

Learning Unit 17: Premium Waiver for Retrenchment or Redundancy

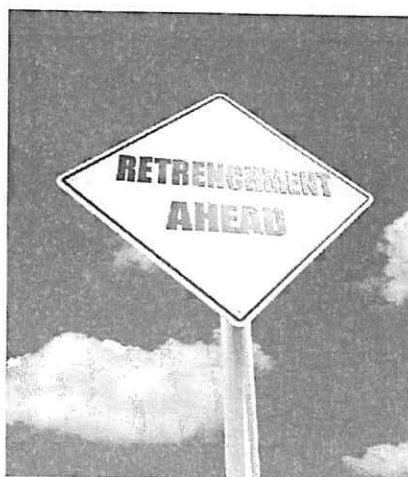


learning outcomes

Learning Outcomes

Upon completion of this learning unit, it is expected that you will be able to:

- Understand and provide definitions for terminology.
- List who we insure for premium waiver for retrenchment or redundancy.
- Describe what we insure under premium waiver for retrenchment or redundancy.
- Identify what we do not insure (exclusions) under premium waiver for retrenchment or redundancy.
- Identify the underwriting rules relevant to the insurance of premium waiver for retrenchment or redundancy.



Introduction

Broadly speaking, retrenchment is similar to downsizing, except it takes place in the working world. When a company goes through a retrenchment process, it reduces expenditure or finds different ways of saving in an attempt to become more financially stable and/or profitable.

Employees are often the casualty of retrenchment, as the tactic does not take their interest into account. They are often considered simply as commodities that are either profiting or costing the company and are, therefore, either a necessary expense or a financial liability.

Often the term "lay-offs" is used to describe the retrenchment that took place. This implies that employees have been told that their services are no longer required by the organisation.



- Redundancy is, therefore, when an employer dismisses an employee for one or more of the following reasons:
 - There is no need for the employee to carry out the business he/she was
 - employed for.
 - The company no longer carries out the business in the place where
 - he/she is employed.
- There is no need for the employee to carry out work of any particular
 - kind.
- The employer cannot afford to keep the employee any longer.

Retrenchment has a negative impact on those affected and in particular those who have been retrenched and their families. This ranges from people feeling lost and uncertain about their futures, as well as experiencing low self-esteem. Most commonly, the anxiety linked to where the next money is coming from and how the bills are going to be paid, causes most heartache and despair.



Retrenchment and job loss can be devastating for those involved, no matter what stage of life they are at. For a younger person, it can involve the pressure of suddenly having no income despite considerable financial commitments. In mid-career, it can lead to loss of career status, self-confidence and income. For those approaching retirement, it can mean the loss of vital income coupled with the reality of trying to re-enter the workforce when the energy and commitment may have lessened, and constant rejection based on ageism is experienced.

This section of the policy can do much to assist the policyholder who happens to be made redundant and is unexpectedly retrenched.

17.1 Definitions

Word or phrase used	Definition and description
you, (your, yourself)	<p>The phrase you refers to the policyholder and the policyholder's spouse as named in the schedule.</p> <p>Although one individual is named in the policy schedule, there are times when a family is relatively large and extended family members such as parents or grandparents who live with the policyholder on a permanent basis need to be included in the cover provided. For this reason, the definition is extended to include anyone insured under this section.</p>
we (us, our)	This is Mutual & Federal Insurance Company Ltd. Registration No: 1970/006619/06.
compensation	Compensation means the insurer will pay the insured the amount stated in the schedule.
excess	This is the first amount which must be paid by the policyholder before a claim is settled.
What we do not insure (exclusion)	<p>An exclusion is a condition in the policy that more accurately defines the risk accepted by the insurer and excludes liability for loss not intended to be covered.</p> <p>Exclusions in the policy relieve an insurer of liability for those issues not intended to be covered.</p>
redundancy	The termination of the policyholder's employment by their employer because the employer introduces new technology or reorganises the business.
resignation	The formal act of giving up or quitting one's office or position. When an employee chooses to leave a position it is considered a resignation and is a personal decision.
retirement	<p>The point where a person stops working for remuneration completely.</p> <p>Many people choose to retire when they are eligible for private or public pension benefits, although some are forced to retire</p>

