondence.

## How do you strike up the conversation with clients to discuss living benefits?

That's easy. When you describe to your client what it is you do, prepare something like this: "As a financial planner, I work with my clients and their families to set realistic financial goals and then help them reach those targets, including retirement. In the process, we protect our clients from the risk of things that will potentially stop their plans, such as death, disability and critical illness." If you don't put it on the table, the client won't either.

## All insurance products are important, but clients only have so much money available for premiums. How do you decide what to address first? Or do you suggest just a little of all the products?

I suggest to the client there are four things that



could cut off their income, and one of them is sure to. You might live too long, die too soon, become disabled or have a critical illness. Each one will impact earned income.

Then I ask, “In your life right now, prioritize these four problems by which one bothers you most and least.” By doing this, your client is telling you what they want to solve first. For young clients, you will likely offer solutions to solve one or two issues immediately. For the balance you can set a “plan” to revisit at appropriate future meetings.

Seldom does a client solve everything all at once, but this makes sense. A young person does not place the same priority on retirement savings as a 55-year-old. But to find out what they are thinking, just ask them and listen.

### **Disability products seem complicated — with many riders and choices for elimination periods and payout periods. How do you assist clients in making these decisions?**

Removing the industry jargon is the first step in having a meaningful conversation, so speak in terms the client understands rather than using acronyms. Next, when offering a product, I often have the company software displayed on the monitor. I pre-populate the screen with disability insurance and all the options/riders. Then I explain that everyone’s policy is unique to their situation and that we want to design a policy and tailor premiums that fit the client.

After explaining all the features, I have a conversation with the client and allow them to keep or remove the benefits they feel are important. I advise them through the process, but the client chooses the benefits. Sometimes they are influenced by a feature, and other times by price, but in the end, they receive a product and see the value of their choices.

### **Many clients have group coverage. Isn’t that enough for protection?**

There are three major types of coverage: personally owned, association insurance and group insurance. With each the level of guarantees, the price and definition will vary. A conversation with the client will help determine if such

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things as job security, income potential and potential health changes will influence the suitability of group or association plans. Both often have limitations in total coverage, restrictive exclusions or pre-existing condition clauses.

Solutions I offer may include adding a personally owned policy. A replacement is sometimes warranted, but the client may be willing to assume the risk.

### **Critical illness offers various plans. Do you always promote the longest guarantees, or is it more important to get as much coverage as possible?**

Plan designs are as personal as the clients themselves. One client may only need a policy for 10 years to cover a specific problem such as a mortgage, loan or business deal. Another client may have a permanent problem that will continue until their death. Matching a product with client need is most important — the longer the term, the lower the overall premium, just like in term life insurance.

A client may have a diminishing requirement for critical illness insurance coverage, so one solution may be to ladder their coverage. Example: \$100,000 of 10-year term plus \$100,000 of 20-year term, plus \$100,000 of term to 100. This method provides \$300,000 for the first 10 years, then it reduces to \$200,000 for the next 10 years, and thereafter the policy reduces to \$100,000 to age 100.

### **Is it true that living benefit policies seldom lapse?**

Any product that is purchased by a person who is passionate about buying will last. Imagine the alternative if you become totally disabled and don’t own disability insurance. DI is intended to protect everything you work for. People buy disability insurance because they enjoy their family life, home, healthcare and solvency. A premium is a small price to pay to maintain a sense of security. Policies last when the client believes in the need. **KT**



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