

Learning Unit 7: Personal Accident



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 under this section.
- Describe the events and list what we insure.
- Distinguish between the various forms of disability.
- Identify what we do not insure (exclusions) under the Personal Accident section.
- Analyse and use the Limits of Compensation table.
- Apply the special conditions to the Personal Accident section.
- Explain the underwriting rules for this section of the policy.




Introduction

Apart from looking after your possessions, it is also important to think about yourself and your significant others and, although not pleasant, to consider what could happen in the event of accidents, injuries and other unfortunate happenings. Although a life or a limb cannot be given a monetary value, it is important to consider the financial implications of losing such precious "assets". Personal accident insurance addresses this issue.

Personal accident insurance protects the insured against the financial consequence of an insured accident. Personal accident policies are one of the clearest examples of non-indemnity insurance contracts. In other words, their aim is not to return the insured, so far as is reasonably possible, to the position he/she was in before the actual occurrence of the event being insured against. Instead, the policy simply pays a financial benefit if the event occurs.

When it comes to claims under this section of the policy, the insurer is not able to indemnify the policyholder because, as has been stated, they cannot put a monetary value to a limb or life. As it is not possible to establish the value of someone's ability or life in order to calculate a value of risk, this cover is one of **compensation**.

	<p>It is important to note that under-insurance, contribution and subrogation do not apply to policies of compensation, as it is not possible to calculate a value at risk to accurately establish the financial amount of the loss. These words will be explained in the section dealing with definitions.</p>
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7.1 Definitions

This table clearly sets out the definitions relevant to issues of personal accident insurance for easy reference. There is space for you to add any further terms and their definitions.

Word or phrase used	Definition and description
you, (your, yourself)	The phrase "you" refers to the policyholder and other people named in the schedule.
we (us, our)	This is Mutual & Federal Insurance Company Ltd. Registration No: 1970/006619/06.
accident	An accident means an event that is external to the body that you could not avoid, that you did not intend and that you could not have expected or foreseen.
anniversary date	The date 12 months after the start date of the policy, unless the policy specifically states otherwise.

beneficiary	The person to whom benefits/compensation must be paid in the event of the death of an insured person.
Word or phrase used	Definition and description
bodily injury	Bodily injury means a physical injury to the body caused by an accident, violent, visible and external event.
compensation	This means that the insurer will pay the insured the amount stated in the schedule when a claim against an insured event has been made.
exclusions	Exclusions are 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.
hazardous	Hazardous means presenting a danger or risk, unsafe or risky.
minor	Person under the age of 18 years, who is dependent on the insured and spouse.
non indemnity insurance contract	This type of loss is in essence non-patrimonial. A non-patrimonial loss is a loss which does not have a monetary value attached to it.
occupation	An industry, trade or business or branch of business or class of work in which workers are gainfully employed.
reasonable	Showing reason or sound judgment and not being excessive or extreme.
spouse	A spouse can be one of two parties: <ul style="list-style-type: none"> • The partner of a policyholder in marriage, civil union or customary union by South African law; or • A person who is living with the policyholder in a relationship which is permanent and who is named in the schedule.
special conditions	Special conditions state the position or circumstances relating to the rights and duties of both the insured and insurer. Conditions will usually state what must or must not be done before the start of the policy cover or before a loss occurs or, on occasion, after a loss has occurred.
subrogation	The right of one person, having indemnified another under a legal obligation to do so, to stand in the place of that other and avail himself of all the rights and remedies of that other, whether already enforced or not.
domestic worker	An employee who performs domestic work in the home of his or her employer and includes: <ul style="list-style-type: none"> • A person who is employed and paid to perform tasks such as cleaning • A person employed by a household as a driver of a motor vehicle; and • A person who takes care of children, the aged, the sick, the frail or the disable, but does not include a farm worker.

7.2 Who we insure

The following people are insured if they are specifically named in the schedule:

- The policyholder;
- The policyholder's spouse
- The parents of both the policyholder and the policyholder's spouse;
- The policyholder's or spouse's children;
- The policyholder and policyholder spouse's full time domestic staff.

7.3 What we insure

Cover afforded clearly indicates what cover the insured has under this section. The insured is covered for the specific events as described below.

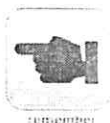
Full insurance or motor vehicle accidents only

The policyholder has the option of selecting full insurance or motor vehicle accidents only and this selection will reflect on the policy schedule.



Death and disability after an accident

As defined in Section 2, an accident must be an unexpected event and not intended or planned.

