



Consumer  
Education

# It's all about the promise...

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for the  
South African Insurance Association (SAIA)







## It's all about the promise

How you and your insurance company  
can be friends, even at claim time.

This booklet is written for ...

**the honest, sensible, slightly  
perplexed average buyer of South  
African insurance.**

If that person is you, welcome. This  
is your book, proudly given to you by  
the SA insurance industry to make  
you ...

**a smiling, confident, *winning*, buyer  
of SA insurance.**

## Wake up!



Some people think “naah, the insurance industry doesn’t want *me* to win.”

Some people think of insurance as a zero sum – that our gain is your loss.

*Some people must be asleep.*

Like every industry, insurance proceeds from a suspicious and wary past into an ever more open and collaborative present – where it is increasingly evident to everyone that success works best when it’s widely shared.

This young century has seen a stack of mechanisms to lift business to a higher ethical plane. Recent laws make it very clear that South Africa – in keeping with the world’s premier-league nations – has ended the era of blind eyes for sharp practices. Every industry has taken extra steps to raise standards. Insurance has set up a code of good business practice, *and* Ombudsman offices to hear complaints.

Things move forward. In this new era things move far forward, fast. Nor has movement stopped. The insurance industry is not the only institution that spurs itself constantly to ever better practices, sounder principles, higher repute.

*Does that mean everything is lekker?*

Nope. There are weevils in the garden



**WEEVIL 1** is the sad practice among less-honest buyers of insurance of elasticising truth to try and smukkel premiums down or claims up.

This booklet is not *for* the elastic-truth brand of insurance buyer, though he's welcome to read it. He'll be stunned to discover that he loses from his tricks, and how he loses, and how much he loses. We are happy to save him from wasting his premiums, and we look forward to being *on his side* as soon as he wakes up to the basic law of self-protection through insurance, which is:

### **Don't Tell Lies**

Not only because telling lies lets you down, and lets down your kids and your parents and everyone who matters to you, but also because *you'll lose*.



*Don't  
tell lies*

But in no conflict in history do all the bad guys come from only one side of the fence. Insurance is no exception.



**WEEVIL 2** is an unfortunate practice that **ought** to be eradicated, and nearly **is** eradicated, but which we recommend you watch out for. It might be called ... uh... shall we say 'teasing' a client.

In the spirit of modern trust and integrity, one would like to think that all insurance companies (& brokers & agents & all the professionals whom we are here calling "insurers") would be 100% straight. But that would be a little optimistic. After all, do you know of any other industry whose every member is 100% straight?

### **This weevil takes many forms. Like for instance...**

- teasing the client into buying superfluous policy features, that add to her premium and not to her pay-out;
- teasing the client into overlooking certain aspects of his claim;
- teasing the client into believing that her proposal form is the insurer's private property, not for her own eyes to see;
- teasing the client into keeping aging vehicles insured at new-car value and thereby giving the insurer an unwitting free gift each month.

And so on down to the easiest trick of all; make the documents so dense that the client has no idea of what he is signing, but signs anyway rather than look stupid.

We hope you don't encounter these practices. If you do, we've warned you.

We warn you because our cause as an industry is to advance trust, advance the day that the whole industry tries harder to clarify the contract than to squeeze the client; the day clients will no sooner cheat their insurer than steal a purse.



*There  
are no  
secrets*

That's what this book is about. The next step in getting there is to remind you that:

### **There are no secrets**

Not only are there no secrets between you and your insurer; there are also no secrets between insurance companies.

All insurers share customer information and co-operate in verifying it. This is good for insurers **and is good for customers**. It reduces fraud and helps keep premiums down. We treat your data responsibly. We do not knowingly pass it to anyone who may abuse it, but know now and know well that *we do not claim or imply that anything you tell us is secret*.

## **The three basics that sum it all up**

To advance mutual trust, let's agree on Golden Rules:

### **1: Know the promise you're buying**

You're buying a promise. That's all you're buying. It's a strange thing to buy. For years, decades, you may pay your insurer to say "in certain circumstances, that may never arrive, I will give you certain things." Logically, you should be very sure of what these circumstances are and what things he will give you, right?

Actually, many people are stunningly unsure.

They're sure about normal purchases – “no, not this pawpaw, that one”, “a ticket to Brakpan, not Boksburg”, “not the Tchaikovsky CD, the Wonderboom one”.

But come to the insurance promise and for most people it's enough to say “It's okay, I'm insured.”

Then comes the crunch, claim time. Often, too often, it becomes fight time; not to mention weep time, wail time, gnashing-of-teeth time.

About three out of five insurance wrangles arise from someone having a screwy idea of what the contract says. We hate wrangles. We don't want to wrangle with you. You do everyone a favour by knowing what your contract does say, and what it does not say. (A smallish favour to us, a huge one to yourself).

## 2: Keep the promise you're making

When you buy your policy you give your insurer a heap of info on yourself, your habits, and the ways you will use the thing you are insuring, such as your car.

When you do so, you are in effect promising us certain kinds of conduct from you.

Kindly know now, and never forget, that if that info is wrong, sometimes even a very little bit wrong, *or* if it later becomes wrong, *our* promise is void.

