Domestic Insurance – General Considerations

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General considerations

It is vitally important that you have declared your correct loss history for at least the last three years.

Your occupation, marital status and details of the construction of the building are required for rating purposes.

Your contact details, identity number, postal and physical address is required in terms of the FICA regulations.

It is also of vital importance that you inform us immediately of any changes in your risks, which would include changes in residential address, **acquiring additional premises**, contractual arrangements, sums insured/limits of liability and suspension of license etc. This will enable us to alter your insurances as necessary and advise you on additional covers.

Average

The condition of average states that if at the time of loss or damage the value of your property is greater than the sum insured selected you will be considered your own insurer for the difference in the event of a total loss or pay a rateable portion towards a partial loss. It is therefore very important to insure your property for the correct values to ensure that you are adequately compensated by the insurance company when you have a loss. The following is a guide in selecting sums insured under the sections subject to the average condition:

Building – reinstatement value, i.e. what it would cost to rebuild the dwelling from the ground up at today’s prices including the cost of demolition, architect & plan submission fees including VAT. The sum insured should exclude the value of the land

Contents & All Risks – replacement value, i.e. what it would cost to replace any one item and/or your entire household contents at today’s prices including VAT. A standard inventory form is

available to assist you in calculating the value of the contents room by room.

Motor – Market or Retail value, which must include VAT. The market value of a vehicle is the average value between its trade-in and retail values as published on a monthly basis in the Auto dealers digest. Premiums are directly related to the value of your vehicle. It is therefore important to regularly check and update the value of the vehicle. We will not automatically update the value, as this is dependent on other criteria such as mileage, condition and accessories. We can, however, assist in this regard.

Houseowners

Average applies

Advise insurers immediately if dwelling becomes unoccupied or you let or sublet

First amount payable: Normally a flat excess of between R250.00 to R1 000.00 which is sometimes increased to a percentage of the claim (5% to 10%) for lightning damage. Additional excesses are payable for losses within 30 days from policy inception of buildings.

Security requirements: SABS approved lightning conductors if building has thatch roof and declared to insurance company.

Comprehensive subsidence and landslip cover

Buildings insurance normally includes basic subsidence and landslip cover. Clients have the option of purchasing comprehensive subsidence and landslip cover if they feel they need it. The optional buy up cover includes cover from loss or damage that is caused by or worsened by contraction, shrinkage or expansion of soils caused by dampness or moisture content of clay and other similar soils. The full definition of comprehensive subsidence and landslip cover can be found in the Plan Guide.

Do you need comprehensive subsidence and landslip cover?

Very few clients need comprehensive subsidence and landslip cover as it is generally only required for clay and similar soil types, where contraction of the soil could cause severe damage to surrounding buildings. Usually this cover is only purchased when needed.

Due to the risk associated with providing comprehensive cover, the Insurer requires a geotechnical report to make sure the house in question has been built to meet the required standards. This report includes details about the house’s construction such as the foundations, whether the house has been piled, the number of piles etc. The report can be done by a Civil

Engineering firm at an additional cost to the client.

The Insurer can only make the decision to offer the cover once they have received the geotechnical report.

Consider this example

Jamie is concerned about the risk of damage to her house that could be caused by sink holes due to the rising mine water crisis in the Johannesburg area, even though no such risk has presented itself in the past. Her immediate surrounding is built on stable soil. She would not require additional comprehensive subsidence and landslip cover for her house as there is no risk of soil contraction, shrinking and expansion cause by moisture content of clay and other similar soils. The standard subsidence and landslip cover will cover her for other, once off subsidence events as explained in the Plan Guide. However, if her house was built on clay, she may have required comprehensive subsidence and landslip cover for her house.

Does household contents cover include basic subsidence and landslip cover?

Household contents cover does not include any subsidence and landslip cover so comprehensive subsidence and landslip cover will need to be purchased as an optional buy-up option.

Before purchasing comprehensive subsidence and landslip cover, clients should consider the following:

Most clients do not need this cover

The cover is expensive

The geotechnical report is done at the clients own cost and can be expensive, with the cost ranging between

R5 000 to R15 000 or even more

Having the geotechnical report done does not guarantee the cover will be provided.

You must consult with the appropriate, accredited professionals (their builder, architect or engineer) on the need and importance of obtaining comprehensive subsidence and landslip cover based on their circumstances.

Householders.

Average applies

Personal computers must have a SABS lightning/surge protector fitted to the wall socket. No cover on personal desk top computers for business use unless small business cover selected. In the case of Cell phones & laptops, these must be specified under the All Risks Section. No theft cover for laptops left in unattended vehicles unless locked in the boot of the vehicle. All computers, no cover for loss of information etc. Advise insurers immediately if dwelling becomes unoccupied or you let and sublet

First amount payable: Normally a flat excess of between R250.00 to R1 000.00 which is sometimes increased to a percentage of the claim (5% to 10%) for lightning damage and non compliance with the security requirements. Additional excesses are payable for losses within 30 days from policy inception of contents.