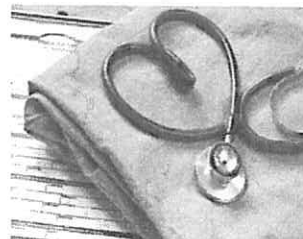


Suicide or intentional self-injury is intentional and planned, and therefore not an accident.

However, if a person acts intentionally to avoid injury, for example, jumping from a sinking ship, any injury sustained would be treated as an accident.

The compensation amount is shown in the schedule and would be covered for:

- Death
Death is a compulsory item and must be insured.
- Permanent disability (optional cover)
Permanent disability means any disablement, which entirely prevents an insured person from following his/her usual occupation.
- Temporary disability (optional cover)
The phase temporary disability means an injury which prevents a person from following his/her usual business or occupation for a short period of time.
- Medical Expenses (optional cover)
Any cost incurred in the prevention or treatment of injury or disease.



If you disappear

Disappearance means the act of leaving secretly or without explanation; the event of passing out of sight; or gradually ceasing to be visible.

In the event of the disappearance of the insured person, compensation would be given as if the insured person had died, if both of the following occur:

- A copy of the court order of Presumption of Death is submitted to the insurer;
- There is no reason to believe that any event other than an accident took place.

If it is later found that the insured person, on whom the claim was paid, is in fact alive, the insured person must refund the amount of the claim to the insurer.

Exposure to the elements, thirst and starvation

- Exposure means vulnerability to:
The elements – which could mean the action of heat, cold, wind, rain or exposure to weather. This results in death or bodily injury.
- Thirst means a feeling caused by a desire to drink.
- Starvation is a serious decrease in a person’s vitamin, nutrient and energy intake and is the most extreme form of malnutrition. In humans, long-lasting starvation (in excess of one to two months) causes permanent organ damage and may eventually result in death.



This cover would only be granted following an accident.

Repatriation costs

The word repatriation comes from the Latin word *repatriare*, which means to restore someone to his homeland. This was a term used to describe the process of returning refugees to their homes, most notably following a war.

Based on this description, the cover is extended to include costs incurred to return an insured's body to South Africa if the insured dies of an accident outside South Africa. This cover states that we will pay reasonable costs up to the limit shown in the schedule, to the insured's beneficiary or the estate.

Bereavement expenses

The compensation limit under this cover is reflected in the policy schedule and is payable to the beneficiary of the insured person or to the insured's estate to assist with expenses, such as funeral costs, incurred following the accidental death of the insured person.



The insured person must have died as a result of an accident.

Trauma counselling after a violent event

This cover is granted if the insured person or his/her domestic staff need professional counselling after being a victim of violent theft, attempted theft or a hold-up. The compensation amount is reflected on the policy schedule.

Double compensation

Should the insured person and his/her spouse die within 12 months of the accident and their deaths are as a result of the same accident, then double compensation will be paid in respect of death.

There are provisions that must be met before this compensation will come into effect, as follows:

- The policyholder must have selected the full cover available under the policy - death, permanent disability and temporary disability;
- There are surviving children under the age of 18 who are dependent on the insured or spouse ;
- The insured, spouse and children were, at the time of the accident, all members of the same household.

Example:

Mr Khumalo decides that he would like to take his beautiful wife away for their tenth wedding anniversary. He has arranged a weekend away at the Drakensberg because his wife loves the mountains and nature. They are not too worried about leaving their house, as their son, age 17 years and daughter, age 15 years, would be at home under the supervision of Mr Khumalo's parents. Mr and Mrs Khumalo enjoy a wonderful weekend away but on their trip back home, they are involved in a horrific accident. Unfortunately, Mr Khumalo is pronounced dead at the scene of the accident due to his injuries, but Mrs Khumalo, who is in a coma, is rushed to hospital. Mrs Khumalo comes out of her coma six months after the accident but passes away a week later due to complications. Both Mr and Mrs Khumalo had personal accident cover on their Allsure policy, covering death, permanent disability and temporary disability.

Due to the fact that Mr and Mrs Khumalo died within 12 months of their accident and their deaths were caused by the same accident, in terms of the policy wording the compensation amount in respect of death will be doubled. It must also be noted that all the other conditions that applied with regards to this cover have been met because the children were under the age of 18 years, were dependent on their parents and were all members of the same household at the time of the accident.

7.4 What we do not insure (exclusions)

Pre-existing medical conditions

This section excludes cover for death, bodily injury or disability caused by a medical condition that existed before the person was first added to the schedule.

A pre-existing condition is any condition for which the patient has already received medical advice or treatment prior to the person first being added to the schedule.

Under the broader, "prudent person" definition, a pre-existing condition is anything for which symptoms were present and a prudent person would have sought treatment.

