FSB
FINANCIAL SERVICES BOARD



Do you know enough about Long-term insurance?

Consumer rights and responsibilities



What is Long-term insurance?

Death, retirement and disability are life changing events that are covered by long-term insurance. You would pay a monthly premium to a Long-term insurance company over a long period. The insurance company gives an undertaking to the policyholder to provide policy benefits if the event stipulated in the policy occurs. There are different kinds of Long-term insurance products in the market.

What are the different types of Long-term insurance products?

1. Life Cover - *it includes life insurance, term insurance and endowment policies.*

1.1 Life insurance

Whole life cover is ordinary life insurance which covers you against the risk of death. This is ideal for a person who wants to leave a fixed amount of money behind after death, e.g. to pay estate duty. It is the cheapest form of life cover and you can borrow against it, if you wish. Universal life cover is the same as whole life cover, but it has an investment component. It does not guarantee a fixed rate of growth because it is influenced by investment performance.

1.2 Term insurance

Term insurance, also known as fixed insurance, provides life cover for a set period of time, for instance while paying off a home loan. The cover simply expires after the agreed period of time.

1.3 Endowment policies

Endowment policies are a savings plan in which you pay a monthly premium for a specified period of time, at the end of which you are paid out a lump sum. It is designed to pay you during your lifetime rather than your beneficiaries after your death. You can also invest a lump sum in a single premium endowment policy. The life insurance portion comes into effect if you die before the policy is due to be paid out.

2. Funeral insurance

The policy benefit could be in the form of a service (funeral). Remember that you, as the policyholder, can ask for the benefits to be paid in cash rather than a service.



3. Retirement annuity

A retirement annuity is a type of saving - it is like having your own private pension scheme. You pay a monthly premium and when you reach a certain age, you get a payment every month for the rest of your life. You can access the benefits from the age of 55 years, depending on your plan.

4. Disability cover

You could lose the use of your hands or legs, or suffer from chronic illness, forcing you to stop working. Disability cover is usually added to life cover, but can also be bought separately. There are mainly two kinds of disability cover:

4.1 Capital disability cover

Capital (or lump sum) disability cover can be added to life insurance. However, it can not be greater than the amount of life cover on the policy. You will only be paid out once you provide proof that the disability is permanent. It can also be added to your endowment policy.

4.2 Income protector disability cover

The cover provides a monthly income, with or without yearly increases as stated in the policy. It can replace a portion of your salary until you recover or die, or the policy matures, whichever comes first, if you are permanently or temporarily disabled.

5. Health policy

A health policy pays out a stated benefit every time you suffer from a health event covered by the insurance policy. The benefit is pre-determined in the policy according to the condition rather than how much it cost to perform a medical procedure. For example, if you suffer from appendicitis the policy may pay out R12 000 and in the case of a heart problem may pay out R200 000. The insurance company may not pay doctors or any other service provider directly but must pay the amount to you, the insured. This type of insurance is therefore not the same as a medical aid scheme.



Who offers these Long-term insurance products?

Long-term insurance products must be bought from licensed Long-term insurance companies. Long-term insurance companies are registered and licensed by the Financial Services Board (FSB) in terms of the Long-term Insurance Act, 52 of 1998. This Act lays down the law under which these Long-term insurance companies must carry on their business. A Long-term insurance company may use the services of an FSP to give financial advice and/or provide intermediary services on its behalf.

The FSP could be a legal entity (a company or a close corporation) or a sole proprietor (natural person) which must be licensed by the FSB to provide financial services to clients.

Consumer Rights: It is your right to

- Insist on having the policy information explained to you in plain and simple language. You may ask to take the forms home with you in order to get someone to explain it in the language of your choice.
- Ensure that you receive a written quotation from the FSP, showing (disclosing) all the fees payable by you, i.e. cost of the insurance, the intermediary's (broker's) commission;
- Make sure you get a policy document, which should be sent to you within 60 days;
- Read the policy document to make sure that it includes the following details:
  - i. Name, physical address, contact telephone numbers of the insurance company and the FSP;
  - ii. Premium you must pay every month. It must also tell you on which day of the month that amount must be paid. Furthermore, it must indicate how this premium might increase in future;
  - iii. Exclusions, in other words, benefits that are not covered under the insurance policy;
  - iv. Grace period, meaning, depending on the type of policy, the period of 15 or 30 days or such longer period stipulated in the policy within which you could still make a payment if you have missed a premium so that you will still be covered;
  - v. Cooling-off period, meaning, the period within which you may cancel a policy (if you wish to do so) after you have signed the proposal. A policyholder may cancel a policy within a period of 30 days of receipt of the policy document;



vi. How to make a claim. The policy summary must spell out how the insurance company's claims process works;
vii. Addresses, telephone and facsimile numbers and e-mail addresses of the Ombudsman for Long-term Insurance as well as the Financial Services Board.