S**ecurity requirements:** No theft or burglary cover on household contents unless burglar bars fitted to all opening windows leading to the outside including all outbuildings, and security gates fitted to all doors leading to the outside including all outbuildings UNLESS a working armed response alarm linked to a 24 hour reaction unit is installed according to SAIDSA requirements and activated when the dwelling is left unoccupied. Where the contents sum insured is R400 000 or more then aforementioned alarm is compulsory OR UNLESS otherwise endorsed in writing by the insurer.

Personal All Risks

No All Risks cover for jewellery, contact lenses, pedal cycles, cellular telephones, stamp and coin collections, money, documents, laptop/notebook/palmtop computers, portable printers/peripheral equipment, i-pods, MP3 players, compact disks and DVD disks, portable DVD players, GPS, cassettes, vinyl records, musical instruments, artworks, antiques, safety box items, firearms, diving/fishing/golf equipment, non standard caravan contents **unless** specified in the schedule and satisfactory proof ownership is provided to insurer at the time of loss;

Valuation certificates not older than two years are generally required for all jewellery items.

Territorial limits – worldwide

First amount payable: Normally a percentage of the claim (between 5% to 10%) with a minimum of between R250.00 to R1 000.00 depending on the item. Additional excesses are payable for losses within 30 days from policy inception of
buildings.

Liabilities

Check that the limit of indemnity is adequate for your needs bearing in mind litigation cost and the current awareness of litigants to sue for accidental damage or injury. The minimum limit of indemnity is normally

R1 000 000.00, but can be increased to R10 000 000.00 upon the payment of a nominal additional premium.

Please check the contractual agreement you have with your security company as this might invalidate the cover under this section of the policy.

Insured costs and expenses incurred in defending any action are included in the limit and must be approved by insurers before being incurred. Advise us of any incident which is likely to give rise to a claim. Never admit liability to any third party, no matter how obvious this appears. Insurer may exercise their right to repudiate your claim where a third party claim has been accepted or admitted by the insured.

Territorial limits: Limited to the confines of your residence.

First amount payable: Nil

Personal accident

Cover is conditional on bodily injury sustained being caused by accidental violent and external means. Permanent disablement is payable on a scale of benefits as per the policy.

First amount payable: There is normally a waiting period under temporary total disablement section (weekly benefit)

Territorial limits: Worldwide if taken out separately and not included in the household contents cover,

Motor

Basis of indemnity

- Vehicle values are published and updated monthly by Mead & Mc Grouther in their Auto Dealers Digest, which is the official guide used by all insurers. Click here for notes by Santam Insurance on vehicle values

- Insurers will generally insure your vehicle for its market value (this is the average between the vehicle's trade in and retail values) and your premium is also based on this amount. The basis of indemnity in the event of a claim would therefore be the market value.
- Some insurers will grant you the option of insuring you vehicle for its trade-in or retail value and premium will be based on these respective lower and higher values. The basis of indemnity in the event of a claim will then be either trade-in or retail value
- Replacement value is normally paid when within first 12 months of new or first registered vehicles subject to the limit of indemnity – This option is not available to truck & trailers.
- Average applies to vehicles not insured for the correct value as per the basis of indemnity chosen.
- Insurers have the right to repair, reinstate, pay out cash values for your vehicle in the event of a claim
- The criteria that insurer's generally employ to determine whether to write-off an accident damage vehicle or not is that the estimated repair cost must exceed between 75% to 80% of market or trade or retail value. Click here for Santam Insurance procedure for declaring a vehicle a write-off.
- Insurer's may deduct betterment and/or wear & tear from repair costs and may also use second hand non-mechanical parts when accident repairs are approved on used vehicles.
- Following settlement of your total loss claim the wreck (salvage) belongs to the insurer and they may dispose of it as they please and you have no say in its disposal.
- Where a total loss settlement is made, the insurance company may deduct the remaining pro-rata premium due from the settlement.
- Please check your vehicle values and ensure that you are adequately insured for at least the market value of these vehicles as you may be severely exposed in the event of a total loss even if you enjoy credit shortfall (top-up) cover.
- Vehicles values should be revised after every 12 months. As a rule we will not adjust your vehicle's value automatically at renewal as there may be other factors involved in arriving at its first value.

Description of use:

Class 1 – Social, domestic and pleasure purposes.

