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INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY

## LEARNER GUIDE

Unit Standard Title:	<b>Demonstrate Knowledge and Understanding of Personal Motor Insurance</b>
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## **Demonstrate Knowledge and Understanding of Personal Motor Insurance**

At the end of this unit standard, the qualifying learner (you) should be able to

- 1 Explain motor insurance
- 2 Explain liability with regards to personal motor insurance
- 3 Describe the additional benefits available under comprehensive cover
- 4 Explain additional cover that can be purchased to supplement comprehensive cover
- 5 Explain how a vehicle is valued for insurance purposes

Please note that it is required from you to analyse your chosen policy wording in establishing what is covered and excluded under Motor (Vehicle), as well as optional and additional cover. You must also compare two policies with one another. Even though examples are provided in the learner guide, you are urged to use policy wordings which forms part of your work function.

### **Introduction**

Motor vehicle refers to a car, 4x4, LDV, SUV, motorcycle, caravan, trailer which belongs to the client. Depending on the cover chosen, it covers the vehicle against perils (sudden unforeseen events) such as theft and hijacking, accidental damage, intentional damage, acts of nature and fire. Should the driver of the vehicle cause an accident with the vehicle and damage other people's property, or injury other persons (including death) this will also be covered under the section liability to other parties.

The limit of indemnity will be noted on the schedule. For the car itself, it usually does not exceed the retail value (current selling price at a dealer) and for liability, the limit is usually R5 million, however under certain circumstances, at most insurers, this can be increased to R20 million.

Standard factory fitted accessories are covered, but any extra's or modifications need to be specified, with an additional premium paid, in order to enjoy cover.

All insurers will include additional benefits, some do so free of charge, such as road side assistance and car hire. However, most insurers charge an additional premium for some of these benefits. It is also possible to elect additional cover at an additional premium for benefits such as credit shortfall cover, non-standard accessories, extended territorial cover, off road 4x4 cover and so forth.

The exclusions on motor, and the general exclusions in the policy wording refers to circumstances under which there will be no cover, for instance driving under the influence of drugs and alcohol, mechanical breakdown or wear and tear.

It is important that the policy wording being used by your company is read in conjunction with this learner guide. Please note that some examples provided might not be covered by your specific insurer.



## 1. What does Vehicle refer to?

Vehicle (at most insurance companies) refers to the following types:

- Motor vehicles including minibus designed to carry up to 12 persons and station wagons
- LDV's (Light Delivery Vehicles, in other words, Bakkies, 4x4, 4x2)
- Motorcycles (for instance Superbikes, Cruisers, Tourers and Scooters, quad-bikes) and golf carts
- Caravans (Note that the contents of caravans are not insured as part of the caravan – that would usually be insured under the All Risks section, however, the permanent fixtures and fittings are)
  - Motorised caravans are insured as motor vehicles
- Trailers

The maximum allowable mass of the above is 3500 kg (3.5 tons) to be insured under a domestic policy (personal lines policy).

Insurers usually specify that the vehicle must belong to the client and it cannot be a vehicle that has been hired, leased or temporarily used by the client, although some insurers would also cover same up to a maximum amount noted in the client's schedule.

## 2. Vehicle usage

Insurance companies need to know for what purpose the vehicle will be used for, as this determines the premium. Some vehicle uses are excluded under personal lines motor.

The vehicle can be used for:

- Private use
- Business use
- Professional use (only available at some insurers)

***The following uses are excluded (most of the below are excluded by all insurers):***

Commercial travel, renting the vehicle out, carrying fare-paying passengers, driving instruction (for reward), racing or speed contests, or when the car is kept at a motor dealer to sell it on the client's behalf.

**Private use:**

Covers the vehicle when being used for social, leisure, pleasure and driving to work and back. The vehicle is not being used for any business purposes whatsoever. Please note however that some insurers will accept less than 8 business trips per month on private use and the advisor will probe in terms of the nature and frequency of business trips and possibly leave the client on private use if it is short trips to the same destination (like collecting post at the post office twice a week on behalf of their employer as part of their duties). The premium for private use is based on the fact that the vehicle will not be used during the day, but parked at the day-time risk address.

**Business use:**

Covers the vehicle for private use and where the vehicle forms an essential part of any work function. This could refer to a person's full time or part time job. For example, Sophy is a sales representative for Revlon. She uses her car to drive to different outlets all day long. She needs to cover her vehicle for business use. Jim, on the other hand, works at Steers during the day, and therefore leaves his car at his work all day long (private use) - however, in the evening he works for Mr. Delivery to earn some extra cash. He must then cover his vehicle for business use, as he uses it to earn an income in the evening.

Some insurers will have brackets within business use, therefore depending on the frequency that the vehicle will be used for business use, the premium will differ. The example above used under the heading of private use refers to persons using the vehicle less than 8 times per month, which in most cases will still be insured under private use.

The next bracket could be 8 – 25 times per month, so if the client uses the vehicle for business, but not on a full time basis, an increased premium is charged, but not as high as would be the case for “full on” business use.

### **Professional use:**

This cover is only available at some insurers and will only apply to qualified and practicing lawyers, accountants, doctors, architects etc. They will be covered for business use, but their premium would be less expensive due to their profession.

The usage of the vehicle is a material fact that **MUST** be disclosed to the insurer. Material facts influence the insurer’s decision of acceptance of a risk, and if accepted, the premium, terms and conditions that will apply.

### **3. Why must the insurer know what the vehicle will be used for?**

It is vitally important for insurers to know whether the vehicle is being used for private or business use.

**The usage influences the probability of an incident happening, and therefore it influences the premium that should be charged.**

When a vehicle is used for business, it is usually the case that the person will be driving to different areas. The moment the car is on the road more often, the probability of theft, hijacking and accidents are increased. The driver might need to park in different areas, sometimes on the street or open parking areas. This again increases the probability of incidents happening. The moment the probability of an incident happening increases (risk is increased), the premium must be increased. The higher the probability, the higher the premium.

Therefore, as soon as the

- **Usage** increases,
- the **Probability** increases and therefore
- the **Premium** must increase



The reverse also applies. For example, Suzie is an estate agent, but due to the property market that has taken a downturn she decides to go back to her old job as a receptionist at a doctor's practice.

She will now change the use of her vehicle from business to private, therefore the probability of an incident happening decreases and that results in a premium reduction because she will be on the road less often (usage decreased).

#### 4. The Regular Driver

The regular driver refers to the person that drives the vehicle most often in any given monthly period. Again, it is vital that the insurance company knows who the regular driver is because once again it will influence the probability of an incident happening, and therefore it will influence the premium. Should an insured supply the incorrect information of the regular driver, it may lead to the cancellation of the insurance contract due to misrepresentation.

Younger people usually pose an increased risk due to the fact that they have limited driving experience. They also have a 'need for speed' and lack the instinctive avoidance that older drivers have due to their experience. Younger drivers usually have more incidents, which affect their driving ability.

Therefore, the **Regular Driver's**

- **Age**
- **Driving History** (how long he/she has had their license)
- **Driving Ability** (severity and frequency of previous incident, and on the positive side, whether the person did an advanced driving course)

will influence the **Premium**.

## 5. Other aspects (underwriting criteria) that could influence the premium

During the process of underwriting, an insurer will ask the client a number of questions of which the answers will influence whether the insurer will accept the risk, or not. If the risk is accepted, it will influence the terms, conditions and the premium.

Insurers use statistical data and actuaries determine how certain factors would influence the risk and what the probability is that a claim will occur. They also attempt to determine how soon the insured will claim, what amount the claims will be, as well as how often claims will be submitted (in other words, the frequency and severity of the risk). Based on this, the premium will be determined.

In insurance, the past is a very good indication of the future. Therefore, if a client claims for an accident once a year, the client will most probably continue to do so. Where a person lives, how far he drives to work, the conditions where the vehicle is parked, the client's claims history, his marital status, the work he performs, his financial history, the kind of vehicle he drives and for some insurers, the colour of his car will all influence the probability of an incident happening (the risk) and would include the frequency (how often) and severity (how large the claim will be) of the risk. The underwriting unit standard explores this concept in greater detail.

We shall now look at how the following underwriting criteria will influence the risk, and therefore the premium.

In summary, underwriting can be summarised as follows:

- A series of questions
- That scientifically assesses the risk
- And determines whether the risk will be accepted, or not
- If the risk is accepted, it determines the premium, terms and conditions

### Underwriting criteria

- **Regular Driver**
  - As discussed previously, the regular driver's age, driving history and driving ability will influence the premium being charged.



- Taking all other factors out of consideration, the younger the person, the shorter the driving experience, therefore the higher the premium.
- Clients know this, and some clients will purposefully lie or withhold information on younger drivers on the vehicle, for instance a son or daughter, which could have serious consequences as claims stage due to misrepresentation and non-disclosure – more about this under heading 6 in this learner guide.

- **Risk Address**

- The area where the client lives and works will influence the premium
- Areas that pose a higher than usual risk for theft and hijacking for instance, will attract a higher premium.
- For example, and client that lives in Soweto and works in Braamfontein can expect to pay a higher premium than a person that lives in Steenberg Estate in Tokai, Cape Town and works less than 5 km from their home.
- Police statistics as well as the insurers own statistical data will be used to determine the areas that are seen as high risk areas that would attract a higher premium or ask for additional conditions of cover, such as installing a Vesa 4 immobiliser or tracking device.

- **Area where the motor is parked**

- In addition to the risk address, the circumstances under which the car is parked overnight or during the day will influence the premium.
- Parking a car in a locked garage behind locked gates should attract a lower premium than a car that is parked in the street.
  - Not only theft and hijack premiums are affected here. Cars parked in the street have a higher probability of accidental or intentional damage.