Perhaps we should restate that. People find it hard to grasp. We'll say it blunter:

*Rather have no insurance than delude yourself that you **are** insured when you are **not**.*



*Don't  
delude  
yourself*

That is the best advice the insurance industry can give you. Hundreds of millions of rands per month are given to the industry by people who may as well spend it on parties; people who will never have a claim paid out because at claim time it will transpire that the info they gave us is wrong.

There is a word for this: **Stupid**. You do not want to be one of those people.

### 3. Satan and Santa are both out of town

Yo, the mistaken identities in this business! Every Four-Beer Charley in the kroeg has a horror-story about cunning insurers denying his uncle's neighbour's sister-in-law's claim. But comes *his* claim, he wants his insurer to forget the exclusions that he chose and be Father Christmas. That's **two** mistaken identities.

Actually, an insurer who won't pay what is due must be as crazy as a dentist who won't fix teeth.

Imagine that dentist. You say "I have a sore tooth". He says "R200, please." You give him R200. He says "Thanks. Goodbye. Next." He's taken your money and done nil for your tooth. What do you do? You klap him, you sue him, you tell everyone he's a rat, you make waves. He deeply wishes he had done his job.

It's the same with insurance companies. Our job is to pay you what you are due. We want to do that. We want to give good service at fair price. That's how we stay in business. We do not want wrangles. They are costly and unpleasant.

But an insurer who pays more than is due is going to lose his job. And quite right too. We are not in the business of charity. We are in the business of contract.

We hear excuses all the time. "I was *gonna* get the immobiliser fixed, the *very next day*, stru as bob", "I was bringing the premium, honest, but my grandmother dropped icing on the envelope and the dog ate it..."



Sometimes we believe them, too. But our promise said “*if* your immobiliser is working” and “*if* your premium is paid up”, and  
**what we pay is ... no more and no less than what we promised.**

To pay more than we owe would be a gift. We don't notice you sneaking extra banknotes into your premiums. Why would we sneak extra banknotes into our payouts?

That would mean the death of the insurance industry, the replacement of the rule of contract by the rule of chance.

The relationship between us can be friendly. We hope it always is. But it is not a love affair; it is business. Business is about certainty. You want certainty, we want certainty. Lots of certainty coming up.

## Your tip of the day

Now to add to the basics, here's a little refinement...

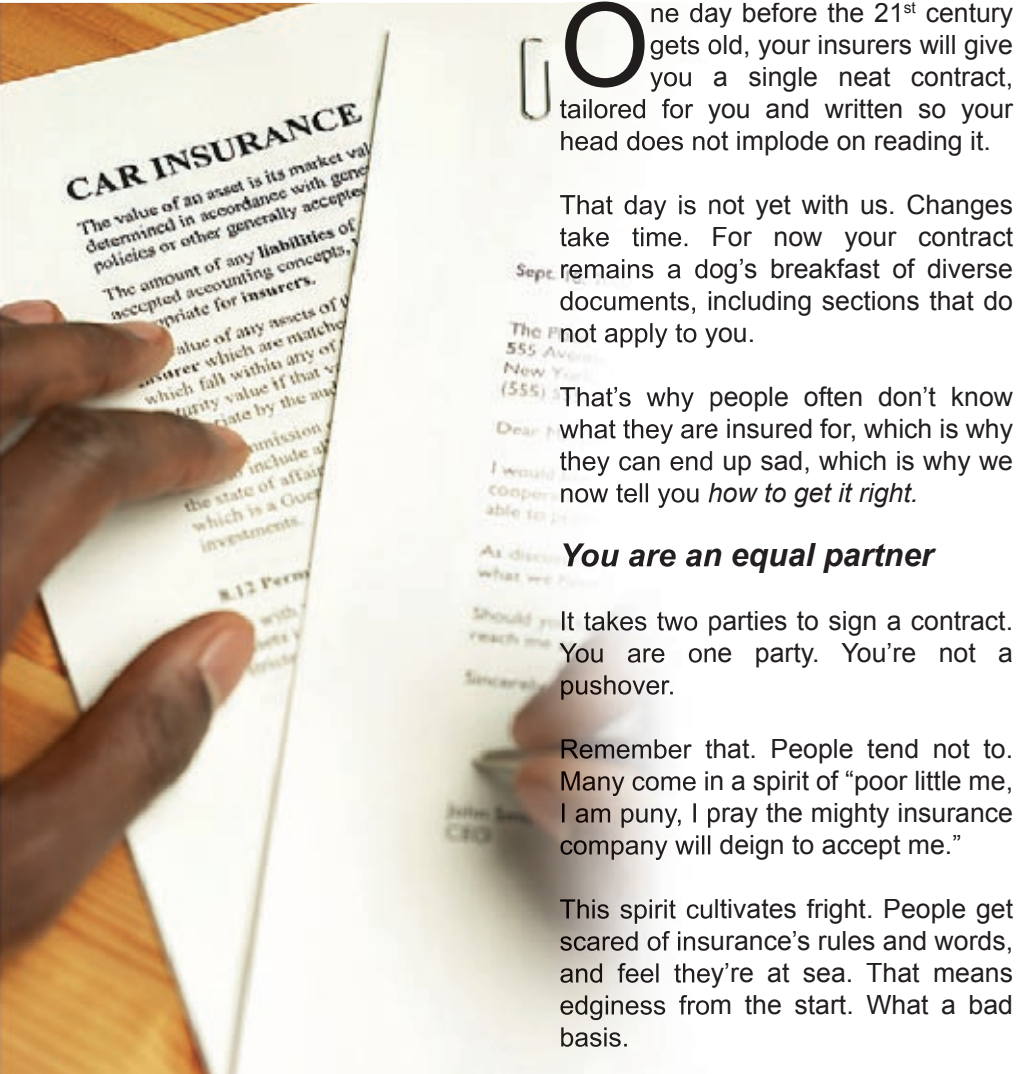
**Insurance works best when both sides know exactly what is insured, against what risks.**



It doesn't always happen like this. Often clients look at the documents, shudder, wonder if insurers invented “it's all Greek to me”, and put the stuff in a safe place.

