



Key considerations before buying funeral cover



In South Africa, the popularity of funeral cover, correctly referred to as a funeral insurance policy, has grown immensely over the years. Many regard it as an essential life product and some even have multiple funeral insurance policies.

However, how much do you really know about this financial product, how to buy a funeral insurance policy, your rights and responsibilities, how to lodge a claim and where to complain if things go wrong?

This resource aims to answer the questions above and provide you with more clarity so that you can make an informed decision when buying a funeral insurance policy.





Definitions

It is important that your insurance company clarifies how it defines common words and phrases.

Beneficiary

A beneficiary is a person who has been nominated by the policyholder to receive the funeral insurance cover benefits when the policyholder dies.

Beneficiary nominations

A beneficiary nomination is where you nominate the name of the person who must receive the benefits upon your death. It is important to make sure that your beneficiary nomination form is up to date.

Burial

A burial is when the body of the deceased is buried in a coffin in the ground.

Burial society

A burial society is an informal, group of people, with a common-bond who contribute a specific amount of money for the sole purpose of a funeral. Underwritten burial societies are not allowed to charge a joining fee. In burial societies, each member contributes monthly towards the burial society. If a death occurs in your family, then you will have access to the pool of funds available for some funeral related expenses. If you do not pay as agreed, you won't have access to these funds. In addition to financial support, burial societies offer emotional and social support.

Cooling-off period

This is a period specified in an insurance contract where you can cancel a funeral policy. You may cancel a funeral policy within a period of 31 days after receiving the policy documents, if you have not claimed any benefit.

Cover

Cover is the protection offered by an insurance company in the event of, for example, death, an injury, or loss, damage to or theft of property. The insurance company pays out money if the insureds' policy document stipulates that such risk events are covered.

Cremation

A cremation is when the body of the deceased is burned to ashes. The ashes are usually kept in an urn and given to the family.

Endorsement

An insurance endorsement is a change to your insurance policy that alters or adjusts your cover, usually by adding or deleting something. The endorsement must be added to your policy in written form.

Financial Services Provider (FSP)

A person or entity that is authorised to provide financial advice and/or render any intermediary service in relation to a variety of financial products, including investment products and insurance products. The FSP licence of the person or entity specifies exactly which products or services they are authorised to advise on, sell or render intermediary services. They are also commonly referred to as a financial advisor, agents and brokers.

Funeral

A funeral is a process that serves to honour a deceased person's life and to show respect. It is a ceremony in which the deceased person is buried or cremated.

Funeral parlour

Is an entity/service provider that can assist in all matters relating to a funeral from issuing of a death certificate to transportation of the deceased body to preparing the deceased body for death or cremation.

Grace period

If premiums are not paid on the due date, there should be a grace period of at least 15 days before a policy lapses. Insurance companies may grant a longer period, often 30 days. It is important for policyholders to read and understand the terms and conditions of the insurance contract.

Intermediary

This refers to the entity authorised by the underwriter or insurer to act on its behalf to sell you a financial product like funeral insurance.

Life insurance

Life insurance is insurance that covers life-changing events, such as death, retirement and disability. Life insurance policies include life insurance, funeral insurance, retirement annuities and endowment policies.

Loyalty bonus

An amount added to the policy benefits of a policyholder after a specified period as defined in the policy contract. The purpose is to encourage or incentivise policyholders to keep their policies, and to enhance retention rates by the life insurer. It is often calculated as a portion of administration fees or a percentage of policy value.

Lump-sum payment

Often a large sum that is paid to a policyholder or their beneficiaries in one single payment.

Maximum prescribed benefits

Previously funeral insurance cover was capped at R30 000 per life assured. However, this has been updated to R100 000 per life assured, per policy.

Pre-existing conditions

Any illness, sickness or disease (including pregnancy) you have prior to taking out funeral insurance cover.

