

Common Definitions for Critical Illnesses Review Mechanism

1 BACKGROUND

The definition of what constitutes a critical illness is changing with rapid advances in medicine. Following the agreement by the Life and the General Insurers to adopt common definitions for all critical illnesses, a review mechanism needs to be put in place for the two industries to respond fairly quickly to modify existing agreed definitions over time and to allow new definitions to be adopted prior to the launch.

A review is needed for newly introduced critical illness as it will have to be adopted or followed by the rest of the insurers once it is launched.

The following principles were adopted in drawing up the mechanism:

- The process should be simple, yet effective in allowing for changes to be made in tandem with advancement in medicine.
- The process should allow for competition/market innovation, for new critical illnesses to be promptly introduced, yet the objective of standardisation is not compromised as a consequence.
- Minimum disruption to all parties.

The Association of British Insurers' Statement of Practice for Critical Illness relating to this area was closely referred to, and suitable practices were adopted where applicable.

Below sets out the process and mechanics for the review.

2 FRAMEWORK/STRUCTURE OF REVIEW PROCESS

There are two groups of critical illnesses: Existing critical illnesses and New critical illnesses that may be introduced subsequently.

Existing refers to any of the 37 critical illnesses that have been established from the drafting exercise. A varied version of any of the 37 critical illnesses is considered as existing. (Refer to MU 37/03 for the list of 37 critical illnesses).

New refers to a new critical illness that is totally outside of the existing list of 37 critical illnesses.

2.1 FOR EXISTING CRITICAL ILLNESSES

There will be two types of review: Full Review (every two years); and Intermediate Review (any time). A Review Group, comprising members of the LIA Underwriting and Claims (U&C) subcommittee and two GIA representatives, will carry out all Full and Intermediate Reviews.

2.1.1 Full Review

The scope of the Full Review is to review all existing agreed definitions, taking into consideration:

- Any new medical advancements that may make certain procedures obsolete or diseases curable or negligible with new treatments;
- Relevant legislative or directive changes;
- Claims experience.

The process to establish a Full Review will be:

- (1) LIA initiates the Full Review every two years.
- (2) The Review Group may decide not to carry out the Full Review in which case it will be deferred for up to one year.
- (3) The Review Group decides (based on a two-thirds' majority) on any revision of existing critical illness definitions.

The review may include a recommended process for implementing changes (if any).

The review process itself may also be reviewed and any changes put forward for the next review.

A moratorium of 12 months will be imposed for any changes to adopted definitions.

2.1.2 Intermediate Review

This is to review special circumstances where a compelling issue is raised, such as, regulatory or directive requirements.

The scope of an Intermediate Review will be limited to the agreed impact of the issue raised, and recommendations for implementing any changes. Less compelling issues shall be collated and dealt with at the Full Review.

The process to establish an Intermediate Review will be:

- (1) LIA or GIA may initiate the Intermediate Review. An LIA or GIA insurer member may also make an application to the LIA.
- (2) The Review Group decides (based on a two-thirds' majority) on whether to carry out the Intermediate Review, within 7 working days. Otherwise, the application is recorded for the next Full Review.
- (3) The Review Group decides (based on a two-thirds' majority) on any revision of existing critical illness definitions.

A moratorium of 12 months will be imposed for any changes to adopted definitions.

2.2 FOR NEWLY INTRODUCED CRITICAL ILLNESS

Initial Review

This is to review a new critical illness that an LIA or GIA member insurer wishes to launch.

A 14 working days turnaround will be observed for the Initial Review.

The process to establish an Initial Review will be:

- (1) An LIA or GIA insurer member makes an application to the LIA, giving the new critical illness definition.
- (2) A reinsurers' group, comprising reinsurers' representatives sitting in LIA U&C subcommittee decides based on two thirds' majority, on the following two issues:
 - Whether the new Critical Illness to be introduced is new or a mere variation of an existing covered illness; and
 - Whether the proposed definition for the new Critical Illness is robust enough.

- (3) If it is a new critical illness, the Review Group will be notified of the new definition and insurer members will be polled on agreement for adoption.

[It would further serve the purpose of awareness of the new definition by members and allow any member who, at the same time, may be considering a similar definition an opportunity to work out the differences for a common definition. However, being a new definition, it is generally expected that there would not be much comments or objection to adoption.]

The Review Group will be informed of results of poll.

If there is two-thirds' majority achieved on agreement, the insurer member will be notified to proceed with launch.

