



*Hugh MacDonald, is the owner of a Life Insurance and Wealth Management practice dedicated to providing customized life insurance solutions for individual business owners, senior executives, professionals and their families.*

# Critical illness insurance new and welcome frontier for Hugh MacDonald

**There exist limitless opportunities in every industry. Where there is an open mind, there will always be a frontier.**

Charles Kettering

Advisor **Hugh MacDonald** isn't one to avoid unknown territory. In fact, he embraces the challenge – whether it's embarking on a new career, perfecting his saxophone playing by performing in front of a live audience, learning the finer points of golf ("I am getting better," says Hugh) or finding ways to inject innovation into the insurance strategies he provides his clients.

The most recent new frontier for Hugh, who has attained Manulife Elite advisor status for both life and living benefits insurance sales, is critical illness insurance. He's

passionate about the need to introduce clients to the product and educate them on how it fits into their portfolios. "From an insurance and financial planning perspective, if I don't talk to my clients about critical illness insurance, I'm not doing my job," says Hugh.

## Discovering a niche market

Hugh MacDonald isn't a "lifer" in the insurance field. As a Chartered Accountant, he worked for many years managing the finances of large

corporations, primarily as Chief Financial Officer. About 11 years ago, Hugh found himself unemployed when the company he worked for was sold to a U.S.-based enterprise.

Hugh's networking efforts resulted in an introduction into the world of financial advising and in 1995 he parlayed his experience and expertise in corporate finance by establishing his own insurance and estate planning practice.

Given his background, it's no surprise that Hugh's client base consists primarily of high net worth, small business owners and senior executives of corporations. He works closely with his clients' accountants and lawyers to provide insurance-based asset-protection strategies.

## Critical illness insurance a natural fit

Initially, Hugh says, his insurance sales focused on life insurance solutions, with a small disability insurance component. A couple of years ago, he began to "dabble" in critical illness insurance.

"I tend to practice learning a lot about a little ... to specialize," says Hugh. He applied this practice to learning more about critical illness insurance, and today, it's an integral part of his business.

"Critical illness insurance is a natural fit in the process I've established for developing financial plans for my clients. For every life application, I introduce my clients to critical illness

insurance. And with Manulife, applying is easy ... life and critical illness are on the same application. And ez-app, Manulife's electronic application, is fantastic, especially now that you can apply online for more than \$1 million. There's no downside!"

## Keys to CI sales success

Hugh says there are several keys to realizing success in the critical illness insurance market:

### 1) Speak your client's language.

"Many of my clients are comfortable discussing life insurance and disability insurance and understand how it fits into their financial plan. For example, my business-owner clients understand that they need estate planning solutions and that life products can provide that. My executive clients understand that outside of their employer-provided group plans, they need portable, personally-owned term and disability insurance plans. But they're not as knowledgeable about how critical illness insurance fits into their portfolios."

Hugh positions critical illness insurance by speaking his business clients' language – critical illness insurance as a "hedge" against asset erosion.

### 2) Personalize it.

"To illustrate the need for critical illness insurance, you need to share stories with your clients. For example, my wife

works in health care and she sees the financial impact for people recovering from critical illness. Their life policy doesn't pay if they survive a critical illness ... their disability insurance plan will probably pay, but only after a lengthy waiting period: typically 90 to 120 days. These individuals face a real dilemma, where having some cash can make all the difference ... I've seen it. The government covers the minimum and there are a lot of out-of-pocket expenses like medication and transportation. There are also expenses that you may never think of unless you've suffered a critical illness yourself or have witnessed someone battle a life-altering illness. For example, think about the lost income of a spouse who wants to reduce their workload so he or she can stay home to take care of their partner? Then there's the expense of additional childcare, which is often needed during the recovery of a parent. Even if people have other family members or friends who are willing to help with cleaning or cooking, or taking care of the kids, well ... if it were you, wouldn't you want to be able to offer them a few dollars for their help?"

