



**Income Protection** vs  
**Lump Sum disability**

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Income Protection with Sickness Benefit

# Income protection vs lump sum disability... the debate continues

The debate around income protection vs lump sum disability is an ongoing one. There is a perception in the market that income protection benefits are more expensive than lump sum benefits, but history has shown us that this is not the case. In practice it is actually quite difficult to compare the cost of each because the benefit payments and conditions can vary quite significantly. While compiling this feature, it was also quite evident that we really have seen some innovation in this space which makes choices and options so much bigger. This definitely has its advantages, but one wonders to what extent it promotes churning...

An independent survey conducted by True South Actuaries & Consultants, commissioned by FMI in March 2013, revealed that the South African disability insurance gap currently stands at R11.1 trillion. That means in South Africa, almost two million self-employed and commission workers are dangerously under-insured when it comes to disability. A few interesting results that came out of the survey were that too little disability cover is sold relative to life cover and within disability, temporary disability is the blind spot. Stats also revealed that income protection is less than 5% of the total insurance cover sold in 2011, or 17% of permanent disability cover sold. The quality of permanent disability is also poor in that too much lump sum (leaving consumers with risk they may not be aware of) and too much accelerated benefits are sold.

FAnews compiled this feature to try and make your life a little bit easier, to try and assist when you have to approach clients with quotes and options on what to buy. Each client is unique, each client has different needs and each client's budget is different. Your role is important as you have to find the right balance between needs, wants and budget... and of course a happy client.

The task was a big one, and I would like to thank everyone who assisted us in getting this right. We believe this will be a useful tool, and we would love to get your feedback on the usefulness of this. It's all part of adding value, and making your life a little easier.



Rianet Whitehead  
FAnews Editor

## A GREAT THANK YOU TO ALL PARTICIPATING INSURERS

FAnews would like to thank all who assisted us in compiling this feature. Thank you for being dedicated in making this a feature we are proud of and for assisting financial advisers with another utility tool.





**Income  
protection**

**or**

**lump-sum  
disability?**

**FAnews** polled life insurers on the trademarks of income protection and lump sum disability cover. When advising clients on which cover to invest in, advisers should consider clients' needs more holistically than only providing for a more inexpensive option, consensus revealed.

Income protection and lump sum disability covers are two distinct products. The one is often offered in the place of the other because of a client's specific requirements. However, most often lump sum cover is recommended in the place of income protection, but as the current debate in the market indicates, this is not necessarily the soundest advice to give.

Instead, insurers argue that the two benefits could work well as complements in a client's portfolio.

The purpose of the two covers is closely aligned, insurers polled by FAnews agreed, but the two types of policies have nuanced differences and could have markedly different outcomes for a client. "Income protection is designed to protect your ability to earn your future income [in the event of temporary or permanent disability or illness]," Brad Toerien, CEO of FMI said. "This means that if you can't work due to illness or injury, your income protection policy will provide you with a regular income."

This is in contrast with a lump sum cover that will not provide a regular income stream indefinitely into the future. Lump sum cover does exactly what it says: it pays out a lump sum in the event of an accident or illness, rendering the insured unable to perform his or her usual work. Because of the once-off lump sum nature of the payout, these policies are best suited to covering debt settlement, once-off lifestyle changes, and medical expenses, Toerien said.

#### **Supplemental cover**

Some insurers noted that a small lump sum cover can be used to supplement an income protection policy, for example where the client wants to settle an outstanding debt after incurring the illness or disability, or need to make a once-off lifestyle change. Some examples of these include: making property adaptations, like modifying a car or a house; workplace adaptations; acquiring assistive devices, like a wheelchair; or settling debt to ensure that the insured remains independent and continues to enjoy the use of his or her possessions

When a client wants to invest in lump sum cover, he or she must consider how those lump sum funds would be managed in the event of payout, since this responsibility would rest with the client, noted Dr Dominique Stott, Executive Medical Standards and Services at PPS. This is a point often forgotten by clients and their advisers alike, according to Schalk Malan, Executive Director at BrightRock.

"While income protection products are often seen by product providers as the more responsible and sustainable choice, by far the most popular products among financial advisers and their clients are lump sum disability products," Malan confirmed.

A Swiss Re survey indicated that almost three quarters of disability insurance sold in South Africa is lump sum cover. The danger in this, insurers agreed, is that the insured could easily outlive the income he or she can get from a lump sum payout.

"These products do offer several advantages as they are typically cheaper and are perceived to provide greater certainty, but they are not always appropriate to the client's actual needs. With a lump sum, where a client is disabled without any impact on her life expectancy, she risks outliving her income. Future changes in economic factors, such as inflation, interest rates and investment returns, could erode the value of a client's cover by negatively affecting her ability to buy an annuity to match her income needs," Malan said.

By the same token, if a client has chosen income protection over a lump sum policy, a monthly income payout would receive far less value if a client's life expectancy is severely affected by an unexpected illness or disability.

### Better value

Exactly because of economic, inflationary and investment environment changes in the longer term, Toerien said it believed that on balance, clients would more likely get value for money from an income protection policy. However, the company noted that the choice would revolve around the specific needs of the individual.

The other insurers polled agreed that the best-value cover would depend on the individual's needs.

The premium cost benefit a lump sum cover offers over an income protection policy, is a relevant measure for a client to choose the one over the other, but Nicolas van der Nest, Divisional Director: Risk Products at Liberty noted that lump sum cover is cheaper because it will pay out "in substantially fewer circumstances and can therefore be priced lower".

Advisers should mention this to clients because this factor about lump sum cover would fit better with higher risk-appetite clients than those with a lower risk tolerance.

Wyno Strydom, Greenlight Specialist at Old Mutual also noted that the economic environment within which the client would choose his or her cover would often influence a client's preference.

"On permanent disability, specifically in a high inflationary environment, a lump sum invested to generate an income stream could be perceived to offer better value for money, but due to the current tax deductibility, inflationary risks and the covering of both temporary and permanent claim events, income protection potentially offers more value and financial protection," Strydom said in his response.

Malan noted that it would depend on the needs of the client. If the client needs a regular income stream, income protection offers better value, while a lump-sum benefit would be better value for a client that would prefer a large capital injection.

### Extra risk

Therefore, a client should consider not only which of the two products would offer a better value, but also which one would give greater security. A lump sum disability policy would carry extra risk for a policyholder, even if it offers a lower premium. Already mentioned is the fact that a lump sum policy would not pay out as often as an income protection policy would.

"A key difference between the two policies is that income protection covers temporary events and would therefore be expected to pay out in a wider range of circumstances, arguably providing more security on that basis," said van der Nest said in his response.

Toerien argued that with a lump sum benefit the risk of meeting an individual's needs lie with the client, while the insurer carries that risk in the case of an income protection benefit.

Again, the insurers agreed that either policy would need to be matched to a client's specific needs and risk profile, while clients would also be well advised to consider using the policies in a complementary way.

"Lump sum cover can provide security with regard to the initial costs of becoming disabled, whereas income protection can provide greater future financial security," Strydom noted in his response.

No one client can predict his or her circumstances in the event of an unexpected disability or illness. No-one can predict whether he or she would have to live a long life with the disability or illness, or would only have a few months. These circumstances would affect the value as well as security benefits to be derived from either an income protection or a lump sum disability cover.

Advisers must ensure that clients are informed about these effects and their accompanying benefits and risks, and base their decisions on these perceived risks, each according to his or her risk appetite and profile.



# Income Protection vs Lump Sum disability CASE STUDIES

According to a survey by True South Actuaries & Consultants which was conducted in March 2013, South Africans are under-insured for disability in general, with a staggering 60% of the much needed disability cover not in place. Income earners are hard hit when disability strikes, and yet the mix of life insurance products sold remains a topic of much discussion.

The True South survey reveals that Lump Sum Disability cover is being oversold in comparison to Income Protection cover, and although Lump Sum Disability

cover is crucial, it might not be the best choice, and probably shouldn't be the only cover in place.

A myriad of illnesses and accidents can hit your clients... with the assistance of some players in the industry, we have created a few scenarios and asked insurers to share with us how they will assess the claim from an income protection (IP) and from a lump sum (LS) point of view. The reality is that circumstances vary, and you have to make sure your client has the best cover for whatever might hit him/her.

## ■ Altrisk has three lump sum benefits:

**Disability Plus:** Occupational disability cover, core and comprehensive impairment cover and an income benefit.

**Disability and Comprehensive Disability:** Pays out a lump sum should the insured become totally and irreversibly disabled and, as a result, unable to work.

## ■ Liberty

With any claims assessment decision, detailed information would be considered in determining whether any claim is payable. It would typically not be possible to include all of this information within a short case study. While we have provided an indicative view of the likely claims result for each of the case studies provided based on our latest available benefits, it is important to note that small but important details that may emerge in a real life claims scenario and which are not included here may have a material impact on the claims decision.

