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JANUARY is generally renewal time on your short-term insurance policy — and the time when insurance companies raise their rates.

The cost of insuring your car and household contents seems to go up and up and up. So much so that many people are opting out of the system and cancelling their policies.

This is an unwise move, says Joe Roux of Santam, because you are exposing yourself to too great a risk. If you cannot afford the premium there's no way you will be able to fork out the full value of the stolen items.

BT Money canvassed brokers and insurance professionals for tips on how you can cut your insurance bill without exposing yourself to too much risk.

The common tip from brokers is that you take on a degree of self-insurance as a trade off for lower insurance premiums. This means that you foot some of the bill in the event of a loss.

There are a number of ways in which you can self-insure. The most popular method is to accept a higher excess portion on every claim you make. If you opt for this route, it's important that you accept an excess you can afford to pay after a big loss, say a flood or a major robbery.

Another way to self-insure is to buy insurance cover for only those items that are at risk of getting stolen, and not insuring the items you think are unlikely to be stolen.

Anita Jungbluth of Glenrand MIB advises that if you have taken all possible precautions against a robbery and live in a secure, guarded complex then you can consider insuring the contents of your home only for perils such as flood and fire and not for theft. This means you bear the risk of having a robbery at home.

Jungbluth says you can purchase all-risk insurance on high-risk items such as your watch, jewellery and camera. This

Tips to beat spiralling insurance premiums

Being without household insurance can be risky, but there are ways to limit your premiums, writes TERRY BETTY

means if these items are stolen while you are out shopping or on holiday then you will be paid out, but you may not be covered if those items are stolen while you are at home, depending on the wording of your policy.

Another method of self-insuring is to insure the contents of your home for all perils, but to exclude your collectable items.

For example, Jungbluth says you can exclude your collections such as records, paintings, antiques, and Persians. But you will have to exclude your entire painting collection, rather than just one or two pictures. "We are not yet far enough down the line to exclude individual items."

Here are some other ways to cut the cost of your insurance bill:

☐ **Shop around for the best rate.** But beware! Cheap is not always cheerful, and you could find that a claim is repudiated for a nit-picking reason, such as the fact that you said the colour of your upholstery was blue

when it was black. (see our comparative table below)

☐ **Group schemes can be put together by your broker.** Lower rates are negotiated for a group of people. For example, all the staff members of a particular company. Jungbluth says the broker assesses the needs of the group, the overall risk profile, income level and so on. The broker then takes this to the insurance company which sets special rates, terms and conditions for the group.

This can save you as much as 35% in premiums. So find out if you can benefit from any scheme through either your company or profession.

Some professional schemes are on the market, where for example, if you have certain qualifications, earn more than R100 000 a year, and have more than one car, you can have reduced rates.

☐ **Polygraph testing is starting to become a feature of insurance policies.** Here you accept

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that you may be asked to do a polygraph test after you submit a claim. In return, you can get around a 25% to 40% discount on your premiums.

Bill Meier of Denham Tower Underwriting Agents says they offer clients a 25% discount on policies with a polygraph clause.

Last year, he says, the com-

pany wrote R7-million in premiums with more than 1 000 clients coming on board. He says of the five people sent for a polygraph test last year, two failed, in which case they weren't paid out.

Assess the security precautions you have taken at home. Much sure you have burglar bars, barbed wire or electric

fences, an alarm linked to a response company, a safe and so on. Insurance companies offer premium discounts for the precautions taken. It is vitally important to be totally accurate with the information recorded in your policy document.

This example highlights the danger: a robber kicks in your front door, cleans you out, and

you duly put in your claim. The company repudiates it on the grounds that a burglar bar was missing on your kitchen window (your policy stated you had burglar bars everywhere), even though this is not where the robber gained access.

Insurance professionals say this is a common reason for claims being repudiated.

Never miss a premium payment, because you lose cover from the due date. Jungbluth says if it proves to be an error of the bank that the payment did not go through, then you will be given one to two months grace. But if your debit order was rejected because of a lack of funds in your account, then the policy is cancelled immediately.

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COMPARATIVE QUOTE ON HOUSEHOLD INSURANCE

COMPANY	RATING*	PREMIUMS	
		Monthly	Annual
Aegis	AA	R537.33	R5422.61
Santam Multiplex	AA+	R476.64	R5715.65
Santam Teleplex	AA+	R453.37	N/A
General Accident	A	R434.42	R4559.00
Guardian National Allguard	AA	R428.80	R4716.80
Mutual & Federal Classic	AAA	R373.43	R3450.12
Allianz Selector	AA-	R367.88	R4087.50
Guardian National Flexiguard	AA	R364.40	N/A
Standard General	NR	R335.67	R3673.93
ABS	NR	R332.00	R3649.99
Commercial Union	NR	R323.80	R3866.60
Fedsure General	NR	R307.93	R3209.25
SA Eagle	AA	R445.18	R4857.50
MARKET AVERAGE		R396.99	R4291.72

* Financial strength ratings by Duff & Phelps and IBCA

**A & G rates not supplied

AAA - extremely strong / AA - very strong / A - strong / BBB - adequate / BB - vulnerable / B - high risk / C - extreme risk / NR - not rated

Graphic: FIONA KRISCH Source: COMPUQUOTE

This table shows the importance of shopping around before you buy short-term insurance.

The comparative quotes are based on a 42-year-old married man living in Johannesburg. The contents of his house are valued at R150 000, and in addition, he has all-risk insurance cover for R20 000 worth of jewellery and unspecified items of R5 000. Sasria cover, which is insurance against political risk, is also included. The house has an alarm linked to a response company, burglar bars on all windows, and is occupied during the day.

The annual premium indicates that the company gives you a discount if you make a lump sum payment once a year.

Similar comparative quotes drawn for other regions shows that, on average, it is

most expensive to insure your household contents in Johannesburg, followed by Durban and Cape Town.

David Hersch of Compuquote, the company which provided the figures in the table, has this advice: "If you can get a better rate and a better service elsewhere then you should change insurance companies immediately — longevity with an insurer holds little water these days."

The table also gives the claims-paying ability of the insurance companies, as rated by two independent credit-rating companies. Hersch says the ratings show the financial strength of the company, but warns that the ratings should not be confused with "the willingness to pay claims, or the extent to which you may be foiled by the small print in your policy".

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