We sympathise. Policies are not thrillers. But we're on a mission – for you to be a highly satisfied customer, a person who buys insurance with as much confidence as cooldrinks. We want you to be that person so that you never need fight us. So stay with us while we explain to you how *you* save *your* money.

# Your policy



One day before the 21<sup>st</sup> century gets old, your insurers will give you a single neat contract, tailored for you and written so your head does not implode on reading it.

That day is not yet with us. Changes take time. For now your contract remains a dog's breakfast of diverse documents, including sections that do not apply to you.

That's why people often don't know what they are insured for, which is why they can end up sad, which is why we now tell you *how to get it right*.

## ***You are an equal partner***

It takes two parties to sign a contract. You are one party. You're not a pushover.

Remember that. People tend not to. Many come in a spirit of "poor little me, I am puny, I pray the mighty insurance company will deign to accept me."

This spirit cultivates fright. People get scared of insurance's rules and words, and feel they're at sea. That means edginess from the start. What a bad basis.

Rather take as a guiding rule that you come to this table with things you want, your insurer has things that it wants, and you're aiming to find a fit.

In theory, anything can be insured. Naturally, the weirder the deal, the more you pay. If you want to overnight your car in Jeppe Street with windows open and no excess, say so. Ask for whatever you want, knowing that *the weird is costly*.

Most people stick to standard policies, with variations for taste or conditions. On that basis, you make choices. Here's the lowdown:

### Start by choosing between broker insurance and direct insurance.

You take **broker** insurance when you

- see the broker as a security, alerting you to better options than you would find yourself;
- believe the broker's expertise helps minimise your costs, maximise your benefits, and free you of hassles.

You choose **direct** insurance when you

- are confident that you can make informed decisions on your own;
- take the view that a middleman adds costs;
- fear that advisers advise according to their needs more than your needs.

**So...** you want us to tell you which choice is right, don't you? You and everyone.

**Fine, we'll tell you which choice is right. Just as soon as you tell us**

- Which choice is right, apple or orange?
- Which choice is right, Benz or BMW?
- Which choice is right, peas or beans?
- Which choice is right, tennis or golf?
- Which choice is right, jazz or classics?



You get the point. No choice is right. Choice is what you choose. No-one but you can choose your choice.

We do know that whoever you go to, broker or direct, they'd better do one thing fast, which is to satisfy you that they are licensed under the Financial Advisory and Intermediary Services (FAIS) Act. This Act is aimed at protecting financial services consumers by regulating those who give advice on financial services products.

If they don't do that, smell a rat. In due course they must also, without being asked, tell you:

- Full info on what your policy covers and what it excludes.
- The contact details of the insurance company.
- The amount of your premium, *and whether or not it increases annually.*
- What you must do to make a claim.
- And that you are allowed to pay premiums up to 15 days late.

**Never forget that as of Day 16, if your premium has not been paid, you have not been insured.**

Meantime, you will be telling your insurer – direct or broker – things of your own. You will complete a “Proposal Form”, either by literally filling in forms, whether in an office or by e-mail, or by telling your autobiography to a call centre.

*What was that thing called?*

That thing was called a

**“Proposal Form”**

Which is also sometimes called “The Application”, and you're about to hear lots about it starting with a

### huge vital tip:

*It's for keeps*

Take note that “Proposal Form” is wondrously misleading. It sounds - especially when you are not even writing it but speaking it over a phone - like a preliminary, prior to your contract.

No, *no*. It is *permanent*. If you speak any accidental little mistaketjie to the call centre in 2006, you may find in 2020 when you have a major claim that you have **never** been insured, and have paid 14 years of premiums for **nothing**.

You can imagine the shrieking at us insurance people when that happens. People feel cheated, they've been paying forever, now they're ditched in their hour of need. Oh, such a wailing there can be!

You know what? We're not guilty.

If you gave us wrong info, whether by mistake or half-mistake or nearly-mistake or whatever, *it's your fault*. So is your unpaid claim and so are your wasted premiums. Don't blame us. Why do you think we're spending all this ink to warn you? We are your business partners, not your nappy changers. We tell you: your mistake means you lose. Fixing the mistake is your job.

### How do you fix a mistake?

Well, get a copy or transcript of your proposal form. Your insurers ought to give you one automatically. If they don't, make them. **Demand** a copy; **read** that copy, (we know it's not Stephen King or Dalene Mathee, but inspire yourself with a quick calculation about how much you stand to waste) and if there is an error, **correct** it. That means, *tell the insurer*.