Unless otherwise specified, we have assumed that the income protection sums assured are appropriate relative to the claimant's income – that is, they have not selected more than 100% of their income for the first two years of disability and 75% of income thereafter.

## ■ Momentum

**IP:** Momentum's Income Protector Benefit is unique and claim amounts are assessed on a 'best of 3' assessment criteria. These are: loss of income (i.e. actual loss of income suffered), severity of disability (enabling claim payments once booked off regardless of loss of income) and severity of impairment or illness criteria (providing guaranteed payments for a guaranteed period in the event of a critical illness, impairment, hospitalisation or fracture event). Payments have been calculated by assuming that the client is on the most comprehensive offering which includes our longevity protection. Where applicable, claims will be increased by the selected post-claim growth percentage.

**LS:** Our lump sum solution includes functional impairment criteria which provides additional objectivity to the traditional own occupation definition as well as enables the payments of partial benefit amounts.

## ■ PPS Sickness and Permanent Incapacity benefits

**Sickness benefit:** Claims are assessed once a seven-day claim period is completed and valid claims are paid from day one (weekends included). During this period PPS would assist clients with rehabilitation, if required, in order to ensure that they reach maximum potential post-injury.

**Hospital Rider benefit:** This is a Rider benefit that will entitle members to a Hospital benefit equal to the Total Sick Pay benefit for the days during which they are admitted to hospital for treatment. Claims are assessed once a four day hospitalisation period is completed and valid claims are paid from day one (weekends included). The benefit is paid simultaneously with, and in addition to, the Sick Pay benefit.

**Permanent Incapacity benefit:** Once a member has submitted a valid Sick Pay claim, they become eligible for the Permanent Incapacity benefit up to the age of 66. The natural of progression of the PPS Sickness and Permanent Incapacity benefits is to assess Permanent Incapacity after the Sickness benefit has been claimed for 728 days.

**Occupation Specific Rider benefit:** This is a Rider benefit and will 'top up' any Partial Permanent Incapacity benefit to a non-reviewable 100% of the insured income for Permanent Incapacity up to the age of 66, even if a member decides to continue working. In order to qualify for the Rider benefit payment, a member's claim for the Permanent Incapacity Benefits must be successful.

## ■ BrightRock

For permanent claims, the decision on which option (a lump sum payout or recurring payout) a client takes, can be made at claim stage.



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## Peter McIntyre, Wildlife Veterinarian

Peter McIntyre, 28 years old, works for a Veterinary Pharmaceutical company and is involved in research into rhino reproduction. He is a Wildlife Veterinarian and his job entailed visiting various private game parks and assisting with park specific breeding programs. Rhinos are usually tracked and darted from a helicopter. It was on one of these trips that a helicopter collided with a tree. Peter's right leg was crushed. Despite many operations and numerous long-term hospital stays, Peter's leg was eventually amputated above the knee.

Level of cover: Annual Cost-To-Company R600 000 and average annual bonuses over the past three years R200 000 (all fully covered for income protection). He has

R2 million own-occupation lump sum disability benefits.

Other relevant information: Peter was very frustrated by his extended recuperation period and attempted to work whenever he was not hospitalised. His employer was sympathetic and allowed him to work from home and he gradually became more involved in the analysis of data collected by the field vets and developer month end of specialized programs.

Once he had recovered sufficiently, Peter returned to work on a full time basis at the company's head office in Midrand. He has subsequently been promoted to Project Manager and continues working on a full time basis.

### ■ Altrisk

IP: Altrisk would pay a monthly benefit until he returned to work full time.

Disability Plus: Monthly benefit would be paid until he returned to work. When lump sum is admitted (he cannot do his own occupation) the balance would be paid.

LS: Altrisk would pay the lump sum. Although he has returned to work in another occupation, he cannot do his own occupation so the benefit is payable.

### ■ BrightRock

IP: Peter's claim would be paid in full, given that our clinical criteria focus on objective illness and injury criteria, rather than his ability to work in his chosen occupation. His claim meets the criteria for one of the conditions covered on our objective list of clinical definitions for an illness or injury with a permanent financial impact. Initially, before the amputation of his leg, Peter would receive R46 859 per month under his cover for an illness or injury with a financial impact that you can recover from. He could receive these payouts for up to 36 months. Once his leg has been amputated, Peter meets the criteria for a payout under his cover for an illness or injury with a financial impact that's permanent. He would continue to receive his monthly income payouts of R46 859 per month until retirement age (67) or receive a once-off lump sum payment equal to R12.6 million. He can also opt for any combination of these two payout structures.

LS: Peter's claim for R2 million would be paid in full. His claim meets the criteria for one of the conditions covered on our objective list of clinical

definitions for an illness or injury with a financial impact that is permanent.

### ■ FMI

IP: The claim is a valid IP claim. Although he is a salaried individual, he is a professional and he would therefore qualify for cover where there would be no waiting period applicable. FMI would initially pay his benefit at 100%. His ability to work in a partial capacity from home would be monitored. When it is determined that he can work in partial capacity exceeding 25% of his time, his benefit would be gradually reduced in line with his increased working capacity. However, based upon the functional impairment of his lower limb, he will continue to receive 25% of his income replacement benefit even though he returns to employment in a full time capacity.

LS: Although Peter returned to the open labour market, FMI will consider his claim for his lump sum benefit to be valid as following extensive recovery and rehabilitation he would remain unable to return to his nominated occupation.

### ■ Liberty

IP: Peter would receive his full income protection benefit after the expiry of his waiting period (not specified), to the point that he started working again. He would receive a partial benefit during the period where he returned to work but was not working full time. The amount of the benefit during this period would depend on the amount of income that his employer was paying him. As a young professional, Peter would qualify for 'Super in-claim escalation' where he would get 150% of any claim escalation that would otherwise have applied on the anniversary of his

claim. This product feature compensates young professionals who become disabled at an age where they would be expected to have higher than average salary increases.

LS: Whether Peter is considered occupationally disabled on an own occupation basis would depend very much on what his split of occupational duties is (and the split provided at inception). For example, if the vast majority of his duties were administrative, then it is unlikely that he would be considered permanently unable to perform the duties of his occupation despite his amputation. A prosthesis is also likely to influence the extent to which he is unable to perform certain duties of his occupation.

Even if Peter was not considered permanently occupationally disabled, if he selected the Absolute Protector lump sum disability benefit, he would have qualified for at least a 50% payout on the permanent impairment claims definitions that are included.

### ■ Momentum Myriad

IP: Peter would have received a full benefit payment of R66 667 per month for the first two years and R50 000 per month (75% of his income) after two years. The payment after two years will be reduced by the income he is receiving by performing his 'similar' occupation of a project manager. He will, however, be guaranteed a payment of R37 500 per month up to retirement regardless of whether he returns to work. He will also qualify for five yearly longevity payments that equate to an additional 50% benefit payment. Peter would therefore receive an equivalent of 150% of his monthly benefit



amount up to retirement age.

LS: Momentum will make a 100% benefit payment as the insured is no longer able to perform the duties of his own occupation. This equals a payment of R2 million. In addition Peter will qualify for longevity protector payments equalling R6 742 938. This means that in total Peter will receive R8 742 938.

#### ■ Old Mutual

IP: Income Protection cover will not be considered for a wildlife veterinarian darting animals from a helicopter as part of his general job function.

LS: Occupational disability will not be considered for a wildlife veterinarian darting animals from a helicopter as part of his general job function. Functional Impairment will be considered and a R1 million (50%) claim will be payable.

#### ■ PPS

IP: Insured income per 31-day month (assuming

all earnings are covered) for Sickness (tax-free) = R45 260, for Permanent Incapacity (taxable) = R 67 893. Peter will be able to claim Total Sick Pay benefits for the entire period he is unable to work whilst recuperating from the helicopter accident and Partial Sick Pay benefits during the periods he is working from home. For the days he is admitted to hospital for treatment and surgery to his leg his Hospital Rider benefit will pay out.

In view of the fact that Peter has realigned his usual professional duties as at the onset of the Sickness claim (namely that he is now performing more office based sedentary duties), he would qualify for a Partial Permanent Incapacity benefit.

The Occupation Specific Rider benefit will 'top up' his Partial Permanent Incapacity benefit to a non-reviewable 100%. At no point is it necessary to prove loss of income and the benefits are never aggregated. His hazardous occupation has

no effect on his benefits, premiums or payouts. He has the option to continue working or not. LS: Peter would qualify for an own-occupation lump sum disability benefit. His cover amount of R2 million will pay out.

