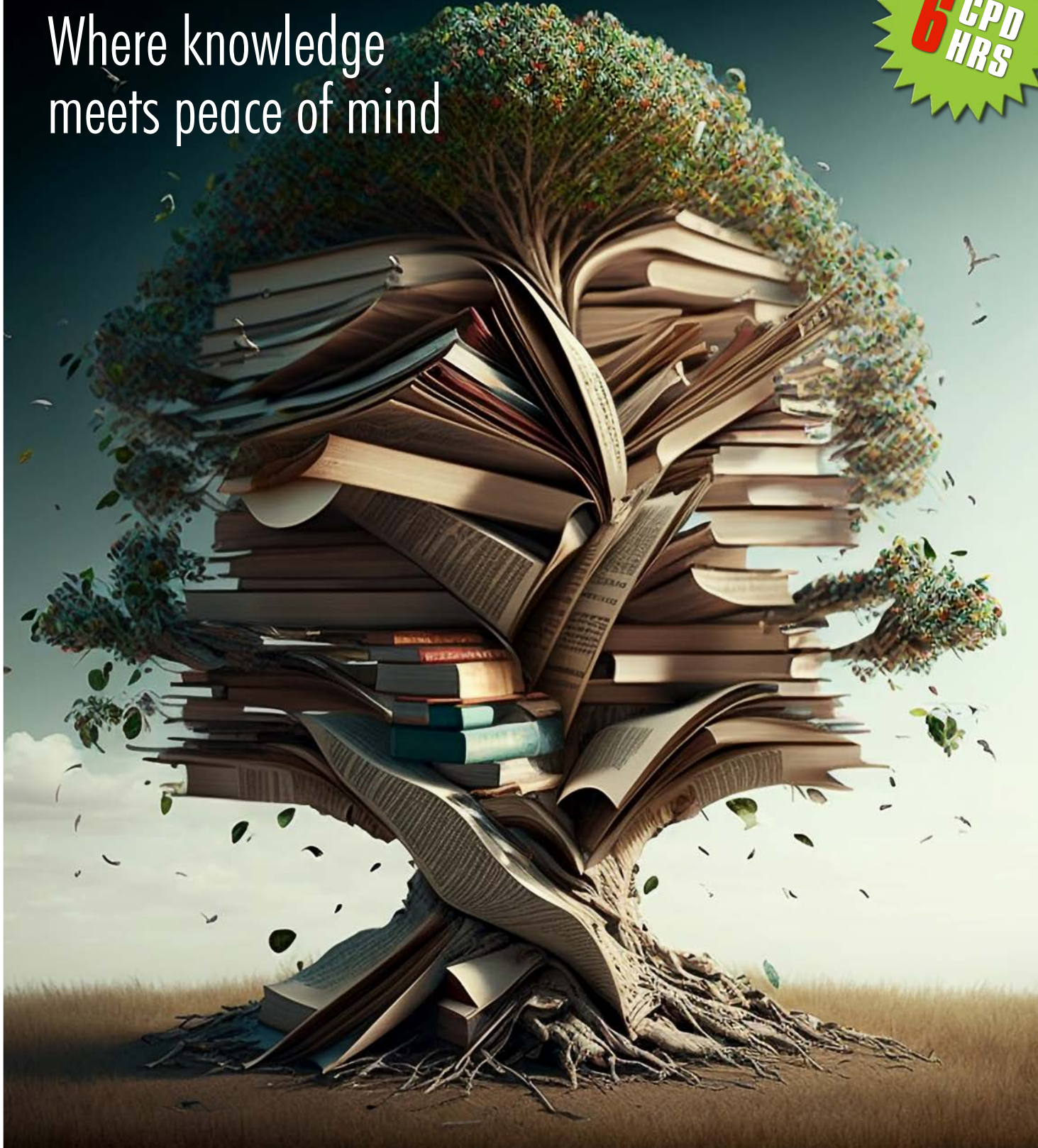


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# FUNERAL INSURANCE

PUBLISHED BY **FANEWS**

# NAVIGATING the funeral insurance market

**T**he funeral insurance market is vast and fiercely competitive, swarming with promising opportunities, but also fraught with formidable challenges. We've put this publication (funeral digimag supplement) together, with the aim of creating awareness, providing valuable insights, and equipping you with knowledge you can use - to better serve your current and potential clients.

The funeral insurance market is ever evolving and staying informed is key to remaining competitive. We encourage you to explore the articles in this magazine, engage with the content, and adapt your strategies accordingly. Together, we can navigate the challenges, capitalise on the opportunities, and shape the future of funeral insurance in South Africa.

When you are in the funeral insurance market, it's important that you understand the competitive landscape that you are operating in, and that you can identify the challenges and overcome the obstacles this industry brings.

The reality is that there is a misperception about funeral insurance and an incorrect understanding or the wrong information about it. This digimag is informative and we urge you to share it with your clients, for educational purposes.

We also recognise the importance of CPD (Continuous Professional Development) hours for our readers and we, therefore, encourage you to use this platform to expand your knowledge, stay updated on industry trends, and enhance your professional capabilities, by completing the questions on the FAnews CPD platform - <https://www.fanews.co.za/login>.

Remember, the funeral insurance market is ever evolving and staying informed is key to remaining competitive. Explore the articles, engage with the content, and adapt your strategies accordingly.

Enjoy the read!



**Rianet Whitehead | Editor**

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# THE BIG DEBATE: life cover or funeral cover?



**T**he importance of planning your client's finances to ensure that they protect their family's future for a time when they or their loved ones won't be around anymore is immeasurable.

Ester Ochse, Product Head, FNB Integrated Advice says, "At FNB, we believe clients need to consider the importance of protecting their families, should the worst happen. We also believe that they should have the right cover for the right needs at the right time. Therefore, it is time to have the debate of funeral cover versus life cover. Each type of cover is important, but each plays a very different role in how it can benefit a family."

## The unfortunate event of death

In the unfortunate event of death, beneficiaries can access their funeral cover and receive pay-outs within 24 hours, while life insurance offers dependents long-term financial support.

The death of a loved one is not only emotionally difficult, but it can add unexpected financial strain to a family or those left behind. The average funeral in South Africa costs about R35 000, so, it is important to plan for this and get the right cover. For funeral expenses, funeral cover is the best option, and with a funeral plan, a client can cover several family members if they pass on. These funds should then be used for all the expenses that are associated with the funeral e.g., the coffin, transport and catering for the funeral. It is important to ensure that the plan that clients have caters for their family's needs.

