



# inseta

INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY

## LEARNER GUIDE

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# **Apply Knowledge and Understanding of Personal Accident Insurance**

## **Introduction**

After successfully completing this module, you would be able to:

- Explain personal accident insurance.
- Differentiate between the categories of personal accident insurance.
- Apply underwriting criteria to a personal accident insurance policy.
- Demonstrate insight into other aspects that impact on personal accident insurance.

# Module 1

## Personal Accident Insurance

This Module deals with:

- The concept of accident with examples of how it is used in personal accident insurance
- The types of cover offered as core benefits under personal accident policies with examples
- The difference between the payment of medical expenses under a medical aid scheme or health insurance policy and a personal accident insurance policy in terms of medical expenses following an accident
- The implications of personal accident as a non indemnity contract and an indication of the overlap with medical schemes and health insurance with reference to the policy wording in a personal accident policy
- The concepts of an indemnity and a non indemnity contract with examples

### **1.1 The concept of accident with examples of how it is used in personal accident insurance**

In South Africa, sickness benefits are very rare in terms of short-term insurance policies. Clients would be better off purchasing a permanent health insurance policy.

Personal accident can be defined as an event that causes you injury, disability or death. It can be a simple fall that results in a broken leg, or something more serious like a car crash that leaves you in a wheelchair.

An accident isn't always easily defined, but it is commonly accepted that it is an unforeseen or unexpected event that has undesirable consequences. Accidental injury is defined as: "bodily injury caused by accidental, violent, external and visible means"

The table below indicates how accident can affect the insured:

If the Insured	runs to catch a train	stumbles while trying to catch the train
<b>Policy Terms</b>	There would be no <ul style="list-style-type: none"> <li>• Violent</li> <li>• Visible and</li> <li>• External means</li> </ul>	There would be <ul style="list-style-type: none"> <li>• Violent</li> <li>• Visible and</li> <li>• External means</li> </ul>
<b>Outcome</b>	<ul style="list-style-type: none"> <li>• Therefore no cover</li> </ul>	<ul style="list-style-type: none"> <li>• Therefore there would be cover</li> </ul>

In terms of case law, the following might be of assistance:

*“Nor is an injury accidental if it is the unintended result of the insured’s intended act. Thus if the insured is injured through over exertion in cranking a car, or ejecting a drunken man from his place of work, or in running to catch a train, the injury in each case is not accidental. But, if on the other hand, the insured slips while cranking the car or suffers a blow while ejecting the drunken man, or stumbles while running to catch the train, the injury is accidental. There is then an “intervening fortuitous cause”*

Each claim should be scrutinized carefully in terms of the circumstances surrounding the accident. Therefore it is important to obtain a clear description of the incident.

### **1.2 Below is are types of cover offered as core benefits under personal accident policies with examples**

Compensation for personal accident is paid, in terms of the policy, when the insured person sustains bodily injury or dies resulting form an accident. Some examples of death or injury due to accident would be:

- Drowning
- Snake bite or poisonous sting from an insect
- Death due to exposure after injury in motor accident
- Injury or death due to an intentional act by another person

NB: Benefits would not be payable were death arose from an illness or disease that is unrelated to an accident.

### What is a benefit?

The table below indicates the “Continental Scale of Benefits”. It shows the percentage of the lump sum benefit that would be paid out according to the severity of a physical impairment of a member.

The rationale behind this, is that it is provided to compensate the member as a result of a physical impairment. The member receives a benefit for the loss incurred.

The assessment criteria are objective and disclosed upfront, resulting in less confusion at claim stage.

This also helps and protects employers against having to fund this benefit out of their cash flow.

### Example:

Technical	
Benefit amount	Percentage of group life benefit paid as a lump sum.
Maximum	R750 000 or six times annual salary
Benefit payable	<p>In the case of a loss, whether by physical separation or due to permanent and total loss of use, of:</p> <p>One hand or both hands - 100%</p> <p>One foot or both feet - 100%</p> <p>Four fingers and one thumb of one hand - 50%</p> <p>Four fingers of one hand - 40%</p> <p>Thumb:</p> <p>both phalanges - 20%</p> <p>one phalanx - 10%</p> <p>Index finger:</p> <p>three phalanges - 10%</p> <p>two phalanges - 8%</p> <p>one phalanx - 2%</p>