#### ■ Sanlam

IP: Sanlam would pay an income protector for the entire period whilst he was recuperating and not working. However, as an income protector covers loss of income, any earnings upon return to work will be taken into account. Therefore whilst doing part time work, and also after returning to work fulltime at head office, payment will be limited so that the disability benefit paid, plus any remaining income, does not exceed 100% of pre-disability earnings.

LS: He would also qualify for a lump sum disability claim, as his work at head office is not own occupation anymore, and he would therefore be considered totally and permanently disabled for own occupation.



## Lee Pillay, Salon owner

Lee Pillay is a 48 year old hair salon owner. She has a five-year history of bilateral peripheral angioplasties and had two cervical fusions ten years ago. Although she attends ongoing physiotherapy to manage her chronic spinal symptoms, she has continued to work, performing 80% of the manual duties in her salon.

She woke up one night last year unable to breathe, with excruciating chest pain. She was rushed to the emergency room where it was confirmed that she suffered an NSTEMI myocardial infarction. A quadruple coronary artery bypass procedure was performed the following

month with sufficient recovery and she was expected to return to work within six months.

However, return to work was delayed due to her peripheral vascular disease requiring angioplasty and her ongoing complaints of neck and back pain as well as chronic depression. Further spinal surgery was not an option. Mrs Pillay is expected to be able to return to work in the future but the date is uncertain. She has submitted a claim for income protection benefits of R12 000 per month for own occupation and a lump sum benefit of R432 000.

#### ■ Altrisk

IP: Altrisk will pay the IP benefit.

Disability Plus: Altrisk will pay the monthly benefit. Decision on lump sum would be deferred as permanence has not been established.

LS: Decision on lump sum would be deferred as permanence has not been established.

#### ■ BrightRock

Note that for this occupation, we don't offer clients access to the Personal Job Fitness Test underpin. Clients must therefore meet our clinical criteria (on our Medical Impairment option) to qualify for a claim. BrightRock may, at policy inception, impose certain waiting periods for this occupation, depending on the extent to

which Lee spends her days performing manual work. There are some hairdressing occupations, for example that of a hairdresser in a more supervisory role, that could involve a smaller component of manual work.

IP: Hairdressers that spend more than 25% of their time on manual work, usually have a six-month waiting period on their temporary income protection cover. Because of this waiting period, Lee will qualify for a monthly payout of R12 000 from her cover for an illness or injury with a financial impact you can recover from only after the first six months have elapsed (by which time, having returned to work, she may no longer qualify for the payout). If no such waiting period applied, for example, if she had

moved into a role where her duties were more supervisory, Lee would receive R12 000 per month for five of the six months (i.e after her one-month period) that she was booked off for, as well as any further recuperation time that the doctor may prescribe;

LS: The doctor's prognosis is good. Lee is expected to return to work and for this reason, it's unlikely that she would claim for permanent disability at this time. If however, there was more medical information about Lee's vascular disease or the condition of her heart, for example, if tests showed a permanent ejection fraction of <45% or an appropriate New York Heart Association rating (ie, NYHA II), she would receive a payout under her cover for an illness or injury

with a permanent financial impact. To substantiate Lee's claim, BrightRock would request more medical information from the treating specialists. Based on the available facts, none of the medical conditions Lee has suffered currently qualify for a claim.

#### ■ FMI

IP: FMI will consider her claim for income protection benefits to be valid and will continue to pay R12 000 per month for the duration of her incapacity.

LS: FMI will unfortunately not consider her claim for permanent disability as currently she is still expected to be able to return to work. She will also not qualify for a functional impairment benefit as her condition has not been established to be permanent and unresponsive in nature.

#### ■ Liberty

IP: Lee would be considered temporarily occupationally disabled and her full income pro-

tection benefit of R12 000 per month would be paid after the expiry of her waiting period (not specified) until she was able to return to work.

LS: Given the information provided in the case, we do not believe that sufficient time has elapsed to determine whether Lee's condition is permanent. Therefore her lump sum disability claim decision is likely to be deferred until such time as permanency can be established.

#### ■ Old Mutual

IP: Disability Income benefit pay out of R12 000 until she returns to work (subject to a review of her condition after one year if she is still claiming).

LS: Occupational Disability: postpone decision and review after one year. Functional Impairment claim will be considered for Myocardial infarction (irrespective of whether it is STEMI or NSTEMI) if associated with permanent cardiac failure.

#### ■ Sanlam

IP: This lady does a physical type of work and has own occupation benefits. She has neck-and back pain after two previous cervical fusions, and she is recovering from coronary- and peripheral vascular disease as well as depression. She would qualify for income protection benefits until she can cope with the demands of her work again.

If she returns to part time work, payment will be limited so that the disability benefit paid, plus any remaining income, does not exceed 100% of pre-disability earnings.

LS: The payment of the lump sum benefit will be postponed to determine whether she will recover sufficiently to work again. If she is declared unfit to resume her work, there should be little argument that she cannot do her physical work again, so a lump sum disability claim is likely to be admitted.



## Graham Smith, Financial Adviser

Graham Smith is a 57 year old Financial Adviser. His history includes three vessel coronary artery bypass surgeries, hypertension, hyperlipidemia, and Type 2 diabetes. He was admitted to ICU with pneumonia and tested positive for the H1N1 virus. Recovery was expected in four to six weeks. However, during his hospitalisation, he suffered a cardiac arrest and pulmonary embolism, and his hospitalisation increased to ten weeks.

After being discharged, his recovery was complicated by cardiomyopathy and atrial fibrillation, and he continued

to complain of poor memory and headaches. Following his extended hospital stay, he required physiotherapy to improve his physical abilities.

Although rehabilitation was anticipated to be long, return to work was expected within a year. Two and a half years after the event, his rehabilitation is slow and still underway.

He has submitted a claim for income protection benefits of R20 000 per month own occupation and a lump sum benefit of R720 000.

#### ■ Altrisk

IP: Graham's income benefit would be paid. Disability Plus: Monthly payment would be made while assessment is taking place. More detail would be required to assess his residual function before a decision on totality and permanence can be made.

LS: More detail would be required to assess his residual function before a decision on totality and permanence can be made.

#### ■ BrightRock

IP: Graham's claim would be paid in full. His condition meets our clinical criteria and he would receive his monthly income payouts of R20 000 per month for the full period booked off (assuming he selected our 36-month payout

period for his cover for illness or injury with a financial impact that you recover from).

After 18 months, in order to continue receiving the monthly payouts, Graham would need to fail the BrightRock Personal Job Fitness Test or demonstrate loss of income. There are two possible outcomes to the test:

\* If the Personal Job Fitness Test and other medical information submitted by his treating doctors showed that Graham may still recover, allowing him to do the key tasks and duties of his occupation in future, then his payouts would continue for another 18 months. After 36 months in claim, if Graham has not met any of BrightRock's defined clinical criteria for a 100% permanent disability claim, BrightRock will automatically

convert the recurring payouts to a 50% payout for the same financial need under his cover for permanent illnesses or injuries. Graham can however, apply for a payout of higher than the 50% level, if the severity of his condition worsens.

\* If the medical information submitted showed a poor prognosis (which seems likely based on the facts above), and the Personal Job Fitness test showed he is unlikely ever to be able to resume the key tasks and duties of his occupation, we would consider him permanently disabled. He would receive 100% if his cover for an illness or injury that is permanent, receiving his regular income protection payouts until age 65 (his selected retirement age). He would also receive the lump sum disability payment of R720 000.

**70% of people who  
have unexpectedly  
come into large  
sums of money end  
up broke within a  
few years\*.**

**Receiving a large lump sum isn't always the answer.**

When it comes to disability cover, a stand-alone lump sum doesn't take into account the short-term stress or long-term implications of efficiently managing a large sum of money. We believe the best cover for permanent disability is a combination of monthly income replacement benefits and a once-off lump sum amount. Two different products for two different needs.

\*[www.financialpost.com](http://www.financialpost.com)

For more information, contact our Financial Adviser Distribution Team on 0860 10 52 08, [sales@fmi.co.za](mailto:sales@fmi.co.za), or [www.fmi.co.za](http://www.fmi.co.za)

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\* Whether Graham's payout came from his income protection cover or asset protection cover would depend on the exact financial needs he had identified and how he allocated his cover to these specific needs.

LS: Graham would receive a once-off lump sum disability payout of R720 000 (as long as his ejection fraction is 35% or lower, or if he failed the Personal Job Fitness Test, which both seem extremely likely based on the facts of the case) or R8 886 per month (tax free). Graham can also opt for any combination between these two payout structures. He can make the decision of which payout structure will give him the highest value at claim stage.

#### ■ FMI

IP: FMI would consider Graham's claim to be valid for income protection benefits at 100% for the duration of his extended rehabilitation period and inability to work.