## A look at life cover

"Life cover is the solution to take care of financial dependants in the event of a client's passing. Life cover is typically used to pay for any outstanding debt, children's education and other living expenses. The cover amount in life cover is higher than what one can get with just funeral cover. It is a good idea to assess how much life cover the client needs to ensure his or her family is well taken care of, once the client is gone," adds Hlengkele Jita, Funeral Product Manager, FNB Insurance.

Life cover on average is cheaper, compared to funeral cover. Let's look at Thandi, for example. She is a 30-year-old female who is a non-smoker. Let's assume she has taken out three funeral cover policies, all which cover her for R100 000, her mother (aged 58) for R50 000 and her sister (aged 20) for R50 000. Premiums per policy will be approximately R421, so

in total, she will be paying about R1 263 per month, for all three policies.

## The differences between the two

Jita says, "One of the biggest differences between funeral cover and life cover is that life cover requires underwriting. Underwriting allows an insurer to assess the client's risk profile and may comprise of a few questions or even medical tests for higher cover amounts, this information then allows the insurer to determine whether they can provide cover to the client and provide the client with the best price for the cover he or she needs. And what's more is that some life cover policies, have a funeral benefit included."

So, if alternatively, Thandi took up a life cover policy of R500 000, her monthly premium would be R107,86 and if her policy is with FNB Life, for example, she would have an additional R30 000 funeral benefit. She will still need to get a funeral plan for her mother and sister, but that will now only be R255. Giving her a potential saving of R900 per month for a lot more cover. Life cover for herself will be R500 000 and funeral cover for both her mother and her sister will be R50 000 with a total premium of only R362,86.

Therefore, if she would like to free up some cash flow for her other financial goals, she should consider a life cover policy for herself and a funeral plan for her family members. "The savings that she makes, she can put towards paying off debt, or saving for an emergency or other long-term financial goals", concludes Ochse.



**ESTER OCHSE**  
Product Head  
FNB Integrated Advice



**HLENGEKILE JITA**  
Funeral Product Manager  
FNB Insurance



# RICH PEOPLE don't need funeral insurance – or do they?

**1** Life research shows that 69% of South Africans had funeral cover in 2022, up from 59% in 2021.

This comes as no surprise, where the events of the past few years have shone a light on the importance of having financial aid in place, in the unfortunate circumstance that a loved one passes away. However, it is not just funeral insurance that one needs to worry about – in fact, finding a good balance between funeral and life cover is critical as it covers not only the cost of a funeral, but the expenses that need to be paid long after a loved one has passed.

## One of life's certainties

However, when it comes to policyholder behaviour, it is seen that more affluent clients see funeral insurance as less of a priority with a larger focus on life insurance, where less fortunate clients are more focused on funeral insurance. But the reality remains that, according to the Association for Savings and Investment South Africa (ASISA), the death insurance gap is around R34.4 trillion, which indicates a large gap across the board and so both the wealthy, and not so wealthy, need to consider their insurance needs and funeral is a critical one.

Death does not choose a social class, gender, race, or religion – it is one of life's certainties and therefore, as advisers it is our responsibility to instil a culture of correctly preparing for funeral costs.

## Cost of a funeral

The cost of a funeral starts at around R15 000 and can go over R100 000. But it's not only the cost of the funeral. Besides the emotions of losing a loved one, the rising costs involved with funeral planning is a financial burden for families who don't have funeral cover in place. Sure, they can use their life policy pay out to pay back any funeral costs but why should they? And in fact, many families often get themselves into debt to cover the funeral costs, while they wait for the estate to be wrapped up.

However, at the upper end of the market, we know that funeral insurance is not a priority purchase and so, as advisers, we need to find ways to guide clients as to the importance of such cover, as well as – critically - incorporate funeral policies into existing or new life policies – making sure we are providing them with products that suit their needs from a life perspective and also meeting the demands of funeral costs, so as not to dig into life insurance pay outs down the line, simply for a dignified send off.

It is about finding products that speak to both needs – the immediate funeral needs, as well as the long-term financial security for their families through life cover – and offering clients the opportunity to get the best of both.

Certain products on the market that combine funeral and life insurance can save consumers on premiums, cover a number of family members, as well as provide additional benefits such as memorial, grocery and repatriation benefits that help alleviate the financial pressures and ensure nothing has to be taken from the life insurance pay out.

But if the wealthy still don't believe they need funeral insurance, then it is up to the adviser to remind them that it is not only about the cost implication - while they may have the money to simply cover this expense, estates can take a long time to wrap-up, causing financial constraints for the people left behind.

## Choose cover that pays out quickly

Further to this, once you have provided your client with the advice and direction to consider funeral cover, it is also critical that they choose cover that pays out quickly, as this too can create financial burdens and pressure.

The combination of life and funeral product sales in the more affluent market is seeing a higher sum assured, which indicates that half the job is already done. And more importantly, it demonstrates that funeral cover is not only for the mass market, but certainly the affluent market is showing promise in this space.



**KOBUS WENTZEL**  
Head of Distribution  
1Life

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# HOW MUCH FUNERAL COVER does my client's family need?

**F**uneral cover is taken out for the purposes of a funeral, as it is geared to paying out quickly and providing benefits that support the family through this difficult time. Life cover is aimed at providing long-term financial support for the family members who are left behind.

A funeral policy pays out to help cover funeral expenses when someone dies. Funerals can be very expensive and the person responsible for arranging the funeral will have to pay for all the associated costs, like transportation of the body to the funeral parlour, the casket, memorial stone, refreshments for the guests, etc.

## Removing the financial burden

Life cover, on the other hand, pays a lump sum when a life insured dies, but the cover is usually medically underwritten, which enables cheaper premiums and higher cover amounts. Typically, life cover amounts would be higher than funeral cover amounts. But the pay-out from a life cover can take longer than that of funeral cover, so it is not ideal to cover immediate funeral-related expenses. It's rather aimed to ensure the family is taken care of when the provider is not there anymore.

People take out funeral cover because it pays out in a matter of hours after a claim has been submitted. Having a funeral policy removes the financial burden during the stressful time of having lost a loved one and enables people to give their loved ones a dignified funeral.

## A package that best suits needs

Funerals can cost anywhere between R3 000 and R50 000, but it really depends on your client and what their particular needs are. Depending on the size, on average, funerals cost between R15 000 and R20 000.

Before making a recommendation, however, you should consider the following:

- The number of people in their family that need to be covered.

- Affordability. How much can they realistically pay towards a funeral plan? The goal is for them to maintain their lifestyle, pay their premiums to keep the policy active and ensure cover.
- Their lifestyle and family structure. Ask about their expectations and the benefits they require. Transportation, unemployment and maternity benefits, assistance with day-to-day expenses like food, and look at their extended family, number of children, etc.

