



Standard Bank

Insurance essentials: **Protecting your future 101**

A comprehensive framework for understanding insurance, managing financial risks and building a secure future



Index

Introduction

Protecting your future and financial wellbeing

Insurance basics

A guide to protecting what matters most

What is insurance?

What is insurance planning?

Why is insurance important?

Decoding insurance language

Coverage type

Protecting yourself and your assets

Health insurance

Vehicle insurance

Home insurance

A guide to choosing the right insurance

Factors influencing your premium

Managing the claims process



Planning for the unexpected

- Long-term insurance for life's turning points
- Understanding the potential impact: Real-life scenarios
- Safeguarding your future
- Life cover
- Funeral cover
- Illness and disability cover

Building an insurance portfolio

- Crafting your financial fortress
- Building a comprehensive insurance strategy
- Overinsured vs underinsured
- Reviewing and updating your insurance

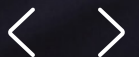
Insurance and your financial future

- Protecting your dreams
- How to stay on track
- Top tips to optimise your insurance
- Next steps



Introduction

Protecting your **future** **and financial** **wellbeing**





Welcome! By downloading this e-book, you've chosen a valuable resource that will help you navigate the complexities of insurance and gain peace of mind knowing you're protected.

In this insider's guide to insurance, we'll do the following:

- ✓ ditch the jargon and explain insurance in simple terms
- ✓ take the confusion out of insurance and make it easy to understand
- ✓ unlock the secrets of insurance and empower you to make informed decisions to build a financial safety net



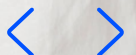
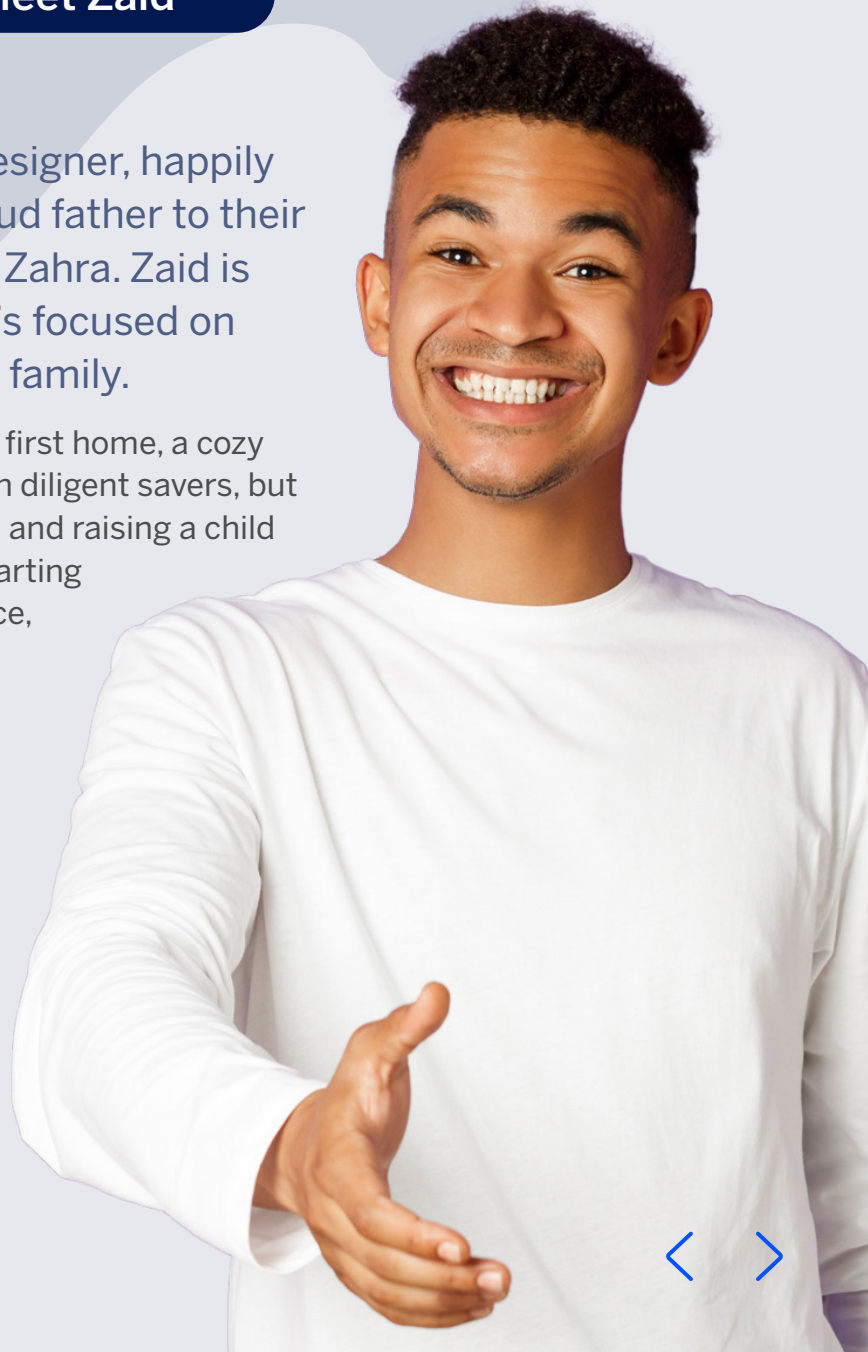


Meet Zaid

Zaid is a 31-year-old graphic designer, happily married to Shamilla, and a proud father to their energetic 2-year-old daughter, Zahra. Zaid is responsible and ambitious; he's focused on building a secure future for his family.

He and Shamilla recently bought their first home, a cozy little place in the suburbs. They're both diligent savers, but the responsibilities of homeownership and raising a child have stretched their budget. Zaid is starting to think more seriously about insurance, not just as an expense but as a crucial part of their financial plan. He wants to ensure that if anything unexpected happens, his family will be protected.

Throughout this guide, we'll follow Zaid's story and see how much more confident he becomes in his knowledge and decision making to protect his family and their way of life.





Insurance basics

A guide to protecting **what matters most**





Life is unpredictable, and while we have good intentions and try to 'do everything right', unforeseen events happen: a fender bender in the parking lot, a burst pipe flooding your home or an unexpected medical procedure for your child.