Legal arrangement	<p>Middle finger: three phalanges - 6% two phalanges - 4% one phalanx - 2%</p> <p>Ring finger: three phalanges - 5% two phalanges - 4% one phalanx - 2%</p> <p>Little finger: three phalanges - 4% two phalanges - 3% one phalanx - 2%</p> <p>Toes: all on one foot - 15% great toe, both phalanges - 5% great, one phalanx - 2% other than great, for each toe lost - 1%</p> <p>Permanent and total loss of: Sight of one or both eyes - 100% Hearing of both ears - 75% Hearing of one ear - 5%</p> <p>Freestanding/unapproved basis.</p>
Period within which it must occur	The loss of use of a limb or part thereof by physical separation or otherwise must occur within 180 days of the accident.
Cover of a previous continental scale claimant	Cover is reinstated if the employer advises of continued employment, subject to additional conditions and premiums.
Claim information required	<ul style="list-style-type: none"> <li>• Employer and Employee Declaration forms.</li> <li>• Report from a medical specialist.</li> <li>• Certified ID document.</li> <li>• Certified payslip at date of disability.</li> <li>• Proof of scheme membership.</li> <li>• Banking details.</li> </ul>

(Taken from Momentum Brochure)

Expenses are cumulative in terms of multiple injuries of one event, but may not exceed more than 100% of the sum insured.

### **1.3 The difference between the payment of medical expenses under a medical aid scheme or health insurance policy and a personal accident insurance policy in terms of medical expenses following an accident**

Medical aid schemes or health insurance policies (hospital plans) are designed to cover a predetermined range of medical procedures and expenses. You, as the member are then allowed to claim these benefits, subject to the provisions and limitations as set out in the policy of the insurance products that you purchased.

Personal accident insurance policies have no predetermined procedures or expenses. It is designed to cover the medical expenses that could arise from the insured being involved in an accident, up to a specified limit.

### **1.4 The implications of personal accident as a non indemnity contract and an indication of the overlap with medical schemes and health insurance with reference to the policy wording in a personal accident policy**

Non-indemnity insurance refers to the sum, which the insured is entitled to receive from the insurer, but does not necessarily bear any relation to the actual loss.

Example:

Indemnity insurance – Insuring your vehicle for the current retail value (What you would buy the vehicle for from a dealer). If a claim was to occur and the retail value of the vehicle paid out to you, you would be able to replace the vehicle and be back in the same financial position you were prior to the loss.

Medical aid schemes and health insurance products cover a range of predetermined benefits and procedures. The cover is based on the actual cost of the procedure or the practitioner's costs.

In terms of personal accident policy, the insurer can elect to insure for medical expenses that could be incurred due to an accidental injury. Most personal accident policy wordings refer to “medical, surgical or hospital expenses”, but these can be deemed to include dental expenses too.

Other expenses directly connected to the injury, such as the cost of artificial limbs, neck braces, etc are not specified but may be deemed to be included by some insurers and may have to be negotiated with others. In stricter terms these are “medical expenses”.

## 1.5 The concepts of an indemnity and a non indemnity contract with examples

- **Indemnity contract**

Indemnity means that the insurer undertakes to place the insured back in the same financial position they were prior to the loss, meaning to repair or to replace the insured item.

**Example:**

Insuring your personal vehicle against accident. The vehicle can be replaced, repaired or the client can be compensated financially. Meaning that it would appear as if the client did not suffer any financial loss once the claim is paid out and finalised.

- **Non-Indemnity contracts**

In a non-indemnity contract the insurer undertakes to compensate the insured in terms of the loss, but is unable to place the client back in the same position they were prior to the loss.

**Example:**

Taking out Medical Aid insurance against an illness, i.e. cancer. It would be almost impossible to restore the person to the same position as before the insured event occurred, but financial compensation is offered in terms of medical bills, alterations etc incurred in the life of the insured due to the illness.



## Module 2

### Categories of Personal Accident Insurance

This Module deals with:

- The concept of group personal accident insurance with reference to the selection of benefits and the payment of premiums
- Cover available to a specific group of clients or organization, and an indication of options available under a specific policy with reference to the selection of benefits and the payment of premiums
- The concept of individual personal accident insurance and an indication of the options available under an individual policy
- Optional cover available under individual personal accident insurance for two different insurers

#### **2.1 The concept of group personal accident insurance with reference to the selection of benefits and the payment of premiums**

This refers to, accidental/violent/external & visible means resulting in death, permanent disability or temporary disability of insured persons/employees of the business. Specialised tailor-made Group Personal Accident cover to corporations, such as: accidental death, permanent and temporary disability and medical expenses.

