

# What To Consider When Buying Life or Funeral Cover?



- **Q: What are the important questions to ask when we buying cover?**

Here are five tips and questions to ask to make sure you are StreetWise before buying life, disability, critical illness or funeral cover.

**Question 1: What type of cover is best for you? Life, critical illness, disability, or funeral?**

**Question 2: How much cover do you need?**

**Question 3: What is covered by your policy? And what is not covered?**

**Question 4: Do you know how to claim and how a claim will be paid?**

**Question 5: Did you receive your policy documents?**

- **Question 1: What type of cover is best for my needs?**

If you are thinking a life or funeral policy might be what you need in order to give yourself that peace of mind that your family will be taken care of were you or another family member to pass away, the first thing to ask yourself is exactly what your needs are. Life and funeral policies serve very different functions and will provide for your family in very different way after you have passed.

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 were you to pass away or become unable to work. 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.

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- **Q: The next thing to ask when buying a life or funeral policy, is how much cover we need?**

Once you have decided whether you will need a life, disability, critical illness or funeral policy or whether you would need a combination, is exactly how much cover will you require? What is the value of the payout you would like your family to receive were you to pass away or no longer be able to work? Two further questions that may be able to assist you in thinking about this is:

1. **How much are you able to afford in monthly premiums?** The greater value cover you wish to take out the more you are likely to pay in monthly premiums to your insurer. Consider your budget and how much you are able to afford each month, this will give you an indication of how much cover you could potentially take out with your insurer.
2. **How much would your family need to be secure and taken care of in your absence?** For a funeral policy, this may mean calculating what the expense of a funeral could be. Consider venue costs, transport, catering, a coffin or a tombstone and determine how much cover you need to take out. For life insurance, consider what the monthly expenses of your family usually are and determine what amount of cover would best assist them in meeting all of these expenses, as well as future expenses (such as education for your children and your spouse's retirement).

If you are uncertain about what type of cover or how much cover would be best for you or your family's needs, speak with an insurer or a financial advisor.

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- **Q: Question number three to ask when buying life or funeral cover: Ask what is covered and what is not covered in your policy.**

This means asking your insurer what you would be able to claim for, and what you would not be able to claim for under your policy. As we discussed in our previous episodes, life, disability, critical illness and funeral serve different functions and can have different exclusions.

- Make sure your insurer carefully explains what your specific policy covers and what isn't covered (exclusions).
- If something happens to you that's excluded, you cannot claim on it. So make sure you know what these are! A typical example of an exclusion would be cover of a pre-existing medical condition, like cancer, that has already been diagnosed.
- Make sure you understand any waiting periods on your policy. Generally, there is a standard six month waiting period on claims for death as a result of natural causes. There is generally no waiting period for accidental death on life or funeral policies.
- You may also have a loading added (meaning you pay a slightly higher premium) due to a serious health problem you suffer from.
- Legally, you must be informed of all exclusions or loadings before you accept a policy, and agree to them before the policy is activated.
- Also keep in mind that most policies have a 31-day cooling off period. This means you are allowed to cancel it within the first calendar month of signing the agreement without paying any penalties.

Your insurance company must make it clear if there are exclusions or waiting periods that apply to your policy. Make sure that you understand all of these and how they could affect your loved ones before you buy your life or funeral policy

- **Q: Our second last question to keep in mind when buying life or funeral cover is, do you know how to claim and how a claim will be paid?**

Ask your insurer when taking out an insurance policy when a claim would be valid, how the claims process will work, who to contact in the event of a claim and how to contact them, as well as what documents you will require in order to claim.

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Also check with your insurer whether there are any limits on a claim, such as whether you would need to report the claim within three or six months after a loved one has passed away. You can also ask about why a potential claim may be rejected by your insurer, how to avoid this happening to you, and what to do if your claim is rejected.

Life, illness, disability and funeral cover is about having the peace of mind in knowing that if a certain event happens our family members will be taken care of financially, so understanding the claim process can make a time of grieving that much easier.

- **Q: The final top tip to ask when buying life or funeral policies is have you received all of your policy documents? And what to do with them?**

After signing up for cover, make sure you get all relevant policy documents from the broker or financial adviser. These documents contain all the details of your contract with your insurer, including

- type of cover
- amount of cover
- all terms and conditions
- any exclusions your policy may have
- documents required at claim stage
- insurer's contact details

You should receive your policy document within approximately 30 days of accepting your policy. If you don't, make sure to contact your insurer and ask for a copy and be sure to keep it in a safe place, and where your beneficiaries can access this when they need to claim.

Along with your policy documents you will likely also receive your terms and conditions documents. These must be clear and in readable size print for you to be able to read through this and understand as easily as possible. Insurance terms and conditions can often have a lot of financial terms, but your insurer will provide you this information in simple language.

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- **Q: Is there anything else I should know when buying life, illness, disability or funeral cover?**

One other thing to mention is non-disclosure. You may hear about this when you shop around for a policy or when you decide to buy one. 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 effect your inclusions, exclusions, monthly premiums, and claims.

Although it doesn't happen often, non-disclosure is one of the main reasons why a claim may be rejected by an insurer. 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.

Insurance does not have to be a scary or uncertain topic, Hollard's StreetWise Finance will help you better understand some of the most important things to know before buying a funeral or life insurance policy. And remember, if you are uncertain about anything in an insurance policy you have, reach out to your insurer and ask them to help you understand and answer any questions you may have.

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