

OUR
WORLD IS
BEING TESTED



IMPACT OF COVID19 ON GROUP RISK INSURANCE

- ④ Context
- ④ Financial Distress
- ④ Claims
- ④ Underwriting
- ④ Premiums
- ④ Stability

CONTEXT

The world in crisis



- ④ World is facing an unprecedented worldwide humanitarian risk
- ④ Need for collective action
 - ④ Stem the spread of the virus vs protect the economy
- ④ Lockdown has severe impact on employers, employees & economy
- ④ Lives, Livelihoods & Financial Inclusion at Risk
- ④ Many variables still emerging & changing
- ④ Role of the Benefit Consultant amplified



EMPLOYERS IN FINANCIAL DISTRESS



FSCA FUND COMMUNICATION 11/2020



Mindful of employers and employees who are financially distressed



- Fund rules need to allow for temporary suspension or postponement
- FSCA to process urgent rule amendments for Employers in financial distress & unable to pay retirement fund contributions
- Attempt to ensure full risk benefits coverage maintained by paying full risk premiums
- Funds to inform members within 30 days

FSCA COMMUNICATION 11 OF 2020 (RF)

COVID-19: SECTION 13A OF THE PENSION FUNDS ACT, 1956 AND FINANCIALLY DISTRESSED EMPLOYERS AND EMPLOYEES – SUBMISSION OF URGENT RULE AMENDMENTS

26 MARCH 2020

1. Purpose

- 1.1 The Financial Sector Conduct Authority ("Conduct Authority") is mindful of employers and employees who are financially distressed in light of the unprecedented financial challenges that Covid-19 presents¹, which may impact employers' and employees' ability to comply with the full and/or any payment of contributions in terms of section 13A of the Pension Funds Act, 1956 (Act No. 24 of 1956) ("PF Act").
- 1.2 In light hereof, the Authority wishes to draw boards of funds' attention to apply the relevant rule/s to employers and members in order to alleviate the challenges that they are currently facing. In the event that funds² do not have relevant rules which make provision for financially distressed employers and/or employees, such funds are requested to submit such rule amendments urgently. This Communication on financially distressed employers and employees and the requirements of Section 13A requiring submission of urgent rule amendments is available to download from the Authority's website: www.fsc.co.za.

GROUP RISK PREMIUMS



Funds must attempt to ensure that full risk benefit premiums continue to be paid in full in respect of the affected employees/members in order to ensure that the fund risk benefits will continue to be provided.

- ④ Fund rules need to allow for reduced retirement fund contributions
- ④ Relates to Approved Cover
- ④ Unapproved Cover ideally maintained throughout
- ④ Premium holidays not applicable
 - ④ Deferred payments upon application
- ④ Reduced risk salaries or terminate and reinstate have serious implications

SANLAM GROUP RISK



Reduce Risk Salaries for a limited period

- ④ Risk benefit coverage and Risk premiums reduced accordingly
- ④ Risk benefit coverage based on most recent Risk Salary and Premium received
- ④ Avoids 'break in cover' limitations
- ④ Full coverage can be reinstated with minimal disruption
- ④ If Risk Salaries are reduced to Zero, then no risk benefit coverage is applicable
 - ④ Must be carefully considered in conjunction with Benefit Consultant
 - ④ Members risk being automatically terminated unless pre-arranged (subject to T&C's)

SANLAM GROUP RISK



Terminate Coverage & Reinstate when Situation Normalises

- ④ No risk premiums payable
- ④ No risk benefits coverage provided
- ④ Scheme and/ or members are terminated
- ④ Reinstatement introduces friction (quotes, pre-ex conditions, contracts, etc.)
- ④ **Strongly recommend caution if considering such a route**
 - ④ Must be carefully considered in conjunction with Benefit Consultant

SANLAM GROUP RISK



- ④ Changes to risk benefits coverage or premiums must be communicated to affected members according to PPR's (31 days before the change)
- ④ Reduction or termination of cover likely to result in negative reactions
- ④ Any Fund/Employer considering reductions in risk benefits coverage may be exposed to liability should a claim arise
- ④ Employment contracts and Fund rules must be considered
- ④ Sanlam not liable for benefits for which requisite premiums have not been received