Some of the Benefits on a Group Personal Accident policy include:

- Accidental bodily injury resulting normally within not 12 months in Death, Disability or the incurring of Medical Expenses.
- Scale of Benefits for Permanent Total Disablement:
- Permanent Total Disablement provides cover for loss of use of limb.
- Permanent Total Disablement preventing the Insured Person from following usual occupation or any other occupation for which he is suited by education or training.
- Interim payments can be made to the Insured in respect of Temporary Total Disablement.

- Temporary Total Disablement is paid in addition to Capital benefits.
- We provide age limits 16 to 70 years of age (older employees assessed on merits).
- Some policy wordings automatically includes the following extensions as a result of bodily injury:
  - Passive War
  - Disappearance
  - Disfigurement (not limited to burns)
  - Funeral Costs
  - Rehabilitation Costs
  - Mobility Costs
  - Body Transportation Costs
  - Emergency Transportation Costs
  - Relocation Costs.

**Optional Extensions may be provided for at additional cost and these will include:**

- Active service extension.
- Temporary Total Disablement following illness.
- Dread Disease coverage.
- Daily Hospital Cash Benefits - as a result of accident or illness.
- Trauma coverage is available.

**Payment:**

The company normally pays the benefit to the insured, on behalf of such person or his estate, the compensation stated in the schedule in the event of accidental injury to any such person directly and independently of all the other causes resulting within a specified period (normally 12 months) in death or disability as specified in policy.

## 2.2 Cover available to a specific group of clients or organisation and an indication of options available under a specific policy with reference to the selection of benefits and the payment of premiums

Personal Accident cover for specific groups could be aimed at the following types of groups:

- A group travelling together on holiday
- Racecar drivers
- A specific sports group etc.

See below an example of another specific group:

**Personal Accident for Scholars**

Name of Scholar: \_\_\_\_\_  
 Contact details  
 Postal Address : \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Tel : \_\_\_\_\_  
 Fax : \_\_\_\_\_  
 E-mail : \_\_\_\_\_

Name of School: \_\_\_\_\_  
 Type of school : \_\_\_\_\_  
 Private  Primary  Girls  Boys   
 Other (i.e. Pre-school, Crèche): \_\_\_\_\_

**Personal Details**  
 Grade : \_\_\_\_\_  
 Boarder : \_\_\_\_\_  
 Sport Activities : \_\_\_\_\_  
 Rugby  Hockey  Other: \_\_\_\_\_

Inception Date\* : DD / MM / YY to DD / MM / YY

**Product options**

**Compulsory Package**

**Optional Covers (Please tick box if cover is required)**

**Fee remuneration**

R20 000   
 R30 000   
 R50 000   
 R75 000

**Serious Illness**

R20 000   
 R30 000   
 R50 000   
 R75 000   
 R100 000

**HIV**

**Education Continuance**

Accidental Death / Permanent Disability   
 Serious Illness   
 Retrenchment

Number of Parents/Guardians: \_\_\_\_\_  
 Annual School Fees: \_\_\_\_\_

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**For your child**



## 2.3 The concept of individual personal accident insurance and an indication of the options available under an individual policy

Individuals may prefer to effect Personal Accident coverage on a 24-hour basis. This is normally done in terms of vehicle rentals or any exposure whilst flying as a

passenger or pilot. Alternatively, coverage may be arranged so as to apply only during the specified risk situation.

Personal Accident coverage will provide fixed, pre-agreed, benefits in the event of death, permanent or temporary disability of a total or partial nature, as well as medical expenses arising from accident.

#### **2.4 Optional cover available under individual personal accident insurance for two different insurers**

Some personal accident policies offer the following options to be added to the cover for an additional fee:

- Additional cover on top what is stated on the schedule. In other words, if for example the policy only offers R250 000 cover up to the age of 65, you may be able to increase that amount available and just pay an additional premium for it.
- Very limited cover might also be offered for accidental death or disability due to any acts of terrorism.
- Waivers of pre-existing medical condition cover.

