Life insurance: How do unnatural death claims work?

By Mtho Maphumulo

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There have been reports regarding the rise of non-indemnity claims stemming from unnatural deaths. This is certainly worrying for life insurers. This is particularly concerning because life insurers have had to entertain several claims in the past couple of years due to Covid-19 related deaths, and subsequently, the July 2021 unrest and the 2022 Durban floods.

Image source: alphaspirit – 123RF.com

Whilst there have been no calamitous events of a similar nature and kind this year, 2023, life insurance claims seem to be rising, nonetheless. It is also worth noting that there is a pattern between the rise of unnatural death insurance claims and the recent crime statistics – which remain worryingly high.

Given this rise, as well as the frequency of life policy claims, it is apt to take a closer look at how such policies and claims ordinarily work. This is particularly important because, unlike indemnity insurance, with non-indemnity insurance, every policyholder and/or beneficiary is guaranteed to submit a claim at some stage, unless, of course, the policy ceases to exist before the insured event (death) occurs.

Whose life can one insure?

Whilst in the past the categories of people whose life one could insure were limited, the position has drastically changed and it continues to change, and the categories keep broadening. To insure another person's life, one needs to demonstrate that s/he has an insurable interest in the concerned person's life. Examples of such people include: your children, parents, partner(s), blood relatives including extended family, business partner(s), etc.

Whilst there is no legal prohibition to taking out insurance cover on someone's life for financial reasons, it is, nonetheless, morally frowned upon to do so purely for financial gains. Ultimately, the insurer decides whether to grant such a policy.

What goes into the investigation of such claims?

The documents and information required by an insurer would vary from one matter to another, depending on the facts and the circumstances surrounding the death of an insured life. There is no prescribed form or criteria as to what the insurer should require for validation of a claim. The relevance of certain information and documentation will be dictated by the facts and the circumstances.

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Ordinarily, where unnatural death is concerned, documents such as an accident report, inquest report, police docket, and post-mortem report will be required. In addition, a death certificate stipulating the cause of death, and beneficiaries' documents (such as identity document or birth certificate) would also be required.

The process normally also involves some paperwork – insurer's forms that are to be completed by the claimant. Further, it is common for an insurer to request medical documentation. This is, by no means, an exhaustive list of the documents and information that may be relevant.

What are normal bases for the rejection of such claims?

People take out insurance policies with one main intention – for the policy to pay out as and when an insured event occurs. It is, therefore, critical to be wary of the reasons why some life insurance claims get rejected. These reasons include where the cause of death is specifically excluded in terms of the policy wording, where such cause of death is not covered at all.

Sometimes, an insurance policy imposes some form of a limitation in respect of a particular cause of death. Thus, in those cases, the policy responds, albeit partially.

It is also common to find life policy claims rejected on the basis of misrepresentation in its negative form ie. non-disclosure. Further, insurers ordinarily refuse paying out where the deceased lost his/her life whilst committing crime. Once more, these reasons are non-exhaustive, as each matter gets determined congruent to its own circumstances. It is safe to state, however, that these are some of the common reasons.

Conclusion

It is important that policyholders are aware of their life policy terms and conditions. This knowledge allows them to comply with the relevant conditions imposed by the policy. In so doing, one minimises the chances of a non-pay out at the claiming stage. It is equally important to be wary of the usual grounds for rejection of claims to avoid actions that may hinder the success of a claim.

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