



## GLACIER RISK

### Personal cover and business assurance

During any year, thousands of South African income earners die, and total and permanent disability is suffered by many. According to a study conducted on behalf of the Association for Savings and Investments South Africa, income earners in our country are underinsured for life and disability by trillions of rands. If the main earner of a household becomes disabled or dies, the average South African family will have to significantly cut their living expenses.

### Personal cover

Personal cover essentially provides insurance against unforeseen events such as accidents, serious illness, unexpected death, loss of ability to work, or impairment of your abilities to perform daily activities. In other words, you take out insurance against possible adversity. It should be seen as an investment in a person's, their family's, and their business' financial security. Glacier's range of life assurance solutions provides cover for death, disability and a range of critical illnesses. Tailored to meet client's needs, Glacier Topcover includes choice products from Sanlam Life Insurance Limited:

- Life cover
- Disability cover
- Impairment cover
- Income protection
- Sickness benefit
- Accident cover
- Dread disease cover
- Future cover

The life events covered by our range of solutions, grouped according to their extent:

Losing your life		Death benefit (Life cover)
		Accidental death benefit
Inability to work	Permanent	Disability cover
		Accidental disability cover
		Functional impairment benefit
		Income protection
	Medium-term	Income protection
		Sickness benefit
	Short-term / Traumatic events	Overhead expenses protector
		Temporary disability income protector
		Dread disease benefit
	Accidental injury benefit	

## Life cover

### What is life cover?

Someone's death does not have to leave their family with financial difficulties. Life cover pays a lump sum to the nominated beneficiary/beneficiaries on the death of the policy holder. The beneficiary/beneficiaries may apply the capital as they wish, but it could be used to cover:

- funeral costs
- costs involved in the administration of your estate
- any debt repayments
- the remaining family's daily needs

### Benefits of insuring through Glacier

The cost of the insurance benefit depends on the client's age and risk profile at inception. We calculate their risk profile when they take out the policy and do not change it as they get older, even if their risk profile changes. We underwrite at inception only, and then we carry the risk. In other words, clients do not have to let us know of changes in occupation, smoking status, lifestyle or activities.

## Disability/Impairment cover

### What is disability?

A person is considered disabled if they've become totally and permanently unable to perform the tasks of their job due to illness or injury. One can be regarded as "disabled for one's regular occupation" or "disabled for one's regular and a reasonable alternative occupation"

### What is impairment?

A person is considered functionally impaired if they've become totally and permanently unable to perform certain activities due to illness or injury, even if they are still able to work.

### Disability and impairment can:

- Affect someone's ability to provide for their financial needs and those of their family
- Lead to **financial losses** and unexpected expenses
- Require someone to pay for adjustments to their lifestyle, including alterations to their car/home

### Disability cover gives a client:

- a tax-free lump sum payment, should they become totally and permanently unable to continue in their regular occupation as a result of injury or illness
- **peace of mind** that they and their family will be financially secure despite any physical challenges
- the ability to reduce debt or pay for the things they'll need for a better quality of life

### Impairment cover gives clients:

- a tax-free lump sum payment, should they become totally and permanently unable to perform certain activities, even if their ability to work is still in place
- the ability to pay for the things they'll need for a better quality of life.

Disability and impairment cover may be combined.

## Benefits of disability and impairment cover

Disability or impairment can lead to a loss of income and high medical bills.

Disability and impairment cover help clients protect their family's finances, their home and their standard of living when they are unable to continue in their occupation or to perform certain functions. It is important cover to consider, especially if a client has dependent children and financial commitments like a car and home loan.

## Income protection & Sickness benefit

It is important for someone to protect their income against unforeseen events such as illness or injury which could render them unable to earn an income and provide for their financial needs and those of their family.

An income protection benefit gives clients:

- A **monthly "salary"**, should they lose their income or part thereof due to temporary or permanent disability, subject to a waiting period.
- The ability to employ someone to run their business in their absence, should they own a business.
- Cover until they reach normal retirement age, which is 65

A sickness benefit gives clients:

- Certainty that they'll receive an income if they are booked off by a doctor for a minimum of seven days, **regardless of their actual loss of income**.
- Replacement of some of their lost turnover – a great advantage if they're a business owner.
- Cover for a maximum of 24 months

## The benefits of income protection and sickness cover

The lump sums paid by conventional disability or impairment cover may not compensate for the loss of a regular income over a long period. Someone may be worried about how they would take care of **monthly responsibilities**, such as home loans, car loans, groceries, utilities and child care costs. With Income Protection and a Sickness Benefit, clients can continue providing for their family, and **protect their children's future** by ensuring that their financial commitments can still be met and their family's finances remain stable, even if they cannot work.

