

What is Funeral Cover?

- **Q: We have spoken about semi- and fully-underwritten products, and about disability and critical illness cover, but today we will be talking about funeral cover. Perhaps to get us started, and for anyone not familiar please tell us exactly what we will be discussing.**

In its simplest form, a funeral policy is a type of insurance product which is designed to assist you or your family members to pay for a funeral once someone has passed away. In South Africa, an average funeral could cost between R10 000 and R50 000, with more expensive funerals costing as much as R150 000. Without a funeral cover policy, the loss of a loved one could bring with unexpected expenses that you or your family may not be prepared for.

- **Q: Life and funeral insurance is often spoken about together. How is a funeral policy different from life insurance, and how does funeral cover fit into the discussion we have been having about different live cover options so far?**

Even though death is not something we like to think about, we all want to make sure that those we love are taken care of and provided for even after we are gone. There are a number of ways we can ensure to have this peace of mind and make sure our family is taken care of; as you have mentioned like fully and semi-underwritten life insurance, disability and critical illness cover. A funeral policy could be viewed as a standalone insurance need or as another part of this peace of mind in protecting one's family were we to pass away or fall ill, in solving for a different need than the life products we have already discussed.

Funeral policies serve a very specific purpose, in assisting your family members to pay for your funeral or that of a deceased loved one, the amount to be paid out likely will not be enough to support your family for an extended period of time. Whereas life insurance is often a much larger amount to be paid out (often in the millions of Rands) which is intended to assist your loved ones in covering expenses and replacing the income that you earned. Funeral policies also payout much faster than life policies, funeral policies are normally paid out within 48 hours. This means your family members are able to provide a dignified burial and cover expenses which this is most needed shortly after a death in the family without having to go into any debt which they will need to pay off later.

Most insurers in South Africa will require you to undergo medical tests and examinations when taking out a life insurance policy (this process is called underwriting), but funeral policies are much less strict which means you are able to very easily and quickly take out cover and ensure you have that peace of mind. As a result of this, funeral policies can sometimes be more expensive than life cover for the same value of cover.

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- **Q: How can a funeral policy help? Why would I want to get funeral cover?**

A funeral policy provides a single tax-free cash payment shortly after a valid death claim is submitted and is normally paid out within 24-48 hours.

Funeral insurance is generally not underwritten or only partially underwritten. This means when you apply for it you only need to answer some questions on your health and lifestyle. You won't need to have a full medical check-up.

The payout from funeral policies are intended to cover the immediate costs of the burial service and other funeral related expenses such as transport, catering, a tombstone, and coffin.

With funeral insurance you can take out cover for yourself, immediate, and extended family members. This means that were you or any one of these family members to pass away, you would have the peace of mind in knowing that you will be taken care of and have the funds to provide a respectful burial.

- **Q: How do I know or find out what the right value of funeral cover is for me?**

The amount of cover you require is dependent upon a what you would like the policy and claim to achieve. Ask yourself the following questions before deciding upon the amount of cover you would like in your funeral policy:

Have you calculated what the cost of your funeral may be were you to pass away? This could assist you in determining how much cover would be required in order to afford a funeral for yourself or a loved one that has passed away. Sometimes the value of a funeral policy may not be sufficient to cover all the costs associated with a funeral, including the undertaker, catering and the venue hire.

How much can you afford on a month-to-month basis? Once you have deducted expenses, such as living costs debt repayments and other insurance policies you may have, calculate how much money would be left in your budget to pay monthly premiums on a funeral policy. How much you are able to afford each month in your insurance premiums will assist you in determining what kind of funeral policy you are able to take out and how much cover you will be able to receive. Keep in mind that your insurer may increase your monthly premiums annually.

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- **Q: When it comes to funeral cover, so many people have heard a story about their claim being rejected. How do I ensure my insurer will honour my claim?**

Well, let's look at some of the common reasons a claim may be rejected and what to know about them.

