

6 What is consumer credit insurance?



What is consumer credit insurance?

When you buy something on credit, you will normally be required to buy insurance that will cover your debt if:

1. The goods that you buy accidentally get lost, stolen or damaged.
2. You die.
3. You are disabled, with certain conditions.
4. You are retrenched at your workplace.

This type of insurance usually covers the outstanding debt owed by you to the company that provides the credit, and will be paid directly to the credit provider.

In addition, you could choose these following options as well:

- For the stolen or damaged goods to be replaced;
- In some cases an additional amount could be paid to your beneficiary in the case of a death claim.

Important advice!

You may not be aware of the fact that you have this insurance. Often the premium for consumer credit insurance is included in your monthly instalments for the goods that you buy on credit. When you buy anything on credit, find out if insurance is included.

Remember

Once the outstanding debt is fully paid up, or a valid death claim is paid, you will no longer have the consumer credit insurance cover.

Different rules apply to each of the four types of insurance cover mentioned above.

1. Loss or damage of goods purchased on credit

You can buy insurance cover to provide for the loss or damage of goods purchased on credit:

- You can buy insurance that will cover the outstanding debt only; or
- You can buy insurance that will cover the outstanding debt, and also the cost of replacement or repair of the lost, stolen or damaged goods or item.

Make sure that you know which type of cover you buy. If you buy cover only for the outstanding debt, the policy will only pay what you still owe but will not replace the item that has been damaged or stolen.

2. Death

This benefit covers the outstanding debt owed by you on the goods purchased on credit, in the event of your death.

Important information

- Death as a result of illness or medical conditions that exist before you buy the insurance policy will **not** be covered. Usually, this will apply for a stipulated period before you take out this cover, for example 12 or 24 months.
- To find out if you will be covered for a specific illness, inform the agent who helps you with your insurance application about any illnesses and/or medical conditions you may have. By informing the agent about these, you will find out what you will **not** be covered for.
- If you don't disclose this information, the claim will not be paid.
- Even if you tell the agent about illnesses or medical conditions that you are already suffering from, you will **not** be covered if your death results from any of these illnesses or medical conditions.
- Suicide, or injury caused by yourself, will generally

not be covered should this happen within a specified period after buying this insurance, for example a period of 24 months.

Take
note

Very important advice!

Tell your family about this insurance, and show them where to find the policy documents, policy number and other important information. If you should die, and are not there for them any longer, they

will be able to claim against your consumer credit insurance and not be left with your debt to repay.

3. Disability

This benefit covers the outstanding debt if:

- You become totally disabled on a temporary basis and are unable to work for a stipulated period of time. This cover will usually pay your monthly installments for a limited period of time; or,
- you become permanently disabled so that you are unable to perform your usual work. This is the same as the death cover, and the outstanding debt will be paid in full.

Important information

- Find out what you are covered for and what is not covered. This will be stipulated in your policy.
- Find out what the conditions are that you will have to comply with before qualifying for this benefit.
- There may be waiting periods. Make sure you know what the waiting periods are before you can qualify for this benefit.
- The disability benefit may be linked to your specific conditions. Make sure that you understand what these conditions are.

4. Retrenchment

This benefit covers you when you become unemployed due to retrenchment. Should this happen, the following may apply:

- Your monthly installments will be paid for a stipulated period of time; or
- your outstanding debt will be paid.

Important information

- Make sure that you know when you will be covered for this benefit, and when not. For example, you will usually not be covered in the following instances:
 - When you lose your job as a result of any illegal action, for example fraud, theft, strike, etc.
 - When you resign.
 - When you are dismissed fairly.
- Find out about any waiting periods that may apply. Usually, once this benefit is used, a specific waiting period will apply after you are employed again. This means that should you get retrenched again within this waiting period, this benefit will not apply. Usually a waiting period of 12 months will apply in such cases.



Example of a credit agreement

Value of goods on credit	R***
Delivery charge	R***
Deposit	R*** (Minus)
Fees	R***
14% VAT	R***
Total goods PLUS other charges to be financed (Principle debt)	R***
Total amount to be financed	R***
Finance charges @ % annual interest rate	R***
Total credit	R***
Insurance	
Monthly basic life insurance cost of R*** for 24 months	R***
Monthly basic product insurance cost of R*** for 24 months	R***
Total cost of insurance (NOT interest bearing)	R***
Other charges (If applicable)	
Initial monthly discounted service fee of R*** for 24 months	R***
Total cost of other charges (NOT interest period)	R***
Total amount repayable	R***

Premium

The premium for consumer credit insurance is often included in the total monthly instalment, together with the cost of the credit. In such cases, the agreement and statements will show the cost of the credit which is subject to interest separately to that of the insurance, which is not subject to interest.

Important information

- Find out how much your insurance premium is.
- Find out when your premium is payable, how often, and if this is part of your instalment or a separate premium.
- Find out if any other costs, such as bank costs, will apply should you miss a premium, and make arrangements for this to be covered. For example, if you pay by debit order, and a double debit needs to go through your bank account due to non payment of the premium, you must make sure that there is enough money in the bank to cover the premium as well as the additional bank costs.
- If you cannot make a payment, talk with the agent at the store, or insurer, about this and find out what you can do to address the situation.

Take note

No premium, no cover

If your premium has not been paid for a specific month, you will not be covered for that month. Should something happen during this period, the policy will not pay out and you or your family members will have to pay the outstanding debt even if the cover was in place for some time before your non payment of the premium.

Once you repay all outstanding premiums, and continue with your monthly premiums, cover will resume again.

Annual premiums may be paid which will mean that you will enjoy cover for the whole year.

Claims

Make sure that you understand the claims process to be followed when you need to claim on your consumer

credit insurance policy. Ask the agent who assists you with your insurance application to tell you about this, or to give you the relevant information to assist you with your claim. Ask for:

- The name of the insurer.
- A copy of the policy document which includes the claims procedure.
- The contact details of the claims department of the insurer.
- The notification period. Usually, you have to notify the insurer about a claim within a specified period which normally is 180 days.

You will need

You will need certain documents at claims stage. Copies of the following may be needed, together with any other documents that may be requested at claims stage:

- **Loss or damage of goods purchased on credit:**
 - Identity document
 - Case number from the police (you must report the loss to the police)
 - Affidavit
- **Death:**
 - Identity document
 - Death certificate
 - Bank statement – for additional beneficiary payment should this apply
- **Disability:**
 - Identity document
 - Medical certificate and/or full medical report
 - Bank statement of customer for additional payout should this apply
- **Retrenchment:**
 - Identity document
 - UIF document or card
 - Retrenchment documentation from your former employer
 - A copy of your employment contract for

contract workers

- A copy of the registration documentation of your business should you be self employed

REMEMBER TO ASK!

It is important that you ask the agent who assists you with your insurance application to give you the information that you need to be certain that you benefit from this insurance product. Ask the following:

- Who is the insurer?
- What am I covered for and when?
- When am I not covered, i.e. the exclusions?
- Is there any waiting period? What is it?
- How much is the premium and how is it payable?
- When can I claim?
- How must I claim?
- What is the claims notification period?
- Give me a copy of the policy document please!

AND, REMEMBER THE FOLLOWING:

- Understand what you are buying!
- Tell your family and friends about your policy!
- Keep your policy details and documents in a safe place where your family and friends can find them.
- Ask your agent and/or insurer when you need advice or help on the insurance applications.

Help!

If the insurer decides not to settle your claim and you believe that you had a legitimate claim, you can contact the following office to assist you:

**The Ombudsman
for Short-term Insurance (OSTI)
011 726 8900 - info@osti.co.za**