Such events aren't guaranteed to happen on cue or to everyone, but they are common enough, and when they do, they can be costly and disruptive, potentially leading to debt or even jeopardising your physical wellbeing.

While insurance can seem complex, costly and an unnecessary expense for something 'that won't happen to me', it's precisely this proactive measure that provides the assurance that you'll be able to manage the financial impact when the unexpected happens and you need it most.





What is insurance?

Insurance is a risk management tool that transfers the financial burden of an unexpected event from an individual to an insurance company. In exchange for a premium, the insurer agrees to help cover (some or all) of the costs.

Falling squarely into the risk management category, insurance is an investment in your and your family's financial security.



What is insurance planning?

Insurance planning is a key component of sound financial planning, ensuring that you have a strategy in place to mitigate potentially devastating losses.

It involves assessing your individual risks and determining the appropriate types and levels of insurance coverage needed to protect your financial wellbeing.

Why is insurance important?

While it's tempting to think, "I'm young and healthy; I'm careful; I don't need insurance," accidents and unexpected events can happen at any age, making insurance a crucial safeguard regardless of your current health or lifestyle.

Insurance gives you the peace of mind that you will be protected and the confidence to pursue your goals, knowing you have a safety net to weather the storm.





Decoding insurance language

Understanding key insurance terms is essential for making informed decisions about your coverage and choosing the right policies to meet your specific needs. It also helps avoid surprises and ensures you know exactly what you're covered for and what your responsibilities are.

Premium



The regular payment you make to maintain your insurance coverage

Excess



The first amount that you pay out of your pocket when you have a claim

Coverage



The extent of protection provided by your insurance policy, outlining the specific events or losses that are covered

Policy



The contract between you and the insurance company, detailing the terms and conditions of your coverage

Claim



A formal request to your insurance company for payment of a covered loss or insured event





Real-world scenario

Imagine a car accident, a stressful event for anyone, but what if you knew you were financially protected? This scenario illustrates the financial impact of having insurance to protect your financial future and how different the outcomes can be depending on whether you're insured.

While driving home after work, Mpho and David are both involved in a multi-vehicle accident on the highway. Both are unhurt, but their cars are severely damaged and undrivable.

Mpho has comprehensive vehicle insurance

Mpho contacts her insurance, and because she has comprehensive vehicle insurance, they cover the following:

- Towing of her damaged vehicle
- Repair of her car (if repairable) or the applicable payout for her car if it's deemed a total loss
- Rental car reimbursement while her car is being repaired or replaced (within policy limits)

Out-of-pocket costs

Mpho only pays a R3 000 excess (insurer and risk profile dependent).

Financial outcome

Mpho is inconvenienced by the accident, but her insurance policy prevents a major financial setback. She gets her car repaired or replaced, and she has transportation while dealing with the aftermath.

David doesn't have vehicle insurance

David is on a tight budget and decided to cut down on insurance, thinking it's an unnecessary expense since he's a great driver. As a result, he is responsible for the following:

- Towing of his damaged vehicle
- Repair or replacement of his car
- Transportation costs to get to work and back

Out-of-pocket costs

David will need to pay R60 000 to repair his car. Plus, he still needs to get around, which means an extra (upwards of) R5 000 per month for taxi or e-hailing fares.

Financial outcome

David faces a significant financial burden. He may have to take out a loan to cover the costs of repairing or replacing his car. The lack of transportation impacts his ability to get to work and other essential activities. This accident has a significant and long-lasting negative impact on his financial wellbeing, which means he may have to delay other financial goals, such as paying off debt or saving for a house.



