

Standardised Critical Illness Definitions Project (SCIDEP)

The Association of Savings and Investments of South Africa (ASISA) have recommended that all member life insurance companies publish their critical illness definitions against a set of standardised definitions (the so-called SCIDEP definitions), which indicate when critical illness benefits will pay out. The SCIDEP committee consisting of doctors and actuaries from the insurance industry were assigned the task of formulating the SCIDEP definitions.

Due to medical technology advances, with improved treatment outcomes and earlier diagnosis of medical conditions, critical illness definitions have become increasingly technical, making it difficult to understand the various definitions provided by different companies. The disclosure grid provided by each company is a guideline for consumers and intermediaries and is intended to aid in understanding what percentage benefit a company will pay out for a particular defined severity of illness. However ASISA point out that this payout is not the only element to consider when evaluating the best critical illness product for your needs but also to weigh up other factors as well such as price, multiple claims criteria and conditions covered.

The definitions for any critical illness categories are based on either an illness being diagnosed, development of a physical impairment, or the performing of a particular procedure. Provided the definition criteria are met, a payment is guaranteed, helping to eliminate subjectivity or confusion on the part of the claimant and his/her treating doctor.

Advantages of 'tiered' benefits

Tiered dread disease benefits have been available for a number of years. Examples of categories of benefit are often 25%, 50%, 75% and 100% of the total sum assured relating to degrees of severity defined in the policy wording.

Should you develop an early stage of disease, a benefit commensurate with the effect on the lifestyle and your needs would be paid out accordingly, leaving the remainder of the benefit intact. Should the illness worsen a further benefit would be payable. This allows for further claims for more serious illnesses rather than paying out the whole benefit immediately and leaving nothing should another claim arise. The remaining benefit is therefore intact and continues to grow with benefit increases every year.

This cover is often cheaper - the lower payouts for lower severities mean that large payouts are not made for an illness from which a person may make a full recovery and which will therefore have a lesser financial impact. Advances in medical science have allowed many diseases to be detected earlier therefore allowing complete recovery in some cases.

The PPS benefit is competitive in that a claim does not exhaust a benefit category for unrelated claims and a policyholder can claim multiple times within and across benefit categories.

PPS Professional Health Provider benefit and SCIDEP - disclosure grid for the standard benefits

Understanding the PPS - SCIDEP grid will make it clear as to how the PPS benefit is aligned to the SCIDEP definitions. However, as pointed out by ASISA, the nature of critical illness insurance product definitions makes it impossible to simplify them completely.

From September 2009, life companies belonging to ASISA have been required to disclose the minimum percentage of the dread disease (critical illness/trauma) insurance cover which will be paid out at the four ASISA-defined severity levels A (100%), B (75%), C (50%) and D (25%) applied to the four major medical conditions: heart attack, cancer, stroke and coronary artery by-pass graft (CABG).

The table below can be used to see what this minimum PPS benefit would be for a particular severity of dread disease, compared to the ASISA definitions for severity categories A, B, C and D.

The severity of the disease categories A, B, C, and D are indicated down the left hand side. The disease categories are indicated across the top. The percentages in each block indicate the minimum PPS will pay for that severity of illness.

The remainder of the benefit categories are paid out according to the tiering in place in the definitions.

The final definitions need to be understood in relation to the definitions found in the policy contract wording and this table is intended as a guide only. The definitions stated in the policy contract will indicate where the exclusion clauses apply in each instance.

SCIDEP severity level	PPS Heart Attack	PPS Stroke	PPS CABG	PPS Cancer
A (100%)	100%	100%	100%	100%
B (75%)	75%	75%	75%	75%
C (50%)	50%	50%	50%	50%
D (25%)	25%	25%	50%	25%

PPS Professional Health Provider benefit and SCIDEP - disclosure grid for the core 100% product

For those clients who want the assurance of being paid out 100% of the sum assured, then the choice of the core 100% benefit may best suit the client's needs.

The four most common causes of claim- heart attack, coronary artery bypass graft, stroke and cancer pay 100% for the lowest severity category and the remainder of the less common benefit categories are paid out according to the tiered structure.

Professional Health Provider with CORE 100% Cover

SCIDEP severity level	Heart Attack	Stroke	CABG	Cancer
A (100%)	100%	100%	100%	100%
B (75%)	100%	100%	100%	100%
C (50%)	100%	100%	100%	100%
D (25%)	100%	100%	100%	100%

Should further information be required please contact your PPS product-accredited financial adviser.