## Accident cover

What is an accident?

An accident is an unfortunate incident that happens unexpectedly and unintentionally, typically resulting in damage or injury.

An accident can:

- have an effect on one's lifestyle;
- have financial consequences.

## The benefits of accident cover

Accidents happen anywhere and in many ways. You can be hurt at work or at home, on the road or because of crime. An injury can affect someone financially, in that there may be a need for them to learn new physical skills, or to make structural changes to their home or car. Accident cover gives a lump sum payment to their beneficiaries or estate if an accident results in their death, and a lump sum payment to them if they are injured or permanently disabled by an accident.

## Dread disease cover

Beyond the physical and emotional trauma a critical illness may cause, contracting such an illness can have a devastating effect on one's lifestyle and the financial future of one's family.

The aim of Dread Disease Cover is to provide for the expenses associated with certain diseases (those covered), and to ensure that the insured is not financially hindered from enjoying the best possible medical care and rehabilitation therapy, and also that they are financially stable by the time they've recovered.

### What is a dread disease?

A dread disease, or critical illness, is a disease that has a significant impact on lifestyle or longevity, and which incurs high costs and cause significant and continuing ill health.

### A dread disease can:

- have a devastating effect on one's lifestyle
- have severe financial consequences

### Dread disease cover gives clients:

- A lump sum payment (which depends on the sum insured and the type and severity of the dread disease) when an illness complies with the definition thereof set out in the contract, to help them cover the unplanned expenses associated with changing their lifestyle due to serious diseases.
- Cover for the "big four", namely:
  - Cancer
  - Heart Attack
  - Coronary Artery Bypass Graft, and
  - Stroke

### The benefits of dread disease cover

Although Dread Disease cover is not intended to *indemnify* the insured against the cost of medical procedures or treatments, it can help to ensure that they're not financially hindered from enjoying the best possible medical care and rehabilitation therapy. This cover helps:

- to alleviate the financial hardship that may result from medical costs not covered by medical aid;
- to alleviate unplanned expenses associated with changing one's lifestyle due to a serious disease;
- to cover loss of insurability.

Glacier's Comprehensive Dread Disease Benefit pays 100% for all severity levels on the four main events, namely Cancer, Heart Attack, Coronary Artery Bypass Graft and Stroke.

## Future cover

### What is future cover?

Certain life changing events may necessitate additional cover on one's life to ensure security for your loved ones. These events include marriage, the birth of a child, the purchase of a house, the start of a new business or a change in career.

Future cover ensures that one can take out additional cover at a future date without proof of good health, and therefore without undergoing additional medical underwriting at the time. (It is, however, subject to financial underwriting, career screening and underwriting for dangerous part-time activities.)

The cover that can be taken out includes life cover, impairment cover, disability cover and income protection.

## The benefits of future cover

Although it may seem simple to just take out additional cover when needed, the future cannot be predicted, and one's state of health could render them uninsurable. In essence, future cover ensures that one is able to take out additional cover in future, regardless of their state of health at the time.

## Beneficiaries and new policyholders

Up to ten beneficiaries may be appointed for each policy, to receive a payment on the death of the policyholder. A policyholder who is not the life insured may nominate a person or entity to become the new policyholder on the death of the original policyholder.

## A range of business assurance solutions

- Contingent liability
- Buy and sell insurance
- Key person insurance
- Overhead protection

## Contingent liability

### What is contingent liability cover?

It is a policy taken out by a business on the life of an employee or director who stands surety (assumes responsibility) for the debts of the business. The amount of cover taken out should be equal to the loan amount.

When starting up, a business often needs to make a loan to cover start-up expenses and the owner stands surety for the loan in his personal capacity.

In the event that the owner dies before the loan has been settled, the creditor has the right to claim the outstanding debt from the owner's estate, of course at the expense of the owner's heirs. The estate may in turn claim the outstanding amount from the business, which may force the business to sell its assets and even face liquidation in extreme circumstances.

For a business owner, contingent liability insurance is therefore essential to protect his new business and his family (usually the beneficiaries of his estate).

### The benefits of contingent liability cover

Protection against contingent liability ensures that the outstanding loan amount is repaid in full, which means that the owner's estate is cleared from further liability and the business is not placed under unnecessary financial strain.