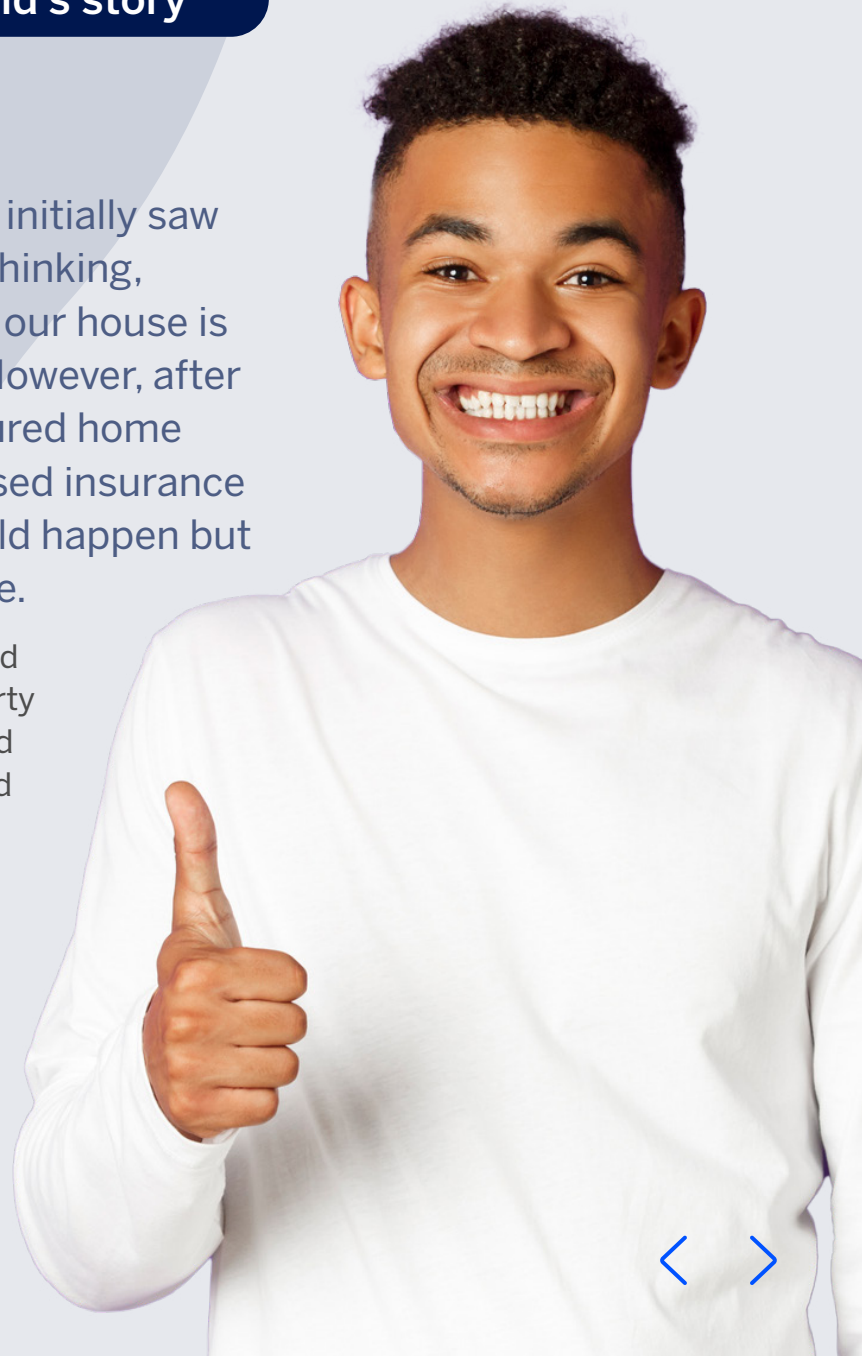


Zaid's story

Like many young families, Zaid initially saw insurance as just another bill, thinking, “We’re healthy, careful drivers; our house is new... what could go wrong?” However, after witnessing a friend’s underinsured home damaged in a storm, Zaid realised insurance wasn’t about if something would happen but when and how prepared he’d be.

A minor fender bender further solidified this view. While his then basic third-party insurance covered the other car, he had to pay for his own repairs, which he had to put on his credit card and set his savings goal back a couple of months.

He’s since gotten comprehensive vehicle insurance, understanding its broader protection.





Key takeaway

Unexpected events can have a significant financial impact. Insurance is a crucial safeguard, protecting you from these unforeseen costs and providing peace of mind.

Put this knowledge to work

- ✓ **Acknowledge the uncertainty:** Accept that life is unpredictable and that unexpected events can happen to anyone.
- ✓ **Embrace proactive planning:** Understand that it isn't just an expense, but it protects your financial progress by transferring risk to your insurer.
- ✓ **Master insurance speak:** Familiarise yourself with key terms so that you know what you are getting yourself into.



When it comes to essential insurance, it's all about their current life and protecting those financial commitments.

Additionally, long-term planning, considering funeral and life insurance early on can save a lot of money as premiums are typically lower when you're younger.



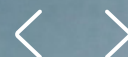
- **Sonja Oosthuizen**
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Coverage types

Protecting yourself and your assets





Insurance is about more than just policies and premiums; it's about peace of mind. Knowing you're protected against life's unexpected challenges can alleviate stress and allow you to focus on what matters most. Understanding the different types of insurance coverage and what it covers (e.g. you, your car, home or future) is the first step in building a strong safety net.





Health insurance

What?

- Medical aid schemes provide financial cover for medical expenses (up to a specified amount) in exchange for a monthly contribution.
- There are various types of medical aid plans, including comprehensive, hospital plans and those with savings components.
- Additionally, there are network-based plans with lower premiums, but these require using a designated network of providers.

When?

- Medical aid is essential at every stage of life.
- Don't wait until you're sick or injured.
- Join as soon as you can afford it to ensure continuous coverage.

Why?

- Medical aid protects you from potentially devastating medical bills and ensures access to necessary care.
- It gives you peace of mind, knowing you can get medical attention without worrying about the cost.





Cover considerations



Health status: Pre-existing conditions may require more comprehensive coverage.



Risk tolerance: Lower excess/co-payments mean higher premiums but lower out-of-pocket costs.



Budget: Determine affordable monthly premiums.



Family needs: Consider the healthcare needs of all family members.

What is gap cover?

While your medical aid covers (a portion of) your medical bills, specialists and hospitals often charge more than what your medical aid pays out, leaving you to cover the difference, and this can be a significant out-of-pocket expense.

Gap cover is an essential additional insurance policy to your medical aid, designed to bridge the financial shortfall that can happen when healthcare professionals charge more than the rate your medical aid scheme is willing to cover.

It works alongside your medical aid, giving you peace of mind that you're financially covered to pay those extra costs so you can focus on your recovery instead of the burden of hefty (partially paid) medical bills.





Vehicle insurance

What?

- Vehicle insurance provides financial protection if you're in a car accident or your car is damaged.
 - **Comprehensive** offers the most extensive coverage, including accidents, theft and damage to your vehicle and third parties.
 - **Third-party, fire and theft** provides coverage for your vehicle against fire and theft, as well as liability for damage to third parties.
 - **Third-party only** is the most basic, only covering liability for damage to third parties caused by an accident.

When?

- Before you drive your car off the dealership floor
- Renew your policy regularly to maintain continuous coverage
- Update your policy if you buy a new car or move and as your vehicle ages

Why?

- Protects you from potentially huge financial losses if you cause an accident
- Covers damage to your car from accidents, theft, damage or natural disasters
- Different coverage types are chosen based on vehicle value, risk and legal requirements





Cover considerations



Lender requirements: Most vehicle loans have insurance requirements.



The value of your car: If you have a newer or more expensive car, you'll likely want more comprehensive coverage.



Your risk tolerance: How much are you willing to pay out of pocket for damages or injuries?



Budget: Determine affordable monthly premiums and what not having your vehicle would cost you.



Home insurance

What?

- Protects your home and belongings from damage or loss
- **Homeowners insurance:** Covers physical structures and protects you in the event of damage and fire
- **Home contents insurance:** Covers your personal belongings inside your home against theft, loss or damage

When?

- Before you move into your new home
- Update your policy regularly to maintain continuous coverage
- Update your policy if you make renovations or acquire valuables

Why?

- Required by home loan providers
- Protects one of your biggest investments: your home
- Covers the cost of repairs or rebuilding your home after a covered loss





Cover considerations



Replacement cost: Cost to rebuild your home to the standards it was prior to the damage (not just what the property can be sold for)



Personal property: Value of your belongings and their replacement cost.