## Module 3

### Apply underwriting criteria to a Personal Accident Insurance Policy

This Module deals with:

- The effect of occupation on premium in a group scheme with examples
- Criteria used to underwrite an individual personal accident insurance policy and an indication of how each criteria affects the risk
- The concepts of territorial limits, 24 hour cover, working hours cover and sums insured with examples
- The benefits in a personal accident policy for a specific policy
- The limitations, exclusions, conditions and provisions of a specific policy with reference to the underwriting decision

#### 3.1 The effect of occupation on premium in a group scheme with examples

The occupation of the insured should be taken into account when personal accident cover is negotiated:

Insured's occupation	Radio Announcer	Plumber
<b>Benefit most needed</b>	<ul style="list-style-type: none"> <li>• Loss of speech and/or of hearing</li> </ul>	Loss of <ul style="list-style-type: none"> <li>• Fingers</li> <li>• Thumbs</li> <li>• Toes</li> </ul>
<b>Solution</b>	100% cover for these disabilities	100% cover for these disabilities

It is important to know the occupation of the insured, not only in terms of which limbs and functions would be most valuable to the client in terms of his job, but also what types of accidents are prevalent in a specific occupation.

**Examples:**

Pilot – Plane crash risk

Truck driver – vehicle accident risk

Electrician – electric shock etc

In terms of adjustments to suite the client's needs for additional cover on specified areas, the premium of the policy would normally be adjusted in terms of covering the additional benefits.

### **3.2 Criteria applied to underwrite an individual personal accident insurance policy and an indication of how each criteria affects the risk**

- **Occupation**

The risk of injury due to accident could be more prevalent in certain occupations than others, see above detailed descriptions.

- **Age**

The age of the individual plays a role in the vitality of the person to bounce back from accidents. The older the individual, the more pre-existing conditions need to be taken into account. This affects the optional cover and exclusions in terms of cover and premium.

- **Life style**

Some policies exclude the following activities (hobbies):

- Mountaineering
- Motor racing
- Private aviation etc.

### **3.3 The concepts of territorial limits, 24 hour cover, working hours cover and sums insured with examples**

Cover applies anywhere in the world unless specifically stated otherwise in terms of endorsements on the policy and / or schedule.

Coverage applies 24 hours a day, 7 days a week unless otherwise restricted by endorsements on the policy or schedule.

### 3.4 The limitations, exclusions, conditions and provisions of a specific policy with reference to the underwriting decision

#### 3.4.1 Exclusions and Conditions

- **Exclusions**

The Insurers shall not be liable to pay Compensation for Bodily Injury in respect of any Insured Person:

- Caused by such person's suicide, attempted suicide or intentional self-injury or deliberate exposure to obvious risk or injury (unless in an attempt to save human life).
- Whose death or disability is directly or indirectly caused by, arising or resulting from or traceable to any physical defect or infirmity which existed prior to the accident, provided that if the disability of the Insured person is merely aggravated by such pre-existing conditions, the Insurer may in its discretion pay an amount which it considers would have been payable but for such aggravation.
- Under 16 or over 70 years of age.
- Whilst the Insured Person is traveling by air other than as a passenger (and a 'passenger' does not include a member of the crew or any person being conveyed for the purpose of any trade or technical operation relating to the aircraft)
- As a direct result of the Insured person:-
  - a) Being under the influence of alcohol, drugs or narcotics unless such drugs or narcotics were administered lawfully by a medical practitioner (other than the Insured Person) or unless prescribed by and taken in accordance with the directions of a medical practitioner (other than the Insured Person)
  - (b) Driving a motor vehicle and having more than the legal limit of alcohol in his/her blood.
- Whilst participating in any riot, strike, civil commotion, public disorder, or as a result of deliberately committing a criminal offence.
- Arising from war, invasion, act of foreign enemy, hostilities or warlike operations (whether war be declared or not), civil war, mutiny, insurrection, rebellion, revolution, military or usurped power, or any events or causes which

determine the proclamation or maintenance of martial law. Whilst such Insured Person is on active service with the military, naval, air or police services of any nation, provided that this Insurance shall continue to apply in respect of Accidental Bodily Injury sustained independently of such contingencies.

