

PERSONAL FINANCE

Medical insurance dilemmas



Persatuan Insurans Hayat Malaysia
Life Insurance Association of Malaysia

"Your Friend For Life"

ARE you insured? Or over-insured? Or you're unsure of your life insurance situation? Here are some frank insights on medical insurance, focusing on various aspects of critical illness insurance that could help to unravel your dilemma and discover solutions in medical insurance.

I bought two critical illness policies from the same insurance company and after my heart attack, I made a critical illness claim on both my policies. However, the insurance company only paid the sum assured for one policy whereas I was advised to wait 30 days before they pay the other policy.

Both are critical illness policies, why does one policy has to wait for 30 days and the other does not?

Critical illness policies can be structured into different forms. Some critical illness policies are packaged together to provide cover for three components — death, total and permanent disability and critical illness, such that the sum assured will be paid if any of the three events happens.

Once this sum assured has been paid, the benefit or the policy will terminate.

Other critical illness policies will cover the critical illness alone. For such policies, there is a need for the life assured to survive at least 30 days from the date of the critical illness before the event is considered to be a critical illness event.

Take an example of individual A, who owns two policies. The first policy is a packaged policy, consisting of the three components — death, total and permanent disability (TPD) and critical illness — while the second policy provides cover for critical illness only.

If A dies of a heart attack, only the first policy is payable as a death claim. The second policy is not payable as there is no death component in it. However, if A had a heart attack and dies 35 days later, both policies will then be payable.

Once the first policy has been paid out as a critical illness claim, it will terminate. No more payment will be made thereafter. Since A died 35 days

MALAY MAIL
(08.08.2013) – page 2

later, the second policy will also be payable as a critical illness claim.

I was recently approached by an agent who says he has a new product that pays critical illness at an early stage and covers 92 illnesses. Is there such a product?

Companies are getting more and more innovative in their product offerings. They are hearing what the consumer wants and introduce products based on consumer needs.

Way back, people diagnosed with carcinoma-in-situ were disappointed with their insurance companies when their claims were rejected.

Their argument is carcinoma-in-situ is still cancer and since it was discovered at an early stage, the insurance company does not pay but only pays when it has developed into late stage cancer!

Now, there are critical illness products available in the market that pays for illnesses diagnosed at early stages of the critical illness. With these illnesses added in, it increases the number of illnesses for such plans to 92.

The base for "early pay critical illness" product is still the 36 critical illnesses while the other illnesses are early stages of these critical illnesses and are therefore subsets of the 36.

The illnesses are classified into severity levels of "low", "medium" or "severe". The 36 critical illnesses are all classified under the "severe" level — for which the full sum assured is payable.

If you suffer from one of the illnesses, you have to check the severity level of that illness and a certain percentage of the sum assured will be payable. The payment of such sum assured will reduce the original sum assured. The policy will terminate once the full sum assured has been paid.

The advantages for such products are that it allows protection at early stages of the critical illness and the overall coverage shall be a lot more comprehensive. Of course, with the extra benefits, premium for such policies shall be higher.

The article is courtesy of Life Insurance Association of Malaysia. For more information, go to www.liam.org.my.