## Buy and sell insurance

### What is a buy and sell agreement?

A buy and sell agreement is an agreement between shareholders in a company whereby they agree that, in the event of the death or disablement of one of the shareholders, the survivor will buy the deceased (or disabled) shareholder's interest.

The main purpose of such an agreement is therefore to provide the surviving partner(s) with cash to purchase the interest of a deceased or disabled partner. It ensures continuity of the business when one owner cannot take part in it anymore.

The above agreement is funded by life insurance policies which each shareholder takes out on the other's life.

## The benefits of buy and sell insurance

A buy and sell agreement provides:

- **Certainty** – that each shareholder's respective shares are going to be purchased by the remaining partner in the event of their death or disability.
- **Protection of business value for the family** – The agreement ensures certainty of future income to the family of the deceased or disabled partner, by providing the family with the proceeds of the policy, equal to the market value of the partner's interest in the business, after the death or earlier disablement of a shareholder.
- **Estate duty concessions** – provided that the agreement is structured correctly, the proceeds of the policy will be estate duty free in terms of Section 3 (3)(a)(iA) of the Estate Duty Act (Act 45 of 1955).
- **Capital Gains Tax concession** – the *proceeds* of the policy will not attract capital gains tax provided that the purpose of the policy was to acquire:
  - The shareholder's interest in the partnership concerned; or
  - The shareholder's share or interest, and no premium was paid or borne by that shareholder while the other shareholder was the beneficial owner of the policy.
- **Certainty of price** - the purchase price of a shareholder's interest in the business is agreed upon and certain.
- **Valuation method** - the method of determining the purchase price of each shareholder's interest in the business is certain. Certainty is also obtained that the value of the business in terms of the agreement is updated annually, ensuring that the policy cover remains in line with the market value of the business.
- **Protection for the remaining owners** – there is no risk of outsiders joining the business who may be unskilled or incompatible, thereby ensuring that the business will continue with minimal disruptions.

## Risk

Financial advisers need to be aware of the potential for a buy-and-sell arrangement to be hit by both estate duty and capital gains tax. Where these additional costs have not been taken into account, the client's estate plan may fail despite the planner having gone to the trouble of implementing a buy-and-sell agreement.

We recommend that the buy-and-sell agreements and the life assurance policies underlying these agreements be subjected to a regular legal audit in order to ensure their validity, as well as their suitability as part of the planner's overall estate plan.

## Key person insurance

### What is key person insurance?

The company takes out cover on a key employee to compensate the company for loss of income they would have in the event of his/her death. The loss of income could be due to:

- decreased sales
- high cost of replacing such an employee
- loss of sales and profit while a replacement is being recruited and trained.

## The benefits of key person insurance

It provides financial security and certainty for a business in the event of the death of a key person.

## Overhead protection

Overheads can be defined as the operating expenses of a business such as rent, utilities, etc. These are expenses that must be paid for on an ongoing basis, regardless of whether a company is doing well or not.

## The benefits of overhead protection

The purpose of overhead protection is to create funding to cover the overheads of a business for a period of between 6 and 12 months after an owner's death.

## Risks relating to personal cover and business assurance

The amount of cover required can only be determined with a comprehensive needs analysis, which will take into account factors such as the number of dependants, whether their partner earns an income, the amount of debt they have, and so forth.

## Claiming

Glacier's risk products are underwritten by Sanlam Life. The fair treatment of their clients is at the heart of Sanlam's approach to claims management. A consistent approach is applied to claims payment and decision making is always based on objective evidence. Qualified medical advisers are on hand to assist with the assessment of claims and medical specialists are regularly called upon to assist with very complex claims.

Sanlam undertakes to always reconsider a claim when new information comes to light. And when clients wish to appeal a rejection or a dispute arises, they have access to Sanlam's independent internal arbitrator.

## Fees/costs

Clients can choose from a range of premium payment patterns according to their financial situation. They can choose from:

- Optional growth patterns, where they can choose not to annually increase premiums and cover and therefore maintain level premiums and cover, or they can choose to have annual premium growth along with specified annual cover growth.
- Compulsory growth patterns, which can be either fixed or age-related. With the fixed compulsory premium growth, a client can choose fixed cover growth, or they can choose not to have cover growth with the premium growth, in which case the premium will grow at a smaller percentage every year. With the age-related premium growth option, their age and selected cover growth option will influence the premium growth.