Consumer Responsibilities

You have the responsibility to:

- Keep your policy document and other written communication in a safe place.
- Pay your insurance premiums timely (every month or annually as the case may be). Remember – if you do not keep your premiums up to date your policy will lapse!
- Deal with licensed FSPs only. It is your responsibility to find out if the FSP is licensed to sell you any Long-term insurance product by phoning the FSB's contact centre numbers 0800 202 087 or 0800 110 443.
- Give true and correct information about yourself. Wrong information could result in your claim not being paid.
- Only sign contracts which you fully understand.
- Sign policy contracts that are completed in full.

Frequently asked questions

1. How much life insurance do I need?
Contact any licensed FSP for more information on this.

2. Do I have to take a medical examination?
Your medical history will determine the amount of tests you will have to do. You can go to any doctor and the life assurance company will pay the cost of all the tests. However, different insurance companies have different requirements in this regard.

3. Can I withhold information, for example, that I am a non-smoker in order to pay a lower premium?
It is not wise to give wrong information about yourself as the insurance company would have the right to turn down your claim.

4. How would I know that I am dealing with an authorised FSP?
All FSPs and representatives must be licensed by the FSB in order for them to sell you a financial product. You have the right to see the licence before entering into a contract with an FSP or representative. You can, and should, double-check with the FSB whether the person has a license.



5. What is meant by a "waiver of premium"?
Some life insurance policies give the policyholder an option to add a waiver of premium to the policy. This means that the insurance company will pay your premiums if you are totally disabled and can no longer pay. The cash values and dividends from the investment component will continue to grow while the insurance company pays the premiums.

6. Can beneficiaries claim life insurance benefits if the insured person committed suicide?
Life insurance is not designed to cover the taking of one's own life. Insurance policies will not pay if the insured commits suicide within the first two years after the policy issue date. Furthermore, insurance in general is intended to cover accidental events. Suicide is not an accidental event and is therefore excluded from the coverage, for a period stated in the policy contract.

Complaints handling procedure

Long-term insurance companies have developed an internal procedure for dispute resolution so that, if at any time you are not satisfied with their products or services, you must:

- First contact the FSP or insurance company you bought the Long-term insurance policy from. Their Complaints and Disputes Department will investigate your complaint and give you a response.
- If you are unhappy about how your complaint has been dealt with, you may take the matter to the Ombudsman for Long-term insurance.
- The Ombudsman for Long-term Insurance may hand your complaint over to the FSB if the Long-term Insurance Act has been contravened.

Definitions

It is important to find out from your insurance company what they mean by being totally "disabled". Some insurance companies consider total disablement to be when an illness or injury leaves you unfit for your profession; other policies state that you must be unfit for any type of work.



Definitions

Cooling off period - is a right which you are given to reconsider your purchase and cancel the contract within a certain time limit from the date of entering into the contract (normally 30 days).

Disability policy - is a contract where an insurance company, in return for a premium, agrees to pay out policy benefits to the policyholder when an event happens that leads to disability.

Exclusions - benefits that are not covered under the insurance policy.

Financial Services Provider (FSP) – is a person that is licensed by the Financial Services Board (FSB) to give advice or provide intermediary services (such as premium collection).

Ombudsman for Long-term Insurance - an independent office which was established to ensure that subscribing members act with fairness and due regard to both the letter and spirit of the contract between the parties and render an efficient service to those with whom they contract. The Ombud receives and considers complaints against Long-term insurance companies and follows an informal, fair, cost-effective and speedy procedure to resolve them.

Policy benefits - sums of money, services or other benefits, including an annuity.

Policyholder - the person entitled to be provided with policy benefits under a policy, in this case, a Long-term insurance policy.

Premium - the amount that is paid to the insurance company so as to receive policy benefits.

Representative - Only certain people in the FSP are allowed to give advice or provide an intermediary service. The FSP mandates the representative to give advice or provide an intermediary service (such as the collection of premiums) on behalf of the FSP.

Risk - means the possibility that a particular event such as death or disability may happen during the period for which a Long term insurance policy is in force.



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