

## **DR. MARIUS BARNARD** **South Africa**

### **INTRODUCTION**

Insurance against the financial impact of critical illness – Critical Illness Insurance - wasn't invented by an insurance company, it was invented by a doctor who recognized the financial plight of his patients who survived a critical illness. This Doctor was Dr. Marius Barnard, a renowned heart surgeon, whose work with victims of heart disease and other critical illnesses made him realize the need that people have for financial protection when they are seriously ill. This led him to design, back in 1983, with a South African insurer, the very first insurance to pay out on different types of critical illness.

### **MAJOR CONTRIBUTIONS TO THE INSURANCE INDUSTRY AND THEIR IMPACT:**

- Identifying the need for an insurance that pays out on the diagnosis of a number of critical illnesses.
- Developing Dread Disease (the first insurance to pay out on the diagnosis of the most common types of critical illness) with South African Insurer Crusader Life.
- Developing Children's Critical Illness Insurance with the UK insurer Pegasus
- Promotion of the need for Critical Illness Insurance to brokers/financial advisers throughout the world
- Assisting numerous Insurers throughout the world in the development of Critical Illness Insurance
- Countries he has visited to work on insurance projects and promote Critical Illness Insurance include:-
  - United Kingdom, Ireland, Australia, New Zealand, Canada, USA, Singapore, Malaysia, Thailand, Hong Kong and Taiwan.

### **SUMMARY OF POSITIONS**

1950, Dr. Barnard qualified M.B. Ch M and began his medical career as a General Physician in Zimbabwe. In 1966 he joined the Department of Cardio Thoracic Surgery in Cape Town, South Africa, where he was a member of the team, headed by his brother Professor Christiaan Barnard, that performed the World's first Human to Human heart transplant.

In 1980 Dr. Barnard became a Member of Parliament in South Africa in the party that opposed Apartheid and stood for 'no racial discrimination', 'one-man one vote', and the release of Nelson Mandela. These goals were fulfilled in 1994 when South Africa had a democratic election and Nelson Mandela became President

In 1983 Dr. Barnard started working with Crusader Life, which was the start of his career in insurance, which continues to this day.

### **AWARDS FROM GOVERNMENTS FOR CONTRIBUTIONS TO MEDICINE & HUMANITY**

- Italy – Grand Official
- Greece - Order of the Phoenix
- France - Academic Palmiers
- Romania - Order of Gold Cross

Other numerous awards include, Freedom of Cities and Honorary Membership of Medical Associations.

### **INSURANCE AWARDS**

CSC UK Protection Review Lifetime Achievement Award.

### **THE NEED FOR FINANCIAL SUPPORT ON DIAGNOSIS OF CRITICAL ILLNESS**

In 1900 pneumonias and enteritis (diarrhoea) were some of the most common causes of death. Cases of Cancer, Heart Attack and Stroke were rare. Average life expectancy for males and females was in their forties. And if they recovered from one of the illnesses of the day then they would return to work and if not they would die, frequently at an age when they had dependents. In these circumstances you can see immediately why people would need the financial security of a life insurance policy and why it was such a popular type of insurance.

Throughout the 20th century, great men, such as Alexander Fleming, discovered antibiotics and developed vaccines and immunisations for the illnesses that were ravishing society. Medicine was changing the world and advances in medical science continue to this day. The average life expectancy in developed countries is now into the 80s. However, changes in lifestyle are also taking their toll on our health, with a huge increase in the incidence of major illnesses such as Heart Attack, Cancer and Stroke. For example, in the USA someone has a heart attack every 34 seconds<sup>[1]</sup>. As medicine advances to help treat these illnesses we see more people surviving them, however, this isn't always in good health.

In 1958 a Cancer Expense Policy had been developed by AFLac in the USA and in addition to this there was insurance available to help people who couldn't work as a result of disability. However, there wasn't any insurance available which would pay someone a lump sum to support them and their family financially if they suffered critical illnesses such as heart attack and stroke.

### **THE BIRTH OF CRITICAL ILLNESS INSURANCE**

As a surgeon, Dr Barnard knew what it was like to save a life, but he also saw that this wasn't always in good health and this had a huge financial impact on his patients and their families. His patients told him that they had Life Insurance so that their families would be supported financially should they die, but he could see that they didn't have financial support should they live.