- **Other factors**

- Not all insurers would use the following factors, but some do, and for that reason a few are briefly explained:

- **Marital status**
  - It is argued that a married person or widow(er) would pose a lower risk than divorced or single persons as they should be at home more and go out less than the latter. Single and divorced people usually go out at night more often, possibly parking in unknown areas and staying out late, which all increases the risk on the vehicle
- **Financial background**
  - Persons with an adverse financial background might be more prone to not pay their premiums regularly and on time, and could pose a higher risk of instituting fraudulent or dishonest claims.
- **Colour of the vehicle**
  - Usually the lighter the vehicle, the cheaper the premium, the darker the vehicle, the higher the premium
  - The reason being that lighter cars are easier to see whereas a darker car is more difficult to see in bad weather conditions or in the dark, therefore the accident risk is increased on darker vehicles

As mentioned, some insurers would base their premium on 3 or 4 aspects, whereas others would use a lot more criteria when determining their premium.

We understand that not all persons are the same. There are young persons that are careful drivers and there are older persons that drive recklessly and irresponsibly. And there are persons with a less than favourable credit record that would never institute a fraudulent claim.

We do not mean to stereotype or show prejudice against any person, the above are merely discussed as they are taken into consideration and therefore a certain degree of generalisation applies.

Lastly, please note, that the applicable underwriting criteria are taken into consideration as a whole, and the above discussed in isolation is merely done to realise the impact that certain factors could have on cover and premium.

**See the table below for a summary of the criteria, and the effect on the subject matter of insurance:**

Criteria	Private vehicle	Caravan / trailer	Motorbike
<i>Area or location</i>	Yes	Yes	Yes
<i>Value</i>	Yes	Yes	Yes
<i>Type of cover:</i> <ul style="list-style-type: none"> <li>▪ Comprehensive</li> <li>▪ Third Party fire and theft</li> <li>▪ Third Party only</li> </ul>	Yes Reduced premium Reduced premium	Yes Yes or No Yes or No	Yes Yes or No Yes or No
<i>Claim Free Group (NCB)</i>	Discount	Yes or N/A.	Yes or N/A.
<i>Use (Business, Private, Housewife)</i>	Loading or discount	Dependent on insurer	
<i>Engine capacity</i>	Yes or N/A.	N/A	Yes
<i>Security devices (gear lock/tracker)</i>	Discount	NA	Yes or No
<i>Voluntary excess discount</i>	Discount	Dependent on insurer	
<i>Experience (master drivers course)</i>	Discount	Dependent on insurer	
<i>Age / Gender of driver</i>	Discount or loading	N/A	Yes
<i>Secure complex or pensioner</i>	Discount	N/A	Yes
<i>Imported / Modified vehicle</i>	Loading	N/A	Loading
<i>Accessories (e.g. sound system)</i>	Extra premium	Yes	Yes

## 6. Misrepresentation and Non-disclosure

Discussed in more detail in the Law of Contract unit standard (120124), it is important to briefly note the effect of misrepresentation and non-disclosure.

An insurance company requires an insured (the client) to give honest, full details on all relevant questions that are asked. This is referred to as Good Faith in insurance, and one of the requirements of the Law of Contract.

As discussed above, these aspects determine whether an insurer will accept the risk, or not. If accepted, it determines the premium and terms and conditions of cover.

Therefore, if a client lies, or withholds information that could have affected the underwriting, it is seen as material to the policy or claim, and in such cases the claim could be rejected. It therefore affects the validity of the contract.

Clients are therefore requested to act in good faith, as it could influence whether a claim will be valid, or not.

**Misrepresentation** takes place when a client supplies INCORRECT information.

For example, the client is asked who drives the vehicle most often and the client says it is him, knowing full well that the car has been bought for his child going to university and that she will drive the car most often.

When a claim occurs, and this fact is material to the claim, the claim could be rejected due to misrepresentation. If not, due to the premium prejudice, the client could be requested by the insurer to pay the shortfall in premium from inception of the policy. Insurers usually use a formula to determine the percentage of prejudice, and if it exceeds a certain percentage, the claim is usually rejected. Please note misrepresentation is not limited to the regular driver, it entails all underwriting criteria, i.e. how long the client has had his licence, risk address, where the vehicle is parked, tracking devices etc.

**Non-disclosure** refers to when a client does not disclose all of the required information.

For example, the client is asked about incidents that occurred during the last 3 years. The client says that he has not had any incidents on his car in the last 3 years. Advisors should probe further, as this client might have had incidents on other cars which he is purposefully not disclosing. Or, the client only gives one incident and keeps quiet. Again, the advisor should probe to hear if there were any other incidents as the client could just say that after he mentioned the one claim, the advisor moved onto the next question and he did not have the opportunity to provide more information on the other incidents.

Again, depending on the prejudice suffered, the claim could be rejected.

***It is important to note the following:***

- An insurer can only reject a claim or cancel a policy if the misrepresentation and non-disclosure is **RELEVANT**, in other words **MATERIAL** to the claim
  - For example, a mother notes herself as the regular driver on her daughter's car, which is not correct. On a Saturday afternoon she uses the car to go to the shop and causes an accident. The fact that she lied about the regular driver is not material to this incident as she caused the accident and no prejudice took place in this instance.

***Or***

- The client did not disclose that he has an endorsement on his license. He submits a stolen vehicle claim (the car was stolen at home). The fact that his license is endorsed, is not relevant to the fact that his car was stolen from the risk address noted on the policy.

The above could however be argued that the car would never have been placed on cover if the insurer had known about the endorsement, therefore rejection is warranted, but since the introduction of the Short Term Insurance Ombud, such technical rejections are mostly something of the past.

Further, an endorsement usually increases the premium, or excludes a certain driver, and would not have been the cause for invalidation of the policy.

## 7. Where will you be covered? (Territorial Limits)

Most insurers will cover the vehicle when used for **private use** in

- Swaziland
- Lesotho
- Mozambique
- Botswana
- Namibia
- Malawi
- Zimbabwe

The vehicle will not be covered for business in these countries, only private use.

Should the vehicle be used for business use in one of these countries, some insurers will be able to offer optional (additional) cover at an additional premium.

## 8. The different types of cover:

You are usually able to choose from:

- **Comprehensive** cover
- **Third party, Fire and Theft** (also referred to as Limited cover by some insurers)
- **Third party only** (also referred to as Liability cover to other parties only or Balance of third party cover)

The widest cover is offered under Comprehensive cover.

It is also compulsory to cover your car for Comprehensive cover should your vehicle be financed. The Bank will require from you to cover it for Comprehensive cover in terms of the agreement they sign with you, as technically the car still belongs to them until you settle the outstanding balance with them. Due to the fact that the financial institution has insurable interest in the item, meaning that they will be prejudiced in the event of loss or damage, they need to ensure that it is comprehensively insured and that they will be indemnified in the event of loss.



Let's look at the perils covered under each one:

### 8.1 Comprehensive Cover typically covers:

- Liability to Other Parties (3rd party cover)
- Accidental Damage to own vehicle
- Theft and hijack
- Intentional Damage (caused by others to your vehicle)
- Fire, explosion and lightning
- Acts of Nature

### 8.2 Third Party, Fire and Theft Cover (Limited Cover) covers:

- Liability to Other Parties (3rd party cover)
- Theft and hijack
- Fire, explosion and lightning

*Tip for studying! When looking at Comprehensive cover, we use the acronym LATIFA. Under 3<sup>rd</sup> party, fire and theft only the LTF remains (the consonants) and the AIA are not covered (the vowels)*

### 8.3 Liability To Other Parties Cover only covers:

- Liability to Other Parties (3rd party cover)

The Client's vehicle is not covered AT ALL. Only damages and injuries caused to other people and/or their property with the client's vehicle will be covered.

Please study your policy wording of choice to know what is covered, and what is not.

It is important at this stage to explore the cover provided under Liability to Other Parties (3<sup>rd</sup> party cover) before we compare the cover provided by two insurers in the market.

When driving a vehicle, one can cause damage or injury to other parties.

For example, when causing an accident, other vehicles, persons and or property are usually involved in the accident. Even if one loses control of the vehicle, and no one else is involved in the accident, the vehicle might collide with a lamp pole, traffic light,

a wall etcetera and one could face a claim from the municipality or other owner of the property damaged.

If you are sued, and the case goes to the courts, if found LIABLE (please note, unless it is criminal proceedings, which in most cases will not be covered by the insurer, one is not found guilty, but LIABLE in civil proceedings), the court might award damages.

If the damages, injury or death was caused accidentally by you with your vehicle, or a household member or any other person that had your permission to use the vehicle, and do not have insurance of their own, the insurance company will cover the damages, injuries and/or death caused up to a certain limit, which is usually R5 million and could be increased to R10 or R20 million at an additional premium.

Please note however, that cover is limited to the provisions in the Road Accident Fund and does not cover injury and/or death caused to household members and employees, or damage to their property. Also, death, injury and damage caused and covered under the Road Accident Fund is excluded from this cover at most insurers.

Comprehensive, third party fire and theft (Limited cover) as well as liability to other parties only (3<sup>rd</sup> party) cover all includes cover for liability to third parties. In this section the legal liability following damage to property of others or injury to others (third parties) is insured. Study the table below where cover between two insurers are compared to see what is covered, and what is not covered under liability cover.

For ease of reference, the following is also supplied.

### **8.3.1 The Insured Events under Liability to Other Parties**

The accident giving rise to the liability must be caused by or in connection with the insured vehicle. This does not mean that the insured vehicle must be damaged in the accident. It is enough that the vehicle (that is, actually the driver) was the cause of the incident which resulted in third party damage.