LS: Although Graham has been unable to work for the two and a half years since the event, Graham will unfortunately not qualify for lump sum disability or functional impairment benefit at this point in time as he is still undergoing rehabilitation and his condition has not yet been established to be permanent and irreversible in nature. The outcome of this claim can be reassessed at such time that he does not show any further improvement.

#### ■ Liberty

It is not clear what Graham's income is and this may affect the amount paid out on income protection (for example if his income was less than R20 000, or if his R20 000 income benefit after the first two years of his disability was more than 75% of his pre-disability income). We have assumed that Graham is insured for R20 000 on his short term and long term income protection benefits but that these amounts are less than 75% of his income to reduce the complexity of the response.

IP: Graham was originally expected to return to work within a year. However, after two and a half years is still not able to return to work and

is still undergoing rehabilitation. Given this, our assessment would be that he is permanently unable to perform the duties of his occupation and his full lump sum disability benefit would be paid.

LS: Similar to the above, Graham would be considered occupationally disabled and would be paid his income protection benefit of R20 000 after the expiry of the waiting period to the cease date of his payments. At Liberty, Graham's income for the first two years would have been covered under the Absolute Income Protector benefit, and thereafter the Extended Absolute Income Protector benefit. Under the Extended Absolute Income Protector benefit Graham's benefit amount would be increased by 33.33% if he met the highest severity level permanent impairment claim definitions in addition to being occupationally disabled. Further if he selected the 'Whole of Life' term option on this benefit, it is possible that he would receive a reduced monthly payment after retirement for the rest of his life even though most other benefits in the market would only provide payments to his retirement.

#### ■ Momentum Myriad

IP: Graham qualifies for a full benefit payment of R20 000 per month and if the cardiomyopathy is severe enough to meet the definition under Functional Impairment he will be guaranteed to receive this benefit until retirement age. In this case he will also qualify for five yearly longevity payments that equate to an additional 50% benefit payment. Peter would therefore receive an equivalent of R30 000 per month up to retirement age.

LS: If the cardiomyopathy is severe enough to meet the definition under Functional Impairment, which is 50-100% payment based on severity of impairment, he will receive a payment. If he does not qualify for claim under Functional Impairment, he can submit a claim for total and permanent disability and if we believe the condition to be permanent, Momentum will pay the full benefit amount of R720 000. In addition Peter will qualify for longevity protector payments providing additional payments of R100 984 increasing the total amount paid to R820 984.

#### ■ Old Mutual

IP: Graham's GREENLIGHT Disability Income claim of R20 000 per month will be paid.

LS: Graham's GREENLIGHT Comprehensive Benefit claim of R720 000 will be paid.

#### ■ PPS

IP: Graham would be able to claim Total Sick Pay benefits as it appears he has been unable to perform any of his usual professional duties since the onset of the condition. For the days he is admitted to hospital his Hospital Rider benefit will pay out. Given the fact that he presents with memory problems, the possibility of organic brain injury will be investigated and should this be the case he will qualify for a Total Permanent Incapacity award. If not the case he will be assisted in the rehabilitation process and a Permanent Incapacity award will be made in keeping with his remaining ability to conduct some of his usual professional duties as at the onset of the Sickness claim. His age will be taken into consideration in the making of any award.

The Occupation Specific Rider benefit will 'top up' a Partial Permanent Incapacity benefit to a non-reviewable 100%. At no point is it necessary to prove loss of income and the benefits are never aggregated. He has the option to continue working or not.

LS: Should test results confirm that Graham suffered an organic brain injury he will qualify for an own-occupation lump sum disability benefit. If not the case but should the evidence at hand show he is unable to conduct his own specific nominated occupation due to inter alia the severity of his condition, he will still qualify for the benefit. When he qualifies, his cover amount of R720 000 will pay out.

#### ■ Sanlam

In general, if sufficient recovery has not taken place within two years to get a person back into work with adequate treatment and rehabilitation, the resultant impairment and disability should be regarded as permanent. Sanlam would therefore pay both the income protector and lump sum benefits in this case.



## Marnus Steynberg, IT Consultant

Marnus Steynberg (41) is an IT consultant in Dubai. He had to undergo carpal tunnel syndrome release surgery and will be unable to work for a while. His level of cover is R25 000 per month.

Marnus is expected to make a full recovery. He has diabetes. The surgery was done overseas, but assessors received all medical documentation needed to assess.

### ■ Altrisk

IP: Altrisk will pay the income benefit.  
Disability Plus: Monthly payment would be made for the period booked off. Lump sum would not be payable.

LS: A lump sum would not be payable.

### ■ BrightRock

Marnus's temporary claim would be paid in full from his cover for an illness or injury with a financial impact that you can recover from. He would receive R25 000 per month for the period for which his doctor has booked him off, after the applicable waiting period that he chose has elapsed.

### ■ FMI

IP: FMI would consider his claim for income protection benefits to be valid for the duration of recovery required following surgery provided he complied with our travel terms and his cover is in force at the time of the claim.

LS: FMI would not consider payment under this benefit as full recovery and return to own occupation is expected and no permanent functional impairment is indicated.

### ■ Liberty

IP: It is unlikely that the condition described would result in occupational disability for an extended period. Whether Marnus would qualify

for a payment would depend on what waiting period applied on his benefit and also how long he was unable to perform the duties of his occupation.

Neither of these details is included in the case. Marnus' diabetes might result in a longer recovery period than would normally be expected and this would be taken into account in determining the length of time that any claim would be paid for.

To the extent that Marnus was occupationally disabled for a longer period than his waiting period, Liberty would pay his full benefit of R25 000 per month (pro-rated if shorter than one month). If Marnus had selected a seven day backdated waiting period and was hospitalised for longer than one week, he would be guaranteed to receive at least one month's payment under the Guaranteed Payment Period claim definition automatically included on the income protection benefit even if he was not occupationally disabled for a full month.

### ■ Momentum Myriad

IP: Marnus will receive a full benefit payment of R25 000 per month for the period that he is off from work.

LS: As his condition is not permanent, no payment will be made.

### ■ PPS

IP: PPS covers its members no matter where in the world they may find themselves. Medical reports from the countries in which the members reside are used in the assessment of the claim. Marnus will be able to claim Sick Pay Benefits (partial or full) for the period that he is totally or partially unable to work, even if due to diabetic related complications.

For the days he is admitted to hospital for carpal tunnel release surgery and treatment his Hospital Rider benefit will also pay out. At no point is it necessary to prove loss of income and the benefits are never aggregated.

The fact that he works and was treated overseas has no effect on his benefits, premiums or payouts (except that the payment must be made into a South African bank account).

### ■ Sanlam

This case has insufficient information. Most income protectors have waiting periods. A carpal tunnel release should have fully recovered within six weeks at the most. A temporary income protector would therefore pay out for the period after the waiting period, up to six weeks.

As surgery is usually successful, a lump sum disability claim will not be paid as the condition is not permanent.



## Jane Potgieter, Tax Consultant

Jane Potgieter is a young single mom whose two children, Gary and Nicola, are the centre of her universe. To support her family she runs her own business working as a personal tax consultant earning on average R28 000 per month. When Jane was eight years old her father unfortunately passed away. After the event Jane's family were financially secure only because of an insurance payout on his death.

Since that event Jane has recognised the value of insurance and, despite money being tight sometimes, took out and always continued paying for her insurance, including income protection cover.

Early last year Nicola fell extremely ill. Nicola no longer had the energy to play with her friends, and at bath time Jane noticed that she was covered with bruises. She also realised that her daughter was not eating her school

lunches and was losing weight. After taking Nicola to her doctor and many tests later, she was diagnosed with Acute Lymphoblastic Leukemia. Unfortunately Nicola's condition quickly deteriorated and last month Nicola was given less than 12 months to live. Jane was devastated.

As can be expected she has found it extremely difficult to juggle her career and making sure that Nicola gets the care, nutrition and emotional support that she needs through this traumatic experience. She does not know how she will meet Nicola's needs over the next few months. She cannot afford to give up her work or hire a full time caregiver.

Jane, in desperation, has taken her situation to her financial adviser to see if there is any claim that may be payable in such a situation.

### ■ Altrisk

IP: This event is not covered under our policy. The benefit would not be paid.  
Disability Plus: Benefit would not be paid.

LS: Benefit would not be paid.

### ■ BrightRock

BrightRock would cover this claim under Jane's cover for child additional expense needs. Because the additional expenses that arise from Nicola's illness or injury aren't linked to Jane's income but rather to affordability constraints, the payout would have no link to Jane's income. For this reason, we provide the percentage payout that Nicola's condition would qualify for under the child additional expense needs cover provided as an automatic feature on Jane's policy.

Acute Lymphoblastic Leukaemia for children qualifies for a payout of 50% of BrightRock's child additional expense needs benefit.

