

OSTI Press Release – For immediate issue

Is it time to reassess your cover?

Johannesburg, 15 April 2020: Insurance cover is not a one-size-fits-all approach. Rather, your coverage is likely to comprise a personalised range of products and levels of cover. This approach can be confusing for the average consumer, but there is a very good reason to applaud this build-your-own coverage: flexibility.

Like pieces of a Lego set, it is important to put the right building blocks together to create the coverage that best suits your needs and circumstances. However, it is equally imperative to reassess if these pieces are working for you as they should. Do this evaluation on a regular basis, advises Thasnim Dawood, Senior Assistant Ombudsman at The Ombudsman for Short-term Insurance (OSTI).

Risk cover changes throughout your life: when you get ready to begin a family; when you start a new business; as your kids leave home; or you prepare for retirement. Depending on your own life stage and circumstances, there are times where you might want to ramp up coverage, or dial it back a bit. What must never change, however, is that your valuable assets are adequately protected.

“This applies if you are 30 or 65,” says Dawood. “Without adequate cover you risk the loss of or damage to your assets, and this can have a significant financial impact. Ensuring a full range of coverage is a critical financial consideration and something you should consider carefully when taking out insurance and managing it over the course of your lifetime.”

Dawood is the first to admit that insurance is largely a grudge purchase, but when needed it is invaluable. “Often at OSTI we hear: ‘For the 10 years I’ve had this insurance I’ve never used it’ or ‘I never use it, I’m going to stop’,” says Dawood, “and then two days later your car is in an accident and you have to pay for it yourself because all those years of premiums have, effectively, been flushed away due to the cancellation.”

Take a rational, mindful approach

The safer approach is to rationally reconsider your insurance cover at regular intervals, say once a year or in the wake of a notable lifestyle change or adjustments to your circumstances.

“If you have a broker, ask them to reassess your cover and have that discussion. If not, contact your insurance company directly,” says Dawood. “This conversation could start, for example, by looking at the depreciation of your motor vehicle to save some money on those premiums. Or, if you are going through a challenging time financially and your car has been paid off, you could consider reducing – if absolutely necessary – your coverage to third-party, fire and theft, rather than comprehensive motor insurance. At least you will have some coverage.”

These can be hard discussions to have, but the key is to ensure that your valuable assets are always protected, says Dawood.

Right now, in the grip of the Covid-19 pandemic, a financial safety net has never been more important as individuals and companies come under unprecedented financial pressure.

One needs to only look at the impact on workers and the self-employed to realise the value of a product such as income protection, says Dawood. “At a time like this, a cover like income protection

can be extremely useful as people can finance themselves through the crisis. And Covid-19 is not the only time you might need income protection, if you fall ill or sustain an injury it also supports you financially until you can return to work again.”

What is equally important to recognise at a time when financial pressures are high, is that the nature of insurance requires premiums to be paid each and every month. If you miss a payment, you put your cover and your history with the firm in jeopardy. Similarly, taking out cover for a few months, then dropping it, and picking it up again at a later stage when your finances are more forgiving simply makes you more of a risk in terms of the underwriting. And this drives up your premiums.

Take time to reassess your needs

Rather than cancelling or popping in and out of coverage, reassessment is the better option, says Dawood. “Build in adjustments and depreciation. Also, in terms of reducing premiums, look at how your circumstances might have changed, like getting married, and consider changes to your income. If you have new dependants, are recently divorced or as your children leave home then re-examine things like your household insurance or either ramping up or scaling down the value of your home contents.”

After all, content cover for a household of four might be around R100 000 alone for clothing and valuables such as jewellery, portable possessions or expensive glasses and watches, but for a couple this coverage should be less. Speak to your insurance company or your broker and make sure that you have the right amount of cover - not too much and not too little.

How you assemble your insurance building blocks depends very much on your needs at a particular point in time. Remember you can switch out blocks and use bigger and smaller components as you choose, just make sure you create a fortress of cover large enough to protect you and your family at all times.

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Words: 902

Caption:

Depending on your own life stage and circumstances, there are times where you might want to ramp up coverage, or dial it back a bit.

About The Office of the Ombudsman for Short-term Insurance

The Ombudsman for Short-term Insurance (OSTI) is an independent, non-profit industry ombud scheme. Short-term insurance includes: motor, house owners (buildings), householders (contents), cell phone, travel, disability and credit protection insurance, and commercial insurance for small businesses and sole proprietors (with a turnover of less than R35 million per annum). OSTI's mandate is to provide the insuring public and the short-term insurance industry with a free, efficient and fair dispute resolution mechanism through an alternative dispute resolution process, applying the law and principles of fairness and equity. OSTI is not a court of law. It examines the information and evidence placed before it by the parties to a dispute and makes recommendations that are guided by the legal position and principles of fairness and equity. In rare instances where required, OSTI may make rulings. It does not, nor is it empowered to, procure evidence or witnesses, or investigate a complaint. OSTI, it must be stressed, operates independently of both the Financial Sector Conduct Authority and the Prudential Authority in its adjudication and dispute resolution process.

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