



## Beneficiary Nominations and the Payment of Policy Benefits

This edition will focus on questions relating to the payment of lump sum benefits payable by life policies, as well as some common question in respect of beneficiary nominations.

Note – Unless specifically stated, all questions and answers relate to the payment of a death benefit.

**The policyholder and life insured is the same person. There is no beneficiary nominated on the policy – who will receive the benefits if the life insured dies?** The proceeds will be paid to the estate of the policyholder.

**What if the policyholder and the life insured are two different persons, and the life insured dies?** The policy proceeds will be paid to the policyholder.

**What if the nominated beneficiary is a minor?** The proceeds will be paid for the benefit of the minor to an authorized person (generally the legal guardian) or to an authorized fund.

**Can a testamentary trust be nominated as a beneficiary eventhough it is only created upon the death of the testator?** Yes, it is possible and will generally be allowed in the case of a minor beneficiary. The proceeds will only be paid once the trust is created and registered and once a bank account has been opened for that trust. Please note that this may be a time consuming process.

**If the policyholder and life insured is not the same person, can the policyholder appoint a third party as a beneficiary on the life cover benefit?** Yes, the proceeds will be paid to the duly appointed beneficiary.

**The policyholder signed a new beneficiary nomination form but did not submit it to Momentum. Will Momentum pay the old beneficiary or the newly appointed beneficiary should a claim event arise?** Momentum will pay the existing beneficiary as reflected in its records. The only way to alter a beneficiary is to inform Momentum in writing of this change and this notification has to reach Momentum before the claim event takes place.

**What happens if the beneficiary dies before the life insured dies?** If no new beneficiary is nominated prior to the death of the life insured, the policy proceeds will be payable to the estate of the life insured or to the policyholder if it is a different person than the life insured.

If the insured life and beneficiary die simultaneously (example husband and wife and they are each other's beneficiaries) and there is no evidence to prove who died first, both beneficiary nominations will terminate and each person's policy proceeds will be payable to his/her estate.

**What impact does an outright cession have on an existing beneficiary nomination?** The policyholder transfers full ownership by doing an outright cession. In terms of the policy contract the beneficiary nominations will be cancelled and the new owner will have to appoint new beneficiaries.

**What impact does a security cession have on the existing beneficiaries on the policy?** In this case the policyholder retains ownership of the policy but with limited rights. The cession results in the cessionary having a right to the policy proceeds in terms of an obligation the policyholder has towards the cessionary.

When a security cession is noted on the policy the existing beneficiary nomination is suspended in favour of the cessionary. When a claim is made,



the cessionary will be paid. If the security cession is cancelled prior to a claim the existing beneficiaries will be reinstated in full or the policyholder can nominate new beneficiaries by informing Momentum in writing, prior to a claim event taking place.

**What happens if the policyholder's will and the beneficiary nomination conflicts each other?** The only way to change the beneficiary on a policy is if the policyholder informs Momentum in writing prior to a claim event taking place.

**When will a beneficiary for ownership be used?** This is used if the policyholder and life insured is not the same person. If the policyholder or one of the policyholders die – in the case of multiple policyholders - the policy's ownership will be transferred to the beneficiary for ownership.

Note – where the policyholder was the premium payer, and he/she dies, it is obvious that the premiums will not be paid on the policy, unless Waiver of Premium was added. Momentum will communicate to the insured life to state that the policy will lapse after two premiums remained unpaid and that they have to inform Momentum urgently of new banking details.

**When will disability benefits, impairment benefits and critical illness benefits be paid to a party other than the insured life?** The benefits will either be payable to the policyholder if not the same person as the life insured, or the life insured.

**A policy is taken out and A is the policyholder and A and B are the insured lives. A's benefits include a death, disability and critical illness benefit. B has a death benefit and a critical illness benefit. No beneficiaries are nominated on the policy at all.**

**Who is paid should A's disability or critical illness claim be admitted?** As the policyholder A will be paid the benefits in the case of a successful claim.

**Who is paid should B's critical illness claim be admitted?** As A is the policyholder the proceeds will be paid to A.

**Who is paid if A dies?** If A dies his/her estate will be paid the proceeds of the claim.

**Who is paid if B dies?** As A is the policyholder A will receive the benefit.

**Assume similar facts as above but A and B are joint owners of the policy? Who is paid should A's disability or critical illness claim is admitted?** A and B are equal owners on the policy and the benefit is split in equal shares.

**Who is paid if A or B dies?** As no beneficiary is noted on the policy, 50% of the proceeds that belong to A will be paid to his/her estate and the other 50% that belongs to B will be payable to B.

**Can A appoint a third party as a beneficiary for the benefits other than the death benefit?** As a general rule, Momentum does not allow for the appointment of third parties on lump sum benefits other than death benefits.

**Note - The above guidelines will remain subject to the specific wording of the Myriad policy contract.**