Premium

The amount of money you will pay an insurer in return for the benefit set out in the policy. Premiums are paid at regular agreed-upon intervals, usually monthly or annually.

Premium payment break/premium holiday

Some funeral insurance providers provide consumers with a premium payment break or a premium holiday if the policyholder is faced with financial difficulty. Some insurers may reduce or stop your cover if you opt for a premium payment break or premium holiday. Each insurer has their own rules regarding this. If you are experiencing financial difficulty, contact your insurer first to explore your options before your policy lapses.

Representative

Also referred to as an agent is any person who renders a financial service to a client, for, or on behalf of an authorised financial services provider (FSP). e.g. Financial advisor or broker.

Stokvel

A stokvel is an informal savings pool or club to which members regularly contribute an agreed amount to and from which they receive a lump-sum payment on rotation.

Undertaker

An undertaker works for a funeral home/parlour or service provider. An undertaker will take charge of the storage of the deceased's body, process the death related documents, prepare the deceased's body and provide the hearse.

Underwriter

A life insurance company licensed with the Prudential Authority (PA) that receives your premiums and is responsible for paying the benefits in the case of death.





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Funerals can be expensive, and it is important that you have enough money to cover those costs. In many cases, families spend far more than they can afford on funerals, resulting in situations that may land them in debt. It is important to plan now, so that family members do not have to worry about the costs of a funeral as they go through such a traumatising and painful experience.

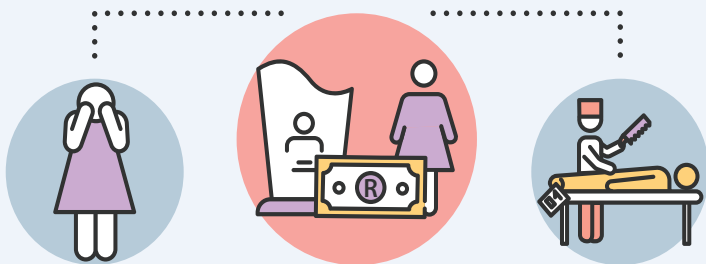


- You do not need more than one funeral insurance policy.
- You can have one policy that suits your needs and your budget.

Let's look at some of the costs that need to be considered:

- Choosing a casket/coffin (±R1000-R50 000)
- Funeral parlour fees (±R4000-R40 000)
- Catering costs (±R1000-R30 000 depending on the number of people, slaughtering of any animals and variety of meals provided)
- Venue costs or tent (±R1500-R6000)
- Transport if the body needs to be transported between provinces (±R10 000-R20 000)
- Transport for the mourners (±R500-R4000)
- Tombstone (±R2000-R60 000)
- Burial or cremation (±R1000-R6000)
- Flowers/décor (R2000-R15 000)

South Africans have a rich culture and the costs above are often influenced by such, as well as the need to keep up social appearances.



1. What is funeral insurance?

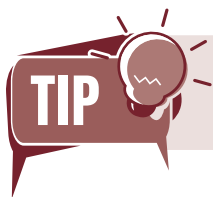
Funeral insurance cover provides benefits to pay for the costs of a funeral. Depending on the funeral insurance cover plan you choose, benefits are in the form of cash to cover the cost of a funeral or go to a service provider who handles the funeral arrangements i.e. funeral parlour. As the policyholder, you have the option to stipulate how the benefits are disbursed i.e. cash or service. The cover can be extended for immediate and extended family.

2. Why is it important to have funeral insurance?

Funeral insurance cover will provide your family with the finances to arrange your funeral without incurring further debt, such as borrowing money from either a bank, family members or mashonisas.

3. Types of funeral insurance

- Financial services providers (FSPs) or insurers offer many funeral insurance cover plans that you can choose from. These differ from insurer to insurer with respect to benefits, services and premium.
- Some life insurance policies have an immediate death benefit expense that is paid out to a beneficiary within 48 hours to use towards funeral costs.
- Some employers offer group life cover for its employees which includes a funeral insurance cover for you and your immediate family. If you have this option available to you, your premium will be significantly lower than if you went directly to an FSP or insurer for a funeral insurance policy.