Apropos, here is

### one really wide general tip:

Communicate with your insurance person. Ask questions, as many questions as you like whenever you like. You have got to *know your contract*. It's their business to make sure you know it. That's what they're paid for. *Never be scared to ask*



Know  
your  
contract

## And a trio of Proposal tips

(that you'll say a big thanks for)

### Number 1:

Lots of people love the call centre – friendly phone chat, no long written essays, easy and simple. That's fine and true, *but make sure you get the transcript*. It can get overlooked after the chat and leave your life history permanently on disk in your insurer's archives. You want to check it. Believe us, you do.

### Number 2:

Some people like/hope/want to think that as long as they tell no lies they're in the clear. **Wrong!** False information may be unwitting. That doesn't help you. It's still false. You must give *right* facts, not well-intended ones.

### Number 3:

*Silence can be false too*. No insurer will ask "do you become enraged by the sound of politics on the radio and lose your ability to see red robots?" But if the answer to such a question *would be* "Yes", you had better bring it up on your own. Or if you have a fraud conviction or an insolvency judgment, you obviously don't hold that back.

Give **all** relevant info, requested or not. You needn't be Einstein to know what is relevant. You'll find in practice that insurers don't lack savvy. Common sense rules. If you said your car is turquoise but the police report calls it blue, no-one will hold it against you, but grey (charcoal?) areas are wide. Facts may seem purely personal to you ("it's my business if I like playing chicken at the railway crossing"), but the boring insurance okes can have other points of view, and you'd be amazed how often the judges agree with them.

**Speak up rather than shut up.  
If in doubt, explain too much rather than too little.**

Having got through your Proposal Form and lived to tell the tale, you will be presented with a

## Schedule

The Schedule has a thing in common with its partner the Proposal Form. It sounds misleading, as if it's about small stuff, the petty detail.

No. The Schedule is the nub. In practice the Policy, which sounds like the core, is the pompous legalistic bit that applies to everyone. The Schedule is specifically for you.

**1** For **one** thing, it tells you what your broker is earning out of you. You should find this interesting. Check it out. If you don't readily find this figure, beware.

**2** **Second**, the Schedule tells you how your contract differs from a standard one. Check out the ways you vary from the norm. Be sure these are what you want. The variations are called "exclusions", "endorsements," or "warranties." You don't need to bother about words. You do need to be happy with the substance.

Imagine you have a brass racehorse mounted on your bakkie's bonnet, a picture of your face painted on the door, and a gearlock security system. You might contract to **exclude** the racehorse from cover, to **endorse** the painting

as a specifically insured item, and to **warrant** that the gearlock will be used.

So if someone breaks the racehorse off, tough, it's not covered. If your door is damaged and your painting ruined; no argument, you get paid out for the door *and* for the painting. If the vehicle is stolen and it emerges that your gearlock was broken or was not in place, no argument about that either. You have not lived up to your warranty, the insurance company owes you nothing.

**3** **Third**, your schedule spells out your excess, or "first amount payable". Say you have a vehicle excess of R1 000, and you are inflicted with R5 000 damage. The insurer will pay R4 000.

Why have excesses? Obviously, one aspect is to deter the client from running to the insurer every time a bumper is scratched, but, more important, there is choice again. If you elect a big excess, your premium lowers.

In theory you can negotiate any amount of excess, or indeed insure your excess. In practice, your insurer will follow guidelines. The age of the driver, the vehicle's anti-theft equipment, your overnight parking security and other factors can come into play. If you want a very specific excess arrangement, you should have no hesitation in saying so, or alternatively going to another insurer.

**4** **Fourth**, your schedule enumerates *what is covered*, and by extension also discloses what is *not* covered. Thereby hangs a whole large and tragic – yes, no kidding, tragic as in tears and anguish and people's lives getting ruined – arena called *under-insurance*, which you are going to come to on Page 24.

Keep  
it  
safe

Meantime a  
general overall great big tip

**KEEP YOUR PROPOSAL DOCUMENTS!**

If you are smart you check out once a year whether anything fundamental has changed. Keep always in mind that your objective with insurance is to get paid out when you need a pay-out. If, over years, a feature

of your proposal information has changed, the insurer may reject your claim. Do not take that risk. Let them know if you have built a swimming pool. Let them know if you have installed a turbo-charger. (And keep copies!)

## Some frequently asked questions

### FAQ 1: Are bonuses for real?



Bonuses – including discounts, reduced premiums, cash-back gifts, free extra coverage... – can be very real. They can also be sleight-of-hand. That is not an insurance thing, it applies to all transactions known to mankind. Greengrocer A may make you feel good by giving you a special loyalty 20% discount on a R5 mango. Greengrocer B may make you feel as good by pricing his mango at R4. No way can the government, the Insurance Association, or anyone at all pronounce on which bonuses give you what value. It's your free choice.

### FAQ 2. How do I reduce my premiums?

Get smart, and make your insurer work. You can propose anything: - that your premium be reduced by X Percent if you put up an electric fence worth Y Rands; that your vehicle be insured only when you yourself are driving it; that you upgrade your tracking device or your security gates...

### FAQ 3. Why all the intrusive personal questions?

Your insurer has rights too. He does not insure a nun on the same terms as he insures Michael Schumacher. And he is not *obliged* to insure you at all. He wants to know that you can pay your premiums, that you don't drink & drive, etc.