*"I was used to operating on people and boasting about my great results of patients surviving five or six years. But all of sudden I saw the social and financial implications. I knew nothing about insurance but I knew life insurance paid out on the diagnosis of death. But to me, my patients lived for years but in this time they died financially."* Dr Barnard

Many examples of seeing his patients struggling to pay their household bills and to keep their families in a home made him realize that a new type of insurance, to pay out on more than death was required.

After much thought about what this new type of financial support could look like, Dr. Barnard came up with the idea of an insurance policy that would pay out on diagnosis of the most common critical illnesses and not just death, disability or cancer.

### **CRUSADER LIFE, DR. MARIUS BARNARD AND THE INVENTION OF CRITICAL ILLNESS INSURANCE**

It took Dr. Barnard a number of years to get an insurer to consider his idea. Companies could see the merit of such an insurance policy; however, they felt there was insufficient information to price such a product. In March 1983, two brothers approached Dr. Barnard as they had just bought a small insurance company and they wanted to develop a product that would be new to the insurance industry. The brothers had employed an actuary from the USA who had experience in similar products, which got over the issues faced by other insurers Dr Barnard had approached. Dr. Barnard explained his idea for a new type of insurance policy that would start off covering the four most common critical illnesses - cancer, heart attack, stroke and coronary artery bypass graft – and would pay out on diagnosis. They agreed to the idea and started work on developing this new insurance, which they called Dread Disease.

Dr. Barnard was appointed as their medical consultant and in this role he had to develop the definitions that would determine when the policy would pay out. Their actuary gave him some examples of definitions used in the USA by other insurers, but he knew that the definitions for his policy needed to be simpler and easier to understand - the definition for heart attack, which he had been shown was four pages long.

#### **Defining the definitions**

Dr. Barnard called on his experience from the first human heart transplant to help him define the definitions for Dread Disease. Following the first heart transplant, the definition of death was unclear. Death could no longer be classed as when the patient's heart stopped beating. Politicians, Lawyers and Religious leaders all attempted to provide a new definition for death, however, this added to the complexity. Dr Barnard recalled his brother, Christiaan, being asked what his definition of death would be, to which he answered: "a person is dead when his doctor says he is dead."

This quote was to become the basis for the definition of illnesses under this new type of Critical Illness Insurance, for example Dr Barnard defined Heart Attack as:

When a doctor informs that you that you have had a heart attack and the diagnosis has been made on the following findings: typical chest pain, a rise in cardiac enzymes and new ECG changes.

Dr. Barnard's definitions were understood and accepted by the sellers of Dread Disease as they were easy to explain. Today, these definitions remain the foundation for Critical Illness Insurance definitions around the world.

#### **The launch of Critical Illness Insurance**

Crusader Life took Dread Disease to market in August 1983, by this time Dr. Barnard was appointed to the Board of Crusader Life as well as continuing his role as Medical Consultant. This new type of insurance provided a lump sum to the policyholder if they suffered one of the defined critical illnesses. The lump sum could be used in a number of ways, for example, to pay off their mortgage, alter their house to accommodate changes in their mobility or even allow them or their spouse to take time off work. In short the policyholder could use the money to ease the financial strain while they concentrated on their health.

This time also saw the start of Dr. Barnard travelling the world to promote this new product to insurance agents and financial advisers.

It wasn't long before other South African Insurers developed their own Dread Disease, based on the model that Dr. Barnard had developed with Crusader Life. To ensure that Crusader Life's Dread Disease remained at the top of the market, they continued to develop it and introduce new illnesses to be covered under the policy. This was the start of the expansion of the insurance, which today is mainly known as Critical Illness Insurance.

#### **The introduction of Children's Critical Illness Cover**

In 1991 Dr Barnard was appointed a director of Pegasus - a UK company set up by Crusader Life and Barings Bank to bring Critical Illness Insurance to the UK. As well as helping to educate the Pegasus sales force on the need for Critical Illness Insurance, Dr Barnard helped develop a new definition: Child Cover. This meant that all children between six months and 18 years would be covered under their parents' policy. Other insurance companies soon followed their lead and introduced this new definition to their policies. Today in the UK one in five claims is for children's cover - the majority as a result of Leukaemia.