### ■ FMI

IP: FMI will unfortunately not consider the claim to be valid under the income protection benefit but we understand the detrimental effect a child's illness can have on a parent's ability to work. Therefore we have an Optional Child Protector benefit that will pay Jane a monthly income of R14 000 (lesser of 50% of sum insured or R15 000) until the earliest of Nicola's unfortunate passing or her 18th birthday. Although this may not replace the total amount of her earnings, it will provide her the financial security to either employ a caregiver or reduce her working responsibilities.

LS: Unfortunately Jane will not qualify for a lump sum or impairment benefit

### ■ Liberty

IP: Under Liberty's income protection benefit Absolute Income Protector, a Child Illness Protector claim definition is automatically included.

This definition allows a claim to be paid out where the life assured's child is diagnosed with a terminal illness and has a life expectancy of 12 months. Jane would be paid out her income protection benefit of R28 000 for up to a year, or until Nicola passed away (if sooner). This would give Jane the financial freedom to give up her job over this period to spend the time with Nicola over this difficult period, or if she preferred, to hire a caregiver for Nicola.

### ■ Momentum Myriad

No benefit payment

### ■ Old Mutual

LS: Under the Extensive Disability Benefit, 10% of the cover amount under the Child Impairment benefit will be paid (capped at R500 000).

### ■ Sanlam

As Jane is completely healthy and medically fit to continue with her occupation, she will have no claim.



## Peter van der Westhuizen, Metallurgical Engineer

Peter van der Westhuizen (53) is a Metallurgical Engineer working for a mine group in Rustenburg. He primarily works in a laboratory, but is sometimes required to travel to other mine sites and occasionally work underground along with mining engineers. He uses advanced equipment such as X-ray devices and microscopes as part of his job function.

Peter did not disclose that he was on treatment for high blood pressure at new business stage. However, the initial examination (short medical report) at new business stage showed normal blood pressure readings. At claims stage an independent report from his usual medical attendant revealed a history of well controlled hypertension. Whilst playing social cricket during the December holidays a ball hit him in the eye, and he was diagnosed with a lacerated eyeball. After undergoing three operations on his injured eye the surgeon reported that he was watchfully

optimistic. Peter returned to work after three months, but due to infection in the eye and damage to the retina he was off work for another two months. Unfortunately he permanently lost sight in the eye, and was declared permanently disabled by his employer.

Peter's basic salary is R60 000 per month (average past 12 months), which excludes R15 000 overtime and allowances of R10 000 per month. He will receive 66% of his basic salary per month on permanent disability until retirement age (65) as part of his group employee benefits.

Peter submitted the following claims:

1. Income Protector claim for R45 000 per month (one-month waiting period) for the period off work during the hospitalisation and rehabilitation period.
2. Lump Sum Disability claim for R1 500 000.

### ■ Altrisk

IP: The benefit would be paid in full for the first three months, then other disability benefits would be taken into account and the sum assured adjusted.  
Disability Plus: Monthly payment would be made while assessment is taking place. When lump sum is admitted, the balance would be paid.

LP: Lump sum would be paid.

### ■ BrightRock

Peter would receive a payout in full from his cover for an illness or injury with a financial impact that you can recover from, for the initial five-month period. If Peter had chosen a seven-day waiting period instead of a one-month

waiting period, BrightRock would backdate his payout to day one – with the one-month waiting period, his payouts would obviously commence after the first month.

Thereafter, he would also receive a payout under his cover for an illness or injury with a financial impact that's permanent, as loss of an

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eye is one of the conditions covered under our list of objective clinical claims definitions.

IP: If the loss of Peter's eye renders him unable to work as a metallurgic engineer, Peter's claim would be paid in full. Given that the employer has declared him permanently disabled and group benefits have approved the permanent disability claim, BrightRock believes that Peter would fail our Personal Job Fitness Test and pay him out in full, which is 100% of his sum insured.

LS: Note that if Peter was in another occupation where the loss of his eye would not have rendered him permanently disabled, he would still receive a payout with BrightRock. This is because the loss of vision one eye is one of the conditions contained in our objective list of clinical criteria, which qualifies for a payout of 50% of the sum insured.

However, as he has failed the Personal Job Fitness Test and qualifies for a 100% payout, his payout would work as follows: a recurring income payout of R45 000 per month (tax free) or a once-off lump sum payout of R5 million or he can opt for a combination between these two payout structures. Based on the same assumptions listed above, regarding Peter's failure of the Personal Job Fitness Test, he would receive R1 500 000.

#### ■ FMI

IP: FMI will consider his claim for income protection benefits to be valid and will commence payment after expiry of the waiting period. He will be paid his total sum insured of R45 000 per month for the initial five months of the claim as FMI does not apply aggregation during the first 12 months of a claim. All indication is there that Peter's condition was stabilised after five months at which time he was left with a permanent functional impairment.

Although he should not be prevented from working as a Metallurgical Engineer, he will continue to receive 25% of his sum insured due to his functional impairment.

LS: FMI has sympathy for Peter's loss of vision in his eye but unfortunately he will not be considered as totally and permanently disabled. He will however receive 25% of his permanent disability cover due to his functional impairment of total and permanent irreversible loss of vision in one eye.

#### ■ Liberty

IP: Given the information provided in the case,

Peter would be considered permanently occupationally disabled. In all events Peter's income and overtime would be covered. The details of Peter's allowances are somewhat vague in the case. If the allowances were, for example, for the use of a motor vehicle, contributions to his pension fund and medical would be covered and his full benefit of R45 000 would be paid. Other allowances that do not form part of his Gross Taxable Income may not be covered.

Liberty offers clients the option to provide full details and proof of their income at application stage so that this is not required at claim stage. If Peter had taken advantage of this and was granted full cover for the various allowances upfront, his full benefit of R45 000 per month would be covered.

LS: Given the information provided in the case, Peter would be considered permanently occupationally disabled and the full lump sum would be paid.

#### ■ Momentum Myriad

IP: Peter will receive the full benefit payment (R45 000 per month) for the first two years from the date of his accident. After the 2 year period, Peter will receive an amount of R23 000 per month due to benefit reductions being applied by taking his group benefits into account. He will also qualify for five yearly longevity payments which would mean that his equivalent monthly benefit amount would be R34 500. Benefit amount would be payable until the selected retirement age.

LS: We will pay 100% of the claim under the lump sum disability definition as Peter will no longer be able to perform the duties of his own occupation. In addition Peter will qualify for longevity protector payments providing additional payments of R505 455 increasing the total amount paid to R2 005 455.

#### ■ Old Mutual

IP: His Disability Income benefit will pay R45 000 until cease date. If the whole of life option was chosen, there will be a 100% payment up to age 70 and thereafter a 25% payment until death.

LS: Peter's GREENLIGHT Comprehensive Benefit payout is R1 500 000.

#### ■ PPS

Please note: PPS only has a seven day waiting period, and the assumption is made that this is own or similar benefits.

IP: Insured income per 31-day month (assuming all earnings are covered) for Sickness (tax-free) = R57 710 and for Permanent Incapacity (taxable) = R86 571. High blood pressure: even though non-disclosure will be investigated, Peter's blood pressure was normal at the time of taking out the business and it was still normal at time of claim. The condition he is claiming for is unrelated to the high blood pressure.

Peter would qualify for a Total Sickness Benefit as he was unable to work whilst undergoing eye surgery and recovery. He would be able to claim Partial Sick Pay benefits when he returns to work should this be on a part time basis or in a reduced capacity.

For the days he is admitted to hospital for treatment and eye surgery his Hospital Rider benefit will pay out. He will likely lose his red ticket and therefore not be allowed to work underground anymore.

He will likely qualify for a Partial Permanent Incapacity benefit even though he continues with some form of work because he has realigned his usual professional duties at the onset of the Sickness claim (for example, he now works exclusively above ground).

The Occupation Specific Rider benefit will 'top up' his Partial Permanent Incapacity benefit to a non-reviewable 100%. At no point is it necessary to prove loss of income and the benefits are never aggregated. The payments received from the group benefit will thus not be taken into account by PPS. His hazardous occupation or the fact that the accident happened whilst playing social cricket has no effect on his benefits, premiums or payouts. He has the option to continue working or not.

LS: Peter would not qualify for an own or similar occupation lump sum disability benefit in view of the fact that he is still able to use his professional knowledge and skills as a metallurgical engineer.

#### ■ Sanlam

The underground work, as well as working with a microscope, requires normal depth perception. As one needs vision in both eyes for depth perception, the claimant would be disabled for his own occupation. This means both the income protector and the lump sum disability claim would be paid in full. The non-disclosure of hypertension prior to inception date will not affect the outcome, as the normal blood pressure recordings at application stage would not have affected the terms of the policy.