Excess: Higher excess means lower premiums but higher out-of-pocket costs for claims.



Specific limitations: Understand what you are and aren't covered for and the specific limits and restrictions on your policy.





Credit Life Insurance

What?

- Specialised insurance that covers your outstanding debt with a bank (e.g., credit card, personal loan, home loan, vehicle loan) if you pass away.
- Payout goes directly to the bank to settle the loan, not to your family.
- Beneficiary is always the lender/bank.

When?

- When you take on debt or have lending products (e.g., credit card, home loan, vehicle loan, personal loan).
- When you have dependents.

Why?

- Provides security by ensuring your debts are not transferred to your loved ones upon your death.
- Safeguards your family from inherited debts, offering peace of mind.
- A critical tool in financial planning to protect against debt burdens during unfortunate life events.





Cover considerations



Your debt: How much debt needs to be repaid if you die, become disabled or are unable to work or diagnosed with a dread disease.



Existing benefits: Check if you already have credit life insurance through your lending institution.



Benefit period: The length of time coverage is active, typically matching the loan term.



Benefits: The specific types of coverage included in your policy options.



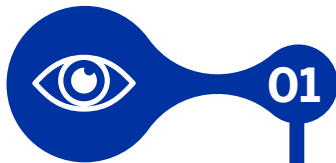


A guide to choosing the right insurance

Navigating the insurance landscape can feel overwhelming, with a multitude of providers, policies and complex terms and conditions, but choosing the right insurance plan isn't just about finding the cheapest premium; it's about finding the best protection for your specific insurance needs and risks.

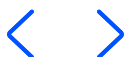
You want to ensure that you're getting comprehensive coverage that safeguards your financial wellbeing. Therefore, understanding your needs and researching your options are crucial for selecting the right insurance plan.

Use this 3-step process to get you started:



Assess your needs

- What do you want to protect, and how much cover will be needed?
- How much can you realistically afford to pay in insurance premiums each month? This will help you narrow down your options and avoid overspending.
- Consider how your lifestyle impacts your risk. For example, if you travel often or far for work, statistically your risk exposure for a car accident or incident is higher. Knowing this can help you determine the types and amounts of coverage needed.





02

Compare plans and coverage

- Do your research and get quotes from multiple insurance companies.
- Carefully review the policy documents to understand what's covered, what's excluded and the coverage limits.
- Pay attention to excesses: a higher figure usually means a lower premium, but you'll have to pay more out of pocket if you file a claim.
- Note the specifics: if you're choosing a medical aid plan, make sure your preferred doctors and hospitals are in the network. Likewise, if you're choosing home insurance, confirm whether specific perils, such as flood or power surge damage are included or require separate add-ons, especially if you live in a high-risk area.



03

Understand your coverage

- Know your policy limits: what the maximum amount is that your insurance company will pay out for a covered loss and what types of scenarios aren't covered.
- Be aware of exclusions, such as specific events or situations that are not covered by your policy.
- Understand the claims process: how to file a claim and what documentation you'll need.



Worth knowing: Bundling your car and home insurance could mean potential cost savings and simplified policy management. Consolidating your policies with a single provider can often lead to discounts and a single point of contact for your insurance needs.

A Standard Bank Insurance Brokers agent can help make this process simpler for you by providing you with up to 5 car and home insurance quotes from insurer partners. Visit standardbank.co.za for more information.

[Find out more](#)





Factors influencing your premium

Understanding how insurance premiums are calculated is crucial for making informed decisions about your coverage, whether it's for your car, your home or your health. Your premium is the regular payment you make to maintain your insurance policy, and it's determined by a complex interplay of factors that assess your risk profile.

Insurance companies evaluate various aspects of your life to estimate the likelihood of you filing a claim based on your risk factors. By understanding these factors, you can potentially take steps to lower your premiums.





Here are some of the contributing factors that can determine your premium:



Age

Age is a key risk factor, though its impact varies. For example, younger drivers, due to inexperience, often face higher car insurance premiums. While age itself isn't a direct factor, older individuals may have higher healthcare needs, potentially leading to more expensive medical aid plans.



Location

Where you live plays a vital role in determining your premium across various insurance types. Areas with higher crime rates, frequent severe weather events or dense traffic patterns are considered higher risk, resulting in increased premiums for home and car insurance.



Claims history

A history of filing claims, regardless of fault, can lead to higher premiums across all insurance types. Insurance companies view frequent claims as an indicator of higher risk.



Type of car or home

The make, model and age of your car or the construction and features of your home influence premiums because they directly impact replacement costs. For example, certain car models are more prone to theft, and homes with features such as thatch roofs or locations near high-risk areas will incur higher insurance costs.



Credit score

Insurance companies use your credit score as a predictor of your risk. For example, a good credit score indicates lower risk and may result in a lower premium.



Coverage limits and excess

The level of coverage you choose directly impacts your premium across all insurance types. Higher coverage limits (the maximum amount your insurance company will pay out) and a lower excess (the amount you pay out of pocket before insurance kicks in) provide more comprehensive protection but also result in higher premiums.

Note: Car and home insurance is risk profile dependent, and cover differs based on the insurer and the risk of the insured item(s). To ensure you have the right amount of coverage and personalised guidance for your unique situation, consult with a qualified financial advisor and/or insurance broker.





What to be mindful of when claiming from your policy

The process of submitting and managing an insurance claim can feel complex, with many requirements, but understanding the process and having all the documentation and information are key to a smooth resolution. Here's how to approach it:

1

Contact your insurance company as soon as possible after an event that may lead to a claim.

2

Document everything and keep detailed records of all communication, receipts and photographs.

3

Provide all requested information to the insurer promptly. Responding quickly to requests for additional documentation or details will help expedite the claims process and avoid potential delays.

4

Review the settlement offer carefully and make sure it adequately covers your losses. If you're not satisfied, you may be able to negotiate or appeal the decision.



Zaid's story

With Zahra's arrival, medical aid became essential, and Zaid was glad to have it because they'd already had a few late-night ER trips. Learning from friends' experiences with unexpected medical bills, Zaid also invested in gap cover to avoid financial surprises.

