

Principles of Health Insurance Underwriting

Why do we underwrite?

- To standardise risk
- To prevent anti-selection
 - When someone applying for insurance knows more than we do about why they may be a higher risk than the norm
- To keep premiums affordable
- To attract new (group) business

When do we Underwrite?

- Application
- Upgrade or change of plan
- Addition of family members (new people only underwritten)
- Return from overseas
- End of period of abeyance
- Group leavers (depending on time spent in group scheme)

What are we worried about?

- Pre-existing conditions
 - Don't have to be diagnosed, just signs and symptoms is enough
- Planned or anticipated treatment

We are not worried about...

- Family history
- Genetic pre-disposition

Pre-existing Conditions

- Present before joining Insurer
 - Diagnosed and known
 - Signs and symptoms known to the applicant
 - Signs and symptoms which would indicate the presence of the medical condition to a medical practitioner

Acquired or Developed Conditions

- Arising for the first time AFTER cover start date
- Not otherwise excluded under the Rules

Is Underwriting Just Excluding Everything?

- No
- It is quantifying the risk represented by each existing or probable medical condition and then deciding how to deal with each:
 - Accept
 - Exclude forever
 - Exclude for a time period (usually 3 years)
 - Limit to a dollar value or lower level plan (forever or for a time period)

The Application Form

- Requirement for full disclosure regarding past medical history, current medication and planned or anticipated treatment

Duty of Disclosure

- Extends to anything diagnosed or arising between application and commencement of cover
- Embedded in the Rules
- Reinforced by the IFSO (Ombudsman)
- Consequences for non-disclosure

Consequences of Non-disclosure

- Non-disclosure often arises at claim time (review of medical records)
- Rules allow avoidance of policy back to start date
- BUT
- We treat the condition as declared and underwrite accordingly, warn the Member and decline associated claims

Past Medical History

- Tell us everything!
- If we don't add an endorsement to something that is declared then by default we have accepted liability

Current Medication

- Gives clues as to non-disclosed conditions
- Check for consistency with the declared conditions

Planned or Anticipated Treatment

- Is the applicant anti-selecting?
- Treat as a current medical condition

Duty of the Underwriter

- Thoroughly read the medical declaration on the application form
- Is it consistent?
- Is the information enough? Seek more if needed
- What is unsaid/undeclared?
- Why is the person buying insurance or upgrading? Is there a claim in the offing?

Approach to Medical Conditions

- Based on severity and risk of surgical event
 - Likelihood of recurrence?
 - Likelihood of ongoing claims?
 - Cost of any claims that will occur?
- Apply most caution:
 - Cancer
 - Cardiac/cardiovascular
 - Musculoskeletal
 - Gynaecological
- Some conditions will never recur – appendectomy, tonsillectomy
- Some conditions will only ever result in acute admissions (ie no cover under our plans) – asthma

Types of Business

- Private/individual/retail = no cover for pre-existing conditions at all
 - Note older plans offered cover for minor conditions (“qualifying”) after 3 years
- Small group = some cover for “qualifying” pre-existing conditions
- Very large group = cover for all pre-existing conditions (where not ACC or excluded under the Rules)
- Medium sized groups = somewhere in between

Joining Concessions

- Available to group schemes
- For employees (and family members) who join within the first 30 days (sometimes 90 days) of eligibility (“first opportunity”)
- Qualifying pre-existing conditions are covered in full
- Non-qualifying pre-existing conditions have some level of cover (from a limitation to a lower plan to full acceptance)

Qualifying Pre-existing Conditions

- Varies by group
- In general, groups set up before 2014 all conditions except cardiac/cardiovascular and musculoskeletal are qualifying

