

Media Release
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Repaying a home loan and affected by the floods? Check with your bank whether your house is insured.

Homeowners who are repaying a home loan, but do not recall taking out comprehensive building cover when they bought the property should check with their banks whether their homes are indeed insured. This may bring unexpected relief to homeowners who suffered extensive damage to their properties during the floods in KwaZulu-Natal and the Eastern Cape, but think they have no insurance cover.

Deshni Subbiah, chair of the Short-term Insurance Committee of the Actuarial Society of South Africa (ASSA), explains that comprehensive building cover is usually a prerequisite when taking out a mortgage bond. This is because the property belongs to the bank until you have repaid your loan in full.

While you are not obliged to buy this cover from the bank's preferred short-term insurer, people often do not shop around and in the excitement of buying a home sign-up for this cover when finalising the mortgage bond agreement.

Since the monthly premiums are often deducted together with the bond repayments, people quickly forget that they have this cover, says Subbiah. She adds that this is often the case where people bought a property many years ago, forgot that they bought cover through the bank, and simply never considered taking out additional cover because their budgets were already stretched by the mortgage repayments.

"As a result there is a real chance that there are homeowners who lost their homes in the recent floods and now believe that they have been left destitute, because they cannot remember taking out comprehensive building cover."

Subbiah urges homeowners who have suffered damage to their homes during the recent floods, are still repaying a mortgage bond, and did not take out separate insurance cover on their property, to make contact with their bank's home loan department.

"Your bank will know whether you are paying a monthly insurance premium in addition to your home loan repayment and guide you through the process of submitting a claim," says Subbiah.

According to Subbiah, the true value of insurance, whether long-term or short-term, is often only realised after a loss is suffered. For this reason all homeowners should meet with a trusted insurance broker at least once a year to do a needs analysis.

She provides the following pointers to help homeowners protect themselves against financial ruin in case of a disaster like the recent floods:

- Unless you insure your home independently, once you repay your home loan, the contract falls away and with it the short-term insurance cover may also fall away.

Make sure that you take out new comprehensive building cover with a short-term insurer of your choice.

- Insure your home for the right value. There is no point in trying to save money by insuring your home for less than it will cost to replace.
- Remember that comprehensive building cover and household content cover are not the same. You will need to take out both if you also want the contents of your home covered against events like theft, fire and floods.
- Banks are generally concerned about making sure that the actual buildings are insured. If you want the content insured as well you have to request that cover, which comes at an additional premium.
- If you prefer using your own short-term insurer for insurance that covers your property, the contents as well as your vehicles, you will have to provide your bank with proof that you have insured the property against all risks.
- Cancelling that insurance cover at a later stage without replacing it will put you at risk financially and could be in breach of your mortgage agreement. Should something happen to your home and it is not insured, you will be left without a home and owing the bank the balance of the outstanding loan.”

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Actuarial Society of South Africa

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