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RSK3702

Question 1

The five supplementary benefits suitable for Mqwathi are:

- Accident benefits
 - Disability insurance benefits
 - Waiver of premium
 - Dread disease benefits
 - Disability income benefits
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- Accidental benefits
 - With accidental benefits, this type of benefit will pay an amount in the event of the accidental death or loss of hand, eye or foot of the insured. Premiums vary widely and are affected by the definitions given to accident, what constitutes the loss of a limb or eye and the range of activities, events or occurrences that are specifically excluded from cover. Because of the nature of Mqwathi's job, being on the road a lot means there is a larger possibility than the average person that he could get into an accident. What also makes these benefits appealing is that they do not require the underwriting of health of the insured and premiums are not generally affected by age.
 - Disability/ Health insurance benefits
 - As the name implies, disability benefits are payable in the event of the disability of the insured. A precise definition of what is meant by disability is recorded in the insurance policy and such definitions are determined by the typed or class of disability policy concerned. Sometimes also referred to as Health Insurance.
 - Waiver of premium
 - This benefit provides that where a person is both the insured and the payer of premiums and where that person becomes disabled in terms of the given definition of disability, the insurer will waive all future premiums as an immediate benefit and then maintain the policy in force until normal expiry or maturity, with no further premiums payable by the policyholder.
 - Dread disease benefits
 - Also known as "Critical Illness Benefits", "Trauma Benefits", "Special Drawing Rights" or "Living Benefits", these policies provide for the payment of a lump sum in the event of an insured suffering a disabling health event as defined in the policy. Here, disability is not defined in the traditional "Own", "Own and Similar" or "Any" way. It is defined as having occurred if the insured suffers for example, a heart attack, stroke, cardiovascular disease, cancer or there debilitating experience,

whether or not such experience cause permanent or temporary disability. With Mqwathi being a middle aged person, this would make sense for him to take.

- Disability income benefits
 - Disability income benefits provide a stated regular income during the period of a pre-defined form of disability. Sometimes known as “Permanent Health Insurance” (PHI), “Income Continuation”, “Income Security Insurance” or “Professional Provident Fund”, this type of policy provides a regular (usually monthly) income to the insured during a period of disability. This period may be limited in duration or may be for the whole of the remaining life of the insured. The premium and benefit may be so structured as to provide an income during periods of temporary total disablement or only if the disability is considered permanent and total.

Question 2

The advantages that are enjoyed by a person who transfers from a pension or provident fund to an equivalent preservation fund are:

- no tax liability on transfer;
- one withdrawal from the preservation fund is permitted – either partially or total – prior to retirement age. A member transferring his benefits from a pension or provident fund to an equivalent preservation fund must, however, understand that the total value of benefits due must be transferred. A member who elects to withdraw from a retirement fund and take the benefits as a cash amount, will be able to receive a portion of any withdrawal benefit –tax-free, although the sum is limited to an overall ceiling amount from all withdrawals. This tax free concession is currently R25 000. Members have taken advantage of this concession, and instructed the funds from which they have withdrawn that a lump sum amount should be paid to them and the balance transferred to a preservation fund. The revenue authorities have indicated that this will be considered the one withdrawal from the preservation fund, and that no further withdrawal will be allowed;
 - the cash withdrawals allowed in terms of Section 37D will be treated by the Receiver of Revenue as the one withdrawal and the member of the preservation fund will therefore not be allowed to make further withdrawal until retirement. Where a sum is transferred to a non-member ex-spouse under a divorce agreement, the amount will not count as the member’s one withdrawal.