- Whose death or disability is directly or indirectly attributable to Human Immunodeficiency Virus (HIV and/or any HIV related illness) or Acquired Immunity Deficiency Syndrome (AIDS) including derivatives or variations thereof howsoever caused. The onus of proof shall always be upon the Insured to show that death or disability of an Insured Person did not arise through or was not caused by AIDS or HIV.
- Whilst participating in sport as a professional player, hang gliding or micro lighting.
- Whose occupation involves underground mining or tunneling or involving the use or handling of explosives or explosive devices?
- **Conditions**
  - This Policy may be cancelled at any time by the Insurer giving 30 days' notice in writing (or such other period as may be mutually agreed) or by the Insured giving immediate notice. From date of cancellation the Insured shall be entitled to a refund of premium paid pro rata for the unexpired Period of Insurance, subject to condition 10.
  - This Policy is not assignable. Compensation shall be payable only to the Insured Person whose receipt shall effectually discharge the Insurer. No Insured Person shall have any right against the Insurer.
  - No sum under this Policy shall carry interest.
  - This Policy shall be voidable in the event of misrepresentation, or misdescription or non-disclosure by or on behalf of the Insured or an Insured Person in any particular material to this Insurance.
  - The Insured shall give notice to the Insurer within a reasonable time of any material change in the Business or an Insured Person's occupation and shall pay any additional premium required by the Insurers in consequence thereof.



- Notice must be given to the Insurers in writing on the prescribed claim form as soon as practicable within three calendar months of any occurrence which may give rise to a claim under this Policy but notice of death must be given forthwith and the Insurers shall have the right to have a post mortem examination of the body.
- All certificates, information and evidence required by the Insurers shall be furnished without expense to the Insurers within 30 days of the Insurer notifying the Insured of their requirements. After incurring Bodily Injury for which Compensation may be payable under this Policy, the Insured Person shall, when reasonably required by the Insurer so to do, submit to medical examination on behalf of and at the expense of the Insurer and undergo any treatment specified. The Insurer shall not be liable to make payment unless this Condition is complied with to their satisfaction.
- Qualified medical advice shall be sought and followed promptly on the occurrence of any Bodily Injury and the Insurers shall not be liable for any part of any claim which in the opinion of their medical adviser arises from the unreasonable or willful neglect or failure of an Insured Person to seek and remain under the care of a qualified member of the medical profession.
- If any difference shall arise as to the amount to be paid under this Policy (liability being otherwise admitted) such difference shall be referred to arbitration in accordance with the statutory provisions for the time being in force and the making of an award shall be a condition precedent to any liability for the Insurers to make any payment under this Policy.
- In the event of the Insurers disclaiming liability in respect of any claim and an action or suit not being commenced within twelve months after such disclaimer or, in the case of an arbitration taking place, within twelve months after the Arbitrator shall have made his award, all benefits under this Policy in respect of such claim shall be forfeited.
- If any claim under this Policy be in any respect fraudulent or intentionally exaggerated or if any fraudulent means or devices are used by the Insured or Insured Person or anyone acting on his or her behalf to obtain any benefit under this Policy all benefit there under shall be forfeited.

- If the Premium is calculated on estimates supplied by the Insured an accurate record containing all relevant particulars must be maintained by the Insured to which the Insurers shall have the right of access. The Insured shall furnish such information within one month of the expiry of each Period of Insurance and the Premium shall be adjusted accordingly.
- The estimates and declaration of total wages, earnings or salaries on which the premium hereunder is based shall include all items of remuneration which fall under the definition of "Annual Earnings" within this policy.
- In the event that such allowances are not included in the estimated or declared earnings these amounts will not be included in the computation of any claim.
- This Policy will be governed by the laws of the Republic of South Africa, whose courts shall have jurisdiction in any dispute arising hereunder.

(Source: [www.Hollard.co.za](http://www.Hollard.co.za))

## Module 4

### **Other aspects of Insurance that have an impact on Personal Accident Insurance Cover**

This Module deals with:

- The limitations on life cover that can be supplemented by personal accident insurance with examples
- The limitations on Road Accident Fund and COIDA cover that can be supplemented by personal accident insurance with examples
- The limitations on children and reasons to explain why there are limitations imposed in the insurance of children
- The beneficiary of a personal accident policy for three case studies
- The consequences of giving incorrect advice in terms of Policyholder Protection legislation, FAIS and Professional Indemnity

#### **4.1 The limitations on life cover that can be supplemented by personal accident insurance with examples**

In the short term insurance market, most products are “bought” by the client (e.g. you must insure your assets) unlike the long term industry where covers are sold (what happens if you die) which is a difficult transition for the short term broker to overcome.

