

**PRESS RELEASE
FOR IMMEDIATE ISSUE**

SAVING IS ESSENTIAL, SO IS INSURANCE

Johannesburg, 23 July 2020 – Each year, during National Savings Month, the spotlight is firmly on educating South Africans how to increase their savings nest egg and why they should consider it. But often the role insurance can play in securing our financial futures is overlooked. The Ombudsman for Short-Term Insurance (OSTI) believes this is indicative of a persistent lack of insight into the value of risk cover and how best to make use of policies such as car insurance, household insurance, medical aid and funeral cover.

One of the biggest misconceptions among South Africans is that the premiums they pay each month towards insurance cover accumulate as some form of ‘savings kitty’. The very nature of insurance is that your cover depends on the upkeep of premium payments – if you don’t meet your monthly commitment the insurance falls away.

However, during challenging financial times such as these, it is important to remember that insurers are required to give each client a 15-day grace period during which late payments can still be made, says Peter Nkhuna, Senior Assistant Ombudsman. “So, if you can pay your premiums during that period, you will still enjoy the cover.”

A knowledge divide

Currently, the bulk of insurance in South Africa takes the form of funeral policies, while other options are not taken up. This is often due to a lack of understanding around how best to incorporate insurance cover into your financial plan. “Generally, it’s those who are well informed and who understand risks and their impact on their financial health who take out insurance,” says Nkhuna.

While budgeting, debt management and savings are regularly communicated as part of financial education, insurance comes in at the bottom of the pile. Progress is being made to educate South Africans at large about insurance, but there is a lot still to be done, says Nkhuna. “Furthermore, how some industry players handle sales and claims processes leave much to be desired.”

The value of insurance

Horror stories about claim struggles and being sold insurance policies that are not necessary, or even appropriate for clients also foster distrust in the minds of many consumers towards the industry. And yet, despite this reluctance to take out risk cover, incorporating insurance into your financial plan offers a compelling return on investment.

Just consider the impact of insurance cover for the driver of a new car, who is involved in an accident, says Nkhuna. “He can pay a R500 premium today, be involved in an accident tomorrow and his insurer is liable to pay out that claim. The damage of, say, R500 000 could not be accumulated through savings alone during that space of time. Without insurance the

driver would not only be without a car, but – if the incident was his fault and involved a third party – the driver could potentially find himself owing hundreds of thousands of rands.”

”If you undertook to self- insure and rather save R1 000 a month towards possible future losses, it would take a lot of time before accumulating sufficient funds to cover a significant loss. If that loss were to materialise sooner rather than later, financial ruin could still result”, says Nkhuna.

This National Savings Month, Nkhuna advises broadening the discussion to include insurance as a valuable aspect to your financial health and peace of mind. “If people understood what they had to gain from having insurance, there would not be much need for persuasion to take out a policy,” he concludes.

-ends-

Words: 574

About the Ombudsman for Short-Term Insurance

Issued by:

SBPR Communications
64 Westmeath Road
Parkview
Johannesburg
South Africa
Office Tel: +27 11 646 9322
megan@sbpr.co.za
www.sbpr.co.za

On behalf of:

The Ombudsman for Short Term Insurance
1st Floor, Block A
1 Sturdee Avenue
Rosebank
Johannesburg
South Africa
2196
Office Tel: +27 11 726 8900
www.osti.co.za