**FAQ 4: Aren't the deadlines for reporting a loss a bit fierce?**

No; that's a myth. The insurer legitimately wants the police alerted pronto, to give them a decent chance of success. Mainly that means – check your policy – within 24 hours. That's only fierce if your car was stolen in the middle of the Kalahari.

Mostly, notification to the insurer must be within 30 days -- before repair and replacement costs escalate and investigations become impractical.

**FAQ 5: What is a fraudulent claim?**

One that entails a lie, any lie. The classics, as you know, are (i) claiming for what was not lost (“there was a priceless Ming vase in the boot”), (ii) overstating what was lost (“honest, those boots were hardly worn, worth at least R1 000”) and (iii) adjusting the circumstances of the loss (“dicing? who?, me? no, I was driving my grandma to church”).

Those are the commonest frauds but not the only frauds. Virtually any lie can end up in that same sick, sick, feeling we've been talking about – ‘what, after all these years of paying premiums I get nothing, just because of a tiny slip!?’

**FAQ 6: So that's the penalty for fraudulent claims?**

Do you kick yourself silly? No, that's half of it. You get prosecuted too. All insurance companies subscribe to a policy of zero tolerance of fraud. Criminal charges follow, like night follows day.

**FAQ 7: What is this thing “betterment”?**

It means don't expect to end up better off than you were before. If for instance repairs must be done in such a way that the insured item acquires a higher value than it had to start with, the insurer doesn't pay for the part that enriches you.

# Your insurance ingredients



**Fettuccine amatriciana with double tomato, half portion cheese, extra fried onion, and oh, light on the peppers, please**

OR

**Your insurance ingredients, with a rundown on spices**

Now that we've downloaded the lectures – *tell no lies*, not even teensy ones; and *make your choices*, it's not rocket science – let's chill a little, skimming through different kinds of coverage and things to look out for.

## **Short-term insurance comes in six main categories:**

1. **Motor** = essentially collision, fire, theft.
2. **Household Contents** = everything *in* your home, down to food in the freezer.
3. **Home Owners** = your house, its fixtures and fittings.
4. **Personal Liability** = things for which someone might sue you ("Sorry,

neighbour, I truly had no idea my jacaranda branch stretched so far over your bedroom”).

5. **All Risks** = cameras, cell phones, sunglasses, bicycles... things more likely to be lost away from home than at home.
6. **Personal Accident** = this covers you against disablement (if caused by accident) and provides for your loved ones in the event of your death.
7. **Travel** = lost baggage, curtailed journey, medical treatment abroad.

You can insure these one by one, or in a vast variety of combinations.

*Take  
note*

Note, first, that there are

### **overlaps**

For example, a Household Contents policy often gives some Personal Liability cover and some All Risks cover. Look at your options; take advice.

Now we'll look at the basics, and the oddities, of the seven categories:

## **1. Motor**

This essentially covers your motor vehicle against collision, fire, theft.

You'll be asked many questions. If you're wise, recalling that your aim is to have your claim met, if and when a claim is made, you'll give unstinting answers.

Where does the vehicle live? If in a locked garage in a secure complex, make sure you get a better deal than a car that sleeps outside a railway station. Who normally drives it? Give the usual



driver's age, gender, and circumstances, such as whether travel is mainly to bridge-club at noon or night-club till dawn.

Is the vehicle used for business? What business? Home-visit physiotherapy is treated differently to debt-collecting.

Does it have theft protection? Spell out what protection (and your insurer may well require certification by a rating body).

### Warning! Warning!

*Keep your  
vehicle  
roadworthy*

*All motor insurance assumes that your vehicle is roadworthy. If it is not – say, at claim time the tyres are found to be bald or the brake pads to be cardboard – then (let alone that you are open to prosecution) your insurance contract is void.*

Now, big question, if the vehicle is written off,  
**what are you paid out?**

What you **want** to get paid is: exactly as much as you will have to spend for an identical replacement.

Unfortunately, it is unlikely that that is what you **will** get paid.

Why's that?

First off, notice your excess. Unless you have negotiated a unique contract of your own, your excess on a write-off could be **5% or more**.

Second, there are three different values...

1. **Retail value** is the price that a car dealer might *sell* the vehicle for.
2. **Trade value** is what the dealer might *buy* the vehicle for.
3. **Market value** is halfway between Trade and Retail values.

**Please note:**

Some insurance contracts are for market value, which is around 4% or 5% less than what it will cost you to buy the equivalent car from a dealer.

**Tip of the day**

If you want maximum pay-out on a write-off, look around. Some insurers offer “**retail value**” contracts. Some could be persuaded to offer them. Expect, of course, to pay around 5% higher premium.

**Nog 'n Tip**

You buy a new car for R100 000. You insure it for R100 000. You settle into a debit order, and your car insurance drifts out of mind. Five years later the car is stolen. Its value is R50 000. You will recover no more than R50 000. Over the years you may have given your insurer R5 000 or more in excess premium. It is **your job** to keep your premium down by regularly alerting the insurer *to reduce the sum insured*.



Keep your  
premiums  
down

A stolen or written-off vehicle will normally end up with a payout of some 90% of the price of an identical replacement. Recognise that now, please. It will save you from later fury at being allegedly “short-changed”, and it will save your insurer from unfair bad-mouthing.