Insurers can only pay up to a maximum amount of R100 000, per policy, per person insured.

4. How can I buy funeral insurance?

You can buy funeral insurance; through an authorised FSP or insurer; an intermediary; a funeral parlor (authorised to sell policies) or through a burial society/stokvel with friends and family. Today many companies establish a monthly deduction for its employees to provide funeral insurance cover for them and their immediate families. This has resulted in competitive lower premiums from other industries such as the clothing, mobile and banking retailers who have started offering funeral insurance products to their customers.



PLEASE NOTE: Always make sure that your funeral insurance product is provided by an authorised FSP or insurer. It is also important to verify that funeral products are underwritten by a licensed insurer. You can check this information by visiting the Financial Sector Conduct Authority (FSCA) website and verifying the FSP license number. Providers of funeral policies who fail to comply with the regulations of the FSCA may be stopped from conducting business or fined. It is very important that you check that the FSP/insurer is registered. If the FSP/insurer is not registered, you may be disappointed when you make your claim in the future. Most burial societies meet the definition of Friendly Societies; however, they are not registered with the FSCA or other formal body representative and there is very little recourse for the consumer if things go wrong when you want to cash-in for the benefit of a funeral.

5. Rights and responsibilities

You have rights when you purchase life insurance cover such as funeral insurance, but you also have responsibilities – you cannot hold your service providers liable for all outcomes.



Your rights

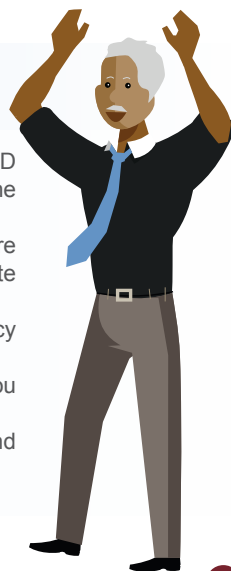
- A policy is a binding legal contract that gives you specific rights in the event of death or what ever risk you are insured for.
- You have the right to be paid the amount you are insured for, provided you have met all the terms and conditions of the policy.
- You have the right to shop around for the insurance policy and buy the one that best suits your needs and your budget.
- Before signing a policy document, you may take it home with you to make sure you fully understand its contents. You also have the right to have the contract explained to you in a clear and easy-to-understand language or a language of your choice.
- You have a right to cancel your policy by giving the insurance company a period of notice in writing (usually a month), as provided for in the policy document.
- You have the right to a cooling-off period. This means that you can change your mind and cancel a life policy within 31 days after receiving the relevant policy documents. Before you cancel, you need to inform the insurance company in writing of your intention to do so. The insurance company must comply with your request to exercise your cooling-off right within 31 days after receipt of your request. You will be entitled to receive your initial premium back, subject to the insurance company deducting certain amounts to cover costs. If a policy cannot be cancelled for some reason, this must be disclosed to you before you sign the policy document.



Make sure that you know what the maximum funeral cover amount is, even if you have more than one funeral policy.

Your responsibilities:

- **Identify yourself.** The insurance company will need your ID number, address and contact details, as well as the details of the people you would like to insure on the same policy.
- **Provide accurate information.** In order for the insurer to insure you correctly, you need to provide them with true and complete information. This is also referred to as disclosure.
- **Be informed.** Make sure you understand everything in the policy document and everything about the insurance product.
- Confirm **how much your premium** will be and make sure you can afford it before signing any documents.
- Be sure to **pay the premiums** and comply with the terms and conditions, as set out in the policy document.