Pre-existing conditions can include serious illnesses, such as cancer or less serious conditions such as a broken leg, and even an addiction to prescription drugs.

Taking part in certain activities

Participation means the act of taking part or sharing in something.

This exclusion confirms that any compensation payable as a result of the insured persons participating in certain identified activities would be excluded in terms of the policy wording. The activities mentioned under this exclusion are described below. All of the activities are high-risk activities, high impact sports and, due to the high probability of a loss occurring, they are excluded under this section of the policy.

- Any sport as a professional;
- Extreme activities such as paragliding, skydiving, hang-gliding, off-road motorcycling, quad-biking or free climbing;
- Wrestling, boxing or martial arts.
- Racing, speed or endurance events on or in a power-driven vehicle or craft.
- Flying, other than as a passenger in a legally licensed passenger-carrying aircraft.
- Mountaineering, where the use of ropes or a guide is necessary.
- Digging or sinking of mine pits or shafts, underground mining activities or the manufacture or use of explosives.

Accidents related to alcohol or drug use

No compensation would be payable in the event of a claim as a result of the insured person being under the influence of alcohol or drugs.

- This exclusion would not apply if a qualified medical practitioner prescribed the drugs for the insured person and these drugs are taken in the manner in which they were prescribed.
- If the insured's alcohol level is above the legal limit, we consider the insured to be under the influence of alcohol

Intentional misconduct

Compensation payable for death, disability or bodily injury will not be made if any one of these resulted from the insured person's intentional misconduct. For example, if the insured person provoked an assault, broke any laws or disturbed the peace and was injured or died as a result of his/her actions, no compensation will be paid.

Death or bodily injury that you deliberately cause

It is important to remember that the cover afforded under this section is events as a result of an accident and in this case an accident must be an unexpected event and not intended or planned. Therefore, this excludes any cover in respect of death, disability or bodily injury resulting from suicide, attempted suicide, intentional self-injury or deliberate exposure to danger.

Military or other services

The insurer would not be liable for any claims resulting from the insured person's service in the military, naval, police or air services of the country. All of the above mentioned are high risk occupations and the incidence of injury or loss of life is highly probable.

Participation in riot, civil commotion or act of terrorism

If the insured person is injured as a result of participating in any riot, civil commotion or act of terrorism, there would be no cover available for any injuries or death as a result of the participation.

7.5 Compensation

Limits of Compensation Table

It is very important to read the policy schedule in conjunction with the wording as the limits of compensation are stated in the policy schedule.

The table which appears in the policy wording can be found below.

7.5.1 Limits of compensation table	
Amount of compensation and conditions	
Type A: Death	The limit of compensation shown in the <i>schedule</i> .
Type B: Permanent disability (permanent loss of or damage to senses or limbs) (optional)	A percentage of the limit of compensation shown in the <i>schedule</i> according to the percentages shown in the tables below.
Type C: Temporary disability (inability to work) (optional)	The amount of compensation shown in the <i>schedule</i> for each week of the disability, up to a maximum of 104 weeks.
This is a disability that:	
<ul style="list-style-type: none"> prevents you from continuing your occupation; and is temporary. It is not a permanent disability. 	<p>The disability must continue for more than 7 consecutive days.</p> <p>We stop the compensation as soon as we consider that you are medically fit or able to return to your usual business or occupation.</p>
Type D: Various medical expenses (optional)	Up to the limit of compensation shown in the <i>schedule</i> .
These include medical, surgical, dental, hospital, emergency rescue and transportation expenses, as well as artificial limbs and aids.	You may only claim for Medical expenses if the expenses are more than R500 and you are unable to recover them from any other insurance, including medical aid.

The rules for compensation

There are rules related to the compensation which need to be adhered to. These are set out below.

<u>Rule 1</u>	<p>If the policyholder is compensated for either death (Type A) or permanent disability (Type B) then this section of the policy will end immediately and no further claims can be made against it.</p> <p>It is important to note that the insured can only be compensated for either death or permanent disability if the loss was caused by the same accident. In other words, if a claim for permanent disability has been made, there cannot be a claim for death if the insured passes away later.</p>
<u>Rule 2</u>	<p>If the disability was caused by the same accident, the insured person will only be compensated for either permanent disability or temporary disability. Once again, the insured person cannot receive compensation for both. If the original claim was made for temporary disability and then a claim is made later for permanent disability as a result of the same accident, then the amount paid out for temporary disability would be deducted from the lump sum payment for permanent disability.</p>
<u>Rule 3</u>	<p>Compensation for temporary disability and various medical expenses stops immediately in either of these cases:</p> <ul style="list-style-type: none"> There is a valid claim for death; There is a valid claim for permanent disability as long as the bodily injury which resulted in the disability has been cured or healed as far as reasonably possible.
<u>Rule 4</u>	<p>Compensation will be paid to either the insured person's beneficiary or the</p>

estate.