Class 3 – Social, domestic, pleasure, business and professional purposes

Class 2 – Social, domestic, pleasure, business, professional purposes and commercial travelling

Territorial limits

Your policy covers you for the operations within R.S.A., Namibia, Lesotho, Swaziland, Botswana and Zimbabwe. Other territories like Malawi, Mozambique, Zambia, and DRC (Up to Lubumbashi) must be applied for separately. NB Repatriation cost to get the vehicle back to RSA may be for your own cost – check your policy for details Cover outside RSA is for own damage only and you must ensure that you purchase third party liability cover at the relevant border post. Cover afforded in other territories is subject to the jurisdictions of courts in the RSA

Policy Requirements

- Vehicles under R150 000.00 in value must be fitted with a VESA approved level 3 or 4 immobiliser and/or a VESA approved gear lock.
- Vehicles between R150 000.00and R250 000.00 in value must be fitted with a **passive** tracking device which has been approved by the insurer. In addition the device must be tested every three months and an activation report must be submitted in the event of a theft/hijacking claim to prove that the device was operational.
- Vehicles over R250 000 in value must be fitted with an **active** tracking device which has been approved by the insurer. In addition the device must be tested every three months and an activation report must be submitted in the event of a theft/hijacking claim to prove that the device was operational.
- Some insurers require that certain makes of vehicle which are prone to hijacking (e.g.VW Polo & Citi Golf’s) also be fitted with a passive tracking device. Please check if this applies to you.
- With some insurers towing and storage of your vehicle in the event of claim is conditional upon using their call centre and if you make your own arrangements then these costs will be for your own account.
- Your vehicle must be maintained in a roadworthy condition at all time especially the tyres. Insurers may repudiate your claim if it found that the vehicle was not roadworthy at the time of the loss.
- The remaining tyre read must not be less than 3mm
- Please check that we have correctly recorded registration numbers of your vehicle(s) and also supply us with all your tracking certificates. We also require the VIN number & engine number (preferably supply us with a copy of registration certificate)

- Correct category license for the category of vehicle being driven
- Professional Driving Permit (PDP) is compulsory for driving of any goods or passenger carrying vehicles.
- Drivers must not leave keys in unattended vehicles.
- Sound reproduction equipment in vehicles must be specified unless fitted by the manufacturer when new.
- Driver restriction – sometimes restricted to drivers over 25 years – under 25 to be admitted and noted on the policy. Certain policies also have nominated drivers.

First amounts payable/Excesses

(The following is a guideline of the excess structure applicable – please check your policy for full details)

- Basic – 5% to 10% of claim subject to a minimum R1 500.00 to R5000.00 depending on the type and value of the vehicle. The excess buy down option will only reduce the basic excess and not the other excesses mentioned below.
- Theft & Hi-jacking – additional 5% to 10% of **value** of vehicle
- Windscreen – 10% to 25 % of claim minimum R100.00 to R750.00
- Drivers under 21 and/or under 25 – flat or additional 10% of claim minimum R1500 to R5000
- Driver license less than two years – flat or additional 10% of claim minimum R1500 to R5000
- Clams within 30 days of insurance –flat or additional 5% to 10% of claim
- Second claim in same year – flat or additional 5% to 10% of claim

Claims notification procedures

We will be keeping a register of all your claims for future reference. It is therefore advisable to report all incidents whether they result in an insurance claim or not to us as soon as you become aware of them. This will also enable us to advise you on the specific procedure to be followed in respect of each claim. You may also contact the insurance company directly if for any reason we are unavailable – refer to the policy schedule and their disclosure notice for full contact details.

NB – Any occurrence, which may reasonably be regarded as likely to give rise to a claim, must be notified to the insurance company or us IMMEDIATELY.

A fully completed claim form must be submitted together with documents substantiating the amount of the loss and proof of ownership where required (retain documentation such as purchase

invoices or user manuals).

Thefts and losses of property and motor accidents must be reported to the police immediately but not later than 48 hours after the occurrence.

In all motor claims insurers require copies of driver's license and photograph page of identity document – even if the vehicle was parked at the time of the incident – the last driver is regarded as the driver. **NB ensure that the accident damaged vehicle is towed away by an approved towing contractor, otherwise you may be responsible for the towing costs.**

Your insurers have the option to repair, replace, reinstate or pay cash and have the right to assess the loss. Do not replace or repair lost or damaged property without first obtaining authority from the insurers or us.

Do not dispose of damaged items and/or salvage without prior authority. Insurers have the right to call for proof of ownership of lost items.

Never admit liability to third parties for any accidents. Any correspondence, personal or telephonic contact by a third party must be referred to the insurers or us immediately. Refer to our website on www.mjdbrokers.com for claims procedures involving specific classes of insurance.

Motor accidents involving bodily injury must be reported by the owner/driver to the Road Accident Fund (P. O. Box 2743, Pretoria, 0001) within 14 days from the date of the incident (the prescribed forms are available at all police stations|).