Based on this, a package that best suits their specific lifestyle and funeral requirements can be selected.

A household can have multiple funeral policies, with each member of the household being covered either as a main life or an additional life on a policy. The cover limit for funeral policies is R100 000 per life, per policy. This is subject to regulatory maximums, for example child cover limits.

## Providing solutions that empower people

The clients' needs must always be at the core of what we do, and the solutions must be in their best interest. It's about more than just marketing a product; it's about providing solutions that empower people to live with confidence.

Our industry is in the business of supporting people and guiding them to achieve a financially secure future, it is an enormous responsibility that none of us should take lightly. We are there for them through some of their most difficult times. It's bigger than advertising, it's about informing and educating them about the solutions that will support them and their loved ones.



**AYANDA NDLOVU**  
Head: Agency Distribution and  
Sanlam Retail Mass

# FUNERAL AND LIFE COVER – which is best for your client?



**B**esides the emotional toll taken by the passing of a loved one, death incurs numerous costs. These can include groceries, transportation, flowers, a coffin, and the cost of a burial or cremation. If these costs aren't financially planned for, families can be left in debt, especially when a death in the family occurs unexpectedly.

## Insurance isn't a one size fits all product

Everyone has different circumstances that are distinct from the next person. Different people's lives, needs and the people they love and want to protect all vary. As a financial adviser, you can play an invaluable role in ensuring financial sustainability for your client by providing a needs-matched product that is unique to them and will protect them and their families, giving them peace of mind whether it's life cover, funeral cover, or both.

## Funeral cover

Because this type of policy is specifically designed to help with the direct costs of a funeral, it is frequently paid out in a lump sum and is usually paid out quickly to help the family with their immediate needs.

Funeral cover can be tailored to include cover for the policyholder as well as family and extended family members. The cover amount is limited to a maximum of R100 000 per life insured per insurer, and there is no medical underwriting.

Clients may be subject to waiting periods; however, if they are already a member of a funeral policy and switch policies, this waiting period will not apply if they have already completed the waiting period on their previous policy and if the cover they are taking is similar to the cover on the existing policy. They must also have been a member of a previous policy within the previous 31 days.

## Life insurance cover

Life insurance, on the other hand, is designed to provide long-term financial security for your client's family if something were to happen to them. In other words, it extends beyond the immediate costs of a funeral.

Life insurance can not only cover your clients if they die, but also if they become critically ill or disabled. Their life insurance policy may also include a funeral cover.

Whole life insurance products may give your clients extra peace of mind that their life insurance cover will always be there for them and their families when they need it, provided they don't

cancel or lapse the policy. A whole life insurance policy pays out a predetermined amount in the event of the insured's death for the duration of the policy.

When a person is younger, the proportion of need that is 'whole-of-life' is extremely small, with the majority of their death needs to replace the income that's lost to the family if the breadwinner was to pass away. Once, they retire, however, whole-of-life death cover will then make up their entire need once they no longer earn an active income.

The need to protect active income ends with retirement, and the majority of a person's death cover should follow suit. Once the requirements have expired, financial advisers are advised to assist their clients in redirecting premiums that they do not need to pay.

## Finding the balance

Clients want to be able to give their family members a dignified send-off without putting financial pressure on them when it comes to funerals. When planning a funeral, the last thing they should be concerned about is how you will pay for it. Similarly, life insurance protects their family during a difficult time, whether it is due to their death, serious illness, or disability. Life insurance is designed to ensure that their loved ones maintain the same standard of living after they pass away.

You would ideally like your clients to have access to the best combination of affordability and benefits. Also, keep in mind that many life insurance policies include funeral cover, allowing your clients to purchase both for a single monthly premium.



**ISAAC MUDAU**  
Chief Operating Officer:  
Funeral and Group Risk  
BrightRock



# FUNERAL COVER, a bridge to financial literacy and freedom

**M**uch criticism has been directed at funeral cover providers over the years; yet it is this product that has given many poor South Africans their first experience of financial protection, and their first lesson in the value of insurance.

The pain that comes with the death of a loved one is paralysing and for many people in South Africa, the following weeks after a tragedy can be an unwelcome lesson in the costs that are associated with death.

## The exorbitant cost of funerals

For the vast majority, the costs of a funeral are prohibitively high, and many face going into debt to honour their loved ones, however, funeral insurance can lessen this financial blow and be a welcome relief in a time of loss.

Economic inclusion analysts, FinMark Trust, release reports annually that have repeatedly commented on the exorbitant cost of funerals – and the need for new, tailored insurance products to build South Africans' finances.

According to Statistics South Africa, in 2018, the average cost of a funeral ranged from R50 000 to R250 000 and was increasing year on year by about 12%. The sum cover amount also increased over the years as a result of inflation and the rising costs of burials, going from up to R70 000 to R100 000.

Additionally, the outbreak of the COVID-19 pandemic and subsequent awareness of other illnesses that are a major cause of death, not only laid bare the financial vulnerability of many South Africans, but also reiterated the need for individuals and families to protect themselves from both a risk perspective and a savings perspective.

## A welcome relief in a time of loss

Insurance role players must help consumers realise that there is a need for products to not only cover the cost of funerals, but also be used as a savings vehicle to cover other costs that may arise after the death of a loved one.

We believe funeral insurance has evolved significantly throughout the years – offering South Africans the ability to provide

dignified burials for their loved ones, and also acting as a gateway to financial literacy and inclusion.

Funeral products by their very nature make way for financial inclusion as they provide affordable, reliable, relevant, and immediate cash and benefits such as airtime, groceries, and electricity – to ease the financial burden of a bereaved family in their time of need.

A family should be able to have peace of mind from knowing they have the resources to bury their loved ones with funeral cover that is suited to their needs and preferences. This allows them to treasure the memory of a loved one when they pass away. For this reason, the ceremony often encompasses much of the community. Having plans for a funeral should be a critical part of their financial planning.

## The best funeral plans

The best funeral plans let the customer decide what they really need. This allows them to save money when they don't have it or upgrade their benefits when they do. It's common, for example, for many different family members to contribute to the funeral, which is why extended family cover is also important.

Special features, where affordable, really do help in smoothing the path. This could involve providing for expenses a family may not have considered, such as extra airtime to cover all the phone costs over this period, or a benefit specifically allocated to catering.

Consumers need to consider the amount required to cover the funeral cost and additional needs. The best funeral products are those that are tailored to their customer's needs and provide hassle-free delivery of all the components of the funeral from marques and tombstones, to catering and the casket.

