

Media Release

Association for Savings and Investment South Africa (ASISA)

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How the COVID-19 lockdown impacts on buying life cover

The long-term insurance members of the Association for Savings and Investment South Africa (ASISA) support a statement issued earlier today by the Financial Sector Conduct Authority (FSCA) that the collection of blood samples and medical examinations as part of underwriting for new business does not qualify as an essential service and must be avoided.

Hennie de Villiers, deputy chair of the ASISA Life and Risk Board Committee, says while medical testing is an important part of the insurance process used to assist the insurer to accurately assess and price for the risk, ASISA indicated to insurance members last week that the collection and testing of blood samples as well as medical assessments for insurance purposes should not be conducted during the lockdown period for the following reasons:

- Laboratories should be allowed to focus on activities to combat the virus and other essential medical activities;
- Doctors or nurses consulting multiple clients would increase the risk of spreading the virus and therefore goes against all social distancing guidelines.

De Villiers says the long-term insurance industry supports the Government's efforts to fight the COVID-19 pandemic and is therefore committed to doing business remotely. He says there are still a number of options available to consumers wanting to buy risk cover during the lockdown period:

- Most life insurers offer "limited underwriting" or "simplified underwriting" risk cover. These products typically do not require medical examinations, but may still require blood tests to test for instance for HIV and cotinine (smoking). Many of these products will provide cover subject to these tests being performed within a period of a few months, depending on the insurer.
- Fully underwritten risk cover generally only requires medical examinations and blood tests from a certain level of cover depending on age and the answers to medical questions completed by the applicant during the application process – this may vary per type of cover applied for. However, life insurers are likely to do stringent checks should they receive early claims on these policies. Insurers might during this time also ask for additional information from other sources to help them better assess the risk.
- Some life insurers may accept applications for fully underwritten risk cover during this time, based on the responses by the applicant to the medical questions, but with additional clauses in the contracts allowing them to conduct medical tests when medical facilities become available again. These contracts are likely to contain clauses that will allow the insurer to change the terms of the contract once they are in a position to conduct medical tests. This could include higher premiums, exclusions or a complete withdrawal of cover.

De Villiers points out that individual life insurers may follow different approaches during the lockdown period. He urges consumers to continue to remotely consult with their financial advisers to make sure they understand exactly what the life insurer's approach and the implications will be before taking out cover.

De Villiers says more than ever, it is of the utmost importance that applicants are completely honest when answering the medical and lifestyle questions in risk cover application forms.

"I would advise consumers applying for risk cover to err on the side of caution. If you are not sure whether information could be considered as material by the life insurer, rather disclose it. Present the life insurer with as much information as you possibly can to assist them to accurately assess the risk as part of the underwriting process."

De Villiers points out that policyholders who were completely honest in disclosing all medical and lifestyle information to their insurers have the peace of mind that their policies will pay should the risk event (death, temporary or permanent disability or dread disease) they are insured for materialise.

The death claim benefit statistics for fully underwritten individual life policies released annually by ASISA show that life insurers have consistently paid more than 98% of claims.

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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.