Waiting periods: A waiting periods refers to the period of time from when your insurance cover begins, and you pay your first monthly premium and the date from which you are able to claim. There might be different waiting periods for different types of claims under your policy, and you will not be able to claim for those unforeseen events until you have completed the waiting period. For example, funeral policies have a standard six months waiting period for death as a result of natural causes and a 12 month period for death as a result of suicide. (But there is no waiting period for death as a result of accident). Be sure to understand the waiting periods in your policy for different types of claims so that your insurer will successfully and quickly pay out your claim. You should be able to find more information around the waiting periods specific to your life or funeral policy in your policy documents. If you have any questions about waiting periods, make contact with your insurer or advisor and they will be able to explain this for you further.

Unpaid premiums: It is very important to ensure that all your premiums are paid on time and up to date, as not paying premiums may result in your policy and cover lapsing. This means that were an unforeseen event to occur, such as a family member passing away, you would not be able to claim from your life or funeral policies. If your premiums have not been paid, your claim may be rejected due to this non-payment. If you have missed a premium or you are aware that you may potentially not be able to pay an upcoming premium, make contact with your insurer to understand what arrangements can be made and how you could ensure that you remain covered. Your insurer may be able to change some of the details of your cover (such as reduce the amount to be paid out in the event of a death on a life or a funeral policy) and reduce your monthly premium. Your insurer may also be able to make specific arrangements for another debit order to be deducted from your account on an agreed upon date, or you may have the option to be double debited the following month to pay your outstanding premiums.

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Exclusions: This may be a standard exclusion from a life or funeral policy, or may be a condition specific to your policy. In the case of life insurance, during the underwriting process a health condition may be picked up which your insurer does not include in your cover. This means that you will not be able to claim for death or illness related to this condition. When you claim for the death of the insured as a result of a condition excluded from your policy, your insurer may deny your claim.

Non-Disclosure: Non-disclosure is when you take out a life or funeral policy and don't tell your insurer the whole truth about any medical conditions or medication you are taking either today or have taken in the past. This means that your insurer does not have all of your correct information when creating your policy; this may affect your inclusions, exclusions, monthly premiums, and claims. The safest, and most StreetWise thing to do, is to make sure you tell your insurer everything and that you are entirely honest when taking out your policy. You are also able to review your policy to make sure you have disclosed everything. If you have any questions about non-disclosure and a policy you have, contact your insurer for more information.

Crime or illegal activity: If the death occurred while the insured person was committing a crime or engaged in illegal activity the claim may be denied by your insurer.

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- **Q: What do I need to know before buying my first funeral policy?**

Like all insurance policies, it is very important to make sure you understand any waiting periods your funeral policy might have. A waiting period refers to the time between your policy starting and the date from which you are able to claim.

Most funeral policies will have a standard six month waiting period for death as a result of natural causes. This means that if your funeral policy commences on January 1st 2021, you will not be able to claim for death of natural causes before the end of June that year, but accidental death is normally covered from the first premium being paid. Death from natural causes includes illnesses such as cancer, a heart attack, or old age. This standard 6 month waiting period often only applies to new cover, and not new policies. If you already are a funeral policy member and change policies, this waiting period won't apply if you have already completed the waiting period on your previous policy and the cover you are taking is similar, even if you change insurers during the waiting period. You also need to have been a member on a previous policy in the last 31 days. This 6 month period also applies to increases in your payout amount or benefit, so if you increase your payout from R20 000 to R30 000, you will only be able to claim for the new amount after six months. There is also a 12 month waiting period for suicide.

It is important to know that there are no waiting periods for accidental death, this means you are able to claim for a death as a result of an accident during those first six months. Different insurers will offer different waiting periods. Make sure to ask about any waiting periods on your funeral policy and make sure you understand when you would be able to claim.

Make sure to ask your insurer about any waiting periods or exclusions (meanings things not covered by your policy) to be sure that you understand.

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