Territorial limits

Territorial limits are generally stated as being the Republic of South Africa, Namibia, Lesotho, Swaziland, Botswana, Zimbabwe and Malawi. However, certain sections may only cover nominated premises.

Should you require cover in other African territories not listed above, then please inform us immediately so that we can arrange the necessary cover.

Payment of premium

Monthly basis policies – premiums are payable monthly in advance by means of the debit order system and you have a choice of having your account debited either on the 1st, 5th or 15th of every month. Please ensure that there are always sufficient funds in your selected account to meet the insurance premium so as not to compromise your cover. You are required to pay the

premium on or before the inception date or renewal date or on receipt of our debit in respect of endorsements. You are entitled to a period of 15 days from the premium due date in which to pay your premium. If you do not pay the premium within 15 days of the due date cover will be cancelled from midnight on the day before the due date. This 15 days extension only applies from the second month of new policies and does not apply where you have stopped payment.

Annual policies – premium are payable annually in advance. You are required to pay the premium on or before the inception date or renewal date or on receipt of our debit in respect of endorsements. You are entitled to a period of 15 days from the premium due date in which to pay your premium. If you do not pay the premium within 15 days of the due date cover will be cancelled from midnight on the day before the due date.

The onus to ensure that premium is paid rests on the policyholder.

General Insurance principles and conditions

Insurable interest

There must always be insurable interest for a contract of insurance to be valid. You are therefore permitted to only insure property legally owned by you, (in which you have a proven financial interest) or which you can be held legally responsible. In respect of domestic policies you may insure assets belonging to yourself, your spouse and dependent minor children. Assets belonging to parents, independent children or children whom have attained the age of 18 may not be insured unless by prior arrangement with and accepted by your insurer in writing

Duty of disclosure/Good faith

Every contract of insurance is underwritten with utmost good faith on either side. All material facts, which would have an influence on the risk, must be disclosed to the insurance company. Any misrepresentation or non-disclosure may result in the policy be made voidable by the insurer. This includes any facts (or omissions), which increase the risk of loss or damage and include facts indicating you may have financial problems, etc. The duty of disclosure of all material facts including but not limited to previous and current insurance and losses, physical and mental impairments, non-moderate lifestyle or contemplation in dangerous activities, convictions, judgments, pending convictions, pending judgments, endorsed or suspended licenses etc. rests on the proposer. Details of construction of the building, especially thatch roofs as this attracts a higher premium.

Material facts are not only applicable to the proposer but also extend to all person's in the proposer's household as well as to drivers of the vehicles to be insured. The duty of disclosure continues throughout the contract.

NB it is of utmost importance that you have disclosed your previous insurance record and loss history whether you were insured or not.

Subrogation

The insurer has the right to take over and conduct the defence or settlement of any claim you may have against a third party and have the right to use your name for this purpose even before settlement of your claim is made.

Contribution

If property is insured under more than one policy, then each insurer/policy will pay its rateable portion of any claim.

Refunds of premium in the case of dual insurance are restricted to 50% of 3 months.

Cancellation

There is a 30 days bilateral cancellation clause. Insurers may give notice of cancellation due to excessive claims, fraud, intentionally exaggerated claims and unpaid premiums. Refunds of premium where the policyholder's insurable interest has ceased such as but not limited to the sale of a vehicle, is restricted to 3 months.

Prescription

If insurers repudiate any claim made under the policy, they will be relieved of any liability unless you serve summons on them within 90 days of the repudiation.

Loss prevention

All insurance contracts state that you must take all reasonable precautions to prevent accidents and losses. You should therefore, in the event of accident or loss, act as though you are not insured and take every step to minimize the accident or loss.

Construction of premises

Construction of premises is stated as being "constructed of brick, stone, concrete or metal on metal framework and roofed with slate, tiles, metal, concrete or asbestos. Including landlord's

fixtures and fittings thereon.

It is important to advise us of any other constructions methods not stated above as this would influence the risk – e.g. thatch roofs and other inferior construction

Risk Management

Risk Management definition:

“A management function which has the objective of protecting people and assets

(and profits if a business) by eliminating or minimising the potential for loss from pure (adverse) risk and the provision of funds to recover from losses that do occur”

Risk Management is an involved process which has been embraced by the King 2 Commission. Simply put it can involve:

- Identification of losses which may affect you
- Quantification of these potential losses
- Reduction of possible losses
- Transfer of losses to third parties whenever possible
- Insurance only on the residue.

Road Accident fund (RAF)

The RAF protects guilty drivers by picking up their liability for any bodily injury caused to an innocent victim of a road accident. The fund operates on a limited liability basis (RAF commission recently capped the limit any one person can claim from the fund). The fund is funded from the fuel levy. All claims must be reported to the RAF within 14 days to – Please click here to read about the latest developments concerning passenger liability and the Road Accident Fund.