

SA STILL FACING INSURANCE CRISIS

A lack of proper financial planning has been cited as one of the main reasons for South Africa having such a huge underinsurance problem; yet according to a new study, high income earners are just as likely to be underinsured than their low-income counterparts.

According to a study conducted on behalf of the Association for Savings and Investment South Africa (ASISA), South Africa's 12.4-million income earners between the ages of 16 and 65 are underinsured for life and disability cover by a huge R18.4 trillion. This is up from R10 trillion in 2007.

Justus van Pletzen, COO at the Financial Intermediaries Association of Southern Africa (FIA), said a lack of regular financial planning should not be underestimated as a key reason why so many South Africans have inadequate cover in the event of death and disability. "To the majority of consumers, insurance is often still regarded as a grudge purchase. Many consumers are of the opinion that the unforeseen such as death, disability and dread disease happen only to others."

"Often we see clients take out cover at the start of their career but forget to update it in line with their changing circumstances. We can go through many life changes in just a few years – salary increases, marriage, having children – and these are all stages at which a consumer should review their financial needs.

Gerhard Joubert, head of group marketing and stakeholder relations at PPS Insurance, the financial services company that offers insurance, investment and healthcare products to graduate professionals, also said failure to update the product provider when circumstances change such as salary increases is a main cause of underinsurance amongst graduate professionals.

"When a member joins and takes out a policy, typically at the start of their career, an appropriate level of life cover is provided in line with the information supplied. However, salary inflation tends to be much higher among graduate professionals such as lawyers, doctors and engineers in the early years of their career, meaning that the cover they have is not appropriate to their changing needs."

He added that statistics held by PPS shows that a number of the graduate professionals on its books regularly fail to update their details. "Our records show that only around 70 per cent of the income we would expect members to be earning is actually reflected on our books. This means that the life cover that members have taken out would actually fall short of how much they need, based on their current earnings.