Any purchase decision requires a need to be generated in the eyes of the consumer and, when it comes to a non tangible product, it becomes more difficult to create the awareness of this need.

Short Term Insurance brokers are probably not comfortable with this “need creation” and if their usual clients have already identified the need, the broker then has the problem to provide the cover at an acceptable premium.

The majority of the population cannot afford or do not have sufficient life cover. This is due to affordability, lack of awareness and perhaps the ostrich head in the sand mentality where one hopes it will never happen to them.

Personal Accident cover should be offered as an added benefit on a personal insurance policy especially as South Africans, perhaps more than most nations, face a greater threat of harm through violence due to high levels of crime in the country.

Furthermore, our roads are perhaps among the most dangerous in the world and every year tens of thousands of lives are lost, leaving uninsured families destitute or certainly in financial difficulty.

Personal Accident cover offers a quick (generally underwriting free) solution to the above risks which can be sold in addition to the individual's current life covers, providing funds in time of need. A death in this instance is unexpected and no planning can be made thereby increasing costs at the worst possible time.

Personal Accident insurance is cheaper than comprehensive life cover and can be taken as a stand-alone benefit. The benefit pays a lump-sum and the sum assured can be any amount chosen by the policyholder, subject to the relevant minimum and maximum benefit limits. It can also simply be added onto an existing life insurance policy and will double up life cover if the death was a result of an accident. There are less exclusions on cover and the cover is global.

Most young adults do not consider life insurance as a necessary expense. However, given the high accident rate in South Africa, particularly among young people, it is important that anyone who has a young family to look after or who has credit taken out in their name, ensures that they have a policy in place to ease the financial burden on their loved ones if the worst happens.

#### **4.2 The limitations on Road Accident Fund and COIDA cover that can be supplemented by personal accident insurance with examples**

The article in the next page was taken from [www.persfin.co.za](http://www.persfin.co.za) (Personal Finance). Read through the article to see where shortfalls under the Road Accident Fund Act can be supplemented by Personal accident insurance.

## **Medical claims will still be paid despite RAF changes**

October 29, 2005

By Laura du Preez

New limits on payments made from the Road Accident Fund (RAF) are likely following the Portfolio Committee on Transport's approval of the Road Accident Fund Amendment Bill.

Should Parliament approve the bill, claims from the fund will be curtailed and you will not be able to sue the person who caused the accident for any shortfalls between the amounts you recover from the RAF and your actual expenses. In light of this, it is important to review both your insurance and disability cover. The changes could also ultimately affect your medical scheme.

The proposed changes to the RAF that could affect your finances are:

- Only reasonable medical costs will be covered, but the compensation will be based on public health tariffs (which may be significantly less than the costs incurred if you use private health care).
- Claims for loss of income will be limited to an amount of R160 000 a year irrespective of your income level.
- Claims for general damages will be allowed only if the injury is deemed serious.
- Claims for emotional shock suffered by witnesses to an accident will not be allowed.
- The common law right to sue for loss suffered beyond the new limits has been removed, except in the case of witnesses to accidents.

Personal Finance contacted a number of large medical schemes, including Oxygen, Fed health and Hosmed to find out how schemes will deal with claims for medical expenses that may be recovered from the RAF after the changes.

All the schemes say they pay medical claims in line with a member's benefits, regardless of whether the member may be able to recover the cost from the RAF.

However, a member, or his or her legal representative is expected to give the scheme the assurance that he or she will repay all or part of the claims once refunded by the RAF.

Paul la Cock, a senior executive and an actuary at Old Mutual Healthcare, says Old Mutual does not offer any direct support to the members to claim from the RAF, but it does follow up with the RAF or the attorney from time to time regarding progress with an RAF claim.

If the changes to the RAF are approved, it will mean that the fund will pay fewer claims, or lower amounts and the scheme will have a lower level of recovery from the fund, La Cock says.