Through funeral cover, we have an opportunity to take our customers through the risk matrix, entrenching some of the lessons they have already learnt and providing them cover that suits their needs whatever their income status is – showing that we are in it with them through all phases of life.



**DARRYL DUNN**  
Head for Market Development  
and Worksite Management  
Liberty



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# Covered by multiple funeral policies? WHAT ARE THE IMPLICATIONS?

In South Africa, funeral insurance is a popular form of long-term insurance that is designed to cover the costs associated with a funeral. One question that often arises is how many funeral policies can one person have, and what happens if a person is covered by multiple funeral policies at the time of their death?

The simple answer to the first question is that there is no limit to the number of funeral policies that any person can have. Most insurers will, however, cap the maximum amount for which they will insure any one person under all funeral policies with the applicable insurer.

However, it is important to note that having multiple funeral policies does not always mean that they will all pay out the benefits. In fact, having multiple policies can sometimes complicate matters, especially if the policies have different terms and conditions.

## Pay-outs and beneficiaries

One insurer's flagship funeral policy covers the policyholder, his or her immediate family (spouse and children), as well as the policyholder's extended family. It provides the option to cover children for their whole life, not just until they turn 21 years old. It also has guaranteed insurance for family members that were covered at the time of the policyholder's death, without them having to pay any premiums for a period of five years after the policyholder's death.

When a person takes out a funeral policy, they are typically required to nominate a beneficiary who will receive the pay-out in the event of their death. If the policyholder has multiple policies, each policy will have its own beneficiary. This can sometimes lead to confusion and disputes if the beneficiaries are not aware of the existence of the other policies.

On the other hand, if you want to have different beneficiaries for the different people you want to cover, having multiple policies will assist with this.

## Waiting periods are capped

In the event of a policyholder's death, the funeral insurance provider will typically require proof of death, such as a death certificate, as well as proof of the policyholder's identity and sometimes the policy documents. The provider will then pay out the sum assured to the beneficiary specified in the policy. If the policyholder has multiple policies, the pay-out from each policy will be made separately to each beneficiary.

If the total pay-out is less than the actual funeral expenses, the beneficiaries or loved ones left behind will have to cover the shortfall out of their pockets. It is, therefore, important to make sure that the policyholder's funeral cover is always enough to cover the expenses of a funeral.

It is worth noting that most funeral insurance policies in South Africa have waiting periods. Waiting periods are capped at six months for funeral policies, during which time the policyholder or other life insured under the policy is not covered for death due to natural causes.

## Read the terms and conditions

In conclusion, there is no limit to the number of funeral policies that one person can have in South Africa. If a client has multiple funeral policies at the time of their death, the pay-out from each policy will be made separately to each beneficiary. It is important to carefully read the terms and conditions of any policy before signing up and to ensure that the total pay-out is sufficient to cover the actual funeral expenses.



**JACQUES ERASMUS**  
Senior Executive Manager  
Assupol Life

# OVERCOMING THE CHALLENGES in funeral insurance

**W**hile many challenges have presented themselves over the years within South Africa's funeral insurance market, there are some potential opportunities that with the right approach and sufficient product support, can have a far more supportive outcome for families.

## The uptake of funeral policies

Being a non-underwritten life product, the uptake of funeral policies continuously exceeds those of underwritten life insurance. However, market research tells us that less than half the funeral policies taken out in South Africa (46%), last beyond their first year, with 32% lapsing within this initial period and the remainder never paying a premium.

To overcome this challenge, a shift must take place that changes a client's perception of funeral insurance. From an eventual necessity that ensures sufficient funding for a dignified send-off – it now needs to fulfil the role of a life product that fully meets their end-of-life requirements, and rewards them during their living years, while incentivising the continual upkeep of such insurance.

Recent internal research supports the notion that health insurance policyholders and the associated access to quality healthcare have shown a distinctive difference in their mortality risk when compared to non-policyholders. Combine this with minimal underwriting required for funeral insurance and large cross subsidies in today's market and there is a clear opportunity to make headway in an exciting, growing yet largely inefficient market.

## Transforming this industry's challenges

The data also shows that funeral plan clients who are members of a medical scheme, carry a 22% lower mortality risk than clients who are not members. This difference is significant and bolsters the fact that a person who has access to quality healthcare has a far greater chance of living a longer, healthier life. With extensive room for innovative solutions in the market, it makes sense to offer clients a funeral product that shares significant value with them.

Another challenge that intermediaries face in the funeral insurance space is competition from sales channels, such as telesales and the internet. However, intermediated purchases have increased by 46% between 2019 and 2021. This shows a greater recognition of the need for sound financial planning and qualified advice for a product designed to protect different needs to those covered by an underwritten individual life insurance policy.

Forward-thinking insurance products may very well be the key to transforming this industry's challenges into opportunities for clients and advisers alike.



## Forward-thinking insurance products

These forward-thinking products should include three distinct things for clients. It should offer enhanced premium efficiency through true risk differentiation, financial rewards for clients who keep the policy in force and comprehensive cover for clients and their family. Ideally the premium component should leverage the unique data assets that the insurer has access to. Using the ecosystem, an insurer can then provide clients with significant discounts, rewarding a lower mortality risk. This recognises client's access to quality healthcare and the impact this has on ensuring they live longer, healthier lives.

Then there's the reward when clients maintain their risk cover. Annual cashbacks provide tangible value, and this should be enhanced for those who choose to retain their policies into their retirement years. This use of data and product design can transform the value proposition for clients in a market that so desperately needs this comprehensive protection and value proposition. This is innovation, and it is already available.

Funeral plan policyholders can benefit from powerful benefits on a policy that is efficient and flexible.

Through innovation, we, as an industry, can unlock significant value for clients. A policy like the above mentioned, can give clients enhanced value throughout their lives, whilst protecting the dignified send off for all their insured dependents.