Incident / person enjoying cover	Cover entails...	Exceptions
Unrelated third party	full cover for property damage <ul style="list-style-type: none"> <li>• injury</li> <li>• death</li> </ul>	<ul style="list-style-type: none"> <li>• Subject to the policy limit</li> </ul>
Family member normally residing with the insured	no cover	<ul style="list-style-type: none"> <li>• Total exclusion</li> </ul>
Third party in the employ of the insured arising out of their employment, (some policies specifically exclude domestic servants from this exception)	no cover, but <ul style="list-style-type: none"> <li>• if the insured is giving say their domestic servant a lift to the shops</li> <li>• and it is not in the scope of their employment</li> <li>• there would be cover.</li> </ul>	<ul style="list-style-type: none"> <li>• If travel is in the scope of their employment.</li> </ul>
Passengers in the vehicle or alighting from or entering into the vehicle.	<ul style="list-style-type: none"> <li>• bodily injury and</li> <li>• death</li> </ul>	<ul style="list-style-type: none"> <li>• no cover in the back of a bakkie, trailer or caravan.</li> <li>• note it is also excluded whilst getting in our out of these.</li> </ul>
Injury or death covered in terms of the Road Accidents Fund.	<ul style="list-style-type: none"> <li>• death or</li> <li>• bodily injury</li> </ul> <p>over and above the limits applicable to the fund.</p>	<ul style="list-style-type: none"> <li>• no cover for the benefit payable under the RAF whether it is in force or not.</li> </ul>
Damage to property in the custody or control of the insured	<ul style="list-style-type: none"> <li>• no cover</li> </ul>	<ul style="list-style-type: none"> <li>• totally excluded even whilst loading or unloading</li> </ul>
Other person driving with insured's permission	<ul style="list-style-type: none"> <li>• same benefits as the insured</li> </ul>	<ul style="list-style-type: none"> <li>• must not have own insurance</li> <li>• must not have been refused insurance</li> </ul>

		<ul style="list-style-type: none"> <li>• must act as though he were the insured</li> </ul>
Insured driving other vehicle which is on loan to him, that is, not hired vehicle.	<ul style="list-style-type: none"> <li>• same benefits as whilst driving own vehicle</li> </ul>	<ul style="list-style-type: none"> <li>• no cover for the vehicle being driven</li> </ul>
passengers in soft top vehicles, for example, convertible sports cars	<ul style="list-style-type: none"> <li>• death and</li> <li>• injury</li> </ul> <p>to passengers</p>	<p>some</p> <ul style="list-style-type: none"> <li>• restrict the benefit , whilst others</li> <li>• exclude cover</li> </ul>

#### 8.4 Comparison of cover provided by two different insurers

Please see a comparison below to view the cover provided, and specific exclusions of two insurers.

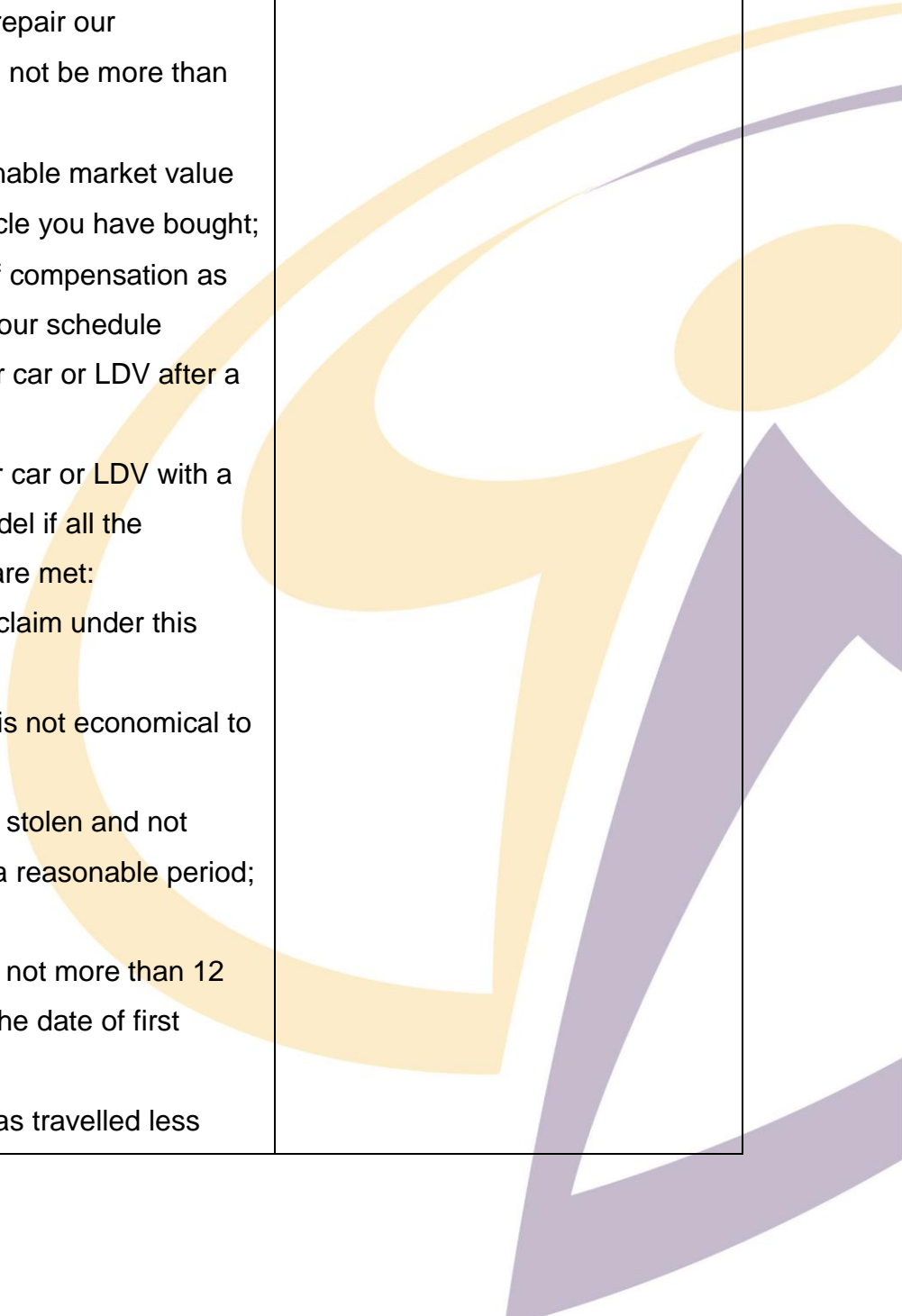
<b>Comparison of cover provided under a standard personal lines motor policy by two different insurers</b> <i>updated 05/04/2014</i>	
<b>Insurer A</b> <i>(Based on the Santam Policy wording VER001)</i>	<b>Insurer B</b> <i>(Based on the OUTsurance Facility wording downloaded 05/04/2014)</i>
<b>Comprehensive Cover</b>	
<p>We cover accidental loss of or damage to the vehicle. Cover includes amounts for which you are legally liable to a third party if the liability relates to the vehicle</p>	<p>You are covered for accidental damage to your own vehicle as well as damage to other people's property. Your vehicle is also covered for theft and hijack.</p> <ol style="list-style-type: none"> <li>1. Loss of or damage to the vehicle</li> </ol> <p>Loss or damage caused:</p> <ul style="list-style-type: none"> <li>▪ in an accident or intentionally (including</li> </ul>