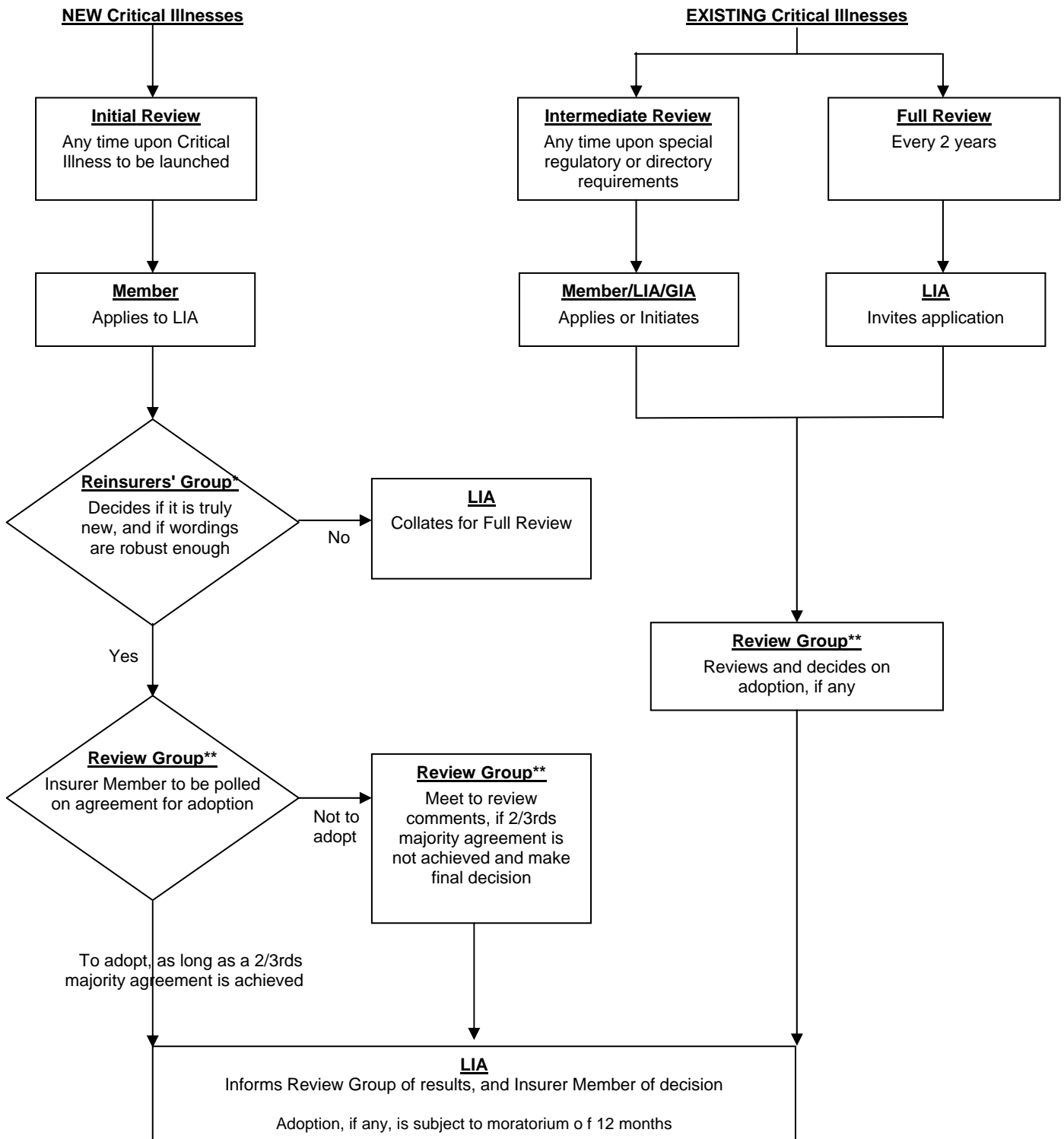
If there is no two-thirds' majority achieved on agreement, the Review Group will meet to discuss the comments for a final decision.

- (4) If it is not a new critical illness but a variation to the existing critical illness, it would not be adopted for launch. However, a review of the varied definition could be done at the next Full Review.

A moratorium of 12 months will be imposed for any changes to adopted definitions. This would mean that during this period, the new definition will be adopted should any insurer wishes to include this newly introduced critical illness as one of the covered critical illness.

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COMMON DEFINITIONS FOR CRITICAL ILLNESSES
FLOW-CHART - REVIEW MECHANISM



Note:-

- * Reinsurers' representatives sitting in LIA U&C subcommittee
- ** Representatives sitting in LIA U&C subcommittee & 2 GIA representatives.

A 14 working days turnaround will be observed for the review of any new illness. All decision making is based on two-thirds' majority.