

Media Release
Actuarial Society of South Africa (ASSA)
31 May 2018

Driving an uninsured vehicle is like playing Russian roulette with your finances

Motorists have been warned to brace themselves for another massive hike in the petrol price next week, which may result in the fuel price breaking the R15 a litre barrier for the first time.

Hannes van Rensburg, a member of the Short-term Insurance Committee of the Actuarial Society of South Africa (ASSA), predicts that this may lead to more road users cancelling their vehicle insurance in an attempt to free up some cash.

Van Rensburg says of grave concern to short-term insurers and the Government alike is the disturbing reality that already around two thirds of all cars on South African roads are uninsured.

“Economic conditions are tough, and consumers are under serious financial pressure and desperate to make ends meet. Unfortunately for many a quick fix is cancelling their short-term insurance cover.”

While sympathetic to the plight of cash strapped consumers, Van Rensburg warns that driving a car or motorcycle that is not insured is akin to playing Russian roulette with your finances. “Given the current levels of accidents on our roads, insured motorists make an insurance claim every three to five years on average.”

This is why several countries including the US, UK, Norway Indonesia and Germany have made comprehensive vehicle insurance compulsory by law.

Germany, for example, made vehicle insurance compulsory as far back as 1939 with the aim of protecting all affected parties against the adverse financial impact of a motor vehicle accident.

“If you are already in a position where your household budget cannot absorb another increase in the petrol price, having to cope with the unexpected costs of an accident if you don’t have insurance could cripple your financial position completely.”

The implications of driving an uninsured vehicle

With the majority of vehicles on our roads not insured, Van Rensburg says the chances are very high that a road accident will involve at least one uninsured vehicle.

If you have comprehensive insurance cover and were not guilty of gross negligence when the accident happened, like being drunk or under the influence of drugs, your insurance is likely to cover the damage to your car.

In addition, if you were not guilty of causing the accident, your insurance company is likely to try and recover claim costs from the other party. For the other uninsured party

this means that their damage is for their own account in the event that they were at fault.

Equally, if you are the motorist who has just cancelled the insurance cover on your vehicle and, in a case of extreme bad luck, you cause irreparable damage to a luxury vehicle or other form of property worth millions, you could literally lose everything you own, including your house.

Van Rensburg says while this is an extreme example, it does highlight the critical importance of making sure that your vehicle is insured.

“Rather make lifestyle changes and remove non-essential expenses like a satellite television subscription, before you drive an uninsured vehicle,” says Van Rensburg.

He says if you still cannot free up enough money to cover your monthly insurance premiums, consider amending your cover to third-party only, at least until your finances have recovered. If you have third party cover, your insurance will pay for damages to another vehicle, but not yours and in many instances offer legal cover to assist with recuperation of costs from accidents where you were not at fault.

Tips for reducing premiums

Van Rensburg has the following tips that could help you make your insurance premiums more affordable:

- Make sure that the insurance premium for your vehicle is adjusted annually to allow for depreciation. As the value of your car reduces, so should your premium.
- Insurers aim to reward good driving behavior, such as not driving at night or using public transport for commuting, so find out whether your policy and premium adequately reflects your personal circumstances.
- You could opt for a higher excess amount, which will reduce your monthly premium. In the case of a claim, you would be expected to pay this higher amount, but at least you will not be liable for the full cost of the damages to both vehicles.
- Only claim if it is really necessary. The more you claim the higher your premium.
- Expensive cars are expensive to insure. If you are already struggling to make ends meet, buy a basic car that is fuel efficient and not expensive to maintain.
- Read your policy document and make sure you know exactly what you are covered for. Also check that you are not paying for items you no longer own or cover you don't need.

Ends

To set up interviews please contact:

Lucienne Fild
Independent Communications Consultant
082 567 1533
lucienne@fild.co

Issued on behalf of:
Hannes van Rensburg
Short-term Insurance Committee
Actuarial Society of South Africa

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.