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