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# Case study 3

## INAPPROPRIATE BENEFIT STRUCTURE

An employer in the mining industry offered a lump-sum disability benefit. Occupational risk is higher on mines. This, together with the high claims experience of the industry, results in high premiums for disability policies. Opting for the lump sum, rather than an income benefit, seemed more cost-effective, but the company had a particularly young worker profile.

A member became disabled at the age of 30 and received a lump-sum benefit of R200 000. The member was not able to return to work and had to survive until retirement on only a small lump sum.

### **Summary of these three case studies**

These three case studies highlight the kinds of issues which can arise when benefits are not designed with the needs of the specific employee population in mind. PHI benefits can be very costly. Perhaps a way to decrease the cost of such cover is to limit the definition of disability to a specific set of events, although this is less likely to occur.



An employer in the mining industry