



Increase in the cost of death benefit cover

January 2022

Almost all of us have been affected by the sorrow and anguish that the COVID-19 pandemic has caused over the past 21 months. Many of us have lost loved ones. It has also caused financial hardship, with one of the impacts being a significant increase in the premium rate for the death benefit provided by the Unisa Retirement Fund, as well as the funeral benefit.

To provide context, the amount claimed in respect of death claims by the Fund over the past 21 months has exceeded the premium paid to Sanlam (the insurer) by 2.2 times. Insurers are not prepared to carry losses of this order and are looking to recover such amounts by increasing their premium rates significantly. In fact, Sanlam proposed to increase its premium rate from the current 1.9% of pensionable salary to 4.5%.

Naturally, it is critical for the Board of Trustees to ensure that the Fund pays a fair premium for the risk benefits it provides. Accordingly, in line with its longstanding practice, the Fund approached the insurance market for competitive premium rates. As a result, Momentum has replaced Sanlam as the insurer for the Fund's death-in-service benefit and the funeral benefit, with effect from 1 January 2022.

The table below sets out:

- the premium rate expressed as a percentage of pensionable salary paid until December 2021; and
- the premium rate effective from 1 January 2022.

Benefit	Previous rate	Premium rate from 1 January 2022	Insurer
Death in service	1.900%	3.803%	Momentum
Disability income	0.520%	0.520%	Sanlam
Funeral	0.027%	0.046%	Momentum
Total	2.447%	4.369%	

The overall increase in the premium rate is thus 1.922% of pensionable salary, which is a lot. The financial impact on you depends on the structure of your remuneration package. In the case where Unisa remunerates you on a salary plus benefits basis, the University will bear the higher cost. However, if your remuneration is based on total cost to company, your take-home pay will reduce because of these higher premium rates.

A final point is that the policy terms agreed with Momentum provide for a so-called "profit share" arrangement. This means that if the death claims experience in 2022 is much lower than Momentum has anticipated, part of the profits will be paid to the Fund. In this way, the Board has ensured that the much higher premiums being paid offer good value for money.

Kindly contact the Fund on unisarf@unisa.ac.za should you require any further information.