## Mary Prinsloo, Teacher

Mary Prinsloo (48) has been teaching for the last 25 years. Over the last six years she has been experiencing increasing difficulties in coping with the demands of the teaching profession. She has been consulting a psychiatrist since 2010, who initially prescribed medication for a chronic anxiety disorder.

In 2012 she was threatened and assaulted by a student. Although not seriously injured, she decompensated emotionally and developed PTSD followed by a major depressive episode. Her treatment was changed by her psychiatrist to an antidepressant and psychotherapy sessions were started. When she did not respond favourably, she was hospitalised for two weeks in November 2012 due to suicide ideation. The dosage of her medication was increased, and a second antidepressant added.

Although she improved somewhat, she was working only intermittently, interrupted by periods of relapse and sick leave.

In November 2013, she was recommended for permanent boarding by her psychiatrist. At this stage she was on an antidepressant augmented by an anti-epileptic, plus lithium and psychotherapy, but still showed unsatisfactory response. According to the psychiatrist, Mrs Prinsloo was not able to function meaningfully in the open labour market. The prognosis is regarded as poor. A second independent psychiatrist's opinion was sought, who supported the boarding process.

An insurance claim was submitted for own and similar occupation disability cover for a lump sum amount of R1.8 million.

### ■ Altrisk

IP: Altrisk would pay a monthly benefit. Disability Plus: Monthly payment would be made while assessment is taking place. When lump sum is admitted the balance would be paid.

LS: Lump sum would be paid.

### ■ BrightRock

IP/LS: Mary's claim would be paid in full, as she meets all the criteria. The fact that two independent psychiatrists have permanently boarded Mary would satisfy the criteria of BrightRock's occupational underpin, namely, failure of BrightRock's Personal Job Fitness Test. Mary would receive R1.8 million. Mary also has the ability to opt for a recurring payout instead, allowing her to receive R16 021 per month (tax-free). This would provide her with a guaranteed income to age 65.

### ■ FMI

IP: FMI would consider her claim for income protection benefits as valid. With the FMI income protection benefit she would be able to claim for her intermittent periods of relapses and sick leave without the waiting period being repeated, provided the further claim period is within 24 months. The benefit will be paid at 100% for as

long as she remains unable to return to work.

LS: FMI would consider the claim for lump sum benefit to be valid but this would only be established in November 2013 at the time that it was determined that her response to treatment and prognosis was poor.

### ■ Liberty

LS: Given the prognosis provided by multiple medical professionals, and a history of non-responsiveness to multiple forms of treatment, Mary's full lump sum disability benefit would be paid.

### ■ Momentum Myriad

IP: Mary would receive a full benefit payment in respect of periods of sick leave for the period between November 2012 and November 2013. From the time of permanence being established (November 2013), she will receive a full benefit payment until the selected retirement age.

LS: Mary will receive a lump sum payment of R1.8 million.

### ■ Old Mutual

LS: The amount of R1.8 million will be paid.

If Mary is teaching at a public school and is a member of the Government Employee Pension Fund (GEPF), advisers also need to take note of existing benefits offered. Old Mutual offers the unique GEPF tool to assist intermediaries to calculate existing public sector employees' benefits.

### ■ Sanlam

IP: An income protector claim would have been paid for the days of absence from work since the hospitalization episode in November 2012. Whilst working intermittently, payment will be limited so that the disability benefit paid, plus any remaining income, does not exceed 100% of pre-disability earnings. When declared permanently disabled, income protector payment will continue to the chosen termination age.

LS: We would pay a lump sum disability claim in this case, as the depression has been treated for more than two years without significant results, appropriate treatment regimens have been followed, current prescribed medication confirms a serious depressive episode and permanent disability was recommended by two psychiatrists, one of whom is not involved in her treatment.



## Dr Nkosi, Medical doctor

Dr Nkosi, a 30 year old young female at the peak of her career, was working in a state hospital and studying towards a specialty in anaesthetics when she was diagnosed with an aggressive form of stage two colon cancer in May 2010. She was generally healthy and was shocked by the unexpected diagnosis.

Dr Nkosi underwent surgery to remove part of her colon during the same month and started chemotherapy in mid-June which rendered her unable to work. Her treating doctors booked her off until August 2010.

A further medical report stated that Dr Nkosi was experiencing persistent side effects from the chemotherapy. Further sick leave was advised until June 2011. At this

time her doctor indicated that the young doctor was intending to resume work as a locum but she was still unable to work extended hours and could only cope with working four hours per day. This scenario continued for six months. Further tests confirmed that there was no longer any evidence of residual cancer and she was in remission.

Confirmation from her doctor was received stating that Dr Nkosi was completely rehabilitated and due to start a full time position again.

Dr Nkosi was insured for R30 000 income protection per month and had an own occupation lump sum disability benefit of R500 000. There is a one month waiting period on her income protection benefit.

### ■ Altrisk

IP: Income protection would be paid after the one month waiting period, until she returns to work. Adjustments for the part time work would be made based on what she earned for the part time work.

Disability Plus: Income would be paid as above. The lump sum would not be paid at the end of the period. The full lump sum benefit would reinstate.

LS: Would not be paid as the claim would not render the client permanently disabled.

### ■ BrightRock

IP: Dr Nkosi would receive R30 000 per month from mid-Aug 2010 (given the 30-day waiting period she had selected) until the end of June 2011, under her cover for an illness or injury with a financial impact that you can recover from. For the six months after that, a pro-rata amount would be paid, based on the fact that she could work four hours per day only.

LS: BrightRock would not payout any lump sum cover to Dr Nkosi. This is because stage II cancer does not meet the clinical criteria for an illness or injury with a financial impact that is permanent. Dr Nkosi was also able to return to work 18 months later, confirming that the financial impact of her illness was one she could recover from. If she progressed to stage 3 or 4, however, or later became permanently unable to do her job because of her cancer, she would receive her lump sum disability payout of R500 000.

### ■ FMI

IP: FMI will consider Dr Nkosi's claim for income protection benefits to be valid at 100% of her insured benefit until she is able to return to partial duties in June 2011. For the six months that Dr Nkosi is working in a reduced capacity she will continue to receive a partial benefit. She would have the option to calculate her partial benefit on a loss of earnings basis. Benefits would cease when she resumes work in a full time capacity.

LS: Dr Nkosi will not qualify for payment under this benefit as she was able to resume her work and she experienced no permanent functional impairment.

### ■ Liberty

IP: Dr Nkosi would receive her full income protection benefit after the expiry of her one month waiting period up to the point that she started working again (June 2011). She would receive a partial benefit during the period where she returned to work but was working four hours a day. The amount of the benefit during this period would be reduced by the amount of income that she was earning.

As a young Professional, Dr Nkosi would have received 'Super in-claim escalation' where she would get 150% of any claim escalation that would otherwise have applied. This product feature compensates young professionals who become disabled at an age where they would be expected to have higher than average salary increases. Dr Nkosi's condition would also be assessed under the permanent impairment claim definitions listed for the digestive system. Whether

she would qualify for a full or partial payment would depend on the level and permanency of residual symptoms. If she did qualify, she would be paid the higher of the amount that she qualified for under her occupational disability claim definition and her permanent impairment claim definition. Under the permanent impairment claim definition, her benefit amount would not be reduced by any income earned and would in no way depend on whether she was able to continue to work or not.

LS: Given the information provided in the case, we believe it is unlikely that Dr Nkosi would be considered occupationally disabled. Even if Dr Nkosi was not considered permanently occupationally disabled, if she had selected our Absolute Protector lump sum disability benefit, it is possible that she may have qualified for a full or partial payment of the benefit under the permanent impairment claim definitions listed for the digestive system. However this would depend on the level and permanency of residual symptoms she was experiencing.

### ■ Momentum Myriad

IP: Dr Nkosi would receive a full benefit payment of R30 000 per month for the full period from when surgery was initially performed up to the date that she returned to work on a full time basis (end of 2011).

LS: As the cancer had no permanent impact on Dr Nkosi's ability to perform the duties of her own occupation and as a result she returned to work, she will not qualify for a lump sum dis-

ability claim.

### ■ Old Mutual

IP: Dr Nkosi's GREENLIGHT Disability Income is payable until June 2011 and payable until she starts working full-time again. As Dr Nkosi is working at a public hospital, she is a member of the Government Employee Pension Fund (GEPF). Advisers need to take note of existing risk benefits, such as lump sum and income benefits that will be payable on permanent incapacity. As civil servants qualify for a number of sick leave day allocations per cycle, the income protection waiting period should be in line with existing benefits. Old Mutual offers the unique GEPF tool to assist intermediaries to calculate existing public sector employees' benefits.

LS: Declined. Severe Illness claim will be considered.

