



## BENEFICIARIES OF UNAPPROVED GROUP LIFE AND FUNERAL POLICIES

### PREVIOUSLY

In the past, where there was no beneficiary nomination completed by employees on an unapproved group life or funeral policy, employers could direct to whom the benefit was paid. In some cases, the benefits from the unapproved insurance policy would be paid to the deceased employee's retirement fund beneficiaries.

#### **What is an "unapproved policy"?**

This is an insurance policy owned by the employer (in relation to its employees) that provides risk benefits such as life cover.

#### **What is an "approved policy"?**

This is an insurance policy owned by a retirement fund providing risk benefits such as life cover. The benefit to which the member of the fund is entitled is determined by the rules of the fund.

### NOW

The Insurance Act 2017 (the Act) now defines a "beneficiary" as:

- “(a) in the case of an insurance policy other than a group insurance policy, the person stated in the insurance policy or a person nominated by the policyholder as the person in respect of whom the insurer should meet the insurance obligations; or
- (b) in the case of a group insurance policy—
  - (i) a member of the association or fund, or an employee; or
  - (ii) a person nominated by the member referred to in subparagraph (i) in respect of whom the insurer should meet the insurance obligations, which person is not the association, fund or employer”

This new definition of “beneficiary” means that in cases where an employee does not nominate a beneficiary for unapproved group life and funeral policies, the employer cannot determine to whom the insurance proceeds will be paid. In these circumstances, the employer must pay the policy benefit to the estate of the deceased person.

Insurers were given a period to align various non-compliant policy contracts to the legislation, which period is now past.

### FUNERAL POLICIES

The new definition of beneficiary also applies to funeral policies. If an employee has not completed a beneficiary nomination form, this may result in financial hardship for the family if the employee passes away and the funeral policy proceeds have to be paid to the estate. The family might be unable to finance the cost of the funeral, since the payment of the insurance proceeds will have to await the lengthy processes involved in winding up an estate.

### BE SURE TO SUBMIT YOUR NOMINATION FORM FOR UNAPPROVED POLICIES

The revised definition of a “beneficiary” means that where an employee passes away, the proceeds of an unapproved policy will be paid only to the nominated beneficiaries. Where a beneficiary has not been nominated, the policy proceeds must be paid to the deceased employee's estate.

It is important to ensure that all employees complete their beneficiary nomination forms for unapproved policies and that these are updated regularly.