

Ombud recovers over R100m for consumers from short-term insurers


Deanne Wood

The Ombudsman for Short-Term Insurance (OSTI) recovered more than R100m for consumers during 2015 from the short-term insurance industry.

Speaking at the release of the office's annual results, the new Ombudsman for Short-Term Insurance, Deanne Wood highlighted some of the key issues dealt with by her predecessor, Dennis Jooste in his 2015 report. She noted that an outstanding feature for 2015 was the continued improvement in turnaround time to resolve disputes.

The Short-Term Insurance Ombudsman aims to resolve short-term insurance complaints fairly, efficiently and impartially. It took just 74 days on average for the office to resolve disputes in 2015, down from 223 days in 2011. Matters resolved after six months numbered just

31 in 2015, compared to 1 319 in 2011.

Last year 9 784 complaints against short-term insurers were received, slightly down from 10 253 in 2014. Of the total complaints, 48% related to short-term motor insurance; 18% to houseowner insurance; 8% to householder insurance, 7% to commercial and 19% to other types of short-term insurance.

Treating Customers Fairly

Wood explained that the reduction in the submission of complaints could be attributed to, "the effect that initiatives such as the Treating Customers Fairly campaign are having on the approach taken by insurers to claims resolution."

She said that in recent years, the publication of insurer statistics had also tended to identify those insurers that attracted a

disproportionate number of complaints or had high turnover rates, serving as an incentive to improve service.

Bad communication

But she drew attention to Jooste's comments that policy drafting by insurance companies required attention.

"It is of the utmost importance that insurance policies are drafted with clarity," she said. "Too many policy documents contain unclear and ambiguous clauses that are difficult to understand and problematic to interpret."

The problem of bad communication extended to the scripts used by direct insurers during recorded sales conversations. Wood explained that often the sales consultant, following a prescribed script, caused confusion in the mind of

the consumer due to bad drafting of the script and bad presentation of the policy terms.

The Ombudsman said motor warranty policies continued to cause problems due to a lack of understanding on the part of consumers as to the precise nature of the cover provided.

Cellphone policies too were problematic, especially when it came to consumers understanding the concept of a specified SIM card having to be used with a particular handset at the time of a cellphone loss.

The Ombudsman said a particular concern addressed by Jooste in his report was the onerous wording of travel insurance policies when it came to emergency situations.

"Compliance with policy terms in emergency situations is very often practically impossible for consumers

who find themselves in a stressful situation particularly when abroad," said Wood, reading from Jooste's report.

Another cause for concern was the occasional aggressive conduct of insurance assessors when questioning policyholders about claims.

Wood added that the poor performance of state laboratories in analysing blood samples for cases involving driving over the legal limit was most prejudicial to insurers who wished to rely on the outcomes of such laboratory tests in order to repudiate claims.

"There are also ongoing problems with insurers failing to comply with the provisions of the Policyholder Protection Rules particularly in relation to furnishing concise details about policy exclusions, and first amounts payable," she said.



EMPLOYEE BENEFITS

JEANETTA HENDRICKS
 Business Development
 Manager at FedGroup

Beneficiary Fund regulations should be as unique as the funds themselves

Amidst Government's attempts to promote increased savings and improve fund preservation, through the enactment of its retirement reform, one important area within the ambit of the broader pension fund regulatory framework has, unfortunately, been overlooked.

Beneficiary funds, a uniquely South African phenomenon born out of unique circumstances, have their own special elements that are not entirely aligned with the Pension Funds Act that currently governs them, and this has been largely disregarded at government level during the reform process.

Currently, the major concerns are that no regulation exists governing pay-out processes; there are no firm guidelines to aid trustees in making decisions that affect funds; and there are no rules around due

diligence practices.

To be more specific, trustees are, first and foremost, tasked with meeting the social mandate of these funds; to ensure that beneficiaries do not become dependent on the state or destitute following the loss of a primary financial provider of a household. With that mandate in mind, trustees require regulated guidelines or directives to adjudicate in the best interests of the beneficiary. Currently trustees rely on industry best practices and value judgments to make a determination on who qualifies as a beneficiary, and in making a fair and equitable distribution of funds. This can be a highly subjective process at present, one that is often fraught with difficulty.

Furthermore, clearer regulations and guidelines are required to assist trustees in determining when power vests to the guardian, who then has sole control over

the funds. Currently trustees cannot deny a guardian the right to manage these funds without just cause. Common law also trumps a decision by the board of trustees, which is why the court often rules in favour of the guardian when the issue reaches the adjudicator's office. However, as there is a lack of adequate regulation to govern how guardians manage and invest this money there is often no assurance that the

funds will be used to benefit the dependents.

Additional considerations in terms of beneficiary fund reform should include a review of the provider landscape. Many financial service providers have entered the market as a means to expand their revenue streams. However, many do not have the expertise and experience required to manage the complexities of beneficiary funds, nor meet the social

mandate of these funds. The care of minors and the financially vulnerable cannot become a commoditised revenue spinner. It requires experts in the field who are also concerned with the delicate duty of care required in the management of these matters.

There can be no denying that beneficiary funds are different to pension funds. Yet, despite falling within the same regulatory framework, they are often not treated in the same way. If beneficiary funds are going to be part of the broader retirement reform that currently affects pension funds, then the 'golden thread' of reform needs to be pulled through. This will help to preserve funds for the long-term upliftment of beneficiaries and will ensure that the industry can achieve its social mandate, particularly when coming up against common law and the roles and responsibilities of guardians.

