

Media Release

Association for Savings and Investment South Africa (ASISA)

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Life insurers paid close to 900 000 death claims worth R39.9 billion in 2023

South African life insurers paid death and funeral benefits worth R39.9 billion in 2023 to the beneficiaries of 892 817 policies, representing a payout rate of 95.9%.

The 2023 annual death claims statistics released by the Association for Savings and Investment South Africa (ASISA) show that life insurers processed 931 025 claims against individual life, credit life, funeral and universal life policies. While 892 817 claims were paid, 38 208 claims (4.1%) were declined in 2023 for reasons that included dishonesty, fraud, or contractual exclusions like suicide within the first two years from when the policy was taken out.

Gareth Friedlander, a member of the ASISA Life and Risk Board Committee, says the 95.9% payout rate for death claims should provide consumers with the peace of mind that life companies will pay valid claims provided the terms and conditions were met and the policyholder was honest during the application process.

The claims payout rate for 2022 was 94.3%, and for 2021 it was 96.2%.

Friedlander says life companies exist primarily to provide consumers with the option of insuring themselves and their loved ones against the financial impact of an event like death, disability, or critical illness. "Policyholders and their beneficiaries should be able to trust that their policies will pay when a life-changing event occurs," he adds.

| Type of policy | % of claims paid | | | Number of claims paid | | | Rand value of claims paid | | |
|---|------------------|--------------|--------------|-----------------------|----------------|------------------|---------------------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 | 2023 | 2022 | 2021 | 2023 | 2022 | 2021 |
| Life Insurance Policies | 97.5% | 95.9% | 97.7% | 261 525 | 213 962 | 356 850 | R28.1 bn | R28.5 bn | R44.2 bn |
| Credit Life Policies | 87.5% | 88.8% | 95.1% | 20 769 | 67 926 | 112 550 | R1.5 bn | R2 bn | R2.5bn |
| Funeral Policies | 95.3% | 94.1% | 95.3% | 563 887 | 412 491 | 571 171 | R7.7 bn | R6.1 bn | R12.3 bn |
| Combined (Universal Life) Policies | 99.3% | 98.1% | 99.2% | 46 636 | 50 286 | 21 866 | R2.6 bn | R7.1 bn | R3.5 bn |
| Total | 95.9% | 94.3% | 96.2% | 892 817 | 744 666 | 1 062 437 | R39.9 bn | R43.7 bn | R62.5 bn |

Reasons why claims are declined

Friedlander says death claims are most commonly declined for the following reasons:

- **Material non-disclosure:** The policyholder did not disclose material information about a medical condition or lifestyle when applying for the policy to secure cover and/or lower premiums.
- **Fraud:** A fraudulent claim is submitted, or the beneficiary was involved in a crime that resulted in the death of the policyholder. All policies, whether life or funeral, come with an exclusion that states that no benefit will be paid to a beneficiary who committed a crime resulting in a policyholder's death.
- **Suicide:** The policyholder committed suicide, generally within the first two years of taking out the policy.
- **Exclusion:** The policyholder died from an excluded health condition or dangerous lifestyle activity. The policyholder would have been informed of this exclusion when entering into the contract.
- **Waiting periods:** Funeral cover generally imposes a waiting period of six months for deaths due to natural causes.

According to Friedlander, the reasons that will most likely apply when a claim is declined depend on the type of policy being claimed against.

- **Life insurance policies (including universal policies):**

When a claim against a life insurance or universal life policy is declined, it is most often due to material non-disclosure.

Friedlander says life insurance policies can offer life cover worth millions of Rands and, therefore, generally require some form of risk underwriting and assessment, which can range from medical and lifestyle questions to blood tests and medical examinations.

Since it is generally accepted that the person applying for insurance knows more about the risk to be insured than the insurer, the law compels life cover applicants to honestly disclose all information likely to influence the insurer's judgment when determining appropriate policy terms and premiums. This ensures that every person pays a fair premium without unduly subsidising someone less healthy.

Withholding material information from a life insurer during the underwriting process is dishonest, and a life insurance company is, therefore, fully within its rights not to pay out a claim and declare your policy void should it come to light that you were dishonest or that you failed to disclose important details when you took out your policy. This could have devastating financial consequences for your beneficiaries.

- **Funeral insurance policies**

The main reasons for declining claims against funeral policies are waiting periods, fraud and unpaid premiums.

Funeral insurance policies are designed to pay out quickly and without hassle when an insured family member dies. They typically do not require blood tests and medical examinations, and their payout is limited.

Since there are no underwriting requirements for funeral insurance, it is often tempting for people to buy funeral cover only once they have developed a serious illness and are expecting to die as a result. To prevent this, funeral cover usually imposes a waiting period of six months for deaths due to natural causes.

Credit life policies

Claims against credit life policies are most commonly declined because the cover lapsed due to non-payment of premiums or the outstanding loan balance had been settled.

The payout by a credit life insurance policy decreases as the outstanding loan amount decreases. Once your debt has been repaid, your cover ends. When you default on your loan repayments, no premiums are paid to the life insurer and your cover lapses. It is important, therefore, that you have stand-alone life and disability cover, which is not linked to debt.

Ends

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Issued on behalf of:

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Life and Risk Board Committee
Association for Savings and Investment South Africa (ASISA)

ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.