

1 August 2014

LIA CRITICAL ILLNESS (CI) FRAMEWORK 2014
INDUSTRY FREQUENTLY ASKED QUESTIONS AND ANSWERS

Critical Illness = CI

Critical Illness Framework

1. Why is the standardisation of definitions limited to the severe stage of CIs? What about the early stages or the more severe stages of illness progression?

Severe stage CIs are the most commonly covered illnesses in the current CI market.

Further, reinsurance research* has identified that five of these CIs make up more than 90 per cent of all severe stage claims received by insurers. They are:

Major Cancers
Heart Attack of Specified Severity
Coronary Artery By-pass Surgery
Stroke
Kidney Failure

By only standardising the “severe” stage, insurers are given the flexibility to define the other stages, thereby balancing consumer interest and market competition.

The provision of early CI coverage is a more recent market innovation. More experience and analytics are required before any standardisation can be considered.

*Gen Re’s “2012 Dread Disease Survey”

2. Why can’t insurers compete on definitions? Do you see this action by the industry as being anti-competitive?

Allowing insurers to compete on definitions will confuse consumers who are generally not in a position to identify the technical differences between the definitions, and how they translate into differences in benefits and coverage.

Insurers can differentiate themselves through the type of illnesses they choose to include in the CI benefit, pricing and customer service.

Insurers can also choose to cover other stages (early stage and/or more severe stage) of CIs for the standard CIs or other non-standard CIs.

3. Since statistics show that 90% of CI claims are due to the five CIs, will LIA restrict insurers from launching a product with many CIs concerning which consumers are not able to assess their ‘cost and benefit’?

No, in our view, it is not necessary. LIA members operate in a highly competitive market and are supervised by the MAS, which has prudential and market conduct requirements in place, including Fair Dealing obligations and outcomes. In such an environment, it is unlikely that insurers will offer products that do not give good value.

Waiting Period

4. Why is the 90-day waiting period applied only to the five CIs?

A waiting period is applied to protect the existing pool of policyholders as well as to reduce anti-selection from new policyholders. 90% of all claims received are due to the five CIs, hence it is necessary to apply a waiting period to them.

5. What is the effective date for the new CI Framework?

The new CI Framework, together with the adoption of 2014 definitions, takes effect no later than 1 February 2015.

Standard Definitions for Severe Stage of Critical Illnesses

Notes:

Existing / old / current definitions refer to the CI definitions adopted since July 2003; and the revised / new CI definitions to be adopted no later than 1 February 2015 are termed as 2014 definitions.

Answers are based on 1 February 2015 as the effective change date for the 2014 definitions. Please adjust accordingly if you are effecting the changes earlier.

6. What triggered the need to review the current standard definitions?

Since July 2003, the insurance industry has adopted standard definitions for the severe stage of 37 common CIs. Please refer to Appendix 1 for the list.

An industry review would bring the standard definitions up to date with advancements in medical technology and diagnosis, and address definitions that presented issues due to lack of clarity based on the benefit of experience.

Tests used 10 years ago to diagnose a condition are no longer commonly in use today (e.g. CKMB to diagnose heart attack replaced by Troponin test). Advancing cancer research also impacted a number of areas related to the definition.

7. Which of the 37 definitions have been revised?

The review concluded that 16 CIs required revision to their definitions (as listed below), whilst the remaining 21 CIs required no change.

1. Major Cancers
2. Heart Attack of Specified Severity (note the change in title)
3. Stroke
4. Coronary Artery By-Pass Surgery
5. Aplastic Anaemia
6. Blindness (Loss of Sight)
7. Muscular Dystrophy
8. Paralysis (Loss of Use of Limbs)
9. Parkinson's Disease
10. Fulminant Hepatitis
11. Primary Pulmonary Hypertension
12. Benign Brain Tumour

13. Viral Encephalitis (note the change in title)
14. Major Head Trauma
15. Angioplasty & Other Invasive Treatment for Coronary Artery
16. Loss of Independent Existence

8. When does the industry plan to do the next review?

The industry plans to conduct reviews on a regular basis.

9. As a result of revising standard definitions for certain illnesses, will insurers increase their CI premium rates?

Some standard definitions have been updated so as to reflect advances in clinical practices, medical science and technology, and with the rationale for standardization remaining unchanged (for transparency and more consistent claims results), **premiums are not expected to increase due to this revision of definitions.**

10. Are standard definitions applicable to Group policies?

Yes, they apply to group policies which have CI coverage. From 1 February 2015, the 2014 definitions will apply from the date of effecting or renewal of these group policies.

11. Are standard definitions applicable to CI plans designed specifically for the Female, Male or Child?

CI plans specifically designed for the Female, Male or Child cover medical conditions that are generally gender specific and hence are not found in the list of 37 CIs.

