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EXTENDED FAMILY FUNERAL COVER TECHNICALITIES:

HOW EXTENDED IS YOUR INSURED RELATIVE?

BY ANDILE NDZABANDZABA

EXTENDED family funeral cover is designed to provide financial assistance towards funeral expenses for family members who are not part of the immediate household (nuclear family).

By covering multiple relatives under a single policy, this type of insurance helps families manage the financial burden associated with bereavement.

Depending on the insurer and the specific terms of the policy, extended family members may include grandparents, grandchildren, brothers and sisters, uncles and aunts, nephews and nieces, cousins, and in-laws. However, eligibility is not always as inclusive as many policyholders may assume. Each insurer defines who qualifies as an extended family member and these definitions are contained in the policy terms and conditions.

A common challenge arises when a deceased person, who had been insured under an extended family funeral cover for several years, is denied the cover when the claim is lodged. In cases such as this one, the insurer may determine that the individual does not meet the policy's definition of an eligible dependant or qualifying relative despite premiums having been paid consistently over a long period.

The case study below highlights the importance of understanding the eligibility requirements of extended family funeral cover policies.

CASE STUDY: MAZWI DLAMINI VS XYZ INSURANCE

In January 2020, Mazwi Dlamini purchased a funeral policy from XYZ Insurance. The policy was sold to him as an extended family funeral cover, and during the sales process, the insurance consultant indicated that the product offered flexibility regarding the family members who could be covered.

Attracted by the benefits of the policy, Mazwi included three additional extended family members under the cover. From the inception of the policy in 2020, he diligently paid all premiums without any defaults. On February 6, 2025 one of the insured family members, Sandile Magagula, passed away. Sandile had been listed as Mazwi's uncle when the policy was taken out. Mazwi subsequently submitted a funeral benefit claim to XYZ Insurance. On February 10, 2025, XYZ Insurance informed Mazwi that the claim had been declined. The insurer stated that



the deceased did not qualify as Mazwi's biological uncle and therefore did not meet the policy's requirements for a second-degree family relationship.

Dissatisfied with the outcome, Mazwi lodged an appeal on March 3, 2025.

On February 6, 2025 one of the insured family members, Sandile Magagula, passed away. Sandile had been listed as Mazwi's uncle when the policy was taken out. Mazwi subsequently submitted a funeral benefit claim to XYZ Insurance.

He argued that, at the time the policy was sold, the consultant had represented the cover as being open and unrestricted regarding the extended family members who could be insured. Mazwi further maintained that he had always intended to insure the deceased and had faithfully paid premiums for five years with the expectation that his uncle would be covered as a beneficiary.

Following the appeal, XYZ Insurance paid Mazwi E15 000, representing only half of the policy's death benefit of E30 000. Believing that he was entitled to the full funeral benefit, Mazwi escalated the matter to the Ombudsman's Office for assistance.

IMPORTANT TECHNICALITIES CONSUMERS SHOULD UNDERSTAND

When assessing claims involving extended family members, insurers typically consider the following:

1. Relationship verification - Insurers generally require documentary proof confirming the relationship between the policyholder and the deceased or beneficiary. If the relationship does not fall within the categories defined by the policy, the claim may be rejected.

2. Disclosure at policy inception - Information provided when a family member is added to a policy must be accurate. If an individual is incorrectly described or classified, the insurer may regard this as a material misrepresentation, even where no intentional wrongdoing occurred.

3. Premium payments do not automatically guarantee cover - Many consumers assume that continuous premium payments guarantee a valid claim. However, insurers may decline

claims if the insured individual never met the policy's eligibility requirements, regardless of how long premiums were paid.

4. Policy wording and eligibility definitions - The policy document remains the primary reference for determining who qualifies for cover. Different insurers apply different definitions of extended family members and policyholders should carefully review these provisions before enrolling relatives.

5. Insurable interest and eligibility requirements - Policyholders must be able to demonstrate that the insured person satisfies all eligibility requirements set out in the policy, including the required family relationship, age limits, and other qualifying criteria.

XYZ INSURANCE'S RESPONSE AND SETTLEMENT

XYZ Insurance acknowledged the repudiation of the funeral claim relating to the late Sandile Magagula. The insurer explained that the claim had initially been declined because there was no documentary proof establishing the required second-degree relationship between the policyholder and the deceased. However, during the investigation by the Ombudsman, it emerged that the consultant who sold

the funeral policy had not adequately explained the relationship requirements to Mazwi. Furthermore, the policy summary provided to the policyholder did not clearly reflect all the qualifying conditions contained in the main policy document.

Following the Ombudsman's intervention, the parties reached a settlement. XYZ Insurance agreed to pay an additional E10 000, representing the outstanding balance between the amount already paid and the full funeral benefit claimed by the policyholder. XYZ Insurance also informed Mazwi that the two remaining extended family members would not qualify for cover under the existing policy because they did not meet the required second-degree relationship criteria. Should he wish to continue insuring them, separate policies would need to be arranged.

Mazwi accepted the settlement proposal, including the additional payment of E10 000. In addition, XYZ Insurance refunded the premiums that had been paid for the two extended family members after determining that the required proof of relationship could not be provided.

KEY TAKEAWAY

This case demonstrates the importance of understanding exactly who qualifies for cover under an extended family funeral policy. Before adding family members to a policy, consumers should ensure that they understand the insurer's definition of an eligible dependant and should obtain clear confirmation regarding any relationship requirements.

Equally, financial services providers (FSPs) have a duty to provide accurate and complete information at the point of sale so that consumers can make informed decisions and avoid disputes at claim stage.

N.B OmbudsDay is a monthly consumer education column compiled by the Office of the Ombudsman of Financial Services of Eswatini.

*Mazwi Dlamini, Sandile Magagula, and XYZ Insurance are not their real names.

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