Word or phrase used	Definition and description
	when physical conditions such as illness or accident no longer allow the person to work, or as a result of legislation concerning their position.
	Although the law in South Africa does not provide for a specified age at which employees have to retire, contracts of employment may contain an agreed retirement age, in which case the employer may require the employee to leave employment once he/she has reached the agreed age.
retrenchment	The termination of the policyholder's employment by the employer because of poor market conditions or the liquidation of the business or any other business decision of the employee that results in reducing staff.
unemployed	The condition of a person who is able to work and is actively seeking work but is unable to find any.
waiver	To give up the right to something or the claim to something.

17.2 Who we insure

Cover is available for the policyholder and the policyholder's spouse named on the schedule.



A **spouse** is a partner in a marriage, civil union, domestic partnership or common-law marriage. The term is gender-neutral. A male spouse is a husband and a female spouse is a wife. Therefore, the term may be used in both polygamous and monogamous opposite-sex relationships and same-sex relationships.

Although a spouse is a form of significant other, the term also includes non-material partners who play a social role similar to that of a spouse, but who do not have rights and duties accepted by law.

17.3 What we insure

The insured is covered for **premiums for this policy in the event of redundancy or retrenchment.**



Premiums are the specified amount of payment required periodically by an insurer to provide coverage under a given insurance plan for a defined period of time. The premium is paid by the insured party to the insurer, and primarily compensates the insurer for bearing the risk of a pay-out should the insurance agreement's coverage be required.

17.4 What we do not insure (exclusions)

In terms of the policy wording under this section the insurer will not compensate the policyholder the premiums for this policy for retrenchment or redundancy if:

- The insured has not paid any premiums due on this policy
If no payment of premiums has been received on the policy there would be no compensation payable to the policyholder.
- The insured is retrenched or made redundant within the first 90 days of the start date of this section

This exclusion has a time excess applicable in that no premiums will be paid for this policy if the policyholder was retrenched or made redundant within the first 90 days of the start date of this section.

- The insured accepts voluntary retrenchment

Voluntary redundancy is a recognised category of dismissal for redundancy. There is no legal requirement to ask for volunteers for redundancy, but it is generally considered to be good practice.

Offering a voluntary redundancy package and having volunteers seeking willing redundancy, may avoid compulsory redundancies altogether. You will want to keep the right skills and knowledge in the business, so if you do ask for volunteers, make sure you reserve the right to refuse to allow voluntary redundancy. Just because you offer voluntary redundancy as a way of facilitating matters, you are not under any obligation to accept to make volunteers redundant. You keep the right to make the final selection.

The fact that an employee volunteers for redundancy does not mean that the contract is terminated by mutual consent. Voluntary redundancy is still a dismissal and this means that the usual procedures must be followed if the employer is to avoid a claim of unfair dismissal.

In terms of the cover afforded under this section, any cover as a result of voluntary redundancy is excluded and, in the event of a claim, all the relevant documentation will be requested to substantiate the policyholder's claim. Obviously, the policyholder would receive a notification that they have accepted a voluntary redundancy and the records would reflect as such.

- The insured is unemployed because of retirement or resignation
If the policyholder and/or his/her spouse are unemployed due to him/her retiring or resigning, there would be no cover in terms of the policy wording.

- The insured is unemployed because she falls pregnant or gives birth
Cover would not exist if a female insured becomes unemployed because she has fallen pregnant or given birth.

As an employed female contributor to the Unemployment Insurance Fund (UIF), a woman can apply for maternity benefits when she falls pregnant and goes on maternity leave. To qualify for the benefits, she must be receiving less than her normal remuneration while on maternity leave.

The pregnant woman must apply for UIF immediately at the commencement of maternity leave or alternatively within six months of the birth of the child. Subject to the credit days the person has accumulated, the benefits can be paid out to a maximum of 121 days.

In view of the above there is no need for an employed female to resign from her employment due to her falling pregnant or giving birth.