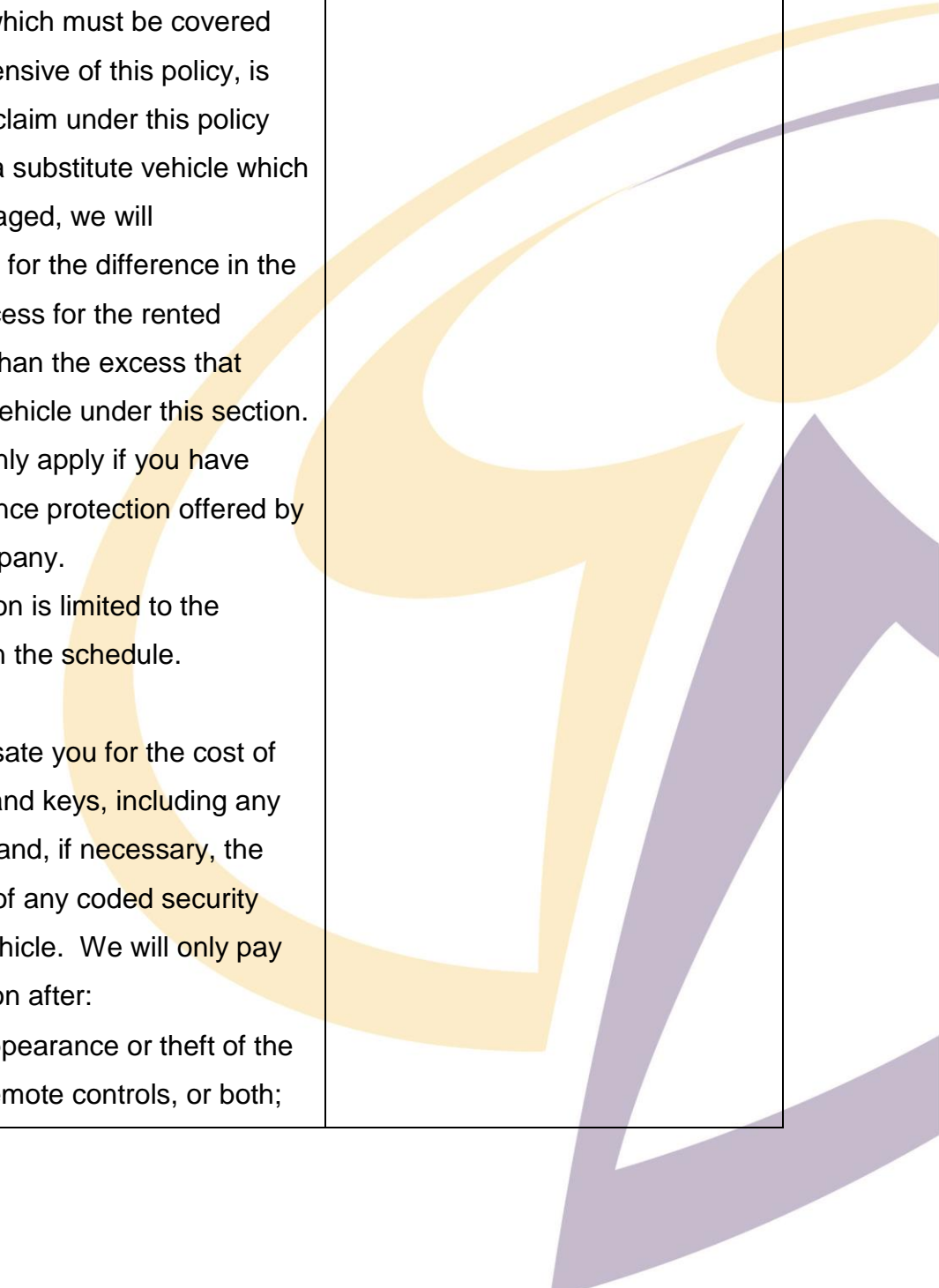
	<p>theft, hijacking, attempted theft or attempted hijacking)</p> <ul style="list-style-type: none"><li>▪ by fire, explosion, earthquake, storm, hail, flood, freezing or snow</li><li>▪ by animals (excluding domestic animals)</li></ul> <p>2. Towing and storage</p> <p>The reasonable costs to store or to tow the vehicle to the nearest repairer, following an incident for which you can claim.</p> <p>3. Liability to other people</p> <p>You, members of your household and the regular driver are covered for legal liability following a vehicle accident which causes damage to other people's property.</p> <p>This includes legal costs which someone else can recover from you and which we agree to in order to settle or defend a claim against you. The maximum amount you can claim per accident is noted on your schedule.</p> <p>The accident must involve:</p> <ul style="list-style-type: none"><li>▪ the OUTsured vehicle, or</li><li>▪ any vehicle being towed by</li></ul>
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	<p>the OUTsured vehicle, or</p> <ul style="list-style-type: none"> <li>▪ a vehicle being driven by you, any members of your household or the regular driver, that you or they do notown</li> </ul>
<b>Limited Cover (Third party, fire and theft)</b>	
<p>We cover accidental loss to the vehicle only if the loss or damage is caused by fire, lightning, explosion, theft or attempted theft. Cover includes amounts for which you are legally liable to a third party if the liability related to the vehicle</p>	<p>You are covered for damage to your own vehicle caused by fire as well as damage to other people's property.</p> <p>Your vehicle is also covered for theft and hijack. Accidental damage to your own vehicle is not covered.</p>
<b>Liability to Other Parties only (Third Party Only)</b>	
<p>We cover amounts for which you are legally liable to a third party if the liability relates to the vehicle</p>	<p>You are covered for liability to other people where a vehicle accident caused damage to other people's property.</p>
<b>Extended basic cover (Additional benefits)</b>	
<p>1. Tow in Cost and Safeguarding We will compensate you for the reasonable costs to safeguard your vehicle and move it to the closest repairer if you have a valid claim for the vehicle under this section</p> <p>2. Emergency Repairs We will compensate you for emergency repairs to allow you to continue your journey if you have a valid claim for the vehicle under this section</p>	<p>1. Towing and storage The reasonable costs to store or to tow the vehicle to the nearest repairer, following an incident for which you can claim.</p> <p><b><i>Under the Roadside Assistance cover:</i></b></p> <p>1. Breakdown (excluding accidents):</p>



<p>You may authorise these emergency repairs, without first obtaining our approval, only if the repairer gives you a full itemised invoice, which must be sent to us</p> <p>Our compensation is limited to the amount shown in the schedule</p> <p>3. Delivery after repairs</p> <p>We will compensate you for the reasonable cost to deliver the vehicle to your home address as shown in the schedule after the completion of our authorised repairs</p> <p>4. Tow-in cost and safeguarding after mechanical breakdown</p> <p>We will compensate you for the reasonable cost and safeguarding and moving of the vehicle if it has a mechanical or electrical breakdown</p> <p>This cover applies only once during any renewal period of cover provided by this section</p> <p>Our compensation is limited to the amount shown in the schedule</p> <p>5. Vehicle transfer cover (for any vehicle you buy)</p> <p>We cover loss of or damage to a vehicle you have purchased, but only for the first 72 hours after you have taken physical possession of the vehicle. This cover applies only if all of the following conditions are met:</p> <p>5.1 You have purchased the vehicle from</p>	<ul style="list-style-type: none"> <li>• Tow to the nearest service provider or place of safe keeping.</li> </ul> <p>Limit: Initial tow costs are covered</p> <p>2. Safe storage of your vehicle</p> <p>Limit: R400</p> <p>3. Flat tyre, Flat battery, Keys locked in car, Run out of fuel</p> <p>Limit: Callout &amp; 1 hour labour</p> <p>4. If you are stranded more than 50kms from home – Hotel accomodation or alternative transport</p> <p>Limit: R400</p> <p>Repatriation of the vehicle</p> <p>Limit: R400</p>
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<p>a member of the motor trade;</p> <p>5.2 The seller has no insurance that covers the vehicle;</p> <p>5.3 You have at least one vehicle insured for Comprehensive cover under this policy;</p> <p>5.4 You add the vehicle for Comprehensive cover under your policy before we handle your claim</p> <p>If we decide the vehicle is uneconomical to repair our compensation will not be more than the lowest of:</p> <ul style="list-style-type: none"><li>• The reasonable market value of the vehicle you have bought;</li><li>• The limit of compensation as shown in your schedule</li></ul> <p>6. Replacement of your car or LDV after a claim</p> <p>We may replace your car or LDV with a similar make and model if all the following conditions are met:</p> <p>6.1 You have a valid claim under this section; and</p> <p>6.2 We decide that it is not economical to repair; or</p> <p>6.3 The car or LDV is stolen and not recovered within a reasonable period; and</p> <p>6.4 The car or LDV is not more than 12 months old from the date of first registration; and</p> <p>6.5 The car or LDV has travelled less</p>	
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<p>than 30 000 kilometers; and</p> <p>6.6A similar new car or LDV is available on the local new-vehicle market</p> <p>If you refuse that we replace your car or LDV with a similar make and model, our compensation will be the limit of compensation of the car or LDV as shown in the schedule</p> <p>7. Difference in excess cover for a rented vehicle</p> <p>If your vehicle, which must be covered under Comprehensive of this policy, is the subject of a claim under this policy and you rented a substitute vehicle which is stolen or damaged, we will compensate you for the difference in the excess if the excess for the rented vehicle is more than the excess that applies to your vehicle under this section. This cover will only apply if you have taken the insurance protection offered by the car-hire company.</p> <p>Our compensation is limited to the amount shown in the schedule.</p> <p>8. Loss of keys</p> <p>We will compensate you for the cost of replacing locks and keys, including any remote controls and, if necessary, the reprogramming of any coded security system of the vehicle. We will only pay this compensation after:</p> <ul style="list-style-type: none"><li>• The disappearance or theft of the keys or remote controls, or both;</li></ul>	
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<ul style="list-style-type: none"> <li>• The reasonable belief that an unauthorised person may be in possession of a duplicate key or remote control;</li> <li>• Damage to the locks.</li> </ul> <p>Our compensation is limited to the amount shown in the schedule.</p>	
<b>Convenience benefits (Further additional benefits)</b>	
<p>1. Medical expenses of passengers (other than your family)</p> <p>After loss of or damage to the vehicle in which they travel, we will compensate you for medical expenses you incur and pay because of accidental bodily injury to passengers. At the time of injury, the passenger must be seated in the vehicle's permanent enclosed passenger-carrying compartment. The passenger cannot be a member of your family who normally lives with you. It must not be possible to recover the medical expenses from any other insurance or facility. Our compensation is limited to the amount shown in the schedule.</p> <p>2. Emergency accommodation (not applicable to tow-in resulting from mechanical breakdown)</p> <p>We will compensate you for accommodation for up to two nights for you and any passenger travelling with you if you cannot complete your journey</p>	<p>1. Medical costs</p> <p>Medical costs (up to a maximum of R1 500 per person) for any passenger in the vehicle who is injured following an incident for which you can claim.</p>

in the vehicle because it is lost or damaged.

Our compensation is limited to the amount shown in the schedule

3. Emergency costs

We will compensate you for costs of emergency services you are liable to pay to any public authority after any loss or damage to the vehicle.

Our compensation is limited to the amount shown in the schedule.

4. Recovery costs (only applicable to Comprehensive or Limited cover)

We will compensate you for reasonable costs you incur with our written consent to recover the vehicle when it is found after it has been stolen or hijacked.

Our compensation is limited to the amount shown in the schedule.

5. Medical expenses of passengers (your family)

After loss or damage to the vehicle in which they travel, we will compensate you for medical expenses you incur and pay because of accidental bodily injury to members of your family, who normally live with you. At the time of the injury, the member of your family must be seated in the vehicle's permanent enclosed passenger-carrying compartment. It must not be possible to recover the medical expenses from any other insurance or facility.

<p>Our compensation is limited to the amount shown in the schedule.</p> <p>6. Trauma treatment</p> <p>We will compensate you for trauma treatment that you incur and pay for if you suffered a hijacking or attempted hijacking of the vehicle. The trauma treatment must be given by a registered professional counsellor. It must not be possible to recover the medical expenses from any other insurance or facility.</p> <p>Our compensation is limited to the amount shown in the schedule.</p>	
<p><b>Optional cover (The client will only be covered if it is shown in the schedule and the additional premium is being paid for the optional cover)</b></p>	



If a heading below is shown in the Schedule, we will only cover you as shown under that heading. If the heading is not shown, you do not have the optional cover.