When they bought the house, the bank required home insurance, but since then, he's done a few home improvements and updated the security and a few appliances. He realised that he needed to check his coverage limits and update his policy if necessary.





Key takeaway

Peace of mind has value and understanding the different coverage types and how they fit into your lifestyle is an important step for building a strong financial safety net.

From theory to practice

- ✓ **List your 'what ifs':** Look at your lifestyle and assets to identify your protection needs; this will clarify what coverage is essential for you.
- ✓ **Shop smart:** Compare at least 3 quotes and the coverage options they give, paying close attention to excess and exclusions.
- ✓ **Own your premium:** Review the factors that impact your premiums (age, location, claims history and credit score). What steps can you take today to potentially lower your insurance costs?



Beyond the basics, several less obvious factors can significantly impact your insurance premiums.

Understanding these can empower you to manage your costs:

Firstly, personal and demographic details, such as your age, gender and even your health and lifestyle choices (such as smoking or engaging in high-risk sports) are considered. Your geographical location also plays a big part. Premiums can vary based on local crime statistics or susceptibility to natural disasters, such as floods or earthquakes. For property and assets, their value, condition and especially the security measures in place (such as car tracking devices or home alarms) are key. Insurers assess the risk associated with these items; for example, a home with robust security in a low-crime area will likely see lower rates.

Finally, your policy choices directly affect the premium:

- Higher coverage provides more protection but increases the cost.
- Opting for a higher deductible can lower your premium, though it means you'll pay more upfront if you make a claim.
- While add-ons such as roadside assistance enhance your policy, they will also add to the premium.

By understanding these influencing factors, you can make smarter choices to balance comprehensive insurance protection with your budget.



- **Nadia Reddy**
Head: Short Term Personal Lines Insurance Products,
Standard Bank Insurance Brokers





Planning for the unexpected

Long-term insurance **for** **life's turning** **points**





Long-term personal insurance is a cornerstone of sound financial planning, designed to provide crucial financial security and stability when unforeseen life events threaten your income, assets and overall wellbeing.

Life-altering events, such as death, serious illness or disability, can dramatically reshape your standard of living and jeopardise your family's financial future in ways you might not immediately realise.





Understanding the potential impact: Real-life scenarios

To illustrate the importance of long-term insurance, consider these potential scenarios:

The loss of a primary income earner

The sudden loss of a primary income earner can leave behind a bond, money owed on cars, future education expenses and the ongoing burden of daily living costs. Beyond the immediate grief, the financial strain can be overwhelming, potentially forcing difficult choices about the family's future.

The burden of serious illness

A serious illness demanding extensive medical treatment and long-term care can rapidly deplete savings, potentially leading to significant debt and impacting retirement plans. The costs associated with specialised care, medication and ongoing support can quickly become unsustainable.

The challenges of disability

A disability that prevents someone from working not only results in lost income but may also require costly home modifications or ongoing care, further straining resources. Adapting to a new way of life while facing financial hardship can be incredibly challenging.





Safeguarding your future

Long-term insurance offers a proactive approach to managing risk. Policies such as life insurance, funeral cover, and disability and income protection are usually taken out for longer periods (as little as 5 years and as long as 30 or more) and often only come to an end when you retire or pass away.

This type of insurance offers a financial cushion to help you and your family maintain your standard of living and achieve your long-term financial goals, even when faced with challenging circumstances.



By transferring the financial burden of potential future hardships to an insurance provider, you gain peace of mind and protect your future from the potentially devastating effects of unexpected illness, injury or loss.





Life cover

WHAT?

Life cover provides financial support and security to your designated beneficiaries after your death.

WHY?

Life insurance provides your beneficiaries with a lump sum payout that can help cover the following:

- Outstanding debts (home loans and car and student loans)
- Living expenses (food, housing and utilities)
- Education costs for children
- Funeral expenses
- Estate taxes

WHEN?

- Getting married
- Buying a home
- Having a baby
- Any time you have dependants or financial obligations





TYPES

- Different types and coverage amounts depending on your needs and can be customised.
- **Term life cover:** It provides coverage for a specific period (e.g. up to 65) with generally lower premiums, but if you outlive the term, the coverage ends without a payout. This is purely for risk protection during a defined period.
- **Permanent life cover:** It provides coverage for your entire life (no age limit). Premiums are typically higher than term life insurance, and it provides a guaranteed predetermined payout to your beneficiaries. Some policies may include an endowment benefit, which is a savings or investment component that can build cash value over time and be accessible.

COVER CONSIDERATIONS

- **Income replacement:** How This is how much income your family would need to maintain their lifestyle if your income were no longer available due to your passing. For income protection due to disability or illness, separate benefits are typically available.
- **Future expenses:** Factor in education and tertiary education, childcare and long-term care for dependants.
- **Final expenses:** This is an estimate of funeral costs and potential estate administration fees.



The foresight of getting life insurance young

Younger, healthier individuals represent a lower risk, allowing insurers to offer lower premiums compared to older individuals who are statistically more likely to die or develop health problems during the policy term.

This means locking in affordable rates for the policy's duration, maximising long-term savings and protecting against being uninsurable due to health issues later.





Funeral cover

WHAT?

Funeral cover provides short-term financial assistance, often within 48 hours of the claim being assessed, specifically for the purpose of covering the costs associated with a funeral, burial or cremation.

WHY?

Funeral cover helps your family avoid financial stress and debt during a difficult time by covering the following:

- Funeral home services
- Casket or urn
- Burial plot or cremation costs
- Memorial service expenses
- Funeral arrangement costs and grocery support

WHEN?

- Funeral cover is beneficial at every stage of life to ease the financial burden of funeral expenses on your family.





TYPES

- Different types and coverage amounts depending on your needs and the amount of people, and it can be customised
- Can cover you, your spouse and your extended family
- Optional additional benefits

COVER CONSIDERATIONS

- **Funeral costs:** How much would a funeral, burial or cremation cost?
- **Benefit options:** What level of benefits would you like? Ensure their value isn't diminished by inflation.
- **Family size:** How many family members do you want to include on your policy?



Illness and disability cover

WHAT?

