

Are your employees sufficiently covered?

Structuring an adequate employee benefit programme to meet the needs of individuals requires an examination of the benefits versus the costs of disability and dread disease cover.

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When structuring the benefits for an employee group, it is common to set the benefit structure as a multiple of salary. It is difficult to implement a benefit structure that suits everyone in the group as each person has different individual needs. However, it is possible to put

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a benefit structure in place that meets basic needs for all staff by providing a minimum level of death and disability cover, ensuring that everyone has some cover.

In the context of all employee benefits provided, the employer or fund will look to balance the level of benefits against the cost of providing the benefits, taking into account the costs of other benefits being provided, including the retirement funding. It is possible that the employee benefit programme will not be adequate for some members, thus the employee should have a structured plan for additional risk cover or investment savings to bridge the gap.

DISABILITY

On the disability side, there are a few different product options available, for example occupational disability and impairment disability products.

Occupational disability products insure the member's ability to work and earn an income. The member's ability to work is assessed by

analysing the definition of disability in the policy and by looking at that in the context of the member's medical impairment and understanding, whether it affects their ability to earn an income or not. Often a member's claim is assessed, allowing for rehabilitation opportunities and looking at whether the potential claimant could do something else to earn an income. Occupational disability products can be provided either as a lump sum benefit or as an income benefit, payable monthly.

Impairment disability products insure against specific illnesses or medical conditions. One specific impairment disability product is dread disease. Dread disease products pay out a lump sum benefit to the member on the diagnosis of a specific medical condition. Although these definitions may differ between different companies and products, typical illnesses and diseases covered by dread disease insurance

may include cancer, heart attack, stroke and kidney failure.

COMMONALITY

The common denominator between all these conditions is that they place significant financial strain on the member. Although medical aids may cover a large share of the costs, it is possible that the member may still be responsible for a large portion of these expenses. The member may still be able to work and therefore not claim under an occupational disability product. These additional costs could manifest in the form of:

- out-of-network medical treatment
- experimental treatment not yet approved by the medical aid
- home and/or automobile modifications, e.g. wheelchair ramps
- rehabilitation after treatment of the dread disease
- home health care
- uncovered or additional prescription drugs not covered by the medical aid
- travel related to special treatment for the specific dread disease
- second medical opinions for the dread disease in question.

This is where dread disease benefits play a significant part in reducing the financial strain placed on a member and their dependents. For members with a medical aid, it bridges the gap between what is covered by their medical aid and what is not. Also, for less affluent members who may not have access to medical aid, it softens the financial burden that is associated with the diagnosis of a dread disease. Dread disease products could have partial payments, where a smaller portion of the benefit is paid if a member contracts a dread disease, but with a low severity, e.g. a mild heart attack may only pay 25% of the sum assured.

The insurance industry recognises that the products offered by the various insurers are different as each product covers different causes of dread disease at different levels. For this reason, the Association for Savings and Investments SA (ASISA) has proposed a standard grid where there is consistent disclosure on how much each product will pay for the various severities of the main causes of dread disease. **35**



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