**A last point on vehicles:**

Note your options when you want something less than comprehensive insurance:

**Option 1** is “Balance of third party, fire and theft.” You know what “fire and theft” means. “Balance of third party” is damage you may do to someone else’s property. (Damage done to someone else’s *person* is normally covered statutorily.) You still need to check the exclusions in your policy.

**Option 2** is plain third party. Fire and theft are your own risk. You have the peace of knowing that if you rear-end King Mswati's Maybach, causing a million rands damage to his bumper, your insurer writes the cheque.

**Option 3** is ... we've said before and say again, this is a two-way street. No law stops you asking for special variants of your own. Feel free; stretch your insurers. Just bear in mind that no law, either, compels them to accept anything.

## 2. Household Contents

Household contents insurance covers everything *in* your home.

Here there are two Major Mistakes. Both are stunningly, spectacularly, simple. Both are persistently committed by millions of people who ought to know better.

### Major Mistake Number 1 is Unused Security Devices.

Every Contents policy has a security clause. You specify what kinds of burglar protection you have installed – bars, gates, alarms, whatever. Having specified them, you go ahead and let them rust. Well, maybe not *you*, but you would not believe how many intelligent and responsible people do so.



Know that  
*if the specified protections were not in operation, you are not covered.*

Assessors see at a glance that the electric fence is in disuse, the alarm is kaput, alterations have disabled the security doors... This can be very unpleasant. Facing a weeping householder stripped of a lifetime's worth of possessions, in a bleak despair, we in the industry do not relish saying "Sorry, you're not insured."

That's dangerous to our health, never mind yours. So please don't mess us up. If you seriously resent the locking-up ritual or life in a fortress, (we sympathise), play straight with your insurers. Tell them what *in reality* gets locked and what not, and try to find common ground (knowing that this means a raised premium).

Beware also of

### **Major Mistake Number 2: Under-insurance.**



Nobody likes counting beds, chairs, tables, pillows, item by item, room by room, rand by rand.

Fair enough. If you don't want to do that boring stuff, we won't mind. But we are not the loser, you are the loser. You can save yourself the time – say two hours a year. But don't be surprised if those two hours cost you more than R10 000 each.

#### **Here's how:**

Jack and Jane marry, set up house, insure contents, R100 000. Time passes; purchases happen. For the tenth anniversary Jack lashes out on a majestic new lounge suite, R50 000. At the party, oh-oh, some dolty smoker neglects, after his sixth glass, to stub his stompie. Before the fire is squelched, the new

suite is ruined. Jack thinks: “no worries, contents are insured for R100 000. I’m only claiming for R50 000. Whew.”

Sorry, Jack, but no. The assessor visits, sees the clothes, artworks, plasma screens... all the acquisitions of ten years. He gauges the value at R500 000. All this is part of the household contents. All of it is claimable.

But R500 000 of goods is insured for R100 000 of loss. It can’t be all claimable at full value, can it? No. Each R1 of goods is insured for 20c of loss. That is the only way this bit of arithmetic can add up.

So when Jack gets R10 000 compensation for his R50 000 suite he is aggrieved, and tells everyone how lousy his insurance company is.

Is that right? No. Jack should be kicking himself, not his insurer. He, Jack, had *wanted* to believe that if his loss was less than R100 000, he was covered. Many people want to believe in the same tooth-fairy romanticism. If you want to believe it, believe it. But admit that we have told you, straight and simple: you will lose.

### 3. Home Owners

Household Contents covers what’s in the house. Home Owners is bricks and mortar and roof and fittings: *The Improvements to the Real Estate*.

**Rule 1:** most policies *exclude* maintenance *and its consequences*.

A thunderstorm. Your roof collapses. The assessor gets out his magnifying glass and peers at the wear on the trusses. You get mad at him, especially if you know that he is about to discover what you wish he wouldn’t



discover – that the roof beams were termites to danger point.

Correctly, the assessor is going to recommend no pay-out. That's what you agreed to. It's in your policy. Cover depends on adequate maintenance.

**Rule 2:** few home policies insure for market value; most specify *rebuilding value*.

What's the difference? Market value is affected by locale, fashionability, crime rates and more... Rebuilding value is what it costs to rebuild what was damaged, to the same standards, the same way, in the same place.

**Rule 3:** Rebuilding value goes only one way – up.

Your insurer may adjust your valuation annually. He does not necessarily adjust it enough. The principle is as in Household Contents. The **whole** house is insured. If it's insured for R100 000 but its rebuilding value is R200 000, you only get half of *any* claim. Your neighbour's oak wipes out your bathroom; repairs will be R60 000. Your insurer produces R30 000. You do not cry about the other R30 000, because you know it's your job to keep the rebuilding value up to date.

**Rule 4:** Only one person can keep your property fully insured. *You*.

People say "the bank valued the property; they should know." What the bank knows is what the bank needs to know: that if you fail on your bond they have security. They may *recommend* a replacement value, but the insurer may not accept it, especially if there is dodgy maintenance or construction. Sorry; there is no escaping that you the home-owner must keep your own insurance level full.

**Rule 5:** Take care of the ground beneath your feet.

"Subsidence' and 'landslip', in insurancese, meaning

- (i) ground sinking under your foundations, and
- (ii) earth tumbling by gravity, such as at the edge of a dune.

