

Determination of Beneficiaries for death benefits under the Insurance Act

To determine how a member's death benefit, in terms of an unapproved group insurance policy, must be allocated at the time of death, an insurer relies on an instruction by the employee or other legal entity. In most cases this takes the form of the beneficiary nomination form completed by the employee, indicating whom should benefit from the pay-out of his/her benefit.

The Prudential Authority (PA), through the Insurance Act 18 of 2017 (the Act), requires group policy benefits (e.g. unapproved benefits provided under a group life insurance scheme) to be paid only to a "beneficiary", as [defined in the Act](#), thereby ensuring beneficiary outcomes are equitable.

① **New policy contracts in accordance with the Act**

With immediate effect all new Sanlam Group Risk (SGR) policy contracts will be issued according to the requirement of the Act, i.e. beneficiaries are determined strictly according to a valid beneficiary nomination form, or in the absence of a nomination form, the benefit will be paid to the deceased employee's or member's estate.

② **Amendment to existing policy contracts**

SGR also has existing group life and funeral insurance policy contracts that provides for the employer, appointed committee or trustees to exercise their discretion in the determination of beneficiaries for the payment of unapproved death benefits.

Life insurance (unapproved):

Although the provision was a general practice in the group insurance market for many years, especially to accommodate employees/members that have not completed valid nomination forms at the time of their death, the PA has confirmed that the omission of such discretion from the definition of "beneficiary" in the Insurance Act was deliberate in its statutory construct.

SGR is consulting with the PA on a reasonable timeframe to amend existing policy contracts. Ample time will be allowed for the policyholders to implement the necessary processes to collect valid beneficiary nomination forms from employees or members and store them securely (to be submitted at claim stage). Once confirmed by the PA, affected policyholders will be communicated with directly to amend the policy contracts and remove employer, committee or trustee discretion, as applicable.

Until such time that the affected policy contracts have been amended and the effective date of the endorsement communicated, SGR will continue to determine beneficiaries for the payment of unapproved death benefits according to the current provisions of the applicable policy contract.

Once the policy endorsement becomes effective, beneficiaries will be determined strictly according to a valid beneficiary nomination form, or in the absence of a nomination form, the benefit will be paid to the deceased employee's or member's estate.

Funeral insurance:

Because the benefit is intended to cover the costs associated with an employee or member's funeral, SGR is consulting with the PA on how to apply the provisions of the Act for this benefit as it would not be possible for the deceased's family to utilise the benefit in time if it is paid to the deceased employee's or member's estate (in the absence of a nomination form).

Until such time that the policy contracts have been amended, SGR will continue to pay the funeral benefit according to the current provisions in the applicable policy contract. Once the policy endorsement becomes effective, beneficiaries will be determined strictly according to a valid beneficiary nomination form.



⌂ Next steps

It is now more important than ever for employers, as policyholders, to ensure their employees complete valid beneficiary nomination forms in respect of their unapproved group insurance benefits.

This will ensure that the group insurance benefit is paid according to the employees' final wishes and not to the deceased's estate, which can result in a delayed pay-out to any eligible dependents identified during the settlement of the estate.

Please note however that nomination forms in respect of fund benefits will not be accepted; a separate valid nomination form is required in respect of the employee's unapproved death benefits.

Sanlam's beneficiary nomination form templates are available (for this purpose) on the Sanlam website:

- Group life insurance : [Click here](#) to download the form
- Group funeral insurance : [Click here](#) to download the form

The employees' completed nomination forms must be stored securely by the employer and supplied to Sanlam on submission of a claim.

It is also important for employers to remind their employees annually to review their beneficiary nomination forms. This will prompt employees to update their existing nomination forms to accommodate life events, for example, on getting married or divorced, birth or adoption of a child; and when a beneficiary's contact information changes.

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