

## Payment of funeral benefits to nominated beneficiaries

Dear Policyholder and Intermediary,

Sanlam Group Risk (SGR) has endorsed all unapproved group life and funeral insurance policies to remove employer, trustee, or committee discretion in the determination of beneficiaries for payment of death and funeral benefits. These policy endorsements followed clarification provided by the Prudential Authority (PA) to ASISA, where they confirmed that the omission of such discretion from the definition of “beneficiary”, as contained in Schedule 2 of the Insurance Act 18 of 2017 (“the Act”), was deliberate in its statutory construct.

This effectively means that insurers are now only permitted to pay death and funeral benefits to the employee’s nominated beneficiaries and in the absence of a valid nomination form, to the estate of the deceased employee. If an employee therefore failed to nominate one or more natural persons to receive their death or funeral benefit, the insurer has no choice but to pay the relevant claim amount to the employee’s estate.

The payment of funeral benefits to the deceased employee’s estate is especially problematic, given that the intention of group funeral insurance is “to cover costs associated with a funeral or the rendering of a service on the happening of a death event”, as described in Table 1 of Schedule 2 to the Act. Payment to the deceased estate will result in the employee’s family being unable to use the benefit to pay the employee’s funeral costs, due to the considerable delays experienced in settling the estate. This could potentially cause untold hardship and trauma to the employee’s family at their time of greatest need.

Despite these concerns, further engagements with the PA over the first part of this year have however confirmed the regulator’s firm stance namely, in the absence of a valid beneficiary nomination form the insurer is required to pay the employee’s funeral benefit to the deceased estate. Their view therefore remains that the omission of alternative arrangements for payment of funeral benefits in the absence of a valid nomination form was intentional and is not a regulatory oversight.

### What is required from the employer as policyholder?

It is extremely important for employers to:

- ① Inform employees that in terms of legislation, funeral benefits must be paid by the insurer to their nominated beneficiary in the event of the employee’s death, or in the absence of a valid beneficiary nomination form, to their deceased estate. Should the employee therefore not have completed a valid funeral insurance nomination form before their death, their funeral benefit will be paid to their deceased estate and their family will not be able to utilise the benefit for its intended purpose namely, to assist the employee’s surviving family members with payment of their funeral costs.
- ① Ensure that employees know where to obtain the funeral insurance beneficiary nomination form template and that the necessary administrative processes are in place:
  - To remind employees to nominate a beneficiary in respect of their funeral benefits and to update beneficiary details as needed;
  - To store the completed and signed nomination forms securely on the employees’ records; and
  - To supply the relevant nomination form to Sanlam on submission of an employee’s funeral claim.
- ① Arrange for a separate valid nomination form in respect of the employee’s group funeral insurance, as the beneficiary nominations in respect of the employee’s retirement fund and unapproved group life insurance benefits cannot be accepted by the insurer.

For Sanlam’s beneficiary nomination form templates (separate forms for funeral insurance and group life insurance), please [click here](#) to download the forms from the Sanlam website.

ⓘ **Please note:**

- An employee may not nominate the employer as the beneficiary of their funeral benefit and the insurer is not allowed to pay the funeral benefit to the employer (in terms of legislation).  
Sanlam is therefore not able to refund any advance benefit payments made by the employer.
- An employee should preferably not nominate a minor child as beneficiary, given that the intent of the funeral benefit is to contribute towards the employee's funeral costs.

Please do not hesitate to contact your Client Solutions or Sanlam Corporate representative should you have questions or require additional information.

**Sanlam Group Risk**  
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