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 below provides 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 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 - SCIDEP disclosure grid

Understanding the PPS - SCIDEP grid will afford greater clarity as to when PPS will pay a claim according to this grid. 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 have to provide a disclosure grid indicating what percentage of the insurance cover will be paid out for four different severity levels A, B, C and D applied to the four major medical conditions: heart attack, cancer, stroke and coronary artery by-pass graft.

The percentage benefit payable for each severity level is determined by individual life insurers based on the design of their product and will range from 0% to 100%. When a company indicates a percentage cover for a certain severity level of a condition, the ASISA definition for that percentage must be applied at claims stage irrespective of the contractual definition. Where a zero benefit is indicated, the client will have to meet the company's definition and not the ASISA definition.

The SCIDEP categories A, B, C, and D relate to the degrees of severity i.e. the definition given here. The disease categories across the top indicate which conditions are compared to the SCIDEP definitions. The percentages in each block indicate what PPS will pay for that severity of illness. For example under the prostate cancer, PPS will pay an equivalent of a 100% of the cancer benefit for severity A and B, even though the SCIDEP definition suggests 75% for severity B.

This table can be used to see what the minimum PPS benefit would be for a particular severity compared to the standard definitions for categories of severity A, B, C and D, therefore aiding a comparison of PPS and SCIDEP for each severity level. Due to the complex nature of medical definitions it is impossible to compare completely in some instances and approximations have had to be made (e.g. under the stroke category where there is actually benefit range in this comparison rather than a specific definition).

The classifications across the top indicate where the PPS definitions lie in this comparison.

<table>
<thead>
<tr>
<th>SCIDEP severity level</th>
<th>PPS Heart Attack</th>
<th>PPS Stroke</th>
<th>PPS CABG</th>
<th>PPS Cancer</th>
<th>PPS Leukaemia, Lymphoma</th>
<th>PPS Prostate Cancer</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>100%</td>
<td>100%</td>
<td>75%</td>
<td>100%</td>
<td>75%</td>
<td>100%</td>
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<tr>
<td>B</td>
<td>75%</td>
<td>75%</td>
<td>50%</td>
<td>75%</td>
<td>75%</td>
<td>100%</td>
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<tr>
<td>C</td>
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<td>25%</td>
<td>50%</td>
<td>50%</td>
<td>25%</td>
<td>75%</td>
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<tr>
<td>D</td>
<td>25%</td>
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<td>50%</td>
<td>25%</td>
<td>0%</td>
<td>50%</td>
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</tbody>
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This table is intended as a guide only. Should further information be required please contact your PPS product-accredited financial adviser.