### ■ PPS

IP: Dr Nkosi would qualify for a Total Sick Pay benefit for the period May 2010 to June 2011 whilst undergoing full-time treatment of the cancer. Once Dr Nkosi is able to start working as a locum she will qualify for the Partial Sick Pay benefit. For the days she is admitted to hospital for treatment and chemotherapy her Hospital Rider benefit will pay out. Later she will still be assessed for a Partial Permanent Incapacity Benefit and should she not qualify for a benefit but has a relapse at a later stage, the claim will be reassessed and an appropriate award made at the time. At no point is it necessary to prove loss of income and the benefits are never aggregated.

LS: Dr Nkosi would not qualify for an own-occupation lump sum disability benefit in view of the fact that she is still able to use her professional knowledge and skills and all indications

are that she will be able to return to her own specific nominated occupation once she has recovered. Should her condition deteriorate to such an extent that she is no longer able to work at a later stage, she would become eligible for the lump sum benefit.

### ■ Sanlam

IP: We would pay an income protector claim for the entire period from surgery until she was able to resume her normal full time duties again. Whilst doing part time work, payment will be limited so that the disability benefit paid, plus any remaining income, does not exceed 100% of pre-disability earnings.

LS: The lump sum disability benefit would not be paid, as she is not permanently disabled and actually resumed work again. However, this benefit would be paid once a relapse of the cancer occurs.



## Cindy West, Freelance Architect

Cindy West (39) is a freelance architect, working on a contract basis and helping to design public transport facilities for various stakeholders.

Her expertise includes the drafting and physical building of architectural scale models. Whilst water skiing she was involved in an accident with another boat, and after extensive surgery her dominant arm was amputated

above the elbow.

At the time of the accident Cindy was taking a short sabbatical and was not actively employed, as she was only due to start with her next contract in a month's time.

Cindy submitted the following claims: 1. Income Replacement claim. 2. Lump Sum Disability (own).

### ■ Altrisk

IP: We would not be concerned with the one month sabbatical. The income benefit would be paid.

Disability Plus: Lump sum would be paid.

LS: Lump sum would be paid.

### ■ BrightRock

IP: BrightRock would pay Cindy's claim for her income protection needs in full from her cover for an illness or injury that's permanent. She could choose at claim-stage to receive this payout as a lump sum, or as a recurring pay out, or even a combination of both these payout options.

IP Cindy's claim would be paid in full as the loss of an upper limb is one of the conditions covered under our list of objective clinical claims definitions, and qualifies for a payout of 100% of the sum insured.

Important points to note: For permanent claims, BrightRock applies the same clinical claims criteria for income protection needs (household needs, healthcare and childcare needs) and lump sum disability (asset protection needs, such as debt needs) cover.

### ■ FMI

IP: FMI understands the unique needs of contract workers and offers cover to them. Therefore even though she was not actively working at the time of the accident, the fact that a contract has already been secured would be considered and FMI would validate the claim for income protection benefits at 100% of her cover. Due to her injury it is expected that her rehabilitation would be lengthy. She will be assessed to have a permanent functional impairment that will qualify her for 75% of her income protection benefit even in the event that she returns to employment in future.

LS: Unfortunately it will only be possible to assess Cindy's total and permanent disability after a period of recovery and rehabilitation. However, due to her functional impairment she will receive 75% of her lump sum benefit initially with a further payment that may be considered after the rehabilitation phase.

### ■ Liberty

We have assumed that the income derived from the future contract is the same as what Cindy was earning on the contract that ceased just prior to her disability.

IP: Cindy would be considered permanently occupationally disabled. The key issue to consider is whether Cindy would be considered to have lost income as a result of her disability given that she became disabled in between contracts. As Cindy had not ceased full-time and active engagement in her occupation for an extended

period of more than four months, she would still be covered and her full income protection benefit would be paid.

LS: Cindy would be considered occupationally disabled and her full lump sum benefit would pay out.

### ■ Momentum Myriad

IP: Cindy will qualify for a full benefit payment under her income protection benefit and she will also qualify for five yearly longevity payments that equate to an additional 50% benefit payment. Cindy would therefore receive an equivalent of 150% of her monthly benefit amount up to retirement age.

LS: Cindy is totally and permanently disabled. Hence Momentum will pay 100% for own occupation disability. In addition Cindy will qualify for longevity protector payments providing additional payments equivalent to 50% of the initial lump sum payment. Cindy will therefore receive an equivalent of 150% of her benefit amount.

### ■ Old Mutual

IP: Her Disability Income benefit is payable until cease date, taking any employment-related income in consideration. If the whole of life option was chosen, there will be a 100% payment up to age 70 and thereafter a 75% payment until death.

LS: The claim will be paid in full.

### ■ PPS

IP: PPS gives members a period of six months in between jobs during which their cover remains in force, known as temporary cessation of practicing their profession. Cindy will be able to submit a Sick Pay claim on a total or partial basis dependent on the treatment phase and her response to rehabilitation. For the days she is admitted to hospital for treatment and surgery to her arm her Hospital Rider benefit will also pay out. She will be assessed for Permanent Incapacity benefits where either a Total or Partial award will be made dependent on her recovery and ability to perform her usual professional duties

as at the onset of the Sickness claim. At no point is it necessary to prove loss of income and the benefits are never aggregated. The potentially hazardous activity (water skiing) has no effect on her benefits, premiums or payout.

LS: Depending on her eventual recovery and residual functional ability, or whether the condition permanently affects her ability to perform her own specific nominated occupation, Cindy may or may not qualify for an own-occupation lump sum disability benefit.

### ■ Sanlam

IP and LS: The client's work history shows that she does a professional work on a regular basis and the intention is to continue with this profession for the foreseeable future. If she then becomes disabled whilst being between two jobs or, like in this case, whilst being on sabbatical, she should still qualify for a claim. The loss of her dominant arm does of course render her disabled for her occupation, and she would therefore be paid for both the income protector and the lump sum disability benefit.



## George Marco, Change Management Consultant

George Marco is a 35 year old male and a Change Management Consultant employed by a major financial institution for a three year contract.

On 18 November 2010 George and his family were attacked in their home. The robbers assaulted him and his wife and George was shot four times. His wife, Anna, was shot once in the foot and he was shot through the abdomen and sustained serious pelvic and intestinal injuries. Fortunately, the children were unharmed and Anna's injuries were not too serious. George however was transported to hospital, where he was admitted for three weeks.

The gunshots caused a severe fracturing of the pelvic region and colostomy was performed to repair the injured intestine. He had fragments of a bullet still lodged in his left hip and a rigid metal plate was inserted to ensure stability. He was initially booked off from 18 November 2010 to 13 February 2011.

In March 2011, the colostomy was reversed and due to the permanent cartilage damage in the hip joint, George was experiencing significant pain and abnormal weight bearing. The doctor advised that George would qualify for a hip replacement within a two year period. He was once again booked off from 15 March 2011 to 15 August 2011. As is normal after such a traumatic experience,

George developed post-traumatic stress disorder. He began seeing a psychiatrist and was started on anxiolytic medication. A total hip replacement was done on the 20 August 2011 and George was booked off work until 2 December 2011. The treating orthopedic surgeon also confirmed that the client had 45% lower limb impairment.

In his personal capacity he had income protection cover of R40 000 per month and a lump sum disability of R1.5million for own occupation disability. There is a seven day waiting period on his income protection benefit.

### ■ Altrisk

IP: Income benefit would be paid.  
Disability Plus: Monthly payment would be made while assessment is taking place. We would need more information on how the PTSD is affecting

his function and how he is responding to treatment before we could make a decision.

LS: We would need more information on how the PTSD is affecting his function and how he is

responding to treatment before we could make a decision.

### ■ BrightRock

We have assumed that George's income

protection cover is temporary only, and the only permanent cover is the lump sum.

IP: George's temporary income protection claim will be paid in full from his cover for an illness or injury with a financial impact you can recover from. He would receive R40 000 per month after the initial seven-day waiting period, and be paid for the period 18 November 2010 to 13 February 2011. He would then be paid again for the period from 15 March 2011 to 15 August 2011, and again from 20 August 2011 to 2 December 2011. Because his claim is likely to qualify for a 50% claim under our clinical criteria for a permanent claim, he would, after that, be paid R20 000 per month until his selected retirement age. BrightRock does not aggregate against active earnings. He would still have the remaining 50% of his sum insured available, should the condition worsen or for a future claim.

LS: As mentioned above, based on our clinical definitions, George's claim is likely to qualify for a payout of 50% of his sum insured under his cover for an illness or injury with a financial impact that is permanent. However, if he were to fail a Personal Job Fitness Test, this would increase to 100%. Assuming that he receives the 50% payout, he would receive: a once-off lump sum payout of R750 000, or R3 370 per month (growing by CPI to age 65 and tax free). George can also opt for any combination between these two payout structures. Decision can be made at claim stage.