1. Specified Accessories (such as car sound equipment)

We will compensate you for loss or damage to accessories that form part of the vehicle and are described in the schedule. We will also cover the accessories when they are temporary removed from the vehicle.

Our compensation is limited to the amount shown in the schedule.

2. Cover for credit shortfall

We will pay the difference between the value of the vehicle which is a car or light delivery vehicle as shown in the schedule and the outstanding settlement value in terms of a credit agreement that you entered into. We will pay this difference only if we accept your claim for the vehicle being either:

- In our opinion beyond economic repair following loss or damage; or
- Stolen and not recovered within a reasonable period

The credit agreement that you entered into must fall under the definition of Credit Agreement given in the National Credit Act (Act 34 of 2005)

2.1 Any amount still outstanding on your

The following is only covered if it is noted on your schedule and the additional premium is charged:

1. Non-standard vehicle sound equipment and accessories

Loss or damage to:

- factory fitted sound equipment and accessories

Any standard factory fitted sound equipment and vehicle accessories to motorcars, LDVs and motorcycles are automatically covered under standard Vehicle cover because it is included in the value of the vehicle.

Accessories fitted to caravans and trailers are also covered if they are included in the OUTsured value. The basic vehicle excess will still be payable for any claims under the Vehicle section of the facility. You can however specify the sound equipment and vehicle accessories under the optional cover and then the lower sound equipment and

<p>Credit Agreement less:</p> <ul style="list-style-type: none"> <li>• any arrear instalments or rentals, including interest payable on arrears;</li> <li>• all refunds of premium for cancellation of any insurance cover relating to the vehicle;</li> <li>• the increased instalments or rentals that would have been paid had there been no residual capital value at the end of the finance period, calculated to the month in which the claim is settled. This applies if you had arranged to pay lower installments for an initial period and a higher installment at a later stage. In this case, we will not compensate you for the remaining amount you owe. We will only compensate you for what you still would have owed if you had arranged to pay back the loan in equal installments over the term of the loan.</li> </ul> <p>3. Contents of Caravans or Trailers</p> <p>We will compensate you for loss of or damage to the contents of a caravan or trailer, while the contents are kept in the caravan or its side tent or in the trailer or its tent. The caravan or trailer must be</p>	<p>accessories excess is payable.</p> <ul style="list-style-type: none"> <li>▪ non-factory fitted sound equipment and accessories</li> </ul> <p>Any non-factory fitted sound equipment and vehicle accessories items such as mag rims, boot spoilers and cell phone car kits need to be specified under the optional cover. You will enjoy no cover for these items if not specified. Items that are occasionally in the vehicle need to be OUTsured under Out-and-About</p> <p>2. Car Hire</p> <p>Following an incident for which you can claim, we will provide you with a hired car where your vehicle is:</p> <ul style="list-style-type: none"> <li>▪ damaged and being repaired</li> <li>▪ damaged and not drivable</li> <li>▪ stolen or hijacked</li> </ul> <p>The hired car is available for a maximum period of 30 days or until your claim is finalised if it is within the 30 day period.</p> <p>You will need to pay:</p> <ul style="list-style-type: none"> <li>▪ the fuel and security</li> </ul>
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<p>insured under this policy.</p> <p>Our compensation is limited to the amount shown in the schedule.</p> <p>We will not compensate you for:</p> <p>3.1 fixtures and fittings;</p> <p>3.2 loss of or damage to tools or goods and samples relating to a business, trade, or occupation;</p> <p>3.3 damage to glass, glassware or other breakable articles, due to cracking, scratching or breakage, unless caused by the caravan or trailer being involved in the accident.</p> <p>4. Tools, spare parts and travel accessories</p> <p>We will compensate you for loss of or damage to car tools, spare parts and travel accessories (such as seat covers, rubber mats, towing ropes, sun shields) while they are in the vehicle.</p> <p>Our compensation is limited to the amount shown in the schedule.</p> <p>5. Car Hire</p> <p>5.1 We will supply you with a hired car, subject to availability, in terms of your selection shown in the schedule, if your vehicle is unusable or being repaired after a claim we have accepted under this section of the policy</p> <p>5.2 We will supply the hired car only after we have received the full information about the loss or damage</p> <p>5.3 We will supply the hired car to you for</p>	<p>deposit, running costs as well as the collection and delivery fees</p> <ul style="list-style-type: none"> <li>▪ the excess in the event of a claim for loss of or damage to the hired car</li> </ul> <p>3. Business use in countries outside South Africa</p> <p>Following an incident for which you can claim you are covered when the vehicle is used for any business purposes while travelling in Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland and Zimbabwe.</p> <p>4. Business use outside South Africa – Additional countries</p> <p>Following an incident for which you can claim you are also covered when the vehicle is used for any business purposes while travelling in The Democratic Republic of the Congo (in all areas south of and inclusive of Kolwezi), Kenya, Tanzania, Uganda, Angola and Zambia.</p> <p>5. OUT-in-Africa</p>
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<p>a period which will in total not be more than 30 days. We will no longer supply it as soon as any one of the following takes place:</p> <ul style="list-style-type: none"> <li>• The date on which the vehicle is repaired to your satisfaction, if we have authorised its repair;</li> <li>• The date on which we settle your claim by cash payment;</li> <li>• The date on which we replace the vehicle</li> </ul> <p>5.4 The car hire option includes:</p> <ul style="list-style-type: none"> <li>• A vehicle as selected by you from our available options shown in the schedule;</li> <li>• Unlimited kilometres;</li> <li>• Car accident damage cover;</li> <li>• Car theft cover;</li> <li>• Airport surcharge;</li> <li>• Tourism levy;</li> <li>• Delivery or collection up to 25 kilometres from the nearest car-hire company contracted by us;</li> <li>• Any two declared drivers</li> </ul> <p>5.5 We will not pay any of the following:</p> <p>5.5.1 the following costs as shown in the schedule:</p> <ul style="list-style-type: none"> <li>• Delivery or collection fees for more than 25 kilometres from the nearest car-hire company contracted by us;</li> <li>• The cost of any extra declared drivers;</li> </ul>	<p>The vehicle is covered in the SA, Angola, Botswana, Kenya, Lesotho, Malawi, Moçambique, Namibia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. The Watercraft is also covered while afloat within a 20km distance off the coast, where applicable, of these countries. This cover does not include any country-specific third party insurance.</p> <p>This cover must be taken out at each border post should this be required for the country you are travelling to.</p> <p>6. When selling your vehicle Loss of or damage to your vehicle, while it is in the possession of another party who is selling it on your behalf, caused by any of the OUTsured incidents listed under What is covered</p> <p>7. Vehicle Credit Shortfall You have a credit shortfall when the amount you owe in terms of a finance agreement with a finance company exceeds the OUTsured value we pay to settle a claim.</p>
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<ul style="list-style-type: none"> <li>• One-way drop-off fees;</li> <li>• Fuel deposit;</li> <li>• Administration fees for traffic fines;</li> <li>• Breakage of windscreen/windows;</li> </ul> <p>5.5.2 any excess included in any policy covering the hired vehicle;</p> <p>5.5.3 water and undercarriage damage;</p> <p>5.5.4 costs associated with the operation of a hired car;</p> <p>5.5.5 traffic fines;</p> <p>5.5.6 the difference in costs between the car-hire group you selected and a more expensive car-hire group</p> <p>5.6 You must have a valid credit card issued in your name with which to pay the car-hire company for the above fees and excess</p> <p>5.7 It is your responsibility to find out these costs and take delivery of the car</p> <p>5.8 You will be supplied with a hired car only in the Republic of South Africa</p> <p>5.9 If you need a hired car in Namibia, Lesotho, Botswana, Swaziland, Zimbabwe, Malawi or Mozambique, you may hire a car from a recognised car-hire company in those countries. You must pay for it and send us a copy of the invoice. When we receive the invoice, we will compensate you.</p> <p>5.10 We will not exceed the same amount that would have been</p>	<p><i>E.g. If your car is stolen and we pay R100 000, which is your car's OUTsured value, and you owe your bank R120 000 in terms of a finance agreement, we will settle the difference by paying it to the bank.</i></p> <p>The vehicle must:</p> <ul style="list-style-type: none"> <li>▪▪ be uneconomical to repair</li> <li>▪▪ have been stolen or hijacked and not recovered</li> </ul>
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payable per day if we had supplied the hired car in the Republic of South Africa.

#### 6. 4x4 Cover

This cover only applies to a car or light delivery vehicle mentioned in the schedule and insured for Comprehensive cover.

In the event that cover and limits for the same cover are shown under Extended basic cover, Convenience benefits or Optional cover, it will be replaced by the cover and limits of this 4x4 extension, where applicable.