#### **DR. BARNARD AND HIS WORK WITH INSURANCE COMPANIES THROUGHOUT THE WORLD**

Dr. Barnard has devoted 25 years of his life to travelling the world and helping insurers to develop new Critical Illness Insurance. In fact, many would see his biggest achievement in the insurance world as the time he has spent educating Financial Advisers/Brokers/Insurance Agents on what Critical Illness Insurance is, why people need it and why they should speak to their customers about it. This has helped to ensure that critical illness insurance has become such a huge sales success and is protecting so many people today.

#### **Dr. Barnard in the UK**

In 1991 he was invited to talk at the annual conference of the Life Insurance Association of the UK. The audience consisted of a few thousand financial advisers from all over the UK and the impact that Dr. Barnard had on them is widely recognized as being responsible for the rapid increase in sales of Critical Illness Insurance in the UK, which was witnessed after his presentation. What's more the filming of this presentation is still being used by life insurance companies to train their staff more than twenty years later.

Scottish Widows, part of Lloyds Banking Group in the UK, has worked with Dr Barnard for seven years. They have used his knowledge and experience to help with the development of their new Critical Illness Insurance – Protection for Life – and in the education of the Lloyds Banking Group Financial Advisers. Lloyds Banking Group is the largest provider of Critical Illness Insurance in the UK and they continue to use Dr. Barnard to educate their sales force.

#### **Dr. Barnard in Australia**

Following the end of Dr. Barnard's time with Crusader Life and Pegasus he was invited to Australia to help promote Trauma Insurance (their name for Critical Illness Insurance). The initial response from brokers was negative as they had a Disability Insurance, which they preferred, however, after a couple of years of different tours in Australia, Dr. Barnard helped them understand the difference between Disability Insurance and Critical Illness Insurance and why people need both. He visited Australia many more times over the following years to continue to spread the word about the need for Critical Illness Insurance.

#### **Dr. Barnard in the USA**

Dr. Barnard had long held a dream of playing a part in the introduction of Critical Illness Insurance in the United States. After an unsuccessful attempt to launch a product with a small company, Physician's Mutual, Dr. Barnard was given his opportunity to spread the word about Critical Illness Insurance through the U.S. Division of Canada Life Assurance Company. He began working with Canada Life USA in 1997 and embarked on a three month tour of the USA, visiting 33 cities. During this time he helped formulate the product design, educate internal staff, and ensure that their brokers understood the need for Critical Illness Insurance. Over the next 10 years Dr. Barnard continued to visit the U.S. igniting audiences of advisors with his message regarding why every customer should own a Critical Illness policy.

#### **THE IMPACT OF CRITICAL ILLNESS INSURANCE**

The changes in health and in advances in medical science have made an insurance, which pays out on the diagnosis of different types of critical illness, a really important financial product for our generation. The original Dread Disease developed by Dr. Barnard and Crusader Life was the blue print for Critical Illness Insurance as we know it today. This type of insurance is now common in North America, Europe, Africa, Asia and Australia.

World wide sales of Critical Illness Insurance continue to grow at a steady pace, despite the economic conditions over the past few years. In the USA in 2011 half of the carriers that sold standalone products showed growth on 2010. Worksite sales and sales overall were up 16% and 19%, respectively, excluding a major carrier who declined that year. In Canada the majority of carriers show double-digit growth to in force business.

Dr. Barnard's part in pushing forward the development of an insurance policy which meets the financial needs of critically ill people, shows how insurers can work with the other professions to develop products to meet the changing needs of their customers. <sup>[2]</sup>

*"You see it's really a marriage between medicine and insurance. I always say we, as doctors, are the 'physical doctors', the protection insurance is the 'financial doctors'.* Dr. Barnard talking about Critical Illness Insurance, 2008

[1] Centers for Disease Control and Prevention  
[http://www.cdc.gov/dhdsp/data\\_statistics/fact\\_sheets/fs\\_heart\\_disease.htm](http://www.cdc.gov/dhdsp/data_statistics/fact_sheets/fs_heart_disease.htm)

[2] LIMRA, 2012, US and Canada Critical Illness Insurance Sales reports

Nominator: Jane Flett | Planning Manager, Bancassurance and Wealth| Scottish Widows  
Seconds: Johnny Timpson, protection specialist at Lloyd Banking Group and Marcia Johnson, ChFC, CAS  
Protective Life Insurance Co.