**GARETH FRIEDLANDER**  
Deputy Chief Executive Officer  
Discovery Life

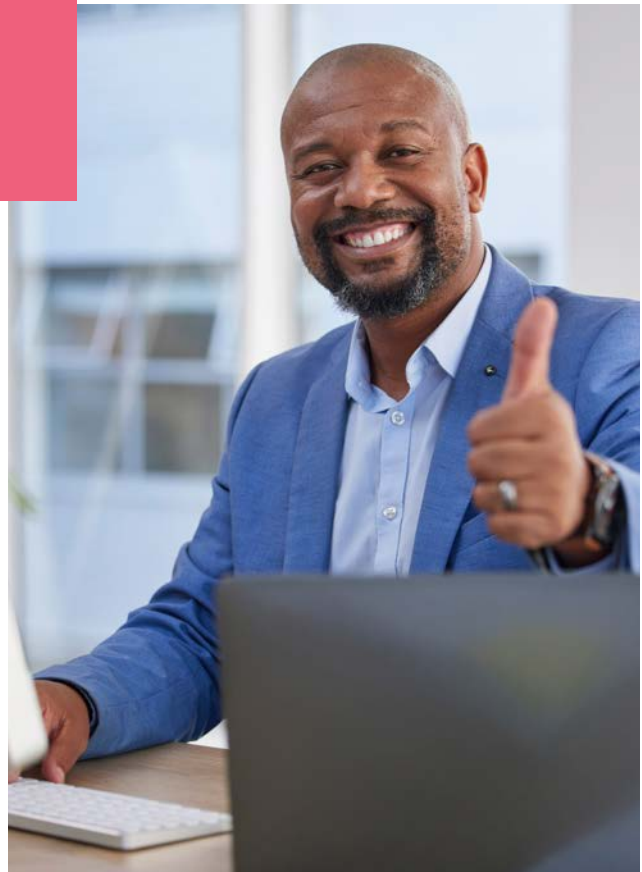
# COMPETENCE in the funeral industry

One of the main aims of the Financial Sector Conduct Authority (FSCA) is to protect financial customers by promoting fair treatment by their financial institutions. The funeral industry in South Africa plays a vital role in the lives of all South Africans and engages with customers at a time when they are vulnerable and emotional.

## Focusing on integrity and trust

It is critical that the financial relationship regarding funeral insurance, also called assistance business, is built on integrity and trust. The basis for this is the ability of customers to trust the professionalism and competence of the financial staff they interact with when they take out a funeral policy, when they make changes to that policy and when they have claims against the policy.

The development of a financial industry that is competent is a key concern for the FSCA. Competence is the foundation for all interaction between the industry and customers. It has various elements, and depending on a person's role in the industry, they may be required to obtain different elements.



When one conducts an internet search under 'funeral policies in South Africa' you are met with a bewildering array of advertisements. The service offerings vary greatly in price and cover. It is against this backdrop of need and supply that the funeral insurance industry must be regulated.

	Competency Requirements	Assistance Business Representative	Assistance Business Administrator Representative
Product Knowledge	Experience	✓	✓
	Qualifications	✗	✓
	Regulatory Examinations	✗	✓
	Class of Business Training	✗	✓
	Product Specific Training	✓	✓
Maintaining Competence	Continuous Professional Development (CPD)	✗	✓

The table above provides all the elements of competence for representatives in the funeral industry. The two elements that everyone needs are experience and product specific training. This is applicable to representatives who only deal with funeral policies and applies to representatives who deal with multiple financial products, or who functions as a category IV FSP, an assistance business administrator (they mainly process claims).

## Burials on the rise

In January 2021 the Argus reported that the funeral industry was seeing an increase of 44-70% in burials compared to 2020.

Ensuring that the representatives can provide customers with clear and trustworthy information is an important role of the financial services provider (FSP). FSPs must supervise representatives for specific periods, to ensure they are able to give competent financial services to customers.

Where a person is appointed as a representative for assistance policies only, the FSP must give them an opportunity to develop experience and to participate in clear and detailed product specific training.

## Services under supervision

Representatives who deal with a variety of financial products, and also those who deal with claims administration, will need to obtain more of the core elements of competence. This will include regulatory examinations: RE5 for representatives and RE1 for key individuals and sole proprietors; class of business training; and a relevant qualification.

There are specific milestones that were set for this in terms of the provision made for services under supervision. The purpose of supervision is to ensure that there are clear deliverables that the representative must reach before they can function independently in their interaction with customers. The following table expands on each of these elements.

<b>Experience</b>	Experience in how to explain a policy to customers, including how the whole process from start to claims will work.
<b>Qualification</b>	Knowledge of how Provider X's product functions
<b>Regulatory Examination (RE)</b>	Knowledge of how a specific type of product functions in general, without the detail of how different product provider's have structured their policies.
<b>Class of Business Training (COB)</b>	Broad and in-depth knowledge of critical skills required for a person to carry out their role.
<b>Product Specific Training</b>	The purpose of the RE's is to ensure that persons in regulated roles understand their obligations in terms of the FAIS Act.

The elements of competence are linked to milestones to ensure an orderly achievement of the applicable elements within the timeframe provided for under supervision. The milestones are important, as it signifies the achievement of skills and knowledge required for a representative to function with a greater degree of independence.

### Knowledgeable and skilled staff

The ultimate aim of competence is to ensure that financial customers interact with financial institutions whose staff are knowledgeable and skilled and can provide information and services that assist customers. In the funeral industry this is of utmost importance, as all households engage with the industry at some stage.

Ensuring that they engage with competent persons who understand the various requirements and can explain these, will help customers to build a relationship of trust and integrity with the financial industry.



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# NEXT-LEVEL TECH GIVES AN EDGE in funeral insurance

It is no secret that South Africa's insurers are adopting digital technologies to improve call centre efficiencies; but few are aware of how much the latest innovations are changing the 'game'.

## Next-level QA

For an example of this innovation in action, consider the state-of-the-art, automatic speech recognition transformer models that can transcribe voice calls accurately and quickly, allowing insurers to quality assure 100% of the interactions on their contact centres. Call centre agents can go about the business of administering and selling funeral insurance policies while an innovative, third-party software solution operates behind-the-scenes to detect pre-defined issues and raise alerts for human intervention.

Voyc's technology assists funeral insurers in areas such as compliance, distribution and the combatting of insurance fraud, to name a few. Under the compliance heading, our software can automatically identify and flag calls that contain language or behaviour that may be in violation of regulations. There are a host of other mechanisms that can be put in place, such as service alerts to flag calls where a caller threatens an Ombudsman complaint, amongst others.

## Leveraging AI for compliance

As the industry gets to grips with how artificial intelligence (AI) will change the employment landscape, Voyc is already using AI to analyse large volumes of calls to identify compliance issues such as failure to follow protocols or scripts or meet other regulatory requirements. This is all done in near real-time, enabling insurers to detect and mitigate compliance risks and take remedial actions before it is too late.

Funeral insurance is incredibly competitive, and insurers are jumping over one another to get an edge in the sales function. One sure way to improve sales outcomes is to analyse contact centre calls to identify customer objections, and provide these insights to management teams. It is also possible to analyse key differences between high- and low-performing agents to improve overall sales volumes. Our experience shows benefits in both the customer acquisition and retention 'space'.