Also called critical illness/dread disease cover and income protection, they are designed to protect your income and financial wellbeing when you are unable to work due to illness or disability, providing a crucial safety net during a vulnerable time.

WHY?

These covers protect your income and financial stability, helping you to do the following:

- Manage the high costs of medical treatment and maintain your standard of living during a serious illness.
- Ensure you can continue to meet your financial obligations if you can no longer work due to a disability.

WHEN?

- When you start working
- When you have dependants
- When you take on debt (e.g. a home loan)





COVER CONSIDERATIONS

- **Your income:** How much income would you need to replace if you were unable to work?
- **Your occupation:** Some jobs are more prone to disability risk than others.
- **Your existing benefits:** Do you have any disability insurance through your employer?
- **Elimination period:** The amount of time you have to wait before benefits begin.
- **Benefit period:** The length of time you'll receive benefits.



Did you know?

You can easily apply for a customisable life- and/or funeral policy tailored to your budget and preferences* in less than a minute on our **Banking App**.

*Terms and conditions apply.

Note: To ensure you have the right amount of coverage and personalised guidance for your unique situation, consult with a qualified financial advisor and/or insurance broker.





Zaid's story

Thinking about life insurance and the worst-case scenario was tough, but Zaid realised that as a husband and father, he had a responsibility to protect his family's future.

Zaid decided to take out permanent life cover that would cover their home loan, provide for Zahra's education and give Shamilla the financial support she'd need if anything happened to him.





Key takeaway

Long-term insurance is more than just a policy; it's a proactive plan to safeguard your family's financial future against life's unexpected turning points. Planning for potential life-changing events is the best way to ensure financial security and maintain your standard of living.

Apply what you've learned

- ✓ **Picture your family's financial future:** Consider how a life-changing event would impact your loved ones' standard of living and care needs.
- ✓ **Coverage needs:** Speak to a financial advisor to determine appropriate coverage amounts based on your specific circumstances and financial obligations.
- ✓ **Explore policy options:** Research the different policy types and understand the pros and cons of each to find the best fit for your budget and your needs.



Balancing your insurance needs with your budget can feel tricky, but understanding the different types of coverage is key.

To effectively manage your insurance budget, it's crucial to recognise the spectrum of protection available. Whether it's comprehensive, third-party, fire and theft, or third-party only, tailoring your choice to your specific risk and financial capacity is how you get the most value.

By comparing these coverage options and understanding cost factors, you can find the right balance for your budget.



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Head: Short Term Personal Lines Insurance Products,
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Building an insurance portfolio

Crafting your financial fortress





We've talked about choosing the right insurance policies to address your individual needs, but you also need to build an insurance portfolio to ensure you have a comprehensive and well-coordinated plan to protect yourself from a wide range of potential risks. Building a portfolio involves considering how all your individual policies work together to provide complete financial protection.

Think of choosing the insurance policies like selecting the right tools for a specific job (e.g. a hammer for driving nails or a saw for cutting wood) while your insurance portfolio is like assembling a complete toolbox with all the necessary tools to handle a variety of tasks.





Building a comprehensive insurance strategy

Building an effective insurance portfolio is about more than gathering individual policies; it's a strategic exercise in comprehensive risk management. The core principle is to create a cohesive and cost-effective safety net that addresses your unique vulnerabilities.

To create a robust insurance plan, your coverage should fit your lifestyle and your needs, prioritising risks and allocating strategically to ensure the most critical exposures are adequately covered. This holistic approach includes the following:



An overall risk assessment

Assess all your potential risks, from catastrophic events, such as death or disability, to more common occurrences, such as property damage or theft of your valuables, and what their potential financial impact and likelihood would be.



Addressing coverage gaps

Coverage gaps are risks you're not insured against and that you'll have to pay out of pocket, leaving you financially vulnerable. Identifying and addressing them are crucial to ensure your insurance portfolio provides comprehensive protection.



Identifying and eliminating coverage overlaps

Coverage overlap is where multiple policies inadvertently cover the same risk, meaning you're paying twice for the same protection. When you identify it, it allows you to allocate your resources more effectively towards covering other essential risks or increasing coverage limits where needed.



Finding the right balance for your budget

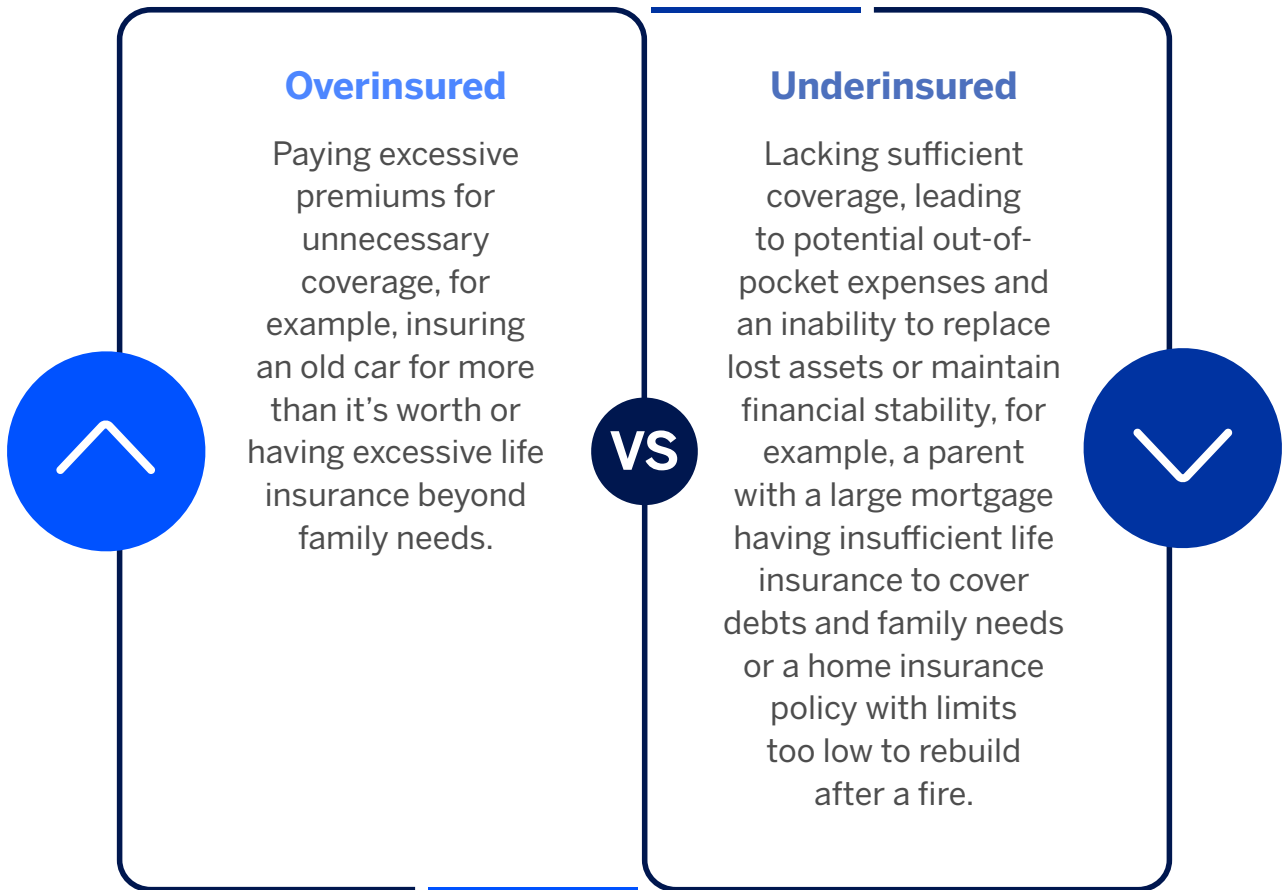
Your insurance should give you the protection that you need and fit your lifestyle. Affordability is crucial; otherwise, it becomes unsustainable and at the cost of other financial goals, such as saving or being able to pay off debt. Shop around and focus on the must-haves to stay covered and comfortable.