"And what if a critically ill person happens to be a business owner? The ability for an owner to tell his employees that the business will continue in his or her absence can help ease employees' anxiety, and relieve stress for the owner – it can be vitally important to a person's recovery."

"Is cash a panacea? No. But it can help people with recovery. Financial peace of mind and maintaining dignity and some certainty in life are key."

**3) Manage your client's expectations.** "Let your clients know that the underwriting process can take some time. Explain the nuances of the definitions and exclusions. By the way, Manulife has great definitions and an excellent claims area."

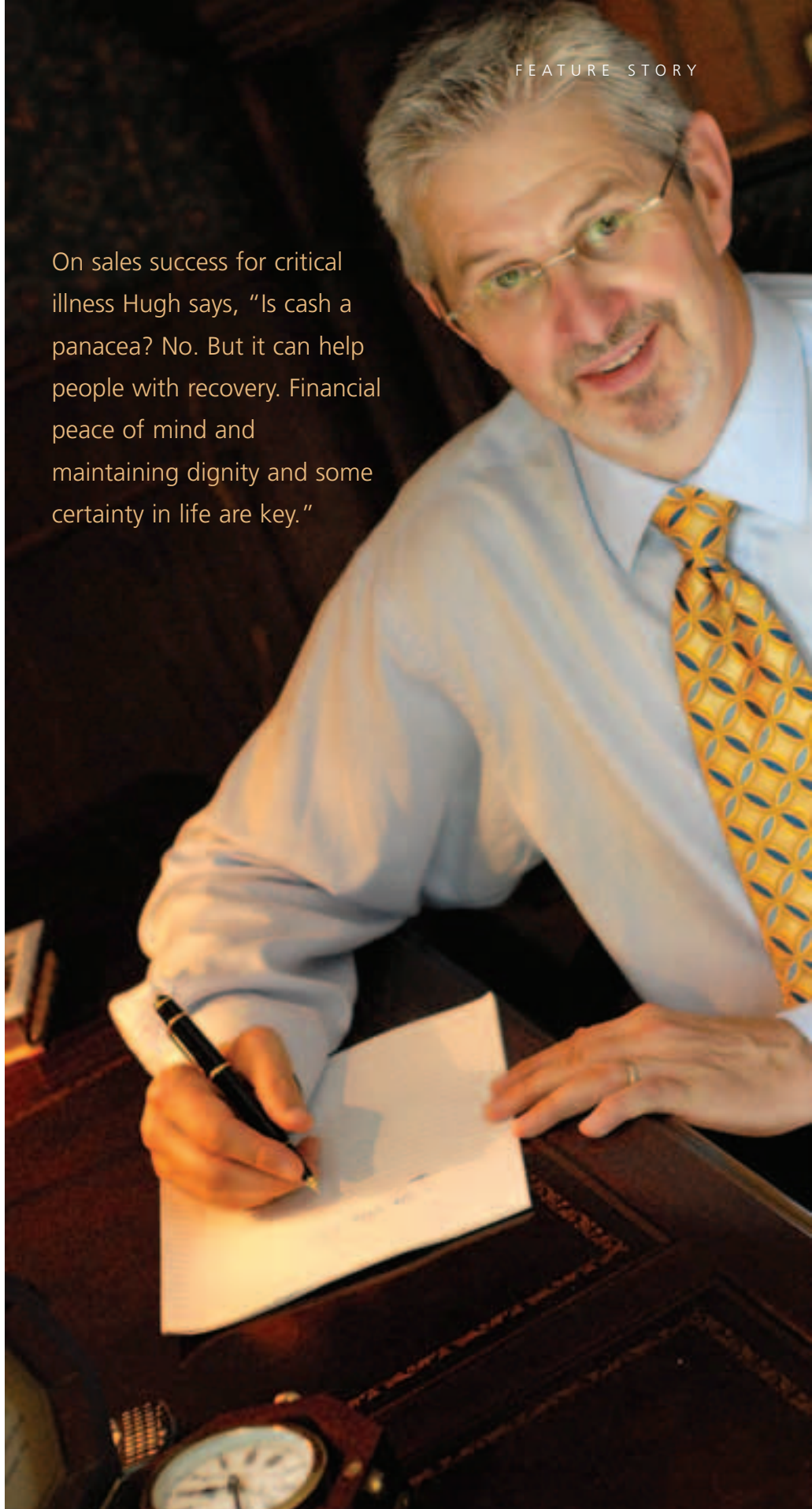
**4) Tap into resources.** "Manulife's Professional Services Team and my Living Benefits Consultant were vital resources in assisting with a recent large and complex corporate-owned critical illness insurance sale. They helped develop the concept, worked through the tax issues, the documentation, how to deal with confidentiality in a group situation, and helped structure the premium payments."

