

2001 Healthcare Conference *Keeping Health on Track*

21-23 October 2001
Scarman House

CRITICAL ILLNESS COVER MODULE

Debbie Watthey

Critical Illness Cover

Thanks to

- Hannover Life Re
- Azim Dinani

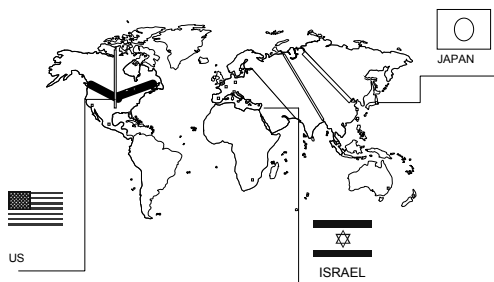
Contents

- Critical Illness Insurance Market
- Critical Illness Benefits/TPD Benefits
- Product Design
- Product Pricing
- Underwriting
- Claims
- Group Business

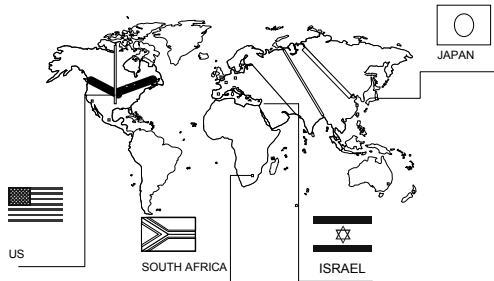
Contents (cont'd)

- Taxation and Legislation
- Accounting
- Professional Guidance
- Reassurance
- Appendices
 - ABI Definitions
 - Other Sample Definitions
 - Sample Data

Origins - Specialist cancer benefits

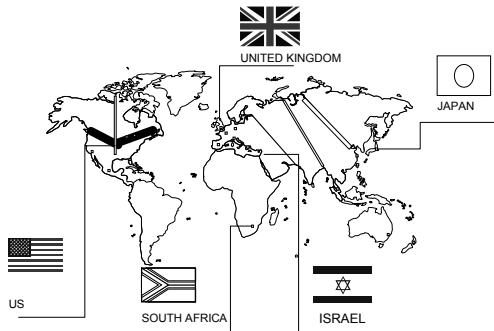


Origins - sales success in South Africa



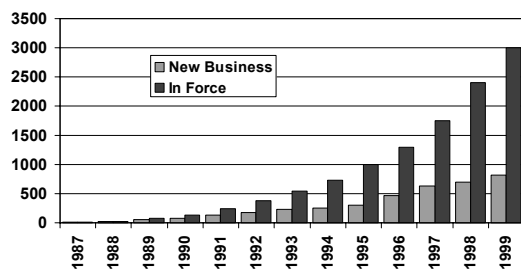
1

Origins - Introduced into UK in mid 1980s



1

Critical Illness Insurance Sales in UK



Source G E Frankona

Critical Illness Insurance in the UK

- NFIFA (now AIFA) developed industry standard definitions
 - six main or “core” illnesses covered by virtually all products
- ABI Statement of Best Practice issued May 1999
 - binding on ABI members
 - wordings for conditions
 - genetic terms
 - style of key features

UK Regulatory Framework

- Accounting
- Taxation
- Professional guidance

Reassurance

- Main purposes with respect to CI
 - specialist knowledge and wider perspective
 - setting morbidity assumption for target market
 - underwriting and claims expertise and training
 - traditional
 - financing
 - fluctuations in claims experience
 - protection from shocks

Underwriting

- Appropriate underwriting will depend on the scope of the product
- Underwriting process
 - application
 - own medical history
 - now sometimes able to offer cover where history of a critical illness is present
 - associated medical impairments
- Benefit levels lower than for life assurance
- Non medical limits lower than for life assurance
- Disability Discrimination Act

Claims

- Objectives
 - smooth efficient administration
 - claims handling should be clear and decisive
 - remain sensitive and sympathetic
 - pay valid claims included in the pricing basis

Pricing

- Data - population based
 - HES
 - MSGP
 - ONS Cancer Registrations
 - ONS Cancer Survival Trends
 - ONS Mortality by Cause
 - CMI Statistics for Assured Lives
 - WHO
 - 'A Critical Review'

Pricing

- Data - population based
- Practical formula
- TPD
- Children's benefit
- 'Buy Back' of life cover
- 'Buy Back' of critical illness cover
- Overlap of conditions
- Smoking

Pricing (cont'd)

- Guarantees - volatility can arise from
 - credibility of data
 - relevance of data
 - trends in claim incidence
 - shocks
- Trends in experience

Product Design

<i>Product Type</i>	<i>Proportion of CI Market</i>
Endowment Accelerated CI	26%
Whole of Life Accelerated CI	7%
Term Accelerated CI	23%
Stand-alone CI Term	5%
Stand-alone CI Whole of Life	4%
Total Mortgage Related	65%
Total Other	35%