(For the purposes of this learner guide, this section is summarised)

##### 6.1 Extended countries

The countries are extended to include Angola, Zambia, Kenya, Tanzania, Burundi, Rwanda and the Democratic Republic of the Congo (DRC), subject to certain conditions in the policy wording

##### 6.2 Emergency repairs

##### 6.3 Winching equipment

##### 6.4 Repatriation costs

##### 6.5 Extinguishing costs

##### 6.6 Personal documents


##### 6.7 Medical expenses of passengers

(your family)

##### 6.8 Loss of keys

##### 6.9 Wreckage removal



<p>6.10 Head, tail or spotlights</p> <p>6.11 Tow-in cost and safeguarding after mechanical breakdown</p> <p>6.12 Trauma treatment</p> <p>6.13 Emergency accommodation</p> <p>6.14 Compensation for car hire</p> <p>7. Luxury vehicles</p> <p>Extended benefits are provided for luxury vehicles if the optional cover is taken and the additional premium paid</p>	 A large, stylized graphic of a person in yellow and purple, positioned on the right side of the page. The figure is composed of thick, curved lines, with a yellow head and torso and a purple lower body. The graphic is partially obscured by the table border.
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<b>Vehicle Liability</b>	
<p>1. Limit of compensation</p> <p>We will compensate you for amounts for which you are legally liable to a third party due to an event which happens or arises in connection with the use of your vehicle. The compensation provided by this section of the policy is limited to the amount shown on your schedule. The limit includes all costs and expenses incurred by us and costs and expenses you incur with our prior written approval.</p> <p>2. Legal liability to third parties</p> <p>We will compensate you for amounts for which you are legally liable to a third party due to an event which happens or arises in connection with:</p> <ul style="list-style-type: none"> <li>• Your use of the vehicle</li> <li>• Using the vehicle to tow any single vehicle, caravan or trailer</li> <li>• The loading of any load onto or off the vehicle</li> </ul> <p>3. Legal liability to third parties if a person other than you uses the vehicle shown in the schedule</p> <p>We will compensate any person, other than you, for amounts they are legally liable to a third party due to an event which happens or arises from the other person's use of the vehicle, including the loading of any load onto or off the vehicle.</p> <p>This legal liability is offered only if the</p>	<p><b><i>WHAT IS COVERED under Liability to other people</i></b></p> <ul style="list-style-type: none"> <li>• Damage to other people's property</li> <li>• You, members of your household and the regular driver are covered for legal liability following a vehicle accident which causes damage to other people's property.</li> <li>• This includes legal costs which someone else can recover from you and which we agree to in order to settle or defend a claim against you.</li> </ul> <p>The accident must involve:</p> <ul style="list-style-type: none"> <li>• the OUTsured vehicle, or</li> <li>• any vehicle being towed by the OUTsured vehicle, or</li> <li>• a vehicle being driven by you or members of your household or the regular driver, that you or they do not own</li> </ul> <p><b><i>WHAT IS NOT COVERED under Liability to other people</i></b></p> <ul style="list-style-type: none"> <li>• Death, bodily injury or emotional shock</li> </ul>

<p>other person using the vehicle meets all these conditions:</p> <p>3.1 they comply with the general terms and conditions of the policy and the terms and conditions of this section in so far as they apply;</p> <p>3.2 they were using the vehicle with your express permission;</p> <p>3.3 they are not entitled to compensation for the third party claim by any other insurance policy;</p> <p>3.4 they were not refused vehicle insurance or the continuation of any vehicle insurance during the three years before the date of the event.</p> <p>4. Legal liability to third parties arising out of you using a vehicle not shown in the schedule</p> <p>We will compensate you for amounts for which you are legally liable to a third party due to an event which happens or arises in connection with:</p> <ul style="list-style-type: none"> <li>• Your use of a vehicle not shown in the schedule</li> <li>• The towing of any single vehicle, trailer or caravan by the vehicle</li> <li>• The loading of any load onto or off the vehicle you are using</li> </ul> <p>However we will not compensate you for the damage to the vehicle you are using. This legal liability is offered only if:</p> <p>4.1 You drive the vehicle</p> <p>4.2 The vehicle you are using is a car,</p>	<ul style="list-style-type: none"> <li>• Liability for death, bodily injury or emotional shock.</li> <li>• Liability for death and bodily injury is covered by the Road Accident Fund inside South Africa.</li> <li>• It is advisable to purchase cover for liability of death and bodily injury when travelling outside South Africa. Country specific cover is often compulsory and available when entering countries.</li> <li>• Loss of or damage to property Liability for loss of or damage to:       <ul style="list-style-type: none"> <li>▪▪ property owned by you or in your control</li> <li>▪▪ property owned by or in the control of any member of your household, the regular driver or any of your employees</li> <li>▪▪ a vehicle being driven by you, the regular driver, any of your employees or members of your household. Loss or damage to these vehicles will only be covered if it is specifically insured for loss or damage with</li> </ul> </li> </ul>
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<p>LDV, caravan, trailer or a motorcycle</p> <p>4.3 You do not own the vehicle</p> <p>4.4 The vehicle is not leased to you</p> <p>4.5 The vehicle is not hired to you</p> <p>4.6 You are not purchasing the vehicle in terms of any credit agreement</p> <p>5. Representation/Defence</p> <p>We are entitled to arrange representations or defences that are the subject of any compensation under this section. This includes:</p> <p>5.1 representation at any legal autopsy or inquest relating to any death;</p> <p>5.2 the defence for any action which is the cause of or related to any event</p>	<p>OUTsurance</p> <ul style="list-style-type: none"> <li>▪▪ a vehicle being towed by the OUTsured vehicle</li> <li>• Cover given by legislation or other insurance contracts</li> <li>• Liability which is covered by:             <ul style="list-style-type: none"> <li>▪▪ any compulsory motor vehicle insurance Act</li> <li>▪▪ the Occupational Health and Safety Act</li> <li>▪▪ the Compensation for Occupational Injury and Diseases Act</li> <li>▪▪ any other insurance or OUTsurance contract</li> </ul> </li> <li>• The exclusions noted below under “What is not covered under Vehicle”</li> </ul>
<p><b>NOT COVERED under the motor section</b></p>	
<p>1. Vehicle loss or damage</p> <p>None of the following are covered, unless otherwise shown on the schedule:</p> <p>1.1 mechanical, electric or electronic breakdown, failures or breakages, including any consequential loss of or damage to any other mechanical, electrical or electronic component as a result of the mentioned breakdown, failure or breakage;</p> <p>1.2 depreciation in value whether from</p>	<p>1. Driving with an endorsed licence or without a valid licence</p> <p>If any person drives the vehicle:</p> <ul style="list-style-type: none"> <li>▪▪ with a licence that is endorsed for drunken or reckless and negligent driving</li> <li>▪▪ without a valid driver’s licence or permit for the</li> </ul>

<p>repairs or otherwise;</p> <p>1.3 gradual damage (such as wear, tear, rust, mildew, corrosion, decay);</p> <p>1.4 damage to tyres by the application of brakes or by punctures, cuts or bursts caused by road hazards;</p> <p>1.5 damage to the suspension system due to unevenness of the road or other surface or due to impact with such unevenness;</p> <p>1.6 damage to the vehicle resulting directly from the vehicle not being roadworthy;</p> <p>1.7 loss or damage from or in connection with any exchange, cash or credit sales agreement, including theft under false pretence and fraud</p> <p>2. Vehicle Liability</p> <p>None of the following are covered unless shown otherwise on the schedule:</p> <p>2.1 the amount of compensation payable by any compulsory motor insurance legislation;</p> <p>2.2 your legal responsibility arising from any tool or plant (including any machinery) attached to the vehicle;</p> <p>2.3 death of, or bodily injury to, any person you employ, if the death or bodily injury arises from and in the course of such employment;</p> <p>2.4 death of or bodily injury any member of the same household as you;</p> <p>2.5 damage to the property belonging to</p>	<p>specific vehicle type</p> <ul style="list-style-type: none"> <li>▪▪ with a foreign licence unless the driver has a valid International Driving Permit or a valid driver's licence issued in the driver's country. The licence must be in English (or translated into English by the authorities of that country), with a photo of the driver and it must be for an equivalent vehicle in South Africa. Any person living in South Africa permanently must get a South African licence within one year of becoming a permanent resident. If the foreign licence is a provisional or learner's licence, the person must get a valid South African driver's licence</li> </ul> <p>2. Driving under the influence</p> <p>If any person who drives the vehicle:</p> <ul style="list-style-type: none"> <li>▪▪ is under the influence of alcohol or drugs</li> <li>▪▪ has a concentration of alcohol in the blood exceeding the legal limit or fails a breathalyser test</li> </ul>
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<p>you or held in trust by you or in your custody or control;</p> <p>2.6 damage to the property being conveyed by or loaded onto or unloaded from any vehicle;</p> <p>2.7 legal costs and expenses incurred after the date that we paid or offered to pay the full amount of a claim, a lesser amount needed to settle the claim, or the maximum amount for which we are liable for a claim;</p> <p>2.8 death of or bodily injury to any person who, at the time, was being carried in or on a caravan, trailer, motorcycle, or light delivery vehicle other than in the cab of the light delivery vehicle;</p> <p>2.9 death of or bodily injury to any person who, at the time, is or was being carried in or on any vehicle being towed;</p> <p>2.10 liability resulting directly from the vehicle not being roadworthy</p> <p>3. Vehicle Loss or Damage and Liability</p> <p>None of the following are covered:</p> <p>3.1 if the vehicle is used for any purpose not described in the Class as shown in the schedule for that particular vehicle;</p> <p>3.2 if you are using the vehicle while you are under the influence of intoxicating liquor or drugs, or your blood or breath alcohol concentration exceeds the legal limit;</p>	<p>▪▪ refuses to give either a breath or blood sample</p> <p>3. Leaving the scene of an accident If the vehicle is involved in an accident and the person who drove the vehicle then leaves the scene of the accident unlawfully.</p> <p>4. Racing or using the vehicle to earn an income from it Where the vehicle is used for:</p> <p>▪▪ racing or competition</p> <p>▪▪ driving instruction, towing and hiring for which the driver or the owner receives payment</p> <p>5. When selling your vehicle Where the vehicle is in the possession of another party who is selling it on your behalf. This will only be covered if it is noted on your schedule and the additional premium is charged.</p> <p>6. Unroadworthy vehicle</p> <p>7. Where the vehicle is involved in an accident and it does not meet the roadworthy requirements as stated by road traffic</p>
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<p>3.3 if any other person is using the vehicle with your express or implied permission who, to your knowledge, is under the influence of intoxicating liquor or drugs or their blood or breath alcohol concentration exceeds the legal limit;</p> <p>3.4 if you are using the vehicle and you do not have a licence to drive the vehicle, irrespective of where the vehicle is being driven;</p> <p>3.5 if any person is using the vehicle with your express or implied permission and the person does not have a licence to drive the vehicle, irrespective of where the vehicle is being driven</p>	<p>legislation.</p> <p>8. Intentional loss or damage Loss of or damage to your vehicle:</p> <ul style="list-style-type: none"> <li>▪▪ caused intentionally by you, members of your household or the regular driver</li> <li>▪▪ which occurs with your knowledge or consent</li> </ul> <p>9. Where your vehicle is used without your consent Loss of or damage to your vehicle when any members of your household use your vehicle without your consent.</p> <p>10. Modifications to enhance engine performance Any damage caused directly or indirectly as a result of modifications to the engine to enhance performance.</p>
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## 9. Difference between a No Claim Bonus and a Cash Back Bonus

### ***Purpose of No Claim Bonus:***

Insurers like to attract and retain clients who do not claim. The premium of these clients contribute to profits and they are not a burden on claims and administrative staff and processes. A system of discounts on premiums paid is used by insurers to keep and attract such profitable clients and is known as “Claim Free Groups” or “No Claim Bonus.” It is a client reward.