The insurance company's responsibilities:

- The insurance company will be **liable for the risk** you face if an insured event occurs, provided you have paid your premiums.
- The insurance company will **explain the policy in full** and answer any questions that you may have.
- The insurance company will **pay out in the event of death** depending on what you are covered for.
- The insurance company will have **qualified financial advisors/brokers** who can help you to make the right decision about which insurance product you need.
- The insurance company must be **properly licensed** by the Prudential Authority (PA) before they sell you any insurance products.

6. The claims process

STEP ONE:

Report the death of your loved one to your nearest Department of Home Affairs offices or to your preferred funeral parlour to have the death certificate issued. Once the Department of Home Affairs has received the relevant forms, it will issue a death certificate. The funeral parlour will also advise you on what to do, especially if the deceased died at home.



STEP TWO:

The FSP/insurer will provide the claimant with the relevant Claim Forms and Beneficiary Forms for your completion.



STEP FOUR:

The payout period will differ amongst different FSPs/insurers but generally, it will be within a period of two business days.



STEP THREE:

Send back the completed forms to the insurer with a certified copy of the death certificate, banking details of the nominated beneficiary and the identity document/passport of the deceased and any other required claim document/s. If the deceased is younger than 18, you are required to provide their birth certificate.



Some insurers will only pay up to a maximum amount, even if you have more than one funeral policy with them.

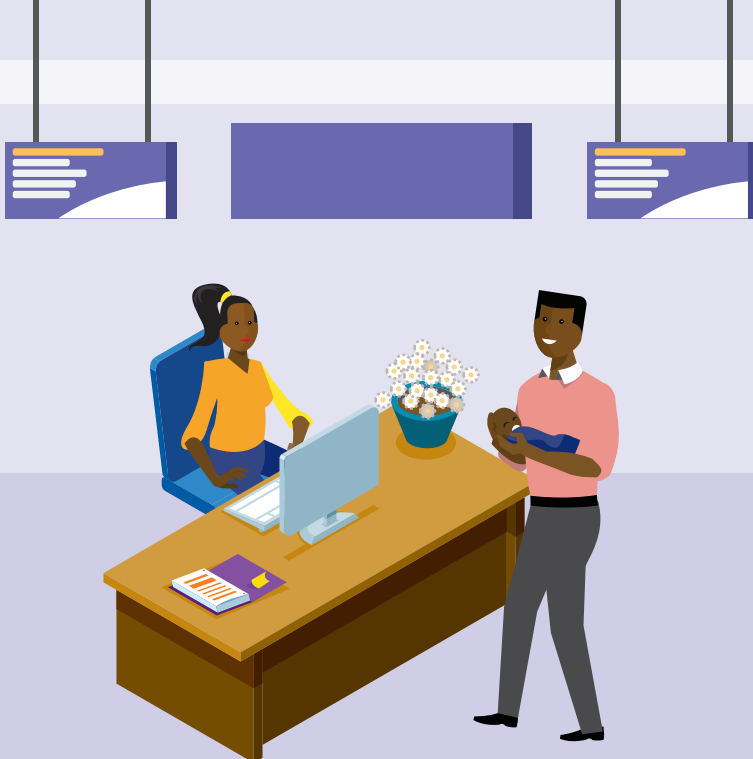
7. Tips before buying funeral insurance cover

- Speak to your family about the type of funeral you would like to have.
- Work out an estimated budget of how much your funeral will cost.
- Do some research on how to cover the costs of a funeral.
- An authorised financial advisor or broker can assist you by providing you with various funeral insurance options to choose from.
- Compare the benefits and costs of various funeral insurance cover options and choose the one that suits your needs and your budget.
- Keep your policy documents, including your beneficiary nomination forms in a safe place. Make a copy and give it to someone you trust for safe keeping.
- In the event of a claim, the claim must be submitted with all the supporting documentation to the insurer as soon as possible. Check the policy documents for information on submitting claims and cut off periods. If you submit an incomplete claim, or submit a claim too late, the insurer may reject your claim.
- Be careful of scammers who make promises of lavish and expensive funerals for a minimum monthly payment.
- Do not sign blank or incomplete application forms.
- Think about what will happen to your family financially after the funeral if you were the main breadwinner.