12. How have the standard definitions been of help to consumers?

The scope of coverage is clear and consistent across the industry, giving consumers assurance and confidence. Standard definitions allow consumers to compare the CI plans covering the severe stage of medical conditions of different insurers.

When the time comes to making a claim, faster settlement of claims is achieved. This is important as diagnosis of a CI often imposes a sudden financial burden.

Claims assessment based on the same definition regardless of insurer results in more consistent outcomes. Incidences of one insurer paying and another rejecting a claim due to differences in definition are avoided for policyholders who have more than one CI policy.

13. For standard definitions adopted by all insurers, once one insurer pays on one of the conditions, does it mean that the other insurers will be paying as well?

Not necessarily, as claims assessment is based on the facts before each insurer. However, all things being equal, based on the same definition, the outcome is likely to be more consistent.

14. Will the 2014 definitions make it harder for policyholders to make a claim?

The objective is not to make it harder for policyholders to make a claim but to enhance clarity as well as to be in line with current medical technology.

The review would bring the standard definitions up to date with advancements in medical technology and diagnosis, and address definitions that presented issues due to lack of clarity based on the benefit of experience.

Tests used 10 years ago to diagnose a condition are no longer commonly in use today (e.g. CKMB to diagnose heart attack replaced by Troponin test). Advancing cancer research also impacted a number of areas related to the definition.

15. With standard definitions, will the premium rates be the same for all insurers?

Only the definitions are standardised. Premium rates will be different amongst the insurers.

Impact of Introducing 2014 Definitions

16. Existing policies cover up to 30 CIs. Does it mean that from 1 February 2015, all new policies will cover the additional 7 CIs?

It is for insurers to design their own plans. An insurer can offer a single CI plan or plans which can cover any number of CIs.

17. How would I know which CI definitions are the ones defined by LIA and which are not?

You will be able to find the information in the Product Summary.

18. I want to buy a CI policy. Should I wait for 2014 definitions to take effect?

Obtaining protection against the financial burden from a CI is of first priority.

The review would bring the standard definitions up to date with advancements in medical technology and diagnosis, and address definitions that presented issues due to lack of clarity based on the benefit of experience.

19. How do the 2014 CI definitions compare with the old definitions? Which set is better for the customer?

The definitions of 16 CIs (under Question 7) have been revised to enhance clarity as well as to be in line with current medical technology.

However CI claims are assessed based on actual diagnosis and the diagnosis must fulfill the definition of CI as stated in the policy contract. Hence, it is not appropriate to conclude which CI definition is better.

Transition Scenarios

Answers are **applicable to individual policies only** and are based on 1 February 2015 as the effective change date for the 2014 definitions ("2014 definitions effective date"). Please adjust accordingly if you are effecting the changes earlier.

20. I have a proposal signed before the 2014 definitions effective date, but policy is issued on or after the definitions effective date. Will it still be under the old definitions?

The policy will come under the 2014 definitions if:

- (a) you signed the proposal on or after the 2014 definitions effective date;

- (b) you signed the proposal prior to the 2014 definitions effective date, and the policy is issued after 30 April 2015; or
- (c) the CI product illustrated to you was designed to come with the 2014 definitions.

21. I have a proposal signed on or after the 2014 definitions effective date, but it is backdated to a date before the 2014 effective date. Will it still be under the old definitions?

Regardless of the backdate, it is the date of signing of the proposal that matters. Please refer to the answer under Q20.

22. What would happen if I sign the proposal when the 2014 definitions have taken effect, but I want it to be under the old definitions?

Any proposals signed after the 2014 definitions have become effective have to adopt the 2014 definitions. You cannot choose to opt for the old definitions.

23. Can I attach a CI rider under the old definitions on or after the 2014 definitions effective date?

The answers to Q20-Q22 that applies to a basic plan will similarly apply to a CI rider. The date of signing of the proposal to take up the CI rider will be the determinant on whether the 2014 definitions apply, regardless of any backdating.

24. Would conversion cases come under 2014 definitions or old definitions?

The policy issued under the conversion will come under the 2014 definitions if:

- (a) you signed the proposal to convert on or after the 2014 definitions effective date;
- (b) you signed the proposal to convert prior to the 2014 definitions effective date, and the converted policy is issued after 30 April 2015; or
- (c) the CI product illustrated to you for the conversion was designed to come with the 2014 definitions.

Impact of 2014 Definitions on Existing CI Benefits/Policies/Riders

25. If I want to renew my existing renewable CI term policy, would it come under the old or 2014 definitions?

Insurers can choose to apply 2014 definitions in respect of existing policy renewals. Please check with your Financial Adviser for the company's practice.