#### ■ FMI

IP: FMI would consider George's claim for income protection benefits to be valid for the duration of his incapacity and pay 100% of his benefit until such time that he is able to return to work full time on 2 December 2011.

LS: Unfortunately George will not qualify for

payment under the lump sum disability benefit as he was able to return to his own occupation. His lower limb impairment of 45% is also below the impairment level that would qualify for payment under the functional impairment benefit.

#### ■ Liberty

IP: George's full income protection claim would be paid from 18 November 2010 to 2 December 2011 or a later date if he has not returned to work by then. Given the series of events are close together and related, it is likely that George's claim would be treated as one continuous claim and in particular his waiting period for his second and subsequent claims would be waived.

LS: Given the information provided in the case, we do not believe that sufficient time has elapsed to determine whether George's condition is permanent. Therefore his lump sum disability claim decision is likely to be deferred until permanency can be established.

#### ■ Momentum Myriad

IP: George will receive R40 000 per month for the full period (s) that he was booked off. As he qualifies for a guaranteed 25% payment under our severity of impairment and illness criteria, he would also qualify for a 25% payment (R10 000 per month) from the period of 3 December 2011 (return to work) to 18 November 2012 even if he returns to work on a full time basis.

LS: George will receive a 25% benefit payment of R375 000 and if he is deemed to be permanently unable to perform the duties of his occupation, he will receive an additional R1 125 000.

#### ■ Old Mutual

IP: Claim of R40 000 per month is payable for the period that he was off work, taking into ac-

count any employment-related income earned.

LS: Declined.

#### ■ PPS

IP: George would be able to claim total Sick Pay benefits for the entire periods he is unable to work due to the gunshot wounds, colonoscopy reversal, post-traumatic stress disorder and hip replacement. When able to return to work on a part-time basis he will be able to claim Partial Sick Pay benefits. For the days he is admitted to hospital for treatment and surgery his Hospital Rider benefit will also pay out. He will be assessed for Permanent Incapacity benefits where either a Total or Partial award will be made dependent on his recovery and ability to perform his usual professional duties as at the onset of the Sickness claim. At no point is it necessary to prove loss of income and the benefits are never aggregated. He has the option to continue working or not.

LS: Depending on his eventual recovery or whether the conditions permanently affects his ability to perform his own specific nominated occupation, George may or may not qualify for an own-occupation lump sum disability benefit.

#### ■ Sanlam

IP: The income protector claim would be paid for the entire period whilst he was booked off work, i.e. from the assault up to 2 December 2011.

LS: A lump sum disability claim will be unsuccessful as he would be able to resume his work again after a rehabilitation program following the hip replacement. Although no details were provided in this regard, it is assumed that the PTSD, the pelvis fracture and damage to the colon have recovered satisfactorily.



## Preeti Singh, Architect

Preeti Singh is a 52 year old female qualified Architect and works on contract. Essentially she designs and project manages the construction and restoration of houses and office buildings. This includes exterior and interior fixtures and visits the building sites on a daily basis to ensure progress on the project. She has experienced pain and stiffness in her knees for the past four years and has found it increasingly difficult to negotiate

the building sites. She has been diagnosed with osteoarthritis and eventually underwent bilateral knee replacement surgery two years ago. She is now no longer able to conduct site visits due her inability to negotiate the uneven site terrain.

Prognosis for recovery: because this is a progressive condition it is expected that her mobility will deteriorate as she ages.

Pre-existing condition: Preeti played provincial hockey when she was a student and sustained an injury to the collateral ligament of her right knee during a match, this was repaired and a loading was placed on her business when she became a member. Other relevant information: she has now employed a younger architect to manage the projects and conduct the site visits while she concen-

trates on design. She is also only working half day.

Level of cover: Gross income from contracts R2.5 million of which R 1.3 million was used to cover the business expenses, fully covered for income protection. R2.5 million own-occupation lump sum disability benefits.

### ■ Altrisk

IP: Monthly benefit would be paid for the recovery period.

Disability Plus: Monthly benefit would be paid for recovery period. Lump sum not payable as she is not totally disabled. She is working, so the criteria have not been met.

LS: Lump sum not payable as she is not totally disabled as she is working, so the criteria have not been met.

### ■ BrightRock

IP: We would pay Preeti's claim in full. Her gross income of R208 334 per month (R2.5 million from contracts, this includes her business expenses) would be covered in full for the first two years, under her cover for an illness or injury with a financial impact you can recover from.

After undergoing bilateral knee surgery, Preeti's claim meets the criteria for one of the conditions covered on our objective list of clinical definitions for an illness or injury with a financial impact that is permanent. She would then receive monthly income payouts of R66 860 per month until her chosen retirement age, or receive a once-off lump sum payment equal to R8.9 million. She can also opt for any combination of these two payout structures.

LS: The claim would be paid in full as she meets the criteria for an illness or injury with a financial impact that is permanent. Preeti would receive a lump sum payout of R2.5 million.

### ■ FMI

IP: FMI will consider Preeti's claim for income protection to be valid and will pay 100% of her personal income protection benefit and business overheads for the period that she is recovering from her surgery and while she remains unable to return to work. At the time she commences half day duties, the income protection benefit payable to her will be reduced to 50%. The payment of the business overhead benefits will be reviewed with consideration of the income generated by the business and the salary of the additional Architect.

She will also have the option to request that the benefit payable to her be assessed on a loss of earnings basis which will allow her to be compensated more realistically in the event that

her financial loss is more than 50%. The future deterioration in her mobility is not expected to affect her ability to work in sedentary activities.

LS: Unfortunately at this point in time Preeti will not qualify for her full lump sum benefit as she is still able to work in partial duties. However, she can be considered to have functional impairment of her lower limbs and may qualify for 50% of her benefit due to the functional impairment.

### ■ Liberty

IP: Preeti's income protection would have paid her full benefit while she was unable to work during her knee surgery and rehabilitation. Once Preeti returned to work part-time, she would still qualify for a payment but the amount of her payment would be reduced based on the income that she earned.

LS: Whether Preeti is considered permanently occupationally disabled on an own occupation basis would depend very much on what her split of occupational duties is (and the split provided by her at inception). For example, if site visits formed a very large proportion of her duties then it is possible that she may qualify for a payment. However on the balance of information provided it seems unlikely that she would be considered permanently occupationally disabled.

### ■ Momentum Myriad

IP: We estimate that Preeti would qualify for a 50% benefit payment under our Business Protector benefit and would therefore receive R104 000 per month for the first two years. After two years she would qualify for a payment equal to her loss in income which could be up to R75 000 per month.

LS: As Preeti is still able to perform a substantial component of the main duties of her occupation she will not immediately qualify for a lump sum payment. Should her condition deteriorate and she is unable to perform the main duties of her own occupation, we will consider a 100% claim.

### ■ Old Mutual

IP: Payable during the period that she was off work (permanent or partial), taking into account any employment-related income earned.

LS: If there is a substantial loss of income due to the cost of appointing an additional architect, a R2.5 million payout will be considered.

### ■ PPS

IP: Insured income per 31-day month (assuming all earnings and business expenses are covered). For Sickness (tax-free and includes the business expenses) = R178 228. For Permanent Incapacity (taxable and excludes the business expenses) = R101 835. Pre-existing knee injury: she did disclose this at application stage and was loaded accordingly. Thus no effect on the claim as her knee is covered.

Preeti suffers from a degenerative condition and may have to take time off work from time to time. After she has claimed an initial Total Sick Pay benefit, she may submit claims intermittently for the same condition over an extended period of time. Claims could be either on a total or partial basis depending on whether she is able to work part-time.

For the days she is admitted to hospital for bilateral knee replacement surgery and treatment, her Hospital Rider benefit will pay out. She will later be assessed for a Permanent Incapacity Benefit and would be awarded either a Total or Partial award dependent on her residual ability to conduct some or all of her usual professional duties as at the onset of the Sickness claim (for example, her ability to visit the building sites). Her claim will be regularly reviewed and should her condition deteriorate, an upward award will be made. The Occupation Specific Rider benefit will 'top up' her Partial Permanent Incapacity benefit to a non-reviewable 100%. At no point is it necessary to prove loss of income and the benefits are never aggregated. She has the option to continue working or not.

### ■ Sanlam

The policy inception date is not mentioned, and one has to assume that this was many years ago. This is because arthritis generally takes many years to progress to the level of a joint replacement. If she can now only manage a half-day work with job accommodations, she would qualify for an own occupation lump sum benefit.

Sanlam do not view a half-day position as a reasonable alternative for this purpose.

IP: Regarding the income protector, she would qualify for payment, however her part-time earnings will be taken into account to ensure total income including the claim payment does not exceed 100% of pre-disability income.



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