- The policyholder's work is seasonal;
This section excludes any cover if the work the policyholder and/or his/her spouse does is seasonal.



A **seasonal job** is a short-term position designed to fill a temporary need, usually related to the time of year. One of the defining characteristics of a seasonal job is that it is temporary as employers hire seasonal staff to fill a particular need that is not expected to last more than a few weeks or months. The timeline is usually set out at the beginning of the employment so that employees are not surprised when the work ends.

The summer jobs popularly held by students fit into this category, as do temporary positions. Short-term construction and house painting jobs, work related to crops and agriculture, and many tourism positions may also follow seasonal schedules.

- The fixed-term contract ends or the insured finishes the job he/she was specifically employed to do



A **fixed-term contract** is exactly what the name implies. It is a contract which runs from one specified date to another specified date. When the second date is reached, the contract is terminated and the employee joins the ranks of the unemployed.

Put differently, it is a contract, the duration of which is agreed in advance between the employer and the employee. The "fixed-term" element can also be the completion of a specific project, the actual date of completion being uncertain. The danger in fixed-term contracts comes when the employer continues to renew the contract every time it expires – commonly known as "rolling over" the contract.

This exclusion confirms that if the policyholder and/or his spouse are not permanently employed, there is no cover in terms of the policy wording.

- The insured loses his/her job because he/she is found guilty of fraud, dishonesty or any misconduct on their part.



Fraud has been defined previously as the unlawful and intentional misrepresentation which can lead to actual or potential disadvantage to another individual or group. The following are situations encountered in the workplace that foster fraudulent activities:

- Conflicts of interest;
- Nepotism;
- Breach of duty;
- Favouritism.

Fraud is most often a crime of opportunity committed by people who face overwhelming financial pressures; they are not career criminals.



Dishonesty is to act without honesty. It is used to describe a lack of integrity; cheating, lying or corruption, amongst others.



Misconduct is a legal term meaning wrongful, improper, or unlawful behaviour motivated by a planned purpose or by stubborn indifference to the consequences of one's acts.

Misconduct in the workplace generally falls into two categories, namely:

minor misconduct	<p>is seen as unacceptable but is not a criminal offense</p> <p>Examples:</p> <ul style="list-style-type: none"> • Being late; • Faking qualifications etc.
gross misconduct	<p>can lead to dismissal</p> <p>Examples:</p> <ul style="list-style-type: none"> • Stealing; • Sexual harassment etc.

Should the policyholder and/or his/her spouse lose his/her employment due to one of the reasons as given above, there would be no cover in terms of the policy wording

- The insured loses his/her job because of any illegal strike that the he/she took part in or any lock-out by the employer;

If the policyholder and/or his/her spouse is involved in any illegal strike or took part in any lock-out by his/her employer then cover would not exist in terms of the policy wording.



Strike action is what happens when a group of employees conduct a work stoppage. Typically, a strike happens because of grievances the work force has with its employer and is an attempt to pressure employers into meeting demands before returning to work. An **illegal strike** is a strike that is called in violation of law.



Lock-out means an employer's decision to bar unionised employees entry to the workplace until such time as they accept to work on the employer's terms and conditions, or based on a lapsed collective bargaining agreement.

- The insured absconds from his/her job. To abscond means to leave your job in a secret and sudden manner.

An ordinary contract of employment places rights and obligations on both the employer and the employee. In this instance, if an employee is absent from work for longer than an agreed period and has failed to make the employer aware of his/her whereabouts, he/she is in breach of his/her contract and the employer will be entitled to terminate his/her services after following a fair procedure.

Therefore, should the policyholder and/or his/her spouse abscond from their job; there would be no cover in terms of the policy wording.

- The insured is employed in the informal sector;
If the policyholder and/or his/her spouse are employed in the informal sector there would be no cover in terms of the policy wording.

The informal sector is a concept that can be very difficult to define. The reason for this is because the term 'informal sector' can apply to a wide range of activities in a variety of settings that are driven by differing motives.

