Media Release
Actuarial Society of South Africa
31 March 2025

Go on a date with your short-term insurance policy, and you may save some money

Short-term insurance protects you against financial shocks due to the loss or damage of important possessions such as your home and its contents, your car, or electronic devices such as your laptop. That does not mean, however, that you should pay more than necessary for this protection, says short-term insurance actuary John Wessels.

Wessels says if you have been claim-free for a few years and have not reviewed your short-term insurance policy recently, you are likely paying too much since your risk profile has probably improved from when you first took up the policy. This is especially true for younger drivers who have a few more years of driving experience and have not had any claims. If you have been with the same insurer for many years, you may benefit from obtaining quotes from other companies to provide you with peace of mind that your insurance is still competitively priced, he adds. "Just make sure you are honest about your claims history when shopping around," cautions Wessels.

Wessels says, unfortunately, instead of viewing short-term insurance as an essential financial planning tool that should be reviewed and updated as soon as circumstances change, most consumers consider it a grudge purchase and only look at their policy documents when they need to claim.

"Your short-term insurance contract should be saved on your desktop, ready for review as soon as something changes, but at least once a year," says Wessels.

"If you have a good broker, a representative will likely insist on going through the policy schedule with you once a year. But if you do not have a broker, you should diarise your own review annually."

Wessels has provided the following checklist to guide you through your policy review:

1. **Have your insurance needs changed over the past year?**

- As much as you don't want to pay too much for your short-term insurance, you also do not want to find yourself underinsured. Wessels explains that if your home and its contents are not insured for today's replacement value in case of a total loss, you will only receive a percentage of your claim should there be a loss, even if it is just a partial loss. His advice is to insure your home for what it would cost to rebuild it entirely and to complete the insurer's inventory form to ensure that the household contents are accurately valued.
- You could also be underinsured if you forgot to increase the insured amount after purchasing an expensive household appliance or electronic device, such as a laptop.
- Are you overinsured? According to Wessels, if your possessions are insured for more than they are worth, you will pay a higher premium than necessary and

risk having a claim declined should you not be able to prove the value of an item at the claims stage. With jewellery, for example, it is common for insurance companies to ask for a valuation certificate, and for electronic appliances, you may need to provide proof of the value of the item being replaced.

- When you move into a new home, you must inform your insurer, says Wessels. The premium could be higher or lower depending on the overall security rating of the suburb you move to. Your insurer will also want to know whether your property is protected by armed response, whether you have a monitored electric fence, security cameras and a burglar alarm and whether your car is parked securely at night.
- Wessels also reminds parents that when their young adults get their driving licences, the insurance company must be notified of the new regular driver. He cautions that many insurers will apply a significant excess in addition to your normal excess should your young driver have an accident when driving your vehicle.

2. Are the benefits of your policy still appropriate?

- Wessels points out that if you have paid off your car, you should inform your insurer. Removing the credit shortfall cover will reduce your premium.
- If you are paying for car hire, ask yourself whether you really need it, suggests Wessels. Perhaps your family has more than one car, and you could get by for a couple of weeks with only one car? Or maybe you work from home and can use a ride-hailing service for a while?
- He points out that power surge cover has become expensive. Do you really need this, or could you mitigate the risk by installing power surge plugs? Wessels also cautions that new appliance warranties may be void if you cannot prove that you had a power surge protector installed.

3. Other ways of reducing your premium:

- **Consider a higher excess:** Wessels says policyholders often do not realise they can significantly reduce their premiums by simply opting for a higher excess. Instead of accepting an excess of, say, R2 500, you could opt for an excess of R10 000 and keep this money in a separate account for the day you need it. The key here, adds Wessels, is that you are disciplined enough to keep the excess for insurance purposes only.
- **Upgrade your security:** Check with your insurer whether specific security upgrades to your home could reduce your premium, suggests Wessels. An investment in better security is not only of benefit to you and your family but since it also reduces the risk of a claim, your insurer may adjust your premium, saving you some money.
- **Maintain your geyser:** According to Wessels, insurers generally only pay once the geyser has burst. If you are lucky, the geyser bursts and no additional water damage is caused. But if the geyser was not correctly installed there could be significant damage and discomfort. In addition, once the claim has been paid, your premium may increase. Wessels recommends ensuring that the geyser is correctly installed and maintained on a regular basis by, for example, replacing the anode rod from time to time.

- **Think twice before you claim:** Because insurance is often considered a grudge purchase, consumers may be tempted to claim whenever possible or even fabricate events to benefit without having suffered a loss. Wessels cautions against this: not only could this increase your premium, but insurance fraud is also considered a criminal offence. He says dishonesty will likely result in the insurer cancelling your policy, and most companies will not insure consumers who have had their cover cancelled by other insurers.

Wessels suggests you make a date with your short-term insurance policy. "Set aside an hour and read your policy schedule from beginning to end, making notes as you go along of things that may have changed or items you would like to add."

You may also discover helpful information, says Wessels. "Policy schedules often list essential, and sometimes interesting, information in the back of the document. Did you know, for example, that many insurers will pay you a cash reward should you hit a hole-in-one while playing golf as an amateur?"

Wessels says that the lengthy, copy-intense section at the back of the policy document also explains the liability cover you enjoy should guests or household employees suffer a loss or injury while on your premises. If you have a pet, however, you may need additional liability cover in case it injures someone since most household policies exclude this risk.

Ends

To set up interviews, please contact:
Lucienne Fild
Independent Communications Consultant
082 567 1533
lucienne@fild.co

Issued on behalf of:
John Wessels
Actuarial Society of South Africa (ASSA)

The Actuarial Society of South Africa is the professional organisation for actuaries and actuarial students in South Africa. The vision of the Actuarial Society is an actuarial profession of substance and stature, serving, and valued by, our communities as a primary source of authoritative advice and thought leadership in the understanding, modelling and management of financial and other measurable risks.