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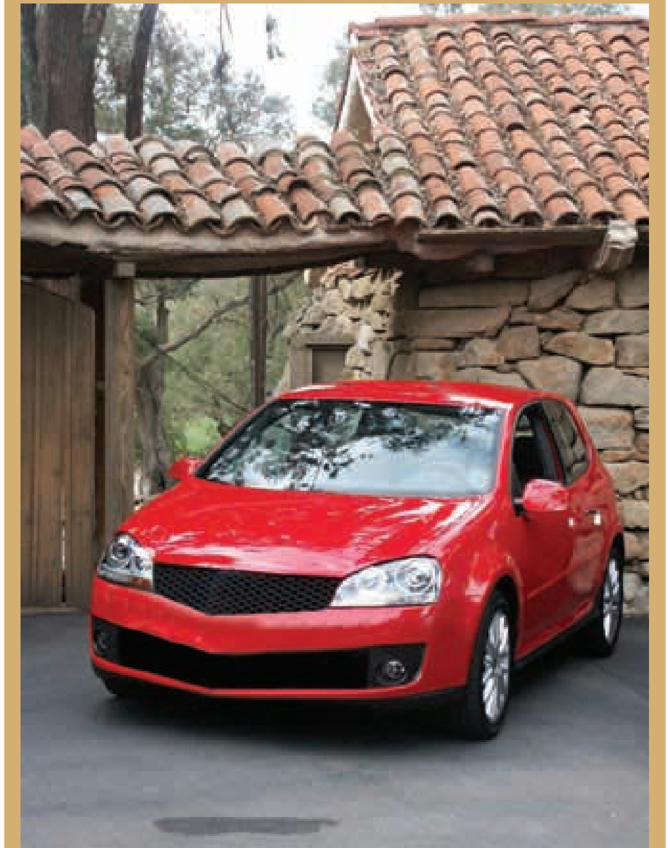
1 Motor Insurance



Written by Denis Beckitt
for the
South African Insurance Association (SAIA)

Motor insurance essentially covers your motor vehicle against collision, fire and 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!

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.*

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.

More options

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.

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 cain't get no satisfaction there… you have an army of institutions to take your problem further:

Ombudsman for Short-term Insurance

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2 Household Contents Insurance

Written by Denis Beckitt

for the

South African Insurance Association (SAIA)

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 then 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.

Just ask...

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 cain't get no satisfaction there… you have an army of institutions to take your problem further:

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Home Owners Insurance

Written by Denis Beckitt

for the

South African Insurance Association (SAIA)

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 termited 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.

***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. Homeowner 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.

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 cain't get no satisfaction there… you have an army of institutions to take your problem further:

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Personal Liability
All Risks
Personal Accident

Written by Denis Beckitt

for the
South African Insurance Association (SAIA)

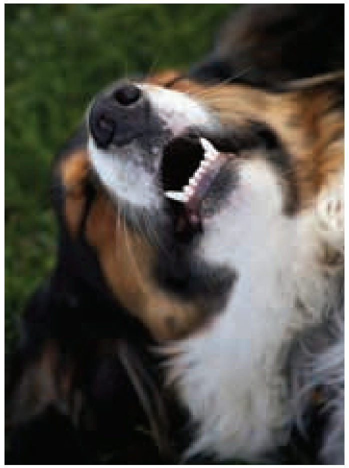
Personal Liability

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 Homeowners, 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.

All Risks

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

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.

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.

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 cain't get no satisfaction there… you have an army of institutions to take your problem further:

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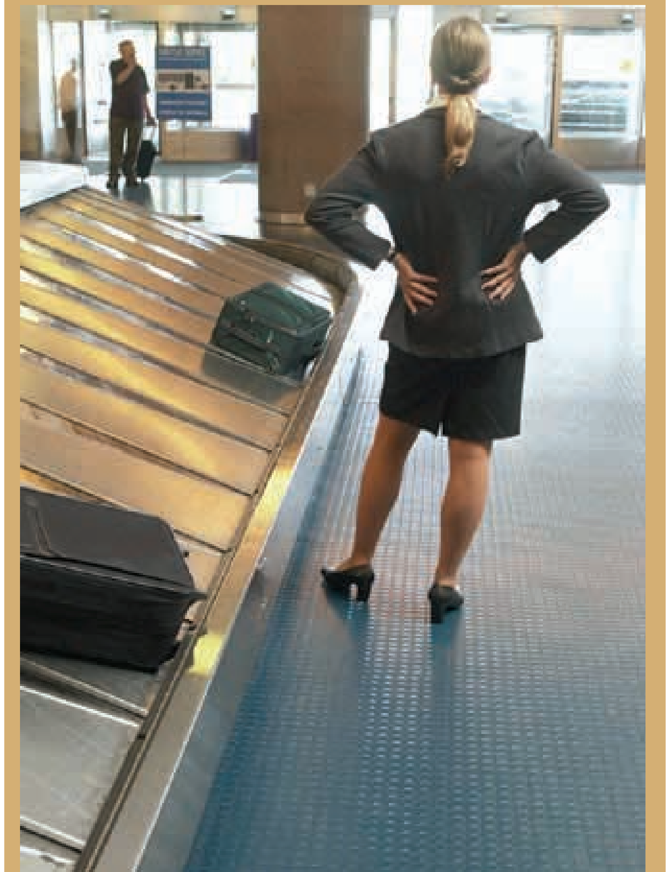
Travel insurance



Written by Denis Beckitt

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You might want to 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.)

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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This pamphlet is sponsored by TransUnion

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Is your identity safe?

With identity theft becoming one of the fastest growing crimes in the world (including South Africa), 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.
- Monitor your TransUnion credit report by using a product which monitors your report 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 of companies claiming that you have won a prize, especially if they require your personal and financial information
- Never sign blank documentation

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.