IMPACT OF COVID-19 ON CLAIMS



PROCESSING CLAIMS

Financial Services classified as 'Essential Services'



- ④ Claims teams working remotely
- ④ Sanlam accepts Claims Forms:
 - ④ With electronic signatures
 - ④ Forms signed by authorized signatories where email contains the necessary signature block to verify this
- ④ Past 3 years have been difficult resulting in stricter policy application
 - ④ Intention and Reputation of Paying All Valid Claims
- ④ Valid Life cover claims arising from COVID-19 will be paid
- ④ Waiting period for funeral claims from natural causes (incl. COVID-19) applies

DISABILITY CLAIMS



- ④ Disability claims payable based on standard criteria
- ④ COVID-19 does not automatically result in a claim event
- ④ Complications may result in temporary or permanent disability
- ④ Occupational disability definition still applies
- ④ Standard conditions apply including Waiting Period for claims
- ④ Clear communication necessary between employer and insurer

SEVERE ILLNESS BENEFITS



- ④ COVID-19 does not automatically trigger a qualifying claims event
- ④ Complications arising from COVID-19 may result in qualifying claims events eg. end stage lung disease, renal failure, etc.
- ④ Product selected (Core or Comprehensive) determines breadth & depth of coverage
- ④ Severe Illness Benefits are in the spotlight and need to be reviewed

ACTIVELY AT WORK



- ④ Employees are not required to “actively work” at physical work premises
 - ④ Also applicable to employees commencing cover where employee is able to perform their normal work functions
 - ④ **New employee in ‘self-isolation/quarantine’ due to potential exposure to or diagnosis of COVID-19 not ‘actively at work’**
- ④ Sick leave applies for employees not working due to COVID19 diagnosis
- ④ Annual leave, unpaid leave or special leave applies to employees not working due to lockdown

TERRITORIAL LIMITATIONS



- ④ Global pandemic
- ④ Travel restrictions for many countries including South Africa
- ④ Cover of employees temporarily working abroad considered on a case by case basis (upon advance request)
 - ④ All such qualifying employees continue to receive coverage
- ④ **Engage your Client Solutions Specialist or EB BlueStar Consultants**



UNDERWRITING



MEDICALS



- ④ Policy allows for a three month window period for submission of medicals
 - ④ Except flex, spouses cover which rely on medicals to commence cover
- ④ Open to case by case engagement on extending this window
 - ④ Depending on timing, duration of lockdown, availability of specialists
- ④ Accept recent Executive Medicals where available
- ④ ‘Nurses on Wheels’ service suspended till further notice
- ④ Accident Booster fully applicable for those unable to submit Medicals
 - ④ Risk cover up to Medical Proof-Free Cover Limit for claims from natural causes (incl. COVID-19 related complications)
 - ④ Full risk cover for claims arising from unnatural causes



FUTURE PREMIUMS / PRICING



PREMIUMS



- ④ No COVID-19 related increase without clear understanding of impact
 - ④ Future need for pandemic reserves
- ④ Future premiums based on actuarial analysis and risk factors
 - ④ Experience rated schemes will include COVID19 claims
 - ④ Global and local economic conditions impact PHI claims, Internationally insurers are proactively increasing PHI rates



STABILITY



STABILITY

Financial Strength



"Sanlam is well positioned to weather the current conditions - we have a solid balance sheet, strong operational processes and some of the best expertise available in the market," **Ian Kirk, CEO Sanlam Group**

- ⤵ Pandemic Reserves of R760m
- ⤵ Cover increased mortality experience from pandemics such as COVID-19
- ⤵ SAM cover of 211%
- ⤵ Size matters.

STABILITY

Operational strength



- ④ Sanlam Corporate fully functional
- ④ Business Continuity Plans implemented with minimal disruption
- ④ Staggered return post-lockdown
- ④ Open for business including new business

Caution:

- ④ Situation is fluid
- ④ Regular engagement required
- ④ Stay connected

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