Compensation limits for death of a child

The law limits the amount of compensation for death for children and these limits are shown in the policy schedule. The Short Term Insurance Act, No 53 of 1998 defines the term minor and the relevant limitations.

This Act states that a short-term insurer shall not undertake to 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 reaches the age of 14 years, the value of which, on its own or when added to the value of the 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:

- Of that unborn, or of that minor before he or she attains the age of six years, R10 000, or
- Of that minor after he/ she reaches the age of six years but before he/ she reaches the age of 14 years, R30 000,
- Or such other amount prescribed by the Minister.

Compensation for permanent disability (Type B) - limit of compensation

The rule states that the insured person would only be compensated up to the limit of compensation for permanent disability caused by one accident.

The total amount paid for permanent disability for any one single accident will not exceed 100% of the permanent disability maximum amount, referred to in the scale of benefits table.

Compensation tables for permanent disability

If the permanent disability does not appear in any of the tables, then compensation would be applied as a percentage of the disability to the insured person's injury that is consistent with the percentages in the table.

Burns

The compensation limit in respect of burns is reflected in the policy schedule and is dependent on the percentage of the insured person’s body surface area that is disfigured from burns.

The cover under this section does not cater for compensation if the burn is less than 10 percent of the surface area affected. The insured person would only be compensated when the permanent effect of medical or surgical treatment has been established.

If the percentage disfigurement from burns is less than 100 percent of the surface area then a percentage would be applied to the compensation that is consistent with the actual disfigurement suffered.

It is important to note that permanent total loss of use of a part of the body from burns will be treated as loss of that part.

Fingers, thumbs and toes

The table below details the percentage that would be payable following a loss to any of the fingers of the hand or toes of the foot.

Fingers, thumbs and toes		
7.5.14	A phalanx is a bone that forms the fingers and toes. Its plural is phalanges	
Description of Permanent disability		Percentage of limit of compensation
Loss of:		
Four fingers		70%
Thumb	– Both phalanges	25%
	– One phalanx	10%
Index finger	– Three phalanges	10%
	– Two phalanges	8%
	– One phalanx	4%
Middle finger	– Three phalanges	6%
	– Two phalanges	4%
	– One phalanx	2%
Ring finger	– Three phalanges	5%
	– Two phalanges	4%
	– One phalanx	2%
Little finger	– Three phalanges	4%
	– Two phalanges	3%
	– One phalanx	2%
Metacarpal	– First or second (additional)	3%
	– Third, fourth or fifth (additional)	2%
Toes	– All on one foot	30%
	– Big toe, both phalanges	5%
	– Big toe, one phalanx	2%
	– A toe other than the big toe, if more than one toe lost	1% for each toe lost

Limbs

The table below details the percentage that would be payable following a loss to the limbs.

Limbs	
7.5.15	Percentage of limit of compensation
Description of Permanent disability	
Loss by physical separation at or above the wrist or ankle of one or more limbs, or permanent and complete loss of use of a limb	100%

Paralysis or becoming bedridden

The table below details the percentage that would be payable following injuries resulting in paralysis or permanent disablement.

Paralysis means loss of body control and/or feeling. Bedridden means confined to bed for a very long time or even forever.

Paralysis or becoming bedridden	
7.5.16	Percentage of limit of compensation
Description of Permanent disability	
Injuries resulting in total paralysis or permanent disability or in being permanently bedridden	100%

Senses (eyes and eyesight, speech, ears and hearing)

The table below details the percentage that would be payable following loss of the senses, such as sight, speech and hearing.

The use of speech to communicate is unique to humans. When speech is impaired or absent, the impact on the person and his/her family is profound.

Senses (eyes and eyesight, speech, ears and hearing)	
7.5.17	Percentage of limit of compensation
Description of Permanent disability	
All sight in one or both eyes	100%
Sight of one eye, except perception of light	75%
Speech	100%
Both ears	100%
One ear	25%

7.5 Special Conditions

The special conditions that appear under the section dealing with personal accident are as follows:

Death or disability must happen within 24 months of the accident

The death or disability of the insured person must take place within 24 months of the accident that caused the bodily injury.

For death, the 24 month period would not include the time the insured person is kept alive by life support equipment if he/she were kept on the equipment for more than three (3) consecutive days. If the life support equipment is used for less than three (3) consecutive days then the 24 month period will not be delayed.