Jeremy Yatt, the principal officer of Fed health, agrees that any change to the RAF structure may limit what Fed health is eventually able to recover from the RAF.

However, Yatt says, from a scheme costing point of view, the scheme only sees that money year's later, if at all, and "never takes it into account when preparing the costing of the products, because it is completely unpredictable in nature. Any recovery that we do make is a windfall and we gladly take it and put it in the reserves (of the scheme)."

Velaphi Petsana, the principal officer of Hosmed, says that if the RAF funding changes, it will increase the burden to the scheme, but in reality it takes up to three years to finalise a claim anyway.

Petsana says there is some concern that if medical schemes are required to cover these expenses and cannot recover the money from the RAF, members will be effectively paying twice for the same benefits (through the petrol price levy and medical scheme contributions).

Short-term insurer Santam has responded to the proposed changes to the RAF by making different types of personal accident cover - policies which pay out a fixed

amount if you are injured or killed in an accident - available.

Individual policyholders can add personal accident cover to their existing policy or they can take out a stand-alone personal accident policy with Santam, Caroline da Silva, the head of commercial underwriting at Santam, says. She says that if Road Accident Amendment Bill is made law, many drivers may be insufficiently covered.

"We advise consumers to carefully evaluate whether they will need to take out additional insurance to top up the cover provided by the Road Accident Fund."

- **Compensation for Occupational Injuries and Diseases Act (COIDA)**

Under the terms of the Workmen's Compensation Act, 1941, there had also been specific maxima applied to compensation benefits received by employees who suffered an accident in the workplace. This meant that only those whose annual earnings were lower than the prescribed maximum were covered for accidents in terms of the Act.

Those employees earning more than the prescribed limit were then not classified as workmen, and could receive no compensation for accidents. These employees had to rely on restitution under common law, which meant that they had to rely on the courts to receive compensation for accidents caused by the negligence of the employer, or to provide their own personal accident cover for accidents occurring without this negligence.

Whether the employer provided this cover or not, basic protection for employees against accidents arising in the workplace, were expensive, and often cover provided was insufficient. The implementation of COIDA did away with this split definition of workmen, to broaden the base of compensation, both in terms of benefits and assessment contributions. Under the Workmen's Compensation act 1941, and COIDA, the rights of all employees at common law to pursue recoveries for accidents against their employer were withdrawn.

From time to time COIDA may be amended by parliament to cater for changes to the work environment that may impact on benefits needed for employees or on assessment rates for employers.

COIDA effectively provides cover across five classes of insurance:

- Death benefits in respect of deceased employees. These may take the form of lump sum payments, or as pension payments. In the insurance industry, these risks are written in the long-term sector (life and pensions), or in the short-term industry under personal accident and stated benefits policies
- Benefits for Temporary Partial, Temporary Total and Permanent Disablement. These are short-term insurance risks, (stated benefits and personal accident). They are also offered in the long term market as income protection covers, or permanent health covers
- Medical Expenses are written either in the short-term market as an adjunct to stated benefits and personal accident cover, or in the healthcare sector as medical aids
- Occupational Disease cover is written in the short-term market following stated benefits or personal accident, or in the long-term market as dread disease and life cover and as permanent health cover
- Funeral cover is offered in the long term market, as a separately written class of business

#### **4.3 The limitations on children and reasons to explain why there are limitations imposed in the insurance of children**

"By law, the amount of personal accident cover a parent can buy on behalf of a child is limited to R10 000 up to 6 years, and R30 000 up to 14 years."

[www.oldwww.parliament.gov.za](http://www.oldwww.parliament.gov.za)

The same applies to Life insurance. A short-term insurer shall not undertake to provide, or provide, policy benefits, in terms of an accident and health policy, in the event of the death of an unborn, or of a minor before that minor attains the age of 14 years, the value of which, on its own or when added to the value of policy benefits which to its knowledge are to be provided in that event by a short-term insurer or a



long term insurer or a friendly society in terms of any policy, exceeds, in the event of the death--

a) Of that unborn, or of that minor before he or she attains the age of six years, R10 000; or

b) Of that minor after he or she attains the age of six years but before he or she attains the age of 14 years, R30 000,

Or such other amount prescribed by the Minister.

A minor has no legal capacity in the eyes of the law and cannot therefore start or defend any legal proceedings.