One of the sillier rumours in public domain is that if your house cracks you can

claim for subsidence. Not really. In the first place any assessor can tell a subsidence crack from a bad-construction crack. In the second place every policy has its own approach. Some exclude subsidence, some include it by default, some require complicated procedures and engineer's reports.

### Here's advice:

- If your house is *at all* susceptible to subsidence or landslip (like, you're on top of a hill or bottom of a hill or near a hill, or near a river or a sinkhole area) you make **very** sure you are covered.
- Don't even think of trying to capitalise on an earth tremor to pay for bad design or building. It's embarrassing, and you lose.

*Make sure  
you're  
covered*

**Rule 6:** Some liability cover is usually included.

Houses can injure people, and often do. A tile falls, a banister breaks, a sinkdak slips. Owners get summonses. Home Owners policies give you *some* coverage.

Mostly, this coverage is of third parties, or visitors to your home. Your own family and employees are not normally covered. Check what your policy gives you. If you want more, negotiate it now, rather than weep later.

## 4. Personal Liability



This is classic insurance – the kind you are least likely to ever need, but if you do need it you can need it *very* direly. It covers damage to person or property of non-members of your household.

You have aspects of it in Home Owners, in Household Contents, and in Motor. Check carefully before you buy

Personal Liability. Where are you overlapping, where are you travelling with two spare wheels, where are you at risk?

Personal liability costs very little, around R10 a month. Many people take it automatically for completeness. But not everyone is into small bets on long shots, and that kind of person can do some interesting thinking here. If your dog bites the postman in your garden, you may be covered in another category. If your dog bites the postman in the street, probably not. Account for your lifestyle. Does the dog get out of the gate? Is it a wolfhound, a pit-bull, a toy Pomeranian? You make the choice.

## 5. All Risks

All Risks applies to moveables – handbags, wrist watches, cell phones, bicycles, laptops, jackets, sunglasses...

*Specify!*

Big thing about All Risks is: your loss is covered **anywhere**.

Big trick about All Risks is, **specify**.

Typically, you have a limit, for low-value items that need not be specified. Typically, you have some items that are more valuable than the limit. Specify them, make, shape, colour, serial number, everything that defines one single individual item.

Often, your policy will stipulate that nothing worth more than R1 500 can be claimed unless it has been specified.



The limit for non-specified items will include the odds and sods of human mobility - jockstrap and takkies and cycling helmet, say. Your cell phone or laptop may or may not be covered automatically. Don't live in hope. Do the simple thing of checking your policy and specifying it if necessary.

## 6. Personal Accident

Horrible stuff to think of, this. But what's more horrible is when it does happen and you didn't think of it.

Personal accident covers you against disablement (if caused by accident) and provides for your loved ones in the event of your death.

It's not likely you'll find a policy that covers you against illness. You may not find any accident cover if your job is crocodile fighting.

*But hey, try, why not?*

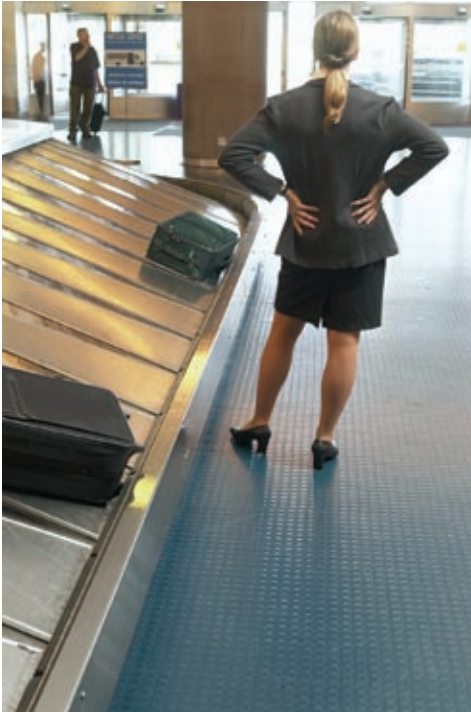
Look closely at the limit of your policy's cover, at the various percentages in the schedule, and at whether or not medical expenses are also covered.

For Personal Accident cover, it is particularly worth being picky, even very picky. You'll find big differences between different policies. If you believe it is worth going for this cover in the first place, you'll probably find that a small amount of extra time taken can lead to greatly enhanced benefits at little or no extra cost.



## 7. Travel

Right, sir or madam, you have stayed with us almost to the end. Maybe you reward yourself by *taking a holiday*. In which case, before you pack your bags you find yourself taking out **travel insurance**, do you not? Yes, you do, after taking closely to heart the following...



### *...big travel tip*

The world is full of deluded travellers. They **think** they're insured. They have a brochure from a bank or travel agent to prove it. They lack a copy of the policy document which lists the **exclusions**.

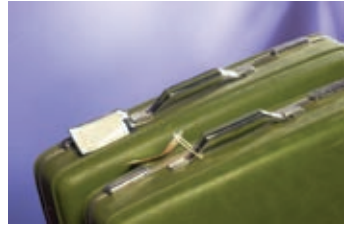
This is an area where protection (that is, compulsorily decent behaviour) creeps steadily but slowly in. You now, legally, must receive a policy document within 30 days. That's nice, though most travellers take out insurance with the travellers' cheques, 3 days before the flight. Never buy travel insurance without reading the policy and the..., and the...? Yeah, right, the **exclusions**.