You must give us certain information

The insured person must give immediate notice of any medical condition, which to his/her knowledge affects him/her. For example, if the insured has been diagnosed at a later stage in his life with sugar diabetes, he would need to notify the insurer at that point.

Should the insured person change his/her occupation to a more hazardous type of occupation the insurers must be notified. The premiums in respect of this cover are based upon the occupational category of the insured person.

You are only insured up until your 80th birthday

You are no longer insured after the age of 80 years.

You must get proper medical care

If the insured person has had any physical injury that might result in a claim, he/she must get proper medical care within a reasonable time.



The insurer will not compensate the insured person for death or disability that has been affected in any way by them not having any medical treatment that the insurer believes the insured person should have had.

You must agree to medical examinations

The insurer can request the insured person to submit to a medical examination as many times as required.

Temporary disability payments will be made to the insured person at intervals if the attending medical practitioner provides a satisfactory medical report at the time of the temporary disability.



The cost for the medical examinations would need to be paid by the insured person.

Underwriting Rules

Apart from the exclusions and special conditions as described, there are a number of other rules which need to be adhered to.

Maximum age for acceptance for cover is 70 years.

Cover will stop at the end of the period of insurance (anniversary date) during which an insured person reaches the age of 80 years.

Nomination of a Beneficiary:

The details of the beneficiary must be provided. This includes the name and ID number of the beneficiary. If these details are not available, benefits will have to be paid into an estate.

The maximum benefits/limits per individual are:

Benefits	Maximum Compensation Limit
Death	R1 500 000
Permanent disablement	May be more than the death benefit but must not exceed the death benefit
Temporary disablement	R5 000 per week for no longer than 104 weeks
Medical expenses	R20 000
Statutory limits for death in respect of minors	Persons under the age of 6 years – R10 000
	Persons 6 years and over, but under the age of 14 years – R30 000

The full description of the occupation of the insured is required as premiums are based upon the occupational category of the person. The categories are as follows:

- Class 1 – Administrative and professional
- Class 2 – Supervisory and others not in class 1
- Class 3 – Manual work



ACTIVITIES

Activity 1

The insured person was aboard a small boat on a day excursion from Cape Town to Robben Island. On disembarking and whilst jumping from the boat to the jetty, her right leg collapsed when she landed. As a result she suffered extensive damage to her leg and knee. Upon submission of the claim form and medical reports it was found that she had previously injured her knee as a result of a sports injury sustained two years earlier. In fact, she had undergone significant reconstructive surgery to repair the injury on two separate occasions. The medical findings indicate that, had there not been any previous trauma to the knee, then in all probability the leg would have comfortably managed the jump with no injury.

Would there be cover in terms of the Personal Accident section of the policy wording?

Activity 2

The insured person works for a local airline and is a member of the crew for their passenger-carrying aircraft. As part of the perks of her employment she is allowed a free flight to any destination of her choice. The insured person decides to make use of this perk and goes on holiday to Spain. During the flight to Spain the airplane crashes and she dies. Would there be cover under this section of the policy and why?

Activity 3

The insured person is busy cutting biltong with his biltong-cutting machine. His hand slips and he accidentally chops off part of his index finger. It is established that the index finger has been chopped off after the second phalanx. The sum insured reflected in the policy schedule is R250 000. Calculate the settlement the insured person would receive for the injury.

Activity 4

The insured person is involved in a motor vehicle accident and sustains multiple injuries. The sum insured reflected on the policy schedule is R750,000. Details of the injuries are as follows:

Injury payable	Percentage of the sum insured
Loss of thumb – both phalanges	25%
Loss of sight of one eye – except perception of light	75%
Loss of hearing in one ear	25%
Loss of great toe – both phalanges	5%

What compensation would the insured person receive under this section of the policy?

Activity 5

The insured person is involved in a motor accident and, as a result of his injuries; he is in a coma for three months. Due to the accident the insured person is unable to engage in his normal occupation. What cover would be afforded to the insured person under this section of the policy?



Summary

Despite being a rather gloomy and complex section, the positive is that there is compensation for various personal accident events if the relevant person(s) are properly insured.

This section introduced the Limits of Compensation Table, which assists with understanding how personal accident cover works. The distinction between partial, temporary and permanent disability has been explained and the very important special conditions which need to be met by the insured person have been emphasised. In addition, the exclusions have been highlighted for better understanding of this section.

It is hoped that this learning unit has provided the basics for you to feel confident enough to explain sensitive concepts and other personal accident aspects to a client.

