

# Is the life insurance industry really the scam we're all afraid it is?

Most of South Africa was up in arms when Denise Ganas was denied payout and asked to repay a R50,000 cash benefit in 2017, after her husband being shot in a hijacking attempt. Perhaps with the exception of a few hardened industry experts that had seen this type of thing before.



Craig Baker, CEO of MWay

‘Can life insurers ethically refuse to help a client in dire need, whether or not the client is legally entitled?’ was the question asked by such high-profile tweeters and Thuli Mandosela supported by thousands of others.

The questions that circulated included ‘is this life insurance thing just a scam? With so many Ts&Cs, how do you know if you’re really covered, until it’s too late? Do morality and ethics now trump the law and how is it possible that these do not always align?’

Insurers in South Africa know that the problems stem from far more than this case. Insurance, has for years been viewed as a grudge purchase and is frequently near the bottom of the consumer trust index. Financial services were once again ‘least trusted sector’ globally for the Edelman Trust Barometer.

“It’s time for transparency, authenticity and honesty. The truth is that many more claims are being paid out than most people are aware of and a staggering number of legitimate claims are waiting to be paid out but haven’t been, due to the

policyholder. People either don't know this or simply don't care - hard to believe, considering so many people's livelihoods and even lives are involved. It's time to break the silence," says Craig Baker, MiWayLife CEO

According to the 2018 figures from the Association for Savings and Investment South Africa (Asisa), life insurers paid back more than R67bn in claims during 2018 (2019 figures are not yet available) which amounts to 99.3% of all claims received.

## **Time to reassess**

However, a staggering sum of R17bn in approved claims are waiting to be paid out by the industry and haven't been due to policyholders, not insurers. "Life insurers actually have a very real and pressing motive for paying out as many legitimate claims as possible. Not only do the insurers have to keep these funds available, but they also incur the cost of trying to trace beneficiaries and managing the assets," says Baker.

"What Ganas proved was that there is a need to re-assess the way that people interact with insurers, and vice versa. There is mounting evidence that the Ganas case did create greater awareness, with many people coming forward to check their cover based on their previous disclosures. It also highlighted the power of public opinion and that the traditional claim methodologies require some re-thinking. Everyone wins if the public knows more about their insurance. But the problem is that, because of the massive fallout from these events, the fear of getting embroiled in yet another social media storm leads the insurance industry not to talk about it enough, rather than to talk about it more with the aim of educating everyone. We would like to see that change," says Baker.

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