## An edge in combatting fraud

The South African Insurance Crime Bureau (SAICB) has often reported on unacceptable incidences of fraud in the domestic funeral insurance industry. The good news is that voice monitoring technology can analyse calls for patterns of behaviour or language that may indicate fraud. AI can be used to analyse audio and detect potential fraud much more quickly and with more accuracy than traditional manual monitoring methods, and it can trigger alerts based on keywords and phrases.

In practice, when our software flags a potentially fraudulent call, the call centre leader will review the call recording to determine if further investigation is necessary. If necessary, the call is escalated to a fraud analyst or another trained professional for further review. Finally, in the event fraudulent activity is confirmed, a report is generated, and the claim is flagged for manual investigation and decision making.

The recent arrival of Chat GPT has shocked the working world, with many wondering whether ongoing AI enhancements will put call centre jobs at risk. We believe that a basic understanding of how various digital technologies work together in the Voyc solution can alleviate these concerns.

## Human jobs look safe, for now

Our solution is built around a range of digital technologies, including natural language processing, machine learning and speech-to-text transcription technology. AI plays a critical role by enabling the platform to automatically transcribe and analyse calls and identify patterns and trends. But although AI will be part and parcel of our future platform improvements, we do not see it as a direct threat to jobs.

Our current philosophy is to develop a supportive framework that complements users on the platform rather than replacing them. In our world, we consider AI as something that should help users do more, faster and better.



**DAVID VAN SCHOOR**  
Account Executive  
Voyc

One of the reasons why people take out funeral insurance is to cover them and/or their loved ones during unforeseen circumstances. Having funeral insurance assists one to plan and alleviate the risk of needing to borrow money during the difficult times of losing a loved one.

However, although necessary plans have been made and funeral cover is in place, there might be circumstances that will cause a funeral claim to be declined.

### The reasons

Below, we look at the reasons that can lead to a funeral claim not to be paid out:

- **Waiting periods** - When a consumer takes out a funeral policy, there are usually waiting periods. Most funeral insurance in South Africa applies a six-month waiting period for natural deaths and no waiting period for accidental deaths. Even during waiting periods, it is important that all payments and premiums are up to date. If a death occurred as a result of a natural death within the six months' waiting period, such a claim will unfortunately be declined.
- **Lapsed policy** - The cover under an insurance policy will lapse after a 30-day grace period, when a premium payment is missed. The policy lapses after three premiums are missed. At the end of the three months, if premiums are not paid, the policy will automatically lapse but may be reinstated if the arrears are paid within three months from the date of lapse.
- **Rejection of claim because names or identity numbers do not match those submitted on policy document** - This depends on the nature of the differences. For example, if it is a spelling error on the surname but the ID number or date of birth matches, then a correction will be done on the spelling. However, if the differences are on the ID number and the date of birth is not matching, then the company will be guided by what the contract says should be done, as dates of birth inform the calculation of premiums. Consumers are advised to continuously check that their details on their policies are indeed correct.

In order to expand on the reasons that may cause a claim not to be paid out, below we provide a question and answer (Q/A) exercise:

**Q** What if a person took out a policy before they got married and later when they pass on, you find that they are using a different surname and a new ID document, and they did not update their details with the insurer? Can such a claim be rejected?

**AVBOB:** When a person marries, the surname changes, but the ID number remains the same. A claim is not assessed based on name changes but rather, according to policy provisions. Policy provisions are clauses in an insurance contract that lay out the exact conditions for which coverage is provided and for what amounts, along with exclusions and other restrictions.

**Q** Can one take out a funeral policy for someone they are not related to? Like a neighbour or boyfriend/girlfriend, etc?

**AVBOB:** The principle of insurable interest applies. It is necessary to establish that an individual has an insurable interest



## Why a funeral claim WILL NOT PAY OUT

before he/she may buy life insurance for someone else. The term "insurable interest" refers to the possibility that, if the life assured passes away, the person might suffer a significant emotional, financial, or another kind of loss that will adversely affect him/her. In general, people who do not suffer any financial loss due to the death of another person do not have an insurable interest.

**Q** If a person lied in the application, that the funeral cover is for a relative, only to find out that it is for a neighbour, can the claim be rejected upon the death of that person (the neighbour)?

*(Continued on p.17)*

# INSIDE THE CREMATORIUM



**E**ver wondered what happens behind the doors of a crematorium? I will share what goes on behind its doors... as well as some things that surprised me, from a cultural perspective, following a guided tour of a crematorium.

## **Curiosity or macabre fascination**

I work for the fintech arm of a financial services provider that caters to the South African market, with the most popular product among our clients being funeral cover. So, when I was offered the opportunity to have a guided tour of a crematorium, I jumped at the chance – all in the name of research!

Call it curiosity or macabre fascination, but I've always wondered what goes on behind a crematorium's sombre-looking doors. So, when passing one recently, my curiosity got the better of me and I asked one of the crematorium attendants – let's call him "John" – if he wouldn't mind taking me inside, so that I could have a look around. John gladly obliged (perhaps business was dead that day?) and so my tour started.

## **A guided tour**

John began by showing us one of the older furnaces, which was no longer in use. According to a paper on Energy Saving and Carbon Neutrality in the Funeral Industry, "the main emissions from crematoriums during the cremation of human bodies and coffins are nitrogen oxides, carbon monoxide, sulfur

dioxide, particulate matter, mercury, other heavy metals, and persistent organic pollutants (POPs), which cause serious harm to humans and the environment."

While the older furnace disposes of bodies in half the amount of time when compared to the more modern contraptions, John admitted that these older models tend to take a huge environmental toll.

With the newer machines, although the burn time is longer, the emissions are significantly lower. I was also pleasantly surprised to see that there was almost no smoke coming from the chimney of the furnace, which was currently in use; a key feature.

## **The process of cremation**

According to John, the process of cremation takes between one to three hours with the more modern machines. Once the burner is on and the coffin enters the furnace, John typically waits around half an hour before carefully opening the furnace and moving the coffin aside, to allow himself access to the body. He then turns the body to allow the flames to better do their grim work.

We then moved on to the aptly titled "crushing machine", where the remains of the departed are ground into fine ash before they are shared with the family. According to John, around 98% of

these remains consist of bones; given that they are harder than flesh or organs.

An average-sized human body equates to about one shoe box filled with ashes – which is a lot of dust to carry around with you, and for this reason, many families opt to take just a portion of the ashes, leaving the rest to be destroyed.