Overinsured vs underinsured

Achieving the right insurance balance is important to ensure that you're adequately covered without incurring unnecessary costs. Being over- or underinsured strains your finances and could leave you in a vulnerable position:





The key to being adequately covered is the concept of 'replacement value'. What is the cost of replacing damaged or destroyed property or replacing a financial value (e.g. a future income or financial contributions)? What would it cost you to buy a like-for-like version or to maintain your family's standard of living?



Did you know?

Homeowners are often underinsured because they set their coverage amount once and never update it.

The replacement cost of your home increases yearly due to rising rebuilding costs that cause a shortfall and could leave you under prepared for a major loss



Construction materials



Labour costs



Energy costs

Takeaway

The big picture

Review your insurance annually and adjust your coverage amount based on market changes to avoid being underinsured.





Reviewing and updating your insurance

Reviewing and updating your insurance regularly/annually is vital to ensure your coverage remains adequate and aligned with your current needs and circumstances.

This prevents you from being underinsured and facing significant financial losses due to outdated policies that no longer reflect your assets, lifestyle or risk profile or being overinsured for things that aren't necessary any longer.





When to update your insurance



Marriage: Update life insurance to include your spouse as a beneficiary and consider combining policies.



Divorce: Revise beneficiary designations and adjust coverage based on your new financial situation.



Birth or adoption: Increase life insurance coverage to provide for your child's future needs.



Buying a home or moving: Review policies to ensure adequate home insurance coverage for the replacement value of your home and belongings and if there is a premium change.



Home improvements: Increase homeowners insurance coverage to reflect the increased value of your home.



Major purchase (car, electronics, jewellery etc.): Update vehicle or home insurance to cover the new asset.



User changes: If the regular driver changes from yourself to your child or spouse, you should inform your insurer as changes can impact a claim. It also ensures that your contact details are updated to receive important communication from your broker/insurer.



Job change: Review life, disability and illness cover to remain adequately prepared financially.



Retirement: Adjust life insurance coverage based on your retirement income and estate planning needs.





Even if you haven't experienced any major life changes, it's a good idea to review your insurance policies at least once per year:



Ensure coverage amounts are still adequate:

Account for inflation and changes in the value of your assets.

Shop around for better rates:

Compare quotes from different insurance companies to ensure you're getting the best deal. Keep in mind that if you're replacing or changing your life insurance product, there could be waiting periods, and coverage could change.



Review policy terms and conditions:

Make sure you understand the coverage, exclusions and limitations of your policies.

Identify potential coverage gaps:

Determine whether you need additional coverage to protect against new risks.





Zaid's story

With a better understanding of how insurance works together, Zaid decided that the individual policies weren't enough and that he needed to take a more strategic approach to protecting his financial wellbeing by viewing his insurances as a comprehensive portfolio.

He did a risk assessment and discovered that there was some overlapping coverage, but he also identified that there were some coverage gaps and decided to contact his insurance broker about getting disability insurance so that his family would still have a source of income if he couldn't work.





Key takeaway

Don't just buy insurance: build a strategic portfolio. A well-coordinated plan protects you from a wide range of risks, avoids costly overlaps and fits your budget, ensuring maximum financial security.

From theory to practice

- ✓ **Picture your family's financial future:** List all your insurance policies, noting what each covers, its limits and exclusions.
- ✓ **Cut the clutter:** Identify and eliminate any overlapping coverage to free up your budget.
- ✓ **Schedule an annual review:** Set a recurring date to review your insurance needs and update your coverage for life changes and avoid being underinsured.



Financial security means having the resources to maintain a stable lifestyle, meet obligations and overcome unexpected financial challenges. It's about having peace of mind knowing that your future and your loved ones are protected.

This security matters because life is unpredictable: emergencies, such as accidents, illness or loss of income can occur at any time, and financial security ensures you have a safety net.

For families, it means their needs will continue to be met, even if a breadwinner is no longer able to provide.

Furthermore, whether saving for education, a home or retirement, insurance helps protect those goals by addressing risks along the way.

Ultimately, insurance is a vital tool in achieving financial security because it mitigates risks and provides the necessary support when life doesn't go as planned.



- **Sonja Oosthuizen**
Head, Life Insurance Products: Personal Lines
Product Division, Standard Bank





Insurance and your financial future

Protecting your dreams





Insurance is a critical pillar of a sound financial future, safeguarding your assets from unexpected losses and preventing financial ruin from unforeseen events.

