

August 2010

NUMBER BC 05/2010

SUBJECT: Motor Insurance: Sum Insured and Claims settlement (Total Loss)

ORIGIN: BROKER DISTRIBUTION

Dear Broker

Santam's previous communication regarding the valuation and indemnity of motor vehicles in the case of a total loss refers. As you are aware, Santam continually strives to make it easier for brokers to do business with us and therefore we have carefully analysed the feedback received from brokers in this regard.

With immediate effect, the following will apply:

1. Calculation of Sum Insured

Santam will provide brokers with the retail value as stated in the Transunion Auto Dealers' Guide when insuring or renewing a vehicle policy as a guide to determine the vehicle's market value. We do allow a deviation of up to 20% between the Transunion Auto Dealers' Guide retail value and the sum insured, taking into account, among others, extras, kilometres and the condition of the vehicle. Requests for significant deviation from these guidelines are welcome, but supporting information will be required. The policyholder, on advice of the broker, will ultimately determine the limit of indemnity of the vehicle. It is recommended that the extras be itemised which will avoid any issues at the time of claims fulfilment.

For commercial policies (i.e. passenger and light delivery vehicles with a GVM of less than 3500 kg), Santam annually adjusts the sum insured of the vehicle at renewal to remain in line with the updated retail values in the Transunion Auto Dealers' Guide. The same principle will be applied in respect of Personal Lines in the near future. Until such time, brokers should continue to revise vehicle particulars and sums insured at renewal.

2. Claims settlement – total loss

To ensure alignment between the calculations of the sum insured and claim settlement, the retail value (at the date of the loss) as per the Transunion Auto Dealers' Guide will be used as the starting point. This value will then be adjusted, as per the guidelines of the Transunion Auto Dealers' Guide, taking into account, among others, kilometres, the condition of the vehicle and insured extras.

We trust that this approach will assist brokers to continue providing professional advice to clients and clarifies any uncertainties in this regard.

We value your feedback and welcome any queries or comments. Alternatively you are welcome to discuss this with your Relationship Manager.

Kind regards

Edward Gibbens
Executive Head: Broker Distribution