

Accident and Sickness Insurance

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Disability Insurance

an example of policy:

- 3 month elimination period
- subject to maximum 5 year benefit period
- monthly pay when full disability
 - insurer normally offer 60% of the monthly income

- standard exclusion on a disability policy
 - disabilities arising from war
 - terrorist acts
 - self-inflicted wounds
 - attempted suicide
 - participation in illegal activities
 - normal pregnancy

Riders

COLA

Non-cancellable

Calculate residual benefits

- calculate income loss
- calculate percentage income lost
- check whether 80/20 rule applies
 - if loss > 80%, the insurer treat as 100% loss and will pay full benefit
 - if loss < 20%, will treat as no loss and pay nothing
- if not apply, = percentage lost * maximum benefit amount

Presumptive disability clause

- the insurer automatically assume the individual is disabled
- waive the elimination period
- will pay the full benefits for the full period without asking for proof of not working
- presumptive disabilities are below
 - total and permanent loss of hearing
 - total and permanent blindness
 - loss of use of two limbs (both legs, arms or one)

Recurrent disability clause

benefit from 2nd claim (recurrent need to be in 6 month after return to work)
= [max benefit period - (1st off-work period - elimination period, eg. 90 days)]
* monthly benefit

FPO rider (future purchase option)

- only apply to insurable income

ROP (return of premium)

- if there are no claim by age 65, the premium will be returned
- if the total claims paid out < the total premiums paid, the difference will be repaid
- if the policy is cancelled after certain years, a partial premium is returned

Others

Definition of disability

- own occupation (lowest risk, best benefit/coverage, easiest claim)
- regular occupation
- any occupation (highest risk, hardest claim, worst coverage)

Total disability

required by cpp = severe + prolonged

Occupational clause

- allow the insurer to increase the premiums
- or even adjust benefits if the insured change to higher-risk classification
- for life insurance, insurer can change nothing on already-issued policy

Exclusion to the policy

- with particular injuries which can cause longer period of disability
 - back, neck, knees
- the exclusion can
 - deny a claim
 - impose a longer elimination period
 - offer a shorter benefit period
 - impose a premium rating

Group Plan

3 funding structure

- refund = retention account
- non-refund account
- ASO (admin srv only)
 - the insurer provides administrative service only
 - collecting premiums
 - approving members
 - underwriting claims
 - performing actuarial services
 - ideal for large companies that self-insure, pay claim from own cashflow

Key employee insurance

- normally reserved for employees, not owners
- many disqualify when own > certain percentage of business
- often restricted to \leq 100% of annual salary
- many include a replacement expense benefit rider

Disability buyout policy

- elimination period should be fairly long (1-2 years)
 - to ensure the disabled partner not likely return to work soon
- own occupation most frequently used to define "disability"
- benefit amount should be enough to buy out the shares
- after triggered, benefit will pay even if insured recovered
- lump-sum payouts are common
- or can pay a lump sum with the remainder in equal installments over certain years
- method of buyout price
 - multiple of prior year's sale
 - a price formula
 - 3rd party valuator
- least choice: fixed price as not able to adopt when business value changed

STD plan

- to qualify for EI premium reduce
 - no more than a one-week waiting/elimination period
 - eg. 5 day waiting period
 - benefit must be at least 15 weeks
 - eg. 18 week benefit period

Dentist claim

First payer under 2 employers

- adult: own employer
- children: earlier birthday parent
- single deductible
 - only occur once per member
- family deductible
 - maximum annual deductible for the whole family
 - add up each individual deductible occurred

Co-insurance

- deductible
- co-insurance factor
- calculate first payer amount = $(\text{claim} - \text{deductible}) * \text{co-insurance factor}$
- the unpaid amount = $\text{claim} - \text{first payer amount}$
- the 2nd payer pay the less of
 - the amount as they are 1st payer
 - the unpaid amount

Critical Illness Insurance

- living benefit
 - design pay out when have a serious illness and survive
 - if die after waiting period (30 days), benefit still payable

Types

- 3 condition
- 3 condition
- 10/20 condition

Optional 2nd event rider

need to be unrelated claim

Timeline

- for new issued policy to be active
 - 30 days of qualification period (90 days for cancer)
- for benefits to be paid
 - 30 days survival/waiting period
- to claim
 - claim within 30 days of diagnosis
 - medical proof with 90 days after claim

Underwriting

- underwriter's role, not agent's
 - order inspection report
 - medical tests
 - APS (attending physician's statement)
- agent
 - hazardous sports questionnaire

Deliver of policy

- things can change insurability
 - health
 - job change
 - job loss
- deliver in person (to make sure no change on insurability)
- require the applicant to sign an acknowledgement that no change on insurability
- if changes noticed, no deliver
- if no change, collect first premium