Financial SAFEGUARD

More about

Insurance:
Short-term insurance

Introduction

Insurance is a way of managing risks. When you buy insurance, you transfer the cost of a potential loss to the insurance company in exchange for a fee, known as the premium. Insurance companies invest the funds securely, so they can grow, and pay out when there is a claim.

Note: Short-term insurance is also known as Non-Life insurance

1. Reasons for short-term insurance

Insurance helps you:

- Homeowners insurance, because mortgage lenders need to know your home is protected
- Car insurance, because few people could afford the repairs and legal expenses associated with collisions and injuries without coverage
- Disability cover if you become disabled or have a critical illness.
- Income protection insurance for if you run a small business or family farm by managing the risks of ownership
- Travel insurance to take a vacation without worrying about flight cancellations or other potential issues

Take the time to review your insurance policies to make sure you understand what you are covered for. A little knowledge can make a big difference when it comes to buying the right insurance protection for you and your family.

Note: Insurance is not an investment it is a way of reducing risk.

2. Short-term insurance products

Short-term insurance is a contract with an insurance company in which a monthly premium or contribution is paid for policy benefits that insure you should an event occur – this is called a risk. The policy benefit is intended to place you in the same position that you were in before the loss event.

You can take out insurance to cover your belongings such as a house, a car or a cell phone or for a health or disability event. It can also cover you for legal liability to others – for example, accidentally injuring someone with your car. This is paid upfront for the month ahead.
You can cancel an insurance policy if you no longer need it and your cover will stop at the end of the month of your last premium payment – premiums paid are not refunded whether you have claimed against your policy or not.

A person cannot claim from more than one short-term insurance company for damage suffered because of the same event.
Short-term insurance policies can be bought through the insurance company directly or through a licensed financial services provider or its representative that will place your business with an insurance company.
Short-term insurance is regulated by the Prudential Authority (PA) in terms of the Insurance Act, Act No. 18 of 2017 and the Financial Sector Conduct Authority (FSCA) in terms of the Short-Term Insurance Act, Act No. 53 of 1998

Note: Premium versus once-off contributions

- Premium: a monthly recurring contribution
- Once-off: an initial once off amount is deposited.

Note: Legal liability is any type of insurance policy that protects an individual or business from the risk that they may be sued and held legally liable for something such as malpractice, injury or negligence. Liability insurance policies cover both legal costs and any legal payouts for which the insured would be responsible for if found legally liable.

Intentional acts are generally not be covered.

According to the Sasria website, Sasria is “a state-owned company and the only short-term insurer that provides cover to all the people and businesses that have assets in South Africa, as well as to government entities, against special risks such as civil commotion, public disorder, strikes, riots and terrorism.”

2.1 Examples of short-term insurance

2.1.1. Motor insurance

It covers your motor vehicle against collision, fire and theft

2.1.2. Household contents insurance

It covers furniture, TV, radio and other valuables in your house

2.1.3. Homeowners insurance

It covers things like bricks, roof, fittings and other things that are needed to rebuild your house

2.1.4. Personal liability insurance

It covers damages to a person or property that is not part of your household

2.1.5. Travel insurance

It covers things like lost luggage and medical expenses when you travel outside South Africa

3. Claim process

Each organisation has their own unique claim process: Below are the general steps to be followed when submitting a claim

Step 1:
Report the accident to the police within 24 hours to obtain an accident report number. If there are serious injuries, the accident needs to be reported as soon as physically possible. Obtain all the facts regarding the claim for example if it was a car accident, who was involved, where did it happen, how did it happen etc. The accident must be reported to the insurer within 48 hours.

Step 2:
Obtain a claim form from your insurance company and complete it.

Step 3:
Make a copy of your claim form and return it to your insurance company.

Step 4:
Obtain a reference number.

Step 5:
Wait for your claim to be processed and paid out.

There are various conditions to claims, and these will be stated in your insurance policy. Make sure that you understand the conditions of your policy in order to ensure that your claim is valid.