The essence of travel insurance is medical treatment abroad. May you be forever free of the need to seek it. But if the need comes up may you be *well* covered. In many parts of our beloved planet, you do **not** wish to queue for public hospitals, **nor** to scrabble through credit cards raising private fees.

Many policies require prior approval of treatment, (they give you a 24-hour phone line.) Most exclude pre-existing conditions or specified illnesses. Some offer a useful adjunct called “*Cancellation or Curtailment*”.

You’ve planned your canal holiday for years. On Day 1 there’s a strike at Marseilles airport and your barge in Provence is given to the wait-list. That’s what the word “frustration” was invented for. If you’d find it consoling to at least receive compensation for wasted costs, be sure your policy offers Curtailment.

Lost luggage **may** be covered. If it is, benefits will have fixed limits. Check that these limits are in fact useful to you, and that they will be paid before they cease to be useful. (For example, replacement value of second-hand skiing equipment 3 months after the holiday may not be ideal.)



*Good  
advice*

### ***Travellers’ Advisory***

Travel insurance is enormously varied. Here more than in most arenas it is simply wrong to think “I have a policy. I’m okay.” You frequently are not. You must check benefits, check exclusions, and ring alarm bells if you see big gaps.

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## **Winding up**

Keep in mind that an insurance company is not a supermarket, which gives you a 100 gram toothpaste or a 200 gram toothpaste but looks at you skeep if you ask for a 143 gram toothpaste. Ask for what you want, remembering that from an insurance company you can ask for riot cover, income protection, illness-recovery plans, and within reason pretty well any specific you may need.

Never fear to ask your insurer questions. They're there to answer your questions, but they are regrettably unable to *guess* what you *want* to ask unless you help them out by interpreting your mind for them to hear. And if you can't get no satisfaction there... you have an army of institutions to take your problem further:



### Ombudsman for Short-term Insurance

The Ombudsman for Short-term Insurance is at 011 726 8900, [info@osti.co.za](mailto:info@osti.co.za), or Box 32334 Braamfontein 2017.

### FAIS Ombud

If you're still unhappy you go to FAIS Ombud – 012 470 9080, [info@faisombud.co.za](mailto:info@faisombud.co.za) Still unhappy?

### Financial Services Board

The Financial Services Board is at 0800-202-087. And if you're still unhappy after that you must have one heck of a tale to tell the press.

## Just one last time....

Please, people, seeryus, we don't *mind* you giving us months or years of useless premium against claims that you'll never be able to make. But we do know that our industry, and our relationship with you our customer and compatriot, and our nation's health on the whole, will all be better served if you take a little time to be sure you are not giving us free money.

Don't give  
us free  
money

Most people pay us **too much** for **wrong** things – like premiums based on values their car no longer has – and **too little** for **right things**, like trying to get away with the classic under-insurance of household contents.

At this stage, if you don't know what we mean either read the whole document again or, better, *pick up the phone and start asking*.

### ***Sala hantle, Totsiens***

We hope you never need to claim. How wonderful that would be. But what we also hope is that any claim you do have to make will be a satisfying experience that leaves you and your insurer thinking well of each other. If this booklet has helped you become a more astute buyer of insurance, it has served a purpose.

Best wishes.



This brochure is sponsored by TransUnion



## Is your identity safe?

Imagine finding yourself in a situation where you suddenly become aware that there are accounts opened in your name which you haven't opened yourself and, to your horror, you suddenly owe thousands of Rands for goods that you do not have.

Another situation could be that someone might have been making withdrawals from your bank account over a few days (or weeks even), and by the time you become aware of it you are already in deep financial trouble. These might seem like very unlikely scenarios for most people, but in truth, this is a common occurrence globally and is primarily the result of identity theft.

Identity theft is defined as a crime where someone deceptively uses another person's personal data or identification for the purpose of fraudulent financial or economic gain.

Identity theft is one of the fastest growing crimes in the world and South Africa is no exception. In South Africa fraudsters are quickly catching on, with identity theft costing the country approximately R40 billion annually.

The good news is that there are ways to minimise your risk in becoming a victim.

TransUnion provides some preventative tips to assist you in protecting your identity:

- Shred or destroy any unwanted documentation containing personal information
- Never give your personal information to anyone without knowing exactly what it is going to be used for
- Immediately report lost or stolen credit cards
- If you are a victim of ID theft, open a case at your nearest police station, obtain a case number and contact a credit bureau such as TransUnion who will place a notice on your credit report.
- Another pro-active measure is to monitor your TransUnion credit report. This means that your credit report is monitored 24 hours a day and each time an enquiry is made by a credit grantor or any of the information changes, you will be notified via sms.
- Be careful when contacted telephonically by companies claiming that you have won a prize, especially if they require your personal and financial information
- Never sign blank documentation
- Always keep all your personal information, passwords and PIN numbers in a safe place

As the largest credit bureau in South Africa, TransUnion assists you in making informed decisions and ensuring the protection and the accuracy of the information on your credit report.

To find out more, contact **TransUnion** on  
**0861 482 482**  
or visit us at  
[www.mycredit.co.za](http://www.mycredit.co.za).



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