

Q&A on how to manage group risk through the Covid-19 pandemic

Is an employee “working remotely” considered to be “actively at work”?

Yes, provided the employee is performing his/her normal work functions independent of whether the person is at the normal place of work.

What is Sanlam’s take on current PHI claimants who are required to go for updated medical examinations or updated reports for PHI to continue?

All of our medical assessors are still working, so we will continue with assessments wherever possible. No payments will be stopped if we have not received the medical evidence, as we understand that some medical practitioners are not available during this period.

Where some members are asked to return to work now during lockdown, and are infected with Covid-19, do they enjoy full cover?

All members will enjoy cover commensurate with the premiums received. If such members are part of a defined category of membership then they would enjoy full cover on the basis that their risk salaries are unchanged during this period.

Will a claim arising from Covid-19 be valid if the insured was a non-essential worker working illegally during the lockdown?

Under normal circumstances, SGR will exclude all claims where someone is involved in illegal activity. However, as far as claims related to COVID-19 infections are concerned it is not practically feasible to determine where the individual actually contracted the disease. Accordingly, such claims where the insured was conducting normal employment related activities will not be declined.

Is a Covid-19 related death benefit payable in full for new schemes or will benefits be capped to the medical free limit?

SGR does not explicitly limit or exclude claims that result from Covid-19. However, we will apply the current policy conditions such as pre-existing conditions to protect against anti-selection but never in an effort to circumvent or avoid valid claims.

How are PHI claimants in process affected?

In the case of claims already in the assessment process, the approval will still be dependent on the medical evidence and policy terms. However, given the current environment and reliance on adequate medical information the assessments could be delayed although SGR, as always, will aim to expedite claims assessment.

Where pensionable salary is 12 month average, what happens when member moves to (say) 50% premium. Will death claim in month 1 result in 11.5/12 of pre reduced salary?

In the case where the benefit is specifically defined as an average of the previous 12 months' salary, the normal rules will apply. Therefore, if the member claims after 11 months of full contribution and 1 month of 50% contribution then he will qualify for 11.5/12 benefit. If the member only contributed 1 month at 50% then the average of the last 12 months benefit would be a 50% benefit.

If executives take a voluntary salary reduction, can their Group Risk remain at full cover?

Yes, executives can retain their full cover by maintaining the current risk salaries i.e. leaving the salary on which premiums are paid unchanged. This is similar to the scenario where risk premiums (and admin fees) are still paid fully under the fund even though other contributions cease. Also, reductions cannot be on member level but must be applied consistently to the entire group or specified, defined categories of membership (e.g. Executives) in order to avoid anti-selection. It is important that the correct Risk Salary is applied so that such members are not unduly exposed to reductions in cover.

If the risk benefit is decreased by 50% and falls below the free cover limit and then is subsequently increased 2 months later to the original amount, which is over the free cover limit, will they have to go for medicals again?

Members will be reinstated to the cover they previously enjoyed but SGR would need to be advised in advance of any changes and provided with member data. Also, reductions cannot be on member level but must be applied consistently to the entire group or specified, defined categories of membership (e.g. Executives) in order to avoid anti-selection.

If the reduced salary option is exercised and the full benefit reinstated at a later stage, does the 'actively at work' clause apply at reinstatement date?

If the member was actively at work at the time the salary is reduced then any valid claims during the period (i.e. meeting normal policy conditions) will be acknowledged. At the time of salaries being reinstated there would be no second active at work requirement since the member would already be active at work - merely at a reduced salary. This is one of the key benefits of not terminating and reinstating the scheme. Please note that reductions in salaries and reinstatement must be communicated to SGR in advance and supported by member data. The amendments are also limited to group or category level and not open to individual member level selection.

If risk salary is maintained at 100% to ensure full cover, but actual salary is reduced...in the event of a disability benefit claim would the claim be limited to actual earnings or would Sanlam be prepared to accept the risk salary when calculating the maximum benefit allowable under a disability claim?

SGR would base the cover and any limitations off of the risk salary since that is what the premiums and benefits are based on. As such, the maximum benefit would be aligned with the risk salary rather than the actual.

When a risk salary is reinstated will the member need to go for new medicals

The ideal is for the scheme to keep risk salary unchanged and pay premiums based on the unchanged risk salaries even if actual salaries are reduced. This ensures that members' cover remains unaffected by the reduction in actual salary. Alternatively, risk salaries can be reduced by formal request and then reinstated at a future date to current levels. Should this option be chosen the member will be granted cover to the current approved levels (e.g. the FCL if member has already been restricted) but will have to go for underwriting for any cover not already accepted. Lastly, if the scheme terminates and reinstates in future then this will be handled as a new scheme installation with normal underwriting requirements, pre-existing conditions and active at work requirements.

Is Covid-19 an illness covered by the Severe Illness Benefits policy?

Covid-19 is not explicitly included as a Severe Illness. However, complications that may arise from the disease (e.g. Chronic Renal Failure) will be covered.

Individuals aged 65 and older are at risk of Covid-19 related complications and are not usually covered for Group risk. Why would there be an impact on insured members due to the Pandemic?

One of the "at risk" groups is members over the age of 60 and quite a significant proportion of these lives are covered for Group Risk. These lives are also often senior staff members and executives. The second "at risk" group is those with co-morbidities and in South Africa this is an enormous subset of our general population (e.g. TB, HIV, obesity as well as the fact that 1 in 3 South Africans have high blood pressure). Many people in this second group are covered for Group Risk and, combined with the first high risk group (typically with higher than average salaries), is expected to result in increased claims.

What percentage of increase in claims would the Pandemic Reserve be able to cover?

For SGR our pandemic reserve will cover about 50% of the additional claims that we expect.

Will SGR be providing premium holidays to employers in financial distress?

Risk benefits coverage requires the payment of the commensurate risk premium. While we empathise with the challenging circumstances that many of our clients face, SGR is unfortunately unable to provide premium holidays (or variations thereof) as a relief mechanism. The nature of the pandemic places insurers at risk of increased claims due to the prevalence of co-morbidities that may result in significantly higher claims volumes amongst insured members. This increased risk follows a prolonged period of claims deterioration in the South African group risk industry. Coverage is critical during this period and we would urge all employers and their consultants to explore all options to maintain such coverage.

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More information contained in the slide deck from the Webinar held on this date