CR272

Premiums - group scheme – complainant leaving employment – policy ceded to complainant – complainant not being aware that further premiums required to be paid – insurer never having informed complainant thereof – policy lapsing - insurer failing to apply relevant term of the policy.

BACKGROUND

Through her employer the complainant was insured for life cover under a group scheme policy. The policy had been issued in 1993 and premiums had been payable by the employer. When the complainant left her employment in 1999 the policy was ceded to her, and the employer was no longer responsible for premium payments. The insurer therefore notified the employer that arrangements required to be made with the complainant for the payment of premiums due after the cession. The employer, however, did not convey this to the complainant; nor did the insurer do so itself despite having been furnished by the employer with her address.

The complainant in turn had not realised that the policy provided for life cover and that further premiums were therefore payable. Because the surrender value of the policy at the time of leaving her employment had been R13 824,00 she had decided not to surrender it but instead to benefit by its expected increase in value.

When premiums were not paid after the cession the insurer, believing that the policy entitled it to do so, debited the policy's capital for payment of the premiums, and in 2003 the policy value was thereby reduced to nil and it lapsed. When the complainant discovered this in August 2008 she lodged a complaint with the office.

DISCUSSION

The insurer contended that it had not been its obligation, but that of the erstwhile employer, to have notified the complainant of the need to continue with premium payments after the cession. The office pointed out, however, that the insurer had nevertheless overlooked certain terms of the policy which provided that:

> "*The procedure if premiums cease to be paid will depend on whether or not the qualifying period has been completed. This period is defined as follows:*
>
> *…*
>
> *Three years if the term was more than 20 years*"

and that:

> "*If, following the completion of the qualifying period, a premium is not received within 31 days of falling due*
> *…*
> *Provided the cash value exceeds R2 000.00, (the policy will be) left to accumulate without any undertaking to pay further premiums*."

The office drew to the insurer's attention that because at the date of premium cessation the policy had already been six years old, and because its cash value had at that date been R13 824.00 and therefore exceeded R2 000.00, the above provisions applied. The policyholder had therefore been entitled to leave the policy to accumulate without having to pay further premiums.

CONCLUSION

The insurer accepted that it had erred and by letter dated 21 October 2008 undertook to reinstate the policy, at the same time issuing an account showing that its early cancellation value was then R21 845.00.

The complainant accepted the offer and the matter was thereby settled.

SM
January 2009