26. When I increase my CI cover for my existing policy, will I be affected in any way?

Insurers can choose to apply 2014 definitions to the increased coverage portion. Please check with your Financial Adviser for the company's practice.

27. If the condition is payable under the 2014 definition, would the insurer also consider paying the claim under the existing definitions, and vice versa?

Claims assessment and benefits will follow the definitions and terms and conditions stated in the policy contract in question.

28. As this update of definitions is meant to clarify what is covered and what is not covered, can the 2014 definitions be applied to my existing policy (commenced before the date of implementation of 2014 definitions) with the same coverage?

No, your existing policy contract is not impacted. Once issued, the insurance contract is legally binding on both parties - the policyholder and insurance company - subject to any provision in the contract which allows for changes to the terms.

29. Do the 2014 definitions affect my existing early stage CI policy or rider?

No, your existing early stage CI policy or rider is not impacted. Claims assessment and benefits will follow the definitions and terms and conditions stated in the policy contract or supplementary benefit in question.

30. Will my existing CI policy be affected in any way?

No, your existing CI policy is not impacted. Claims assessment and benefits will follow the definitions and terms and conditions stated in the policy contract in question.

31. Can I request for the CI definitions of my existing policy or policies to be updated to the 2014 definitions?

No, such an update is not possible. Your existing CI policy is not impacted. Once issued, the insurance contract is legally binding on both parties - the policyholder and insurance company - subject to any provision in the contract which allows for changes to the terms.

32. My policy has lapsed and I intend to reinstate it. Will the 2014 definitions apply?

No, the 2014 definitions will not apply to reinstated policies. Insurers cannot unilaterally change the contract by applying the 2014 definitions at the time of reinstating the policy.

Impact of 2014 Definitions/CI Framework on Claims Handling

33. When I am insured under different CI versions, can the insurer pay based on the better-off definition? If not, why not?

No, claims assessment and benefits will follow the definitions and terms and conditions stated in each policy contract in question.

34. How would the CI claim be handled when I am insured with the different versions of definitions?

Each CI claim will be assessed fairly according to diagnosis of insured's critical illness and CI definition stated in the contract. The insurer will pay the claim based on the policy contract that was issued at the time. If one has a few policies bought over different periods, the definition of the condition may be different and therefore the claim will be administered according to the individual policy.

35. As insurers are able to define their own CI definitions (except for the 37 severe CIs defined by LIA), how does LIA ensure that claims are assessed fairly and what avenue does the claimant have in the event of a disputed claim?

The new framework aims to balance the interests of both consumers and insurers. LIA maintains the definitions of severe stage of 37 common CIs as this is the core benefit of a CI plan. It also allows insurers to offer other CI cover that would meet consumers' varied protection needs. Insurers are expected to assess legitimate claims fairly according to the policy terms and conditions.

The regulatory framework in Singapore for all types of retail financial products (including life insurance) is that the claimant should first lodge a formal appeal with the insurer. If he remains dissatisfied with the insurer's final response/offer, he may consider approaching FIDReC, the independent body for assistance:

Contact Financial Industry Disputes Resolution Centre Ltd (FIDReC) on 6327 8878 ;
info@fidrec.com.sg ; www.fidrec.com.sg

STANDARD DEFINITIONS FOR SEVERE STAGE OF 37 CRITICAL ILLNESSES

Industry list of all 37 critical illnesses:

1. Major Cancers
2. Heart Attack of Specified Severity
3. Stroke
4. Coronary Artery By-pass Surgery
5. Kidney Failure
6. Aplastic Anaemia
7. End Stage Lung Disease
8. End Stage Liver Failure
9. Coma
10. Deafness (Loss of Hearing)
11. Heart Valve Surgery
12. Loss of Speech
13. Major Burns
14. Major Organ / Bone Marrow Transplantation
15. Multiple Sclerosis
16. Muscular Dystrophy
17. Parkinson's Disease
18. Surgery to Aorta
19. Alzheimer's Disease / Severe Dementia
20. Fulminant Hepatitis
21. Motor Neurone Disease
22. Primary Pulmonary Hypertension
23. HIV Due to Blood Transfusion and Occupationally Acquired HIV
24. Benign Brain Tumour
25. Viral Encephalitis
26. Bacterial Meningitis
27. Angioplasty & Other Invasive Treatment For Coronary Artery
28. Blindness (Loss of Sight)
29. Major Head Trauma
30. Paralysis (Loss of Use of Limbs)
31. Terminal Illness
32. Progressive Scleroderma
33. Apallic Syndrome
34. Systemic Lupus Erythematosus with Lupus Nephritis
35. Other Serious Coronary Artery Disease
36. Poliomyelitis
37. Loss of Independent Existence