



TRAVEL POLICY: BENEFIT OR ILLUSION

THE CASE OF 'MR G'

During May 2013 Mr G visited his son in the UK, four weeks into his visit he suffered a medical emergency that resulted in his admission to hospital. Prior to his departure, he had applied for a travel insurance policy on the recommendation of the respondent's representative. He lodged a claim with the respondent, which was rejected due to an exclusion in respect of cardio vascular conditions, the same as that for which he had been admitted. Mr G further alleged that the respondent's representative had failed to ask him about his medical history and to determine whether the policy provided the appropriate cover for his circumstances.

He wrote that he purchased the policy in good faith and because of the high premiums he believed it would afford him excellent cover. Aggrieved by the failed claim, he turned to the FAIS Ombud for assistance.

Our intervention:

We raised several questions relating to the advice process with the respondent. On receipt of the response from the respondent it was evident that the respondent intended to negotiate settlement with the complainant. Mr G claimed R81 949.61, being GBP 5166.68 at the prevailing exchange rate on 21 October 2013. The FAIS Ombud considered that Mr G's medical aid had paid an amount of R58 227.20 which meant that the potential financial prejudice incurred by Mr G was in fact R22 541.44. It is this amount that this Office requested the respondent to consider as a fair and reasonable offer in full and final settlement of the claim. The claim was settled.

Lessons learnt:

The FAIS Ombud in resolving complaints is impartial and independent and always strives to achieve a fair outcome without unduly enriching any single party.

HOW LONG IS THE POLICY GOING TO RUN? THE PERIOD MUST BE CLEARLY STATED OR YOU MAY BE UNPLEASANTLY SURPRISED

BE CAREFUL WHEN OFFICIALS ASK YOU TO PAY PREMIUMS INTO BANK ACCOUNTS FURNISHED ON PIECES OF PAPER WITH NO OFFICIAL ENDORSEMENT FROM THE COMPANY

The complainant, Mrs S had purchased an endowment policy in 2013 to fund her son's tertiary education. At the time the policy was purchased, the son was already studying towards grade 12. This meant the policy had to run until 2018 by which time the son would have completed his intended studies.

Anxious about the entire situation, Mrs S requested Mr P, a representative of the respondent, to assist her in finding alternative options to fund her son's education, Mr P advised her to cancel the policy and transfer the proceeds of R60 000 to a particular account number, (ostensibly, a new flexible investment), while in reality the details were those of Mr P's own bank account.

A month later she found out that Mr P had purchased two policies in her name with premiums being funded from Mrs S' bank account. Mrs S called Mr P to inform him of the new debit orders from her account, which she had not authorised. Unrepentant, P replied that there had been a problem with the respondent's systems which caused deductions from the accounts of several of respondents' customers and that Mrs S need not worry as the problem was being addressed by the respondent. The debits went off Mrs S' bank account one more time. It is at that point that Mrs S went to have a word with the branch manager only to be informed that P had been dismissed from their employ and that there was no record of any policy in Mrs S' name. Unashamedly, respondent advised Mrs S to pursue the matter with the police.

Our intervention:

Our correspondence with the respondent was met with a response to refund Mrs S an amount of R60 000, which respondent claimed had been paid by P. The respondent was asked to respond to the question of the two fictitious policies which had been deducted twice from Mrs S' bank account.

Conclusion:

The respondent accepted liability and refunded the complainant all monies deducted.

HE WANTED AN INVESTMENT FOR SIX MONTHS BUT WAS SOLD A TEN YEAR ENDOWMENT.

In December 2013 Mr A sought investment advice from the respondent. He wanted an investment that would run for a period of six months. In a recorded conversation between Mr A and the respondent's representative, Mr A expressed that he was employed on a contract basis, which would expire in six months and that after the six months period he would not be able to afford premiums, hence he just wanted to invest for the remaining period of the contract.

The application was made on the 24th of December 2013 with the policy inception on January 2014. During February 2014, Mr A received his first policy schedule and noticed to his dismay that the investment period was ten years. He immediately contacted the respondent and was assured that the matter would be rectified.

On 25 June 2014 Mr A requested a withdrawal of funds as he understood the six months period to have expired. It was at this point that he was informed that because the investment was for ten years, he could have his total premiums paid to him without interest. Not satisfied, Mr A lodged a complaint.

Our intervention:

In response to the complaint, the respondent provided the Office with a copy of the sales recording. In the sales recording the consultant can be heard informing Mr A that the investment period was ten years while Mr A insists on a six months' investment. The consultant later explained that Mr A could cancel the policy after six months. The respondent however, could not justify how an investment that is meant to run for ten years could be suitable for Mr A's circumstance.

The respondent re-assessed the complaint and opted to refund all premiums paid with interest.

Lessons learnt:

Ensure that the period of the investment is exactly that which relates to your circumstances at all times. The period must be captured correctly in the contract.



¹ Endowment policies are committed policies which must run for a period of five years (5) minimum. These policies are inflexible and attract penalties in the event the policyholder were to default in paying the monthly payments. Monies in an endowment are accessible via a loan or surrender. Either of these methods of access have consequences for you as an investor.

THE EARLIEST DATE TO ACCESS FUNDS FROM A RETIREMENT ANNUITY IS AGE 55

Mr X, a 36 year old, invested funds in a retirement annuity for the purpose of purchasing a vehicle three years from the date of purchasing the product. Mr X alleged that he was advised to take a retirement annuity as it was most suitable to his need of accessing capital as and when he wished.

After the period of three years, he decided to disinvest his funds from ABC Company for purposes of buying the car and so started the process, only to be told that the earliest date he could access the funds is when he turns 55 years of age. Disturbed by the insurer's refusal to release his funds, Mr X sought assistance from the FAIS Ombud. He made it clear that he had always wanted a product that would allow him to access capital after a period of three years.

Our intervention:

The complaint was referred to the respondent in terms of the Rules to resolve it with Mr X. As the respondent could not support its version with any paper work, they were advised to re-consider their position. The matter was settled.

Conclusion:

Complainant accepted an offer in the amount of R28 429.80 in full and final settlement.

Lessons learnt:

Retirement annuities are savings aimed at providing you with funds at retirement. Monies invested in a Retirement Annuity, (RA) can only be accessible at retirement with the earlier date being 55. This may not be your chosen retirement date in terms of the policy and so retiring at age 55 when your RA policy points to age 60, for example, would attract penalties.

There are at the moment two types of RAs in the market. These are committed and flexible savings plans. It is not always in your interest to purchase a committed savings plan. Speak to a licensed financial services provider and do your own research before agreeing to put money in an RA.

NB: Regardless of whether it is a committed or a flexible savings plan that you have chosen, remember, monies in an RA can only be accessed when you turn 55, being the earlier date.

The FAIS Ombud is here to help in the event you cannot resolve your dispute with the financial services provider.



Office of the Ombud for Financial Services Providers

Tel: 012 470 9080 / 012 762 5000

E-mail: info@faisombud.co.za

Website: www.faisombud.co.za

Sussex Office Park, c/o Lynnwood Road
and Sussex Avenue, Lynnwood, 0081

Anyone who has a complaint about the service
delivery of our office must kindly email their
complaint to hestie@faisombud.co.za