A child under the age of seven years is absolutely exempt from liability for a crime because at this age a child is incapable of distinguishing between right and wrong in the eyes of the law. There are no exceptions to this rule.

Between the ages of seven and 14 a child is, in general, held to be incapable of committing a crime; but exceptions can be made if suitable evidence is produced.  
www.acts.co.za - short term insurance act Part VII

#### **4.4 The consequences of giving incorrect advice in terms of Policyholder Protection legislation, FAIS and Professional Indemnity**

- **The Financial Advisory and Intermediary Services Act**

This Act is aimed at protecting consumers by regulating anyone who gives you financial advice or sells financial products, and increasing their accountability and transparency. The act also provides clients with legal recourse against bad advice, unfair practices and unprofessional services from financial advisers and financial intermediaries.

The Act and its regulations attempt to weed out unqualified advisers by requiring anyone who gives financial advice or sells you a financial product to be licensed.

In order to obtain a license, advisers have to meet certain "fit and proper" requirements, such as having minimum experience and relevant qualifications.

"Fit and proper" requirements are also expected to, for example, prevent anyone who has had a criminal conviction in the last five years, or been fined or censured by any professional, regulatory or financial services industry body for negligence, incompetence or mismanagement, from acting as an adviser.

Regulations in terms of the Act will also deal with codes of conduct for advisers and financial service providers, and failure to comply with these could result in the withdrawal of a license.

The Act implies that clients should be given sufficient and appropriate information, often in writing, about the adviser (such as contact details and credentials), the company supplying the product, the product itself and the costs and commissions you pay.

The Act stipulates that clients must be given enough information about a financial product in order for them to make an informed decision about whether or not to invest or buy the financial product.

Another important feature of the Act is that it provides for an ombudsman for financial services who will deal with clients complaints.

- **The Policyholder Protection Rules**

Before the introduction of FAIS Act, these rules - promulgated in terms of the Long and Short-term Insurance Acts - were designed to protect clients when they took out a life assurance policy or a short-term (vehicle, home or household) insurance policy.

Some of the provisions of the Policyholder Protection Rules, particularly those relating to what clients must be told about these policies, now overlap with those under FAIS.

Besides stipulating that clients must be given enough information to ensure that they make an informed decision about taking out a policy, the Policyholder Protection Rules state that before selling a policy to a client, a broker or agent must give details

of expected increases in the premiums, explain the consequences of non-payment, and give the client the surrender value of the policy at various stages.

The agent must tell the clients whether he or she represents only one company, or is an independent broker able to sell a range of products.

If the agent represents a company, the agent must tell clients the nature of his or her relationship with that company - for example, if that company pays the agent most of his or her remuneration.

In terms of the Policyholder Protection Rules, clients enjoy a 30-day cooling-off period during which time they can cancel a policy that they have accepted, but not yet claimed under. This is intended to counter the effects of high-pressure sales tactics.

The Policyholder Protection Rules places certain responsibilities on the insurers.

Insurers are obliged to send clients documentation confirming the policy and including important information, such as how much your premium is; what they are paying a loading for if applicable, for example, poor health; what the ongoing expenses on any investment element of a life assurance policy are; and how to institute a claim.

Another important issue the Policyholder Protection Rules addresses is what happens when clients switch policies. In the life assurance industry, in particular, sales people often encourage consumers to cancel one assurance contract and replace it with another. This is not always in the consumers' best interests, and may simply be a ploy to earn more commission.

The Policyholder Protection Rules stipulate, among other things, that when clients cancel one policy to take out a new one, clients must be told all the implications, including how this will affect their benefits; the additional costs incurred; any tax disadvantages; any new waiting period before benefits are paid; any risks to their future insurability; and any additional investment risks.

**Who to contact**

If you have an unresolved complaint regarding...

**The financial services industry:**

The Financial Services Board

Tel toll free: 0800 110 443

Tel: (012) 428 8000

**Short-term insurance:**

Helm van Zijl,

Ombudsman for Short-term Insurance

Tel: (011) 726 8900;

Email: [info@insuranceombudsman.co.za](mailto:info@insuranceombudsman.co.za)

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[www.lifeliberty.co.za](http://www.lifeliberty.co.za)

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[www.acts.co.za](http://www.acts.co.za)

[www.momentum.co.za](http://www.momentum.co.za)