### Final observations and surprises

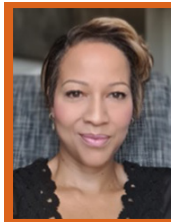
Here are a few final observations from my experience behind the doors of the crematorium:

- I was impressed with how carefully and conscientiously the attendants performed their duties, ensuring that the incinerators were thoroughly cleaned after each cremation, so as not to contaminate or mix the ashes of one body with another.
- I was also pleased to find that the crematorium staff exercise the utmost levels of respect when handling the deceased or dealing with their family members.
- John mentioned that since the COVID-19 pandemic, cremation – particularly in black cultures – had risen. He even referenced a recent cremation of a Sangoma, which I found almost unbelievable, given how taboo cremation is in our culture. John admitted to being intrigued when other Sangomas had attended the funeral, donned in traditional regalia, and performed their rituals. He said that in some cultures, the family would return to the crematorium after 10 days to release the soul of the deceased. This return date is

arranged with the crematorium in advance, and they give the family the space they need to carry out these poignant rites.

- I was curious about the possible appearance of spirits and asked John whether he had any experiences of such. His response? "I have worked in this job for six years and have yet to see a spirit!" The only strange experience he admitted to was hearing a loud banging on the steel wall of the furnace during cremation, on occasion. He found this odd as the furnace chamber is generally so quiet that it shouldn't be possible for loud sounds to emerge from within...
- The cost to book the crematorium differs in South Africa; from around R550 for an infant, to about R1 750 for a 120kg adult.

So, would I want to be cremated? While it's still not for me, it was a lot quicker, cleaner and smoother than I anticipated, and I was pleasantly surprised to see how much respect was given to the deceased, as well as their loved ones.



**CARMEN BIGGARS**  
Metropolitan GetUp's  
Client Experience Specialist

## Why a funeral claim WILL NOT PAY OUT

(Continued from p.15)

**AVBOB:** Misrepresentation and/or insurable interest principles will apply after an investigation. The Ombudsman for Short-Term Insurance defines misrepresentation as an act or offence of giving a false or misleading account of the nature of something. In such instances, if misrepresentation or lack of insurable interest in the deceased is confirmed, the claim will be rejected.

**Q** If the claim is rejected, what will happen to the premiums that have already been paid to the insurer?

**AVBOB:** Premiums paid before death are forfeited, however, those paid after death are refunded. Different companies have a timeframe of when they will pay out claims. For example, some funeral claims are paid within 48 hours. Whatever the timeframe is, swift payments are dependent on whether the consumer submits all the required documents on time, and if the claim is not affected, by what is mentioned in this article.

### Documents needed

In order to speed up a claim, here are the documents that are required for a claim:



- A certified death certificate, as well as a copy of the first page of the BI1663 (previous), or pages 1-2 and 3 of 3 of the BI1663 (latest) form;
- The claimant's declaration;
- Where required – a medical certificate;
- A SAPS declaration when the death is caused by unnatural causes;
- The ID of the deceased;
- The ID of the claimant/beneficiary;
- A funeral parlour letter; and
- A bank statement of the claimant/beneficiary.



**MALIXOLE GWATYU**  
Manager: Communication  
AVBOB

# FUNERAL COVER IN THE EB SPACE... necessary or nice to have?



**Y**ou'd be hard pressed to find an adult in South Africa who doesn't think funeral cover is a good idea. Many would say it's a financial imperative. For some, a cultural imperative.

Considering the high demand for the product, companies based in South Africa would do well to evaluate funeral cover as a basic employee benefit. As options go, it's cost effective - for companies wanting to show appreciation to their staff, or save their employees money, or looking for financial relief when an employee's family asks for help at the time of death.

## A narrow-minded perspective

Employee benefits is a catchall typically comprised of options such as medical scheme or health insurance cover, life and disability insurance, funeral benefits, pension and retirement plans, additional paid leave (maternity, parental, family responsibility and other), annual bonuses, gym memberships, childcare, mental health and debt counselling, among others. All these options have their place, and, in large corporates, some are considered a hygiene factor for employee job satisfaction.

Some employers, however, don't see the value of offering employee benefits, particularly funeral benefits. They argue they're in the business of providing a paycheck, not additional financial assistance. Also, they argue that funeral costs are already covered by employees' personal policies. That perspective is narrow-minded if you conduct a cost-benefit analysis in terms of value for money. This is true even for Small and Mediumsize Enterprises (SMEs), who are concerned that employee benefits are unaffordable. There are now products in the market that cater specifically to SMEs that want to protect their staff, while also protecting their bottom line.

## The value in funeral benefits for employees

So, let's consider the value in considering funeral benefits for employees. Firstly, funeral benefits provide basic financial support at a very difficult time to a grieving family, at least one of whom is important in your business.

Secondly, funeral benefits can help to improve employee loyalty and morale. When an employer demonstrates that they care about their employees and their financial concerns, it has a positive impact on workplace culture and employee retention. Offering funeral benefits shows staff members that their employer values them and their contribution at work. As a result, employees are more likely to give more of themselves in

their work. As Richard Branson famously said, "Look after your employees, and they will look after your customers".

Thirdly, group risk by its nature is materially more affordable than individual risk, so an employer is helping employees to save money by replacing their individual funeral cover with group funeral cover. This obviously reduces financial (and related) stress in their household, leading to a more productive and focussed employee.

Burial and deathbed costs vary from R3 000 to well over R100 000. Many spend extravagantly on funeral items, let alone the food, drinks and transport for attendees, for which the family is expected to pay. When families are cash-strapped and are determined to honour their loved ones' dignity in death, they often become desperate. They either spend funds earmarked for education or take on debt in order to cover funeral costs.

## Simple and affordable funeral benefits

South Africans are generally under-insured for long-term cover. Many are not familiar with long-term insurance beyond funeral cover, and it's obviously a grudge purchase, especially for young people who see no immediate tangible benefit for their money.

An Association for Savings and Investment South Africa (ASISA) report from 2022 highlights a shortfall of 34.3 trillion in life and disability insurance. And in the funeral space, just 42% of South Africans had funeral cover in 2021. Surprisingly, this had dropped from 53% in 2019, despite COVID impacting on peoples' increased fear of mortality. When questioned about their lack of insurance, many said affordability was the main reason they didn't have funeral cover. In this under-insured environment, employers have a valuable role to play in filling the gap, even if they pass the cost of the funeral benefit on to employees themselves.

For companies that believe they cannot afford a full employee benefits package with higher costs, offering simple and affordable funeral benefits is a worthwhile solution.



