

Pre-Existing Condition Exclusion, Incontestability & Loss of Employment

In an effort to increase customer awareness, the Pre-existing Condition Exclusion is a topic of discussion for many Business Managers prior to making the sale. This discussion is often viewed by the customer as “added value” to their buying experience. Disclosure also provides the dealership with additional protection against consumer misunderstanding and buyer’s remorse

Pre-Existing Condition for life insurance and disability insurance, means any illness, disease or bodily injury, condition or symptom (regardless of whether or not a definitive diagnosis has been made), for which you received any medical advice or treatment during the 6 months immediately preceding the effective date of insurance, which results in death or total disability within 6 months immediately after the effective date of insurance.

Pre-existing condition for critical illness insurance, means any illness, disease or bodily injury, condition or symptom (regardless of whether or not a definitive diagnosis has been made), for which you received any medical advice or treatment during the 12 months immediately preceding the effective date of insurance and for which a diagnosis of critical illness has been made 24 months immediately after the effective date of insurance.

Note: Pre-existing conditions for Life and Disability claims are investigated if the claim occurs within 6 months after the effective date of insurance.

Note: Pre-existing conditions for Critical Illness claims are investigated if the claim occurs within the first 24 months after the effective date of insurance.

Example scenario 1: Life insurance

Date of Loan: January 1, 2015
Date of Death: October 10, 2015
Cause of Death: Heart attack

The Pre-existing condition period is July 1, 2014 to January 1, 2015 (6 months prior to when the loan was advanced).

The debtor went to a Hospital Emergency Department with chest pain on August 25, 2014. He then underwent a stress test on August 30, 2014 and was unable to complete the test due to increased chest pain and arrhythmia on exertion. The debtor was given nitroglycerin and advised to take one aspirin daily. On January 1, 2015, the debtor applied for a loan to cover the purchase of a vehicle and was sold Loan Protection Life Insurance coverage. The debtor then died of a heart attack secondary to arrhythmia on October 10, 2015.

This claim would be payable because the Pre-existing Condition Clause would not be applicable. Death occurred outside of 6 months following the date of the loan.

Example scenario 2: Disability

Date of Loan: January 1, 2015
Date of Disability: March 10, 2015
Cause of Disability: Diabetes

The Pre-Existing Condition period is July 1, 2014 to January 1, 2015 (6 months prior to when the loan was advanced).

The debtor was seen by his physician on a monthly basis in order to have his blood sugars checked as he has suffered from diabetes for the past 2 years. During a monthly visit on September 10, 2014 the debtor's medication was adjusted due to increased blood sugars. On October 7, 2014 the debtor was referred to a specialist due to uncontrolled blood sugars. The debtor was seen by the specialist on October 15, 2014 and medications were adjusted. On January 1, 2015, the debtor applied for a loan to cover the purchase of a vehicle and was sold Loan Protection disability insurance coverage. On March 10, 2015, the debtor submitted a claim for disability benefits due to diabetes.

This claim would be denied as a result of the Pre-existing Condition Exclusion based on the debtor's doctor's office visits of September 10, 2014, October 7, 2014 and October 15, 2014. The debtor was advised and treated for his diabetes, the condition he is currently claiming for, during the 6 months preceding the loan date.

Example scenario 3: Critical Illness

Note: Unlike Disability insurance coverage and Life insurance coverage where claims incurred within 6 months of the loan effective date result in a pre-existing condition investigation, Critical Illness claims will be investigated if they occur within 24 months of the date the loan becomes effective. If an investigation takes place, the insurer will compare the cause of the claim to the debtor's medical history for the 12 months immediately prior to the effective date of insurance.

Date of Loan: January 1, 2015
Date of Diagnosis of Critical Illness: August 15, 2016
Diagnosis: Malignant brain cancer with metastasis to the lungs

The Pre-Existing Condition period is January 1, 2014 to January 1, 2015. (12 months prior to when the loan was advanced).

The debtor was seen by his physician on November 10, 2014 with dizziness and was diagnosed with vertigo by his physician. The debtor continued to experience dizziness with vomiting and headaches. He was seen again by his physician on December 7, 2014 and at this time the physician referred the debtor to a specialist. On January 1, 2015, the debtor applied for a loan to cover the purchase of a vehicle and was sold Loan Protection Life/Critical Illness Insurance coverage. The debtor met with the specialist on January 10, 2015 and further testing revealed that he had brain cancer. The cancer was thought to be operable and was treated surgically. Metastasis to the lungs was diagnosed August 15, 2016.

Although the diagnosis was not made until January 10, 2015 and the Critical Illness claim is not effective until August 15, 2016, this claim would be declined under the Critical Illness policy, as the debtor was treated for symptoms of the brain cancer on November 10, 2014 and December 7, 2014.

Example 04: Loss of Employment Insurance

Note: Loss of Employment offers a 9 month benefit per occurrence in the event of involuntary loss of employment.

Date of Loan: January 1, 2013

Date of Loss of Employment: April 1, 2013

Date of Reemployment: December 1, 2013

Date of Loss of Employment: July 1, 2015

The debtor experienced involuntary unemployment on April 1, 2013. As the debtor's loan protection insurance contained a 60-day non-retro elimination period, after 60 days of being unemployed, the debtor started to have loan repayments covered by loan protection. On December 1, 2013 the debtor was reemployed and loan protection repayments ended. The debtor then experienced loss of employment again on July 1, 2015. As the debtor had been employed for over 12 months they started to receive loan repayments 60 days after the date of loss of employment.

The Loss of Employment insurance benefits end the earliest of:

- when the debtor once again becomes employed;
- the end of the "Maximum Benefit Period" shown on the insurance enrolment;
- the "Maximum Cumulative Benefit Payable" has been reached.

(see Product Guide and Certificate of Insurance for full list on when insurance benefits end).