

## Internal Global & Local debate on recent Momentum Life declined claim in the news

Over the last 2 days the South African media has been ablaze on the news that Momentum Life had declined to pay a claim laid by the beneficiary of a life policy following the death of the life assured on a Momentum Life Policy.

The summarised details of this case are follows:

A Durban based policyholder and life assured on a Momentum Life policy had taken this policy to cover him in the event of his death to the value of R2.4 million some time ago. Approximately 18 months ago, the policyholder was killed during a hijacking incident. The policyholder's beneficiary laid a death claim with Momentum for the insured amount of R2.4m. Momentum declined the claim based on the fact that the policyholder had not disclosed at the inception of the policy that his blood sugar levels were higher than normal.

The beneficiary of the policy (the policyholder's wife) laid a complaint at the Long-Term Insurance Ombudsman and the Ombudsman sided with Momentum, stating that it is incumbent on the life assured to disclose any health matters at the application stage of the policy to allow the assurer to assess the risk of accepting the policy accurately.

The policyholder's wife then took the matter to the press as she felt that Momentum should pay the claim based on the fact that the policyholder's death was in no way related to the high blood sugar level that was not disclosed at the application stage and thus not material to the way in which death had occurred.

Momentum endured 2 days of bitter press coverage where they did not cover themselves in glory and in the end decided to change the wording in the policy documents to allow for the payment of a death claim in the event that the death is caused accidentally. The change of wording would be applied retroactively and in this way making the wife's claim valid and hence Momentum could pay the R2.4 million to her.

This caused great debate in the office of Global & Local, and we believe that the text message discussion that occurred in the evening hours of the 20<sup>th</sup> of November, shortly after the announcement by Momentum to change the wording of their policy wording is testimony to the passion Global & Local has for our profession.

The Global & Local staff which participated in this debate were Michael Haldane (MH) managing director; Mauro Forlin (MF) director; Louis Venter (LV) client advisor; Scott Robertson (SR) risk specialist; Mark Geldenhuis (MG) client advisor; Tapiwa Mufunde (TM) technical analyst.

The text message discussion (summarised) was as follows:

- MG: Breaking News: Momentum to pay out policy to widow of slain policyholder.....  
<https://www.fin24.com/Companies/Financial-Services/momentum-ceo-this-is-why-we-were-right-to-reject-the-r24m-life-policy-claim-20181120>
- LV: He he he!
- TM: R3m pay out and bruised image versus hundreds of millions worth of premiums they were set to lose, very logical decision, but may have come to late as damage caused due to miscalculated thinking might drastically affect might affect premium collections and earnings.
- MG: Absolute PR disaster
- LV: Life companies can be worse than some banks.

- TM: I recommend Momentum fire their CEO and hire a new visionary leader...LOL.
- MG: And he is new
- SR: Momentum is factually correct in the initial repudiation of the claim, and this emphasises the appropriate financial advice. Let this be a lesson. He lied on his application and should not have been covered. A decent broker would have offered accidental cover at a fraction of the premium if he was not insurable. Appropriate advice and honesty are the pillars of our industry. I truly feel sorry for his family. It is not right that Momentum will have to pay this claim. All this does is cast a shadow on honest and caring advisors who actually do their job properly. No one ever mentions the millions paid out daily to protect widows and orphans daily in legitimate claims. Stuff like this paints us all in a bad light in a tough economic climate. Banks and insurance companies are retrenching and this will just exacerbate the problem. That's my soap box on this one.
- MG: Sometimes being right is not correct.
- LV: Disagree. Does not necessarily put us in a bad light. We have actually used this to our advantage in the past. Another life insurer has tried this a year or so ago. Being independent means we can point out the potholes to our clients. Also Momentum should have looked at the cause of death. There was another court case a few years ago actually stipulated that a policy is not necessarily repudiated, but cover amount may be reduced to allow for fairness to the insurer. Momentum tried to pull a fast one and got caught.
- MF: Lets think about this from our side. The advisor needs to advise the client to disclose everything on the initial app so that the life co can assess the risk accurately at the first instance. Momentum should have reacted better though.
- SR: Fair comment LV. Momentum did state if full disclosure would never have issued the case at inception based on medical evidence they have on investigation. I just feel it casts us all in a bad light. Point accepted
- TM: I beg to differ SR for the following reasons: What was the cause of death? Was it due to natural causes or an unexpected tragedy. What is Momentum's due processes of commencing a life policy? Were these processes followed when this policy was placed on the books? How long was the policy active and additionally the way systems are integrated nowadays they should have picked up the medical condition and have either cancelled the policy or reconstructed it. I refer you to the case of Momentum v Cozens of 2013.
- MH: Its simple no disclosure no cover. If it was any different there would be no life companies and no cover for anyone. Momentum did the worst thing they caved in to media pressure. This will damage the life industry and increase premiums for healthy people.
- LV: Life companies will now have to jack up their processes at acceptance stage and NOT try and get out of a contractual agreement at claim stage. I see more questionnaires maybe ending up in apps and maybe more medicals. Unfortunately making policies more expensive though.
- SR: Well put MH. TM what was the outcome of the Cozens case after they took it to court? The ombud upheld Momentum decision in this case.
- MF: I agree with MH. Again from our standpoint as G & L advisors. Clients must always be advised to disclose everything. Rather live with knowing what may or may not be excluded or like SR said find another alternative. Rather than having a declined claim on your hands.
- SR: Heads up all. We have a passionate team here team I am proud to be a part of.
- LV: No makkilaars or polisismouse here! Great team.
- TM: I couldn't get any further literature on Momentum v Cozens but would love to have seen how it played out.

- SR: Comprehensive cover does cover accidental but if grounds of it being issued are that it was issued with the insured knowingly not disclosing a medical condition the insurers can repudiate. As MH said no honesty no industry.
- MG: Do we know if the client didn't disclose or truly did not know? I can honestly say that in my case I had a condition for years before I knew it and would have answered negatively to a question related to my condition.
- SR: MG Hollard Accidental Plus, R5 million accidental death which includes victims of violence or car accident plus accidental impairment at average level premium of R400 per month. No underwriting. You are welcome to pop by my office tomorrow. I call it living in GP cover! See you tomorrow!



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