

# **CRITICAL ILLNESS INSURANCE**

## **Past, present and future**

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On the 6<sup>th</sup> August 1983, the first Critical Illness insurance policy was launched in South Africa – now 20 years ago. What made it very strange was that it was developed by a cardiac surgeon with no previous knowledge of insurance.

What motivated him was his experience with the financial plight of many of his patients following the diagnosis and treatment of a critical illness. Their financial resources were not only threatened by the increasing cost of medical treatment but also by their decreasing ability to earn the money needed to fulfil their monthly financial needs, this often led to them having to make many sacrifices e.g. take children out of private schools, sell their house and bankruptcy. All these financial concerns impacted on their health. Recovery was delayed, stress aggravated their poor health and even sometimes ended in suicide.

What was needed was money to provide financial health when their physical health could no longer adequately provide for this.

After searching for possible solutions he looked at insurance. Insurance has for decades already accepted the need for money following a catastrophic health event. Life insurance provides money following the death of the policy holder, disability insurance provides money when the policy holder can not work any more. The trouble was however, that due to the modern miracle of medical progress his patients no longer died, but survived for many years after the treatment of heart attack, stroke and cancer; but financially they died!

It became obvious to him that a new insurance product was necessary that would pay out on the diagnosis of death, because that was the time his patients needed it most. The next problem was to find re-insurers and an insurance company. For 3 years he failed to find such essential support but in 1983, with the help of Crusader Life the first policy was launched covering 4 conditions: heart attack, cancer, stroke and coronary artery surgery. The first launch was greeted with great enthusiasm by brokers, but initial sales were slow. However many other companies soon launched their own C.I. policies thus raising the awareness of C.I. insurance. Within 2 years new conditions were added.

From South Africa the product spread to the United Kingdom, Ireland, Australia, New Zealand, the far east, North America and to many other countries. Today C.I. insurance is not only accepted as the most successful risk product but also the most needed.

Since the first launch of a policy covering 4 conditions, numerous new diseases have been added and most policies now cover between 12 and 26 conditions.

Soon claims were made and many policy holders experienced the financial security provided during the most traumatic period of their lives. Brokers who witnessed the benefits to the financial health of their clients became enthusiastic providers of C.I. products.

The majority of claims were for heart attack, stroke and cancer as can be expected. The average age of claim was  $\pm$  41 years. These statistics were common for all countries where statistics were provided. What, however was of great concern was the increasing number of claims – particularly for cancer. In most countries more than 50% and in some even 80%. The earlier diagnosis due to better equipment could be partially blamed for this, but non-disclosure has also been implicated. Definitions have been changed to try and reduce claims and even of greater concern, re-insurers have withdrawn from the market.

It is obvious that C.I. insurance was launched 20 years ago due to a financial need after diagnosis and treatment of critical illness. Since then there has been an even greater improvement in diagnostic methods and treatment. Conditions that were severe then are no longer life threatening.

To meet these challenges new C.I. policies will and have been developed. These will be presented!