If you add more than one person to your funeral policy, the cover amount will differ for each person.





8. Questions to ask the salesperson/financial advisor/broker/insurer

- Are you authorised by the FSCA to give me financial advice on a funeral insurance?
- What is your FSP license number?
- Can you provide me with funeral insurance options from one insurer or many insurers (product providers)?
- Is there a waiting period?
- Are you selling me an underwritten policy and who is the underwriter?
- Will the cover amount be enough to cover my funeral or funeral of my loved ones?
- What are the exclusions of this funeral insurance policy?
- What are the total administrative costs, fees and commissions which will be added to the overall premium or costs of the funeral insurance cover?
- Does my insurance premium increase every year?
- How many people can I include in my funeral insurance policy?
- What are my options if I can no longer afford to pay my premiums due to retrenchment?
- How long will it take to process payments after I make a claim?
- Who do I call if I have a complaint or a query?



9. How to lodge a complaint

Life insurance companies have their own internal procedure for complaints handling. You have the following options if you are not satisfied with their financial advisors, products or services;

STEP 1:

Inform your insurance company or authorised FSP of your complaint in writing.

STEP 2:

If you are unhappy with their response to your complaint, you can refer the matter for free to the Ombudsman for Long-term Insurance or the Ombudsman for Financial Services Providers (FAIS Ombud).



TIP

Ensure that you read the fine print of your funeral insurance policy before you sign.

Useful contacts

Financial Sector Conduct Authority (FSCA)

To check if a financial services provider (FSP) or financial advisor is authorised to sell you financial products and services, as well as which products they can sell you, contact the FSCA.

FSCA switchboard: 012 428 8000
Call centre: 0800 20 3722 (FSCA)
Fax number: 012 346 6941
E-mail address: info@fsca.co.za
Postal address: P.O. Box 35655, Menlo Park, Pretoria 0102
Physical address: Riverwalk Office Park
Block B, 41 Matroosberg
Road, Ashlea Gardens,
Pretoria, South Africa
0081
Website: www.fsca.co.za

For more consumer financial education information, contact the FSCA's Consumer Education Department.

E-mail: CED.Consumer@fsca.co.za
Website: www.fscamymoney.co.za

Ombudsman for Long-term Insurance

The Ombudsman for Long-term Insurance resolves disputes between subscribing insurers and policyholders or claimants. If you are not able to resolve a complaint with an insurer, contact the Ombudsman.

Telephone: 021 657 5000
Share call: 0860 103 236
Fax: 021 674 0951
E-mail: info@ombud.co.za
Postal address: Private Bag X45,
Claremont, Cape Town
7700
Physical address: Third Floor, Sunclare
Building, 21 Dreyer Street,
Claremont, Cape Town
7700
Website: www.ombud.co.za

Central point for insurance related complaints

You can also contact the central contact point for insurance-related complaints if you are unsure of which insurance ombudsman to contact.

Share call: 0860 103 236 and
0860 726 890
Telefax: 086 589 0696

E-mail: info@insuranceombudsman.co.za
Website: www.insuranceombudsman.co.za

Ombud for Financial Services Providers (FAIS Ombud)

For complaints related to financial advisors and financial product providers contact the FAIS Ombud.

Telephone: 012 762 5000
Sharecall: 086 066 3274
Fax: 011 348 3447
E-mail: info@faisombud.co.za
Complaints about our service: hestie@faisombud.co.za
Enquiries on status of complaints: enquiries@faisombud.co.za
Postal address: P.O. Box 74571,
Lynnwood Ridge, 0040
Physical address: 125 Dallas Avenue, Menlyn,
Waterkloof Glen, Pretoria,
0010
Website: www.faisombud.co.za

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