"The critical illness insurance tax information sheets that are on Repsource are also very good."

**5) And finally, walk the talk.** "If you're selling critical illness insurance, you should own a policy. I own a Manulife Lifecheque Permanent plan – it's the one I recommend to many of my clients because it's the most affordable Lifecheque product in the long run."

For more information on Lifecheque critical illness insurance, visit [Repsource > Insurance > Living Benefits](#). **D**

On sales success for critical illness Hugh says, "Is cash a panacea? No. But it can help people with recovery. Financial peace of mind and maintaining dignity and some certainty in life are key."



# Teamwork pays

**With assistance from Manulife's Professional Services Team, and his Living Benefits Consultant, advisor Hugh MacDonald delivers a winning critical illness insurance strategy to his corporate clients. Hugh lets us in on how it all came together ...**

Having received a referral from a client, Hugh met with two owners of a corporation to set up a term life policy as a way to fund a buy-sell agreement.

"During this meeting we talked about executive benefits – and the subject of critical illness insurance came up. The owners thought it would be a great benefit for them," Hugh says.

Hugh went to work. And so did Manulife. "I met with my Manulife Living Benefits Consultant, Pete Roch, and the Tax & Estate Planning experts and they helped research and develop a cost-effective, grouped critical illness strategy for the entire five-person executive, not just the owners."

Then it was back to his clients to educate and provide advice on the concept. "I explained that the Canada Revenue Agency (CRA) has confirmed that it views critical illness insurance, without Return of Premium (ROP) benefits, as accident and sickness insurance. This would allow the owners to set up the grouped critical illness insurance plans under a health and welfare

trust, pay the premiums to the trust and then deduct the contributions as a business expense. There would be no personal income tax implications for any of the executive members. As well, by using this approach, the owners would benefit from the coverage and they'd be able to offer a valuable benefit to their top executives, all for a slightly higher premium than it would have cost to cover just the two of them."

"However, I did tell the clients that CRA may challenge the tax treatment of CI, and as a result it was important that the plan be set up properly and thoroughly documented."

Since the CRA has not yet confirmed its view on the tax status of critical illness insurance with ROP, Hugh recommended hedging against potential CRA compliance issues by not including ROP benefits in the plan.

Hugh designed the coverage so that those with higher incomes received \$2 million in coverage and the others a proportionate amount based on their salaries.

Then, it was off to meet with the company's lawyers to walk them through details of the trust document:

- A third-party trustee chosen to avoid conflict of interest.
- A board resolution used to back up the trust and to authorize the plan.
- A form, signed by the employees, acknowledging the critical illness contract as an employee benefit.
- A Direction to Pay form included so proceeds would be payable to the insured rather than the trust.

"Many, many details", says Hugh, "but thanks to the assistance of Manulife's Professional Services Team, this case went smoothly. The owners are extremely pleased with the outcome and it certainly made a positive difference to my bottom line."

What can Manulife's Professional Services Team do for you? To find out, visit [Repsource > Insurance > Professional Services Team](#).