This discount on premium system rewards the claims free insured for each consecutive insurance year where no claims have been lodged. During the first year of insurance, a no claim bonus (NCB) of 0 is recorded. During the next year (provided no claims have been submitted) a NCB of 1 is awarded. The claim free years accumulate up to 6 or 7 years depending on the policy of the insurer. Certain minimum premium must always be retained.

For each NCB year a higher premium discount is allowed. When a claim is reported, the NCB is lost or reduced and the insured must start accumulating bonus years again.

The higher the NCB, the more discounted the premium—the client does not receive money back from the insurer in the form of a reward.

Most insurers accept NCB years earned with competitor insurance companies provided that confirmation of such discounts (earned during the past 6 months) is provided. An earned NCB is thus mostly transferable from one insurer to another.

- **Cash Back Bonus**

Insurers are experiencing growing competition in the marketplace due to needs expressed by consumers for more flexible products. Consumers, especially low - or non - claimers, increasingly expressed dissatisfaction for constant premium increases due to other claimants, and no rewards to those who never claim. This need prompted the birth of the “CASH BACK POLICY”, now available through several insurers, first introduced by OUTsurance. It operates on the principle that non claimants are rewarded at the end of a specified period for not claiming, with physical ‘hard’ cash paid into their bank account to be utilised as they wish.

- A cash back bonus is a financial reward given to you by the insurer should you remain claim free (some claims are allowed by some insurers). Examples include OUTsurance’s OUTbonus, MiWay’s MiRewards (virtual money given to the client, even if the client claims) and Dial Direct’s Cash Back Bonanza.

***Effect of cash back policies:***

- Clients find the cash reward attractive, and behaves responsibly, to avoid accidents or prevent claims.
- It prevents a myriad of small claims being lodged with insurers –clients carry the risk for these claims themselves.
- Reduction in claims is cost effective for the insurer – less claims administration is required.
- The insurer promotes the concept of the profitable client, and therefore positively affects bottom line profits of the company. With this concept claims ratios (premium income vs. claims payout) improve, and this means profit for the insurer.
- It impacts the client who has almost reached the end of the no claim cycle, who then has a legitimate claim. He loses NCB and the prospect of a cash reward. Depending on the quantum of the claim, and the value of the cash reward, he might decide to withdraw the claim.

***The Difference between NCB and Cash Back***

<b>NCB</b>	<b>Cash Back</b>
Rewards a client for not claiming	Rewards a client for not claiming
Reward is indirectly felt as a discounted premium – no cash is refunded to the client	Reward is directly felt as cash (or virtual money) is refunded to the client
When a claim is settled, NCB is reduced (usually by 2 years per claim on any section of the policy)	When a claim is settled, the cash back reward is forfeited and a new cycle starts again
The entire NCB is not lost when a claim is settled (depending on the NCB score prior to the claim)	The cash reward is lost and a new cycle starts again
Some claims do not affect the NCB	Some claims at some insurers do not affect the cash reward, such as windscreen claims at some insurers. With others, it will affect the reward.

## **10. Standard and optional additional benefits that are available under comprehensive insurance**

### **Additional benefits to comprehensive cover**

Please see the comparison between the two insurers to see examples of additional benefits available under comprehensive vehicle cover.

Comprehensive cover offered by insurers is enhanced by extensions and clauses to provide a competitive edge to their marketing. Some benefits are a standard feature of the policy, and others may be added to the policy as optional additional benefits as not all clients may need all the options.

Some of the most common cover extensions are:

- Wreckage removal (sometimes with a limit to the amount that can be claimed)
- Locks and keys (costs following loss or damage up to a limit without affecting the no claim bonus discount)
- Medical Expenses cover
- Trauma counseling
- Emergency accommodation
- Tow-in charges following electrical or mechanical breakdown

Some Insurers also offer benefit cards, which allow discount at certain stores for the policyholder.

## **11. Additional benefits at an additional premium**

Please see the table showing the difference in cover between two insurers in addition to this section (under heading 8.4).

Insurers have realised that there are so many variables at play in the insurance of vehicles that it is almost impossible to factor these into rating structures. To satisfy the need expressed by some customers, additional covers may be purchased by those clients willing to pay additional premium to have these as part of their policy.

The insurer may underwrite additional cover as part of their policy, or outsource to specialist underwriters. Some of the most common additional covers that may be purchased are:

### **11.1 Shortfall cover**

Shortfall cover is also called “top up” cover or “credit short fall cover”. This is an additional policy that an insured can take out to ensure that the insured amount on the vehicle will be sufficient when the vehicle is written off (uneconomical to repair), stolen or hijacked and not recovered, in other words, a total loss, and is still subject to financing arrangements with a financial institution.

The retail value of vehicles reduce drastically in the first three years of the vehicle’s life and the insured may find himself in a position where he still owes a large amount to the bank after settlement of a claim. Shortfall normally covers the difference between the retail value and the outstanding amount, after claims settlement, at the financial institution. The insured is in fact “topping up” the insured amount of the vehicle. Shortfall does not cover excess payable by the insured and other costs such as unearned interest, early settlement penalties (if applicable) and so forth.

When a new vehicle, which is the subject matter of a lease agreement or hire purchase, is a total loss, by whatsoever cause, the amount outstanding on the loan will often be greater than the value of the vehicle. This means that the insured will still owe the credit company money, even though he no longer has a vehicle.

Many insurers today offer what is known as “credit shortfall,” whether as an extension to their policy, or as a separate stand alone cover.

This will be explained further on with an example when we look at the values that vehicles can be insured for.

### **11.2 Excess waiver**

All policyholders know that claims are subject to an excess when claiming, yet is mostly inconvenienced when a claim occurs. If the damage to the vehicle is high, the



excess could place strain on a budget.

Many insurers offer an excess waiver option that can be purchased at an additional (increased) premium. The insured then need not worry about excess payments as the insurer will settle the claim with no need for the client to pay a portion thereof.

### **11.3 Extended Liability**

Insurers normally have a maximum limit of liability applicable on the motor section (as explained earlier) and some offer higher limits under the option of extended liability at an additional premium. It is noteworthy that the premium on additional liability is quite low – due to the fact that this additional cover is hardly ever used, therefore it is not necessary to load the premium too much.

### **11.4 Contents of caravans**

This has to be insured separately and additional premium paid – some insurers however do not offer this as additional cover under vehicle, but rather insure it under the All Risks section of a policy.

### **11.5 Windscreens**

Windscreens are normally covered, but some companies exclude cover for LDV's and 4x4 vehicles, which may be purchased as an extension and an additional premium is payable.

### **11.6 Car hire**

Clients are inconvenienced when accidents occur or in the event of theft or hijacking. Car hire may be purchased at a premium (some insurers cover this as part of stand alone cover, although this is rare) and the insurer will then arrange and pay for a vehicle to be hired until the repairs are completed to a maximum number of days, normally 30 days following a loss. Restrictions apply on the type of vehicle that may be hired and there are usually fees payable such as collection and delivery fees, an administration fee, a refundable deposit and most insurers do not cover the excess payable in the event of a loss with the hired car.



### 11.7 Cover of unintentional violation of a policy condition

In the event that the client unintentionally violates a policy condition, this extension could assist authorising a claim that would normally constitute a rejection. Even though the insured might normally be a reasonably careful, law abiding person that tries to comply with all policy provisions, an incident could take place which under normal circumstances would be excluded from cover.

With this extension, should a loss occur and which was unintentional, the insured will enjoy cover. Some insurers charge a small premium for this extension while other adds it as a benefit. An example would be where someone drives the insured vehicle (with consent) but drives under the influence of alcohol and causes an accident.

### 12. Insured values:

Indemnity for vehicles is the insurer's prerogative through repair, replacement of vehicle, or to pay cash. The limit of indemnity is the maximum amount that the insurer is liable to pay in case of a loss and it is important that vehicles be insured correctly.

Insurers state that they will pay:

- Maximum indemnity or
- Reasonable pre –loss market value of vehicle
- Including spare parts and accessories

Whichever is the lesser.

Vehicles age and depreciate, but it is not unusual to find that vehicles are put on a policy at new cost price and never adjusted. The client then expects at time of loss to be indemnified at the amount stated on schedule, despite depreciation. This situation prejudices the insurer and is known as enrichment. The purpose of an insurance contract is to indemnify the insured (more about this in unit standard 120124 – Demonstrate knowledge of insurable risk). In other words, following an incident the insurer should indemnify the client which means to place the insured in the same financial position they were in immediately prior to the loss. If the client is placed in a better financial position, it is known as enrichment. This goes against the principles

of insurance and is to the detriment of the insurer and other policyholders.

When insuring own damage it must be noted that in motor insurance the sum insured is called the **maximum indemnity**, not value. Maximum indemnity: refers to the maximum amount an insurer will pay if a total loss occurs. It is important to advise clients correctly on the correct value for insurance purposes.

