



## Insurance in tough times

By Gari Dombo

The best way to get value out of insurance in tough times is not to cut costs and take unknown risks but rather to understand your cover so that you only pay for the cover you need.

“Most people have a very vague idea about exactly what is covered along with the extent to which it is covered” says Dombo, Managing Director, Alexander Forbes Insurance. This often results in people paying good money for things that they don’t need covered while finding themselves exposed on the important things.

Saving on insurance in tough times does not necessarily mean cutting costs indiscriminately. Instead “Making sure you accurately target cover to your real risks is a better way of getting value out of your insurance spend in difficult times” says Dombo.

Ways to save costs on insurance without taking undue risk include:

- Identifying property that is not that important to you or not that expensive to replace yourself.
- Assuming a higher excess that you can still afford to pay when a claim happens.
- Taking narrower cover, like excluding theft if you have a good security for example.
- Deciding whether the possibility, frequency or severity of a risk makes it worth insuring. In other words, if it is unlikely to happen, or may only happen very occasionally or might not be so bad if it did happen, then you might not need to insure it. That said “it is essential that you keep liability cover” cautions Dombo. If you decide to reduce cover, you should know exactly what cover you are giving up – read the small print and seek advice if necessary.
- Improving your ability to absorb risk by opening a savings account to provide for the risks you take. In other words, use the savings you make from reducing premiums (and more if you can). In the long run you may even end up with a surplus for your retirement.
- Opting for Third Party, Fire and Theft, or Third Party Only cover if your vehicle is old. These options are cheaper than comprehensive cover.
- Selecting a “low mileage” discount if your insurer offers this option.
- Consolidating your portfolio into a single policy can also result in substantial discounts, especially if you own a number of vehicles, properties or a business.

Dombo also reminds consumers that the proposal form you fill in when buying insurance is part of your contract. “You must apply yourself fully when completing this form. You should also keep a copy so that you can see what you disclosed and where you might need to advise changes in the event your situation alters,” says Dombo.

You should also make sure you understand what each of the clauses mean. “It is surprising how many people misunderstand clauses and are genuinely surprised when they are not paid out. Asking upfront allows people to realise the limits of cover and buy additional cover if necessary before it is too late,” warns Dombo.

Dombo also emphasises the importance of full disclosure. This puts the insurer in a position to accurately match cover to risk. “An insurer can’t second guess your position. The purchaser of insurance is always in a better position to disclose than the provider,” adds Dombo.

For example, a vehicle owner may know that his son who is going to drive the vehicle he is insuring is an alcoholic. Even if the insurance company does not ask the question the fact must still be disclosed.

Material facts are those that will influence the underwriter’s rate or the degree of cover that will be applied. As people’s circumstances change the material facts pertaining to their cover may change, placing consumers under an obligation to disclose further.

“Withholding material facts to save money is not the wisest way to reduce costs in tough times. Non disclosure can lead to a rejection of your claim,” says Dombo. And even if the material facts do not change, people should regularly update their insurance replacement values to avoid being penalised under the average condition. If property is underinsured, you will not be covered for the full replacement value.

For advice on the best insurance for your needs, contact lemas Short-term Insurance at 0860 102 383 or e-mail [shortterminsurance@iemas.co.za](mailto:shortterminsurance@iemas.co.za), or SMS “Quote” to 32297 and we will contact you! (SMS cost R1).