**SAM FLEMING**  
Chief Marketing Officer  
Simply Financial Services



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# Why must an insurer UNDERWRITE FUNERAL POLICIES?

**F**uneral insurance is an indispensable financial product that provides much-needed support to families, during the emotional and challenging time following the loss of a loved one. A critical aspect of funeral policies is that a registered insurer must underwrite them.

## Exploring the reasons

This article explores the reasons for this requirement in-depth, and the importance of proper underwriting.

- **Insurable interest** - Insurance aims to cover potential liabilities rather than enrich policyholders. Funeral policies ensure families are not financially burdened when arranging a funeral ceremony. Underwriting guarantees that these policies serve their intended purpose, protecting families from financial strain while assuring them that their loved one's funeral costs will be covered.
- **Claim certainty** - When opting for non-underwritten policies, there is always a risk that they might not fulfil their purpose, leading to wasted premiums policyholders pay. Partnering with a reliable insurer with a good track record of paying claims ensures that the policies will be honoured when needed. Underwriting provides adequate funds to cover funeral expenses, ensuring that grieving families are not left in financial difficulty during an already challenging time.
- **Informed decision-making** - Underwriting is vital to provide accurate and relevant information to applicants, enabling them to make informed decisions about the coverage they need. Insurers assess individual risk factors to offer tailored coverage options that suit the applicant's needs and financial situation. This transparency helps policyholders understand their chosen policy's terms, risks, and benefits. Policyholders can choose the best coverage for their unique circumstances with this knowledge.
- **Compliance with regulations** - Registered insurers are subject to laws enforced by organisations like the Financial Sector Conduct Authority (FSCA) and the Prudential Authority. These laws require insurers to maintain minimum solvency levels to ensure financial stability and the ability

to pay out claims. Compliance with these regulations gives policyholders the confidence that their benefits will be honoured when the time comes. In contrast, unregistered funeral policy providers may operate like Ponzi/Pyramid schemes, relying on new policy sales to satisfy existing client claims. These unregistered providers lack the necessary oversight and can leave policyholders vulnerable, with their funeral expenses potentially unpaid.

- **Fraud prevention** - The underwriting process involves verifying the information provided by applicants, which is essential in detecting inconsistencies or discrepancies that may indicate fraud. By thoroughly reviewing each application, insurers can identify potential issues before approving a policy. This process protects the insurer and the policyholders, ensuring the system's integrity and preventing fraudulent activity from undermining the stability and trustworthiness of the industry.
- **Competitive market and innovation** - A competitive market ensures that insurers strive to offer their clients the best products and services. Underwriting funeral policies provides that insurers accurately price their products based on risk, enabling them to compete effectively in the market. This competition fosters innovation, better customer service, and improved consumer coverage options, ultimately benefiting policyholders with better products and services.

## Purchasing funeral insurance

When purchasing funeral insurance, dealing with a registered insurer and an accredited financial adviser is crucial. Consumers can verify an institution or person's authorisation to render financial services by checking the FSCA website or calling 0800 20 37 22.



**TIMOTHY MILES**  
Senior Financial Adviser  
RBS

# FINANCIAL NEEDS 'CENTRAL' to the funeral versus life insurance debate



**T**he key differences between funeral and life insurance policies are best understood in the context of the financial need each product addresses.

Funeral insurance is designed to pay for the immediate expenses associated with a funeral and is triggered by the death of a named life insured on the policy. Life insurance protects against the longer term 'cost of living' expenses that the family or named beneficiaries of a policyholder will face after his or her death, disability or severe illness.

## Quick pay outs are popular

South Africa's low- and mid-income households have bought into funeral insurance in a big way, with the Association for Savings and Investment South Africa (ASISA) confirming around 5.8 million individual funeral policies 'in force' at the start of 2023.

There are many reasons for the product's popularity, including that pay outs are quick, usually within 48-hours; that multiple family members can be covered under a single policy; and that acceptance onto a policy is reasonably painless. The pay out from a funeral policy can be used for a range of funeral-related expenses including the cost of a burial/ cremation; catering; transport costs; memorial services; and tombstone costs, among others.

In contrast, the higher sums insured on life insurance policies must take care of the insured, or the insured's family or nominated beneficiaries, after his or her death, disablement or severe illness. A life policy pay out enables the insured, or the insured's family, to maintain a standard of living and can also help with the cost of specialised medical equipment following disability or severe illness.

## Explaining 'living' benefits

A funeral insurance policy pays out immediately after death, while a life insurance pay out can be in the form of a lump sum or a monthly payment. It helps to think of life insurance as catering for the ongoing 'cost of living' expenses that the life insured, or his or her family, will face post death, disablement, severe illness or loss of income.

There are significant overlaps in how funeral and life insurance products are purchased. Either product type can be purchased via call centres, digital platforms (self-service) or face-to-face, for example, in a bank branch or via a broker.

Call centre sales and digital channels are usually used for the 'simpler' product types such as funeral plans, and brokers are typically favoured for complex policies such as life, disability or severe illness policies. Customers usually choose a sales channel based on their personal preferences and/or level of technical skills.

## The value in face-to-face advice

Of course, you cannot rule out broker assistance for a funeral plan; if a customer is unsure of what they need, they need to consult a broker. Experienced brokers can help consumers to choose needs-appropriate sums insured and inform them of policy rules and terms and conditions, including any requirement for medical underwriting.

Funeral cover does not typically require customers to undergo any health questions or medical examinations to qualify for cover, however, most life insurance policies will require some basic medical tests or that the insured answer a few health questions.

## Pandemic showed our vulnerabilities

The COVID-19 pandemic was a stark reminder about the importance of death, disability and severe illness cover. It highlighted that anything can happen, even to young people, and reminded us that it is never too soon to start planning for the future.

The funeral versus life insurance debate need not conclude in favour of one or the other: both policies are important and can be considered in the process of financial planning. These products serve different purposes, with one taking care of immediate funeral expenses and the other leaving an important financial legacy for the insured's family.



**ELAINE MARKUS**  
Head of Life Propositions  
and Strategy  
Standard Bank Insurance

## **A final reminder**

We hope you have enjoyed the read!

Although our target audience for the magazine is brokers, we believe the content is useful for clients too. Please feel free to share this with clients you believe can benefit from it.

If you are doing this for Continuing Professional Development (CPD) hours, and you have not registered with us before, you can go to [FANews.co.za/login](http://FANews.co.za/login). Register and then simply click on the Funeral questions, which will be clearly marked. You do not pay to register, and you can download the magazine at no cost.

The articles have been accredited by the Insurance Institute of South Africa (IISA).

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