### 12.1 Trade, retail, market, insured and settlement value

Value is determined as follows:

- Retail value
- Market value
- Trade Value
- Nominated value (Agreed value basis)
- Settlement Amount

The following is also discussed:

- Credit shortfall
- Extras and accessories

Vehicles are usually covered for either retail or market value. This is known as the insured value – the maximum amount the insurer would pay in the event of a total loss.

Retail and trade values are obtained from the TransUnion Dealers Guide published by Mead & McGrouther which is used by most, if not all of the insurance companies.

#### **Retail value:**

- Current selling price of a vehicle at a dealer according to the TransUnion Dealers Guide
  - The retail value will include factory fitted accessories
  - The vehicle's age, condition and mileage might affect the value of the vehicle at time of loss

**Market value:**

- The average between retail and trade value ( $\text{Retail} + \text{Trade Value} / 2 = \text{Market}$ )

**Trade value:**

- It is the value according to the TransUnion Dealers Guide that you should be paid by a dealer when trading your vehicle in (this value is influenced by condition of vehicle and mileage)

**Nominated value:**

- In the case of collectors or vintage vehicles, certain insurers are willing to insure the vehicle for more than the Retail or Trade value (because it is worth more). They would require a valuation certificate from a reputable dealer. The valuation certificate usually cannot be older than a year, and a new certificate must be supplied every year
- Some insurers refer to this as the Agreed value

**Settlement value:**

- In terms of the insurance contract, the settlement value refers to the total amount (maximum indemnity) that the insurer agrees to pay, from which certain deductions can be made, as per the policy wording.
- Deductions include:
  - The excess (first amount payable by the client in the event of a claim).
  - In some cases the client would have to pay additional excesses, for instance if the driver of the vehicle is under a certain age bracket i.e. under the age of 25.
  - Possible deductions based on mileage and condition of the vehicle.
  - In the past, insurers also applied betterment, but this is not commonplace any longer since the Short Term Insurance Ombudsman has forced insurers to cut down on this practice. In short, betterment refers to the corrective measure applied to ensure indemnity. For example, a client claims for a tyre. A brand new tyre would have 8mm

of tread, but the tread remaining on the tyre in question was 4mm. Therefore the client would only receive 50% of the value of the tyre. Insurers usually applied betterment in the settlement involving parts with a limited lifespan, such as tyres, batteries, shocks and so forth.

- In terms of the finance agreement, the settlement value refers to the total amount owing to the financial institution, including earned interest.
  - In the event that the client owes more to the bank than what the retail / market value is, there would be a shortfall in the event of a total loss (stolen/hijacked and not recovered or written off – uneconomical to repair). As stated under 11.1, cover is made available either via the financial institution, or the insurer, to cover the shortfall. It is usually either referred to as *Vehicle Credit Shortfall* or *Top Up Cover*.
  - For example—John buys a 2012 Audi A3. The retail price is R130 000 for the vehicle at the dealer. He finances the vehicle, and adds a few extras on, for instance a towbar, smash and grab film on the windows and a cd shuttle. With finance charges and extras the total amount owing to the bank is R195 000. Two weeks later the vehicle is stolen in Sunnyside. John owes the bank R150 000 (which includes the extras and earned interest – the bank cannot charge John unearned interest—only the interest he owes them up to settlement). The insurance company will pay out R130 000 (retail value). There is therefore a R20 000 shortfall that John now owes the bank. In this instance John would have been wise to have taken out Vehicle Credit Shortfall / Top Up cover which would cover the shortfall that exists.

**Please note**, this is a simplified example. In practice there would be terms and conditions and it would exclude extras unless specified. It would also not cover early settlement penalties, arrears, interest on arrears, etc.

Top Up Cover in addition could cover aspects like a deposit protector and settle the balance in the event of death or dreaded disease. There would also be cover in the event of retrenchment. Further, only ball park figures were used in the above example, and many insurers would

replace a vehicle if stolen in the first year with less than 30 000 km driven (which of course is not relevant to the example used).

## 12.2 Guiding a client to determine the right value for insurance purposes

### 12.2.1 Additional items that should be insured

Any **non-standard** accessories must be specified separately on the policy (either under the motor/vehicle section, or at some insurers, under the All Risks section) and an additional premium is payable. These include:

- Car radios, CD shuttles and speakers. Some insurers will indemnify for these but only up to a certain limit (R 1000) and a normal vehicle excess applies, plus loss of no claim bonus.
- Special wheel rims or 'mags'. If not specified, it may be paid to limited amount subject to motor excess, or not at all.
- Tow bar
- Canopy
- Sunroof
- Nudge bar
- Running boards
- Leather seats
- Blue tooth applications
- Satellite navigation systems
- Performance enhancements on the vehicle
- Etcetera

### 12.2.2 Advising Clients in an Insurance Environment

Insurance clients are protected in terms of various laws with regards the suitability of advice given to them by advisors.

Laws applicable include:

- Financial Advisory and Intermediary Services Act
- Short Term Insurance Act
- Financial Intelligence Centre Act
- Prevention of Organised Crime Act

- Access to Information Act
- Policyholder protection rules (incorporated in the FAIS Act to large degree).

The laws were designed to protect the rights of clients and creates an environment where the advice supplied must be done in a responsible and professional manner. Clients are to be given ALL of the information in a transparent and objective manner. The client is then able to make an informed decision, based on free choice, while the advisor must act in the best interest of the client at all times.

### **12.2.3 The consequences of giving incorrect advice in terms of FAIS, Policyholder Protection Rules and Professional indemnity**

All FSP's (Financial Services Providers) as defined in the FAIS Act, dealing with a Financial Product governed by the FAIS Act, need to ensure that they comply with the Act. In short, this refers to the fact that the FSP needs to be licensed by the FSB and the FSP and its Key Individuals and Representatives need to be Fit & Proper (please see unit standard 12164 which deals with the FAIS Act in detail for more information).

FSP's also need to have the following in place:

- Professional Indemnity Insurance
- Fidelity Insurance (not compulsory, but recommended when the FSP employs staff or uses other representatives as the FSP has a responsibility to keep client's documents and funds safe)
- IGF, which refers to an Intermediary Guarantee Fund and is compulsory for Intermediaries who collect client premiums.
- In the case of non compliance, the FSP or Representative could face the following:
  - Court action may be instituted against any person for non-compliance or contravention
  - Could be liable for compensation of losses of other person/s due to the act or omission



- Could be liable for a penalty not exceeding 3 times profit or loss that might have been gained without the act or omission
- Liable for interest and costs
- A provider who is found guilty of a contravention of the Act may be fined up to R1 000 000 or 10 years imprisonment or both
- Where there is a likelihood of a contravention of the Act, the regulator may apply for a court order restraining continuation, omission or commission of the act and an order for the provider to take remedial steps to rectify the act or omission
- In the event that a key individual or representative is found guilty of a contravention, they can be debarred. This would mean that the person would not be able to perform duties for an FSP by rendering financial services/giving advice
- A representative whom acts as a representative but not in respect of an authorised FSP, may also face the FAIS penalties
- Judgements or decisions against an intermediary or a representative would be published in the government gazette and official website

There is provision for applying for re-appointment after being debarred; however the person would have to meet the requirements of Fit & Proper before a person may be reinstated.

FSP's may appeal any decision made by the Registrar or Ombudsman within 30 days with the Board of Appeal.

### 13 Glossary

Insurance term	Meaning
Acceptance	A willingness to accept the terms and conditions of a contract/circumstance etc. There must be agreement between both parties which is referred to as consensus.
Claim	An application for compensation under the terms of an insurance contract. To ask something, to say that something

Insurance term	Meaning
	belongs to you. When the policyholder claims compensation from the insurer for the loss of or damage to her/his possessions.
Contributions	Referred to as premium – the amount a client agrees to pay monthly/quarterly/annually to the insurer in return for cover.
Cover	Funds used in insurance to meet a liability or to protect against loss.
Deduct	Means to take or withdraw.
Disclosure	Revealing all the facts relevant to the insurance proposal. If either party fails to do this, the contract may be declared invalid.
Equal	All are the same.
Exclusions	Situations under which insurance cover is no longer valid. For example, using the vehicle for racing purposes and causing an accident
First amount payable	The amount that the policyholder has to pay when making a claim on certain insurance policies, especially motor insurance policies and All Risks insurance. Referred to as an excess.
Insurance contract	The legally binding agreement between the insurer and the insured.
Insurance premium	The charge that the policyholder has to pay for the cover provided by the policy. This may be paid monthly, quarterly or annually.
Insurance proposal	The first stage of the contract, which is either drawn up by an insurance broker and submitted to the insurance company on the client's behalf, or by the proposer or performed telephonically directly with the proposer. The proposal will include all the items to be covered and the proposed premium to be charged.

Insurance term	Meaning
Interest	The money paid for the use of money that has been lent. When you deposit money in the bank, the bank will pay you interest on your deposit. Similarly, when you borrow money from the bank (finance agreement), you have to pay the bank interest on the money that the bank lent you.
Liability	Responsibility for debt or financial obligations. When used in the financial sense, the word “liabilities” refers to the money that you owe or your debts.
Offer	A proposal of business – in this case, the client offers their risk (subject matter of insurance) to the insurer.
Policy	A contract of insurance.
Premium	See insurance premium
Proposal	See insurance proposal.
Query	Means to ask questions about something.
Risk	The possibility of a loss against which insurance is taken out
Schedule	The list of items to be covered by the insurance contract. The schedule will include specified and non-specified items.
Specified items	Items that have been specifically described on the policy because they are either valued at a higher price than the standard cover would allow, or the items are not standard and therefore not covered automatically.
Third party	Someone other than the insured involved in an incident.

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Santam policy wording

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The developer's knowledge and opinions

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