One of the safest ways to describe this part of the economy is perhaps to say that it is one that does not fit within the terms and definitions of any of the formal sectors. As a means of survival, individuals develop methods to earn income. This often involves creating informal industries. Although these are not subject to regulation, as they become more common, standards may develop.

- The insured is self-employed.
Self-employment is a business arrangement whereby one works for oneself. This is contrary to the normal way of employment where one is employed and works for another individual.

If the policyholder and/or his/her spouse are self-employed there would be no cover in terms of the policy wording.

17.5 Compensation

How we compensate you

The insurers will compensate the policyholder and/or his/her spouse for a maximum of six (6) months premiums by paying the premiums on behalf of the insured. The compensation is the value of the monthly premiums due on the policy as at the date the policyholder and/or his/her spouse was retrenched or made redundant.

Limit of compensation

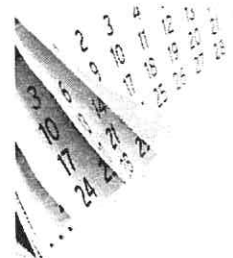
The insurer will compensate the insured up to the limit shown in the schedule.

17.6 Special Conditions

There are a number of special conditions linked to the compensation. We will now consider these.

You must have worked for a continuous period

The policy wording clearly states that the policyholder and/or his/her spouse will only be compensated if they worked full-time for 12 consecutive months immediately before they were made redundant or retrenched.



In the event of a further claim, the policy wording states that the policyholder and/or his/her spouse must have returned to full-time employment for 12 consecutive months before a further claim can be submitted.



Consecutive implies following one on another. For example, four consecutive months means four months in a row without interruption, such as March, April, May and June.

Your benefits will not increase

If the policyholder and/or his/her spouse have been notified either orally or in writing that they will be retrenched or made redundant, the benefits under this section will not be increased.

Only until your 66th birthday

The insurer will only compensate the insured if he/she is made redundant or retrenched their 66th birthday.

Waiting periods apply to reinstated policies

Should the policy lapse or be cancelled, for whatever reason and the insurer agrees to reinstate the policy, the waiting period will apply from the date that the cover is reinstated. This condition relates to the waiting period of 90 days that is stated in the exclusions.

Tell us about your retrenchment

The policyholder and/or his/her spouse must inform the insurer as soon as he/she is notified in writing of the imminent retrenchment.

Underwriting Rules

This section can only be selected together with a Household Goods or Motor section.

This section only applies to monthly policies **and not** to yearly policies.

The premium for the policy is paid for a maximum of 6 months.

Cover stops at the anniversary date after the insured person turns 66 years of age.



ACTIVITIES

Activity 1

Sam made an application for annual leave and the application was declined by his employers. Despite having been told that his application to take annual leave was declined, he still went ahead and took leave. Sam was dismissed by his employers because of this.

Would Sam have cover in terms of the Premium Waiver for Retrenchment or Redundancy policy wording?

Activity 2

The policyholder takes out a Premium Waiver for Retrenchment or Redundancy policy with effective 25th May and requests that the anniversary date of the policy must reflect as 1st May. The policyholder's birthday is the 16th of April.

When would the cover under this section of the policy cease?

Activity 3

The policyholder requests the Premium Waiver for Retrenchment or Redundancy cover on his Allsure policy with effect 1st June. Two and a half months later he is informed in writing that he will be retrenched.

Would there be cover in terms of the policy wording?



Summary

For a client who chooses the cover provided by this section of the policy, the peace of mind knowing that the policy is still operational if he/she is without work for a time goes a long way in making life that bit easier during difficult times.

This section has covered how the waiver operates and when it would not be functional. It has also provided you with definitions and descriptions of terminology so that you are easily able to explain these words to the client. In this way you, too, will be assisting the client towards that all-important peace of mind.



Notes

Learning Unit 18: Identity Theft



learning outcomes

Learning Outcomes

Upon completion of this learning unit, it is expected that you will be able to:

- Understand and provide definitions for terminology.
- List who we insure for identity theft.
- Describe what we insure under identity theft.
- Identify what we do not insure (exclusions) under identity theft.
- Identify the underwriting rules relevant to the insurance of identity theft.