By strategically and effectively managing your insurance, you can mitigate financial risk and pursue your goals, such as retirement, homeownership and education for your children, with confidence.



Insurance provides you with the ability to take calculated risks, knowing you have a financial cushion in case of unforeseen events and that your plans aren't derailed by unforeseen expenses.





How to stay on track



Integrate insurance into your overall financial strategy: Don't view insurance as a separate expense. Factor it into your budget and consider how it interacts with your savings, investments and retirement plans.



Regularly review and adjust your coverage: Life is dynamic, and your insurance needs will change over time. Review your policies at least annually, and especially after major life events, to ensure your coverage amounts are still adequate and that you're not over- or underinsured.



Understand your policies inside and out: Don't just blindly pay your premiums. Take the time to understand what your policies cover, what they exclude and the claims process. This knowledge empowers you to make informed decisions and avoid unpleasant surprises.



Shop around and compare quotes: Don't settle for the first quote you receive. Compare rates from multiple insurance companies to ensure you're getting the best value for your money. Online comparison tools can be helpful but also consider working with an independent insurance agent who can provide personalised advice.



Prioritise essential coverage: Focus on the policies that protect you from the most significant financial risks. This typically includes health insurance, life insurance (if you have dependants), disability insurance, and home and car insurance.



Ask a professional: A qualified financial advisor or insurance broker can provide valuable insights and help you navigate the complexities of insurance. They can assess your individual needs, recommend appropriate coverage and help you find the best deals.



Top tips to optimise your insurance



Bundle your policies: Many insurance companies offer discounts when you bundle multiple policies (e.g. car and home) with them.



Maintain a good credit score: Your credit score can influence your insurance premiums, so practise responsible credit management and actively try to improve it.



Inquire about available discounts: Ask your insurance company about potential discounts, such as safe driver discounts, student discounts, senior discounts or discounts for installing security systems.



Regularly assess your risk profile: As your life changes, so does your risk profile. Re-evaluate your needs and adjust your coverage accordingly.



Zaid's story

Zaid no longer saw insurance as just another bill that he reluctantly paid; instead, he looked at it as a vital tool for protecting his family's future and their dreams. This gave him the confidence to face the future with optimism, knowing they had a safety net in place.

He also decided to take a more proactive and hands-on approach to his insurance by staying informed, reviewing his policies annually and working with his financial advisor to ensure his family was always well protected.



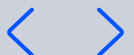


Key takeaway

Insurance isn't just protection; it's your financial springboard. Smart insurance planning lets you chase your dreams - home, family and retirement - with confidence, knowing you're covered.

Make it happen

- ✓ **Budget for protection:** Treat insurance like a non-negotiable bill; factor it into your budget to ensure consistent coverage.
- ✓ **Know your policies:** Take the time to understand what your insurance covers, what's excluded and how the claims process works.
- ✓ **Talk to an expert:** Consult a financial advisor or insurance broker about your needs; they can provide personalised guidance to help optimise your coverage.





Next steps

Now that you've learned how to navigate the world of insurance, you're ready to move on to the next level of financial health: understanding and managing credit and debt.



Download the next e-book in our series:

How to use credit responsibly, and learn how credit can be a powerful tool to achieve your financial goals.

[Learn more](#)

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Glossary

A

- **Assets:** Items of economic value that an individual or business owns, such as cash, investments, property, and vehicles.

B

- **Beneficiary:** A beneficiary is a person, group or organisation nominated to receive funds or assets.
- **Benefit period:** The length of time you'll receive disability or illness benefits.
- **Bond:** A continuing covering mortgage bond that is registered, or to be registered over immoveable property in favour of the bank as security for a loan.
- **Brokers:** Companies or individuals that provide financial services and access to financial markets, allowing you to buy and sell investments. Brokers act as intermediaries, executing investment instructions on behalf of clients and providing a platform and tools for trading. Brokers can range from full-service firms offering advice to discount brokers with lower fees.
- **Budget:** A plan for managing income and expenses, helping individuals track their spending and achieve financial goals.
- **Bundling (insurance):** Combining multiple insurance policies (e.g., car and home) with the same insurer, often resulting in lower premiums.



C

- **Claim (insurance):** A formal request to your insurer to indemnify you for a covered loss or event.
- **Claims history (insurance):** A record of all past successful or unsuccessful insurance claims submitted by you to an insurer.
- **Comprehensive vehicle insurance:** Offers the most extensive coverage, including accidents, theft, and damage to your vehicle and third parties.
- **Coverage (indemnity limit):** The total extent of cover provided by your insurer under your insurance policy for the specific events or losses that are covered.
- **Coverage gaps (underinsurance):** Risks or events you're not insured against or assets which you insure for an amount lower than their actual value. If you are underinsured, an insurer may only pay a part of your claim which may leave you liable to pay the difference.
- **Critical illness / Dread disease cover:** Insurance that pays out a lump sum if you are diagnosed with a specified critical illness.



D

- **Debt:** Money owed to another party. It can take various forms, including loans, credit card balances, and mortgages.
- **Disability cover:** Insurance that pays out a lump sum if you become disabled due to illness or injury.

E

- **Excess (deductible):** The first amount you pay out-of-pocket towards your claim before your claim is proceeded with.
- **Exclusions:** Specific events or situations that are not covered by your insurance policy.

F

- **Financial advisor:** A professional who provides expert guidance and support on financial matters, such as investments, insurance, and retirement planning, tailoring strategies to clients' goals and risk tolerance.
- **Financial wellbeing:** The state of being comfortable with your financial situation, having the ability to meet your financial obligations, and feeling secure about your financial future.
- **Funeral cover:** Insurance that pays out a lump sum specifically for the purpose of covering the costs associated with a funeral, burial or cremation.



G

- **Gap cover:** An additional insurance policy to your medical aid, designed to bridge the financial shortfall that can happen when healthcare professionals charge more than the rate your medical aid scheme is willing to cover.

H

- **Home contents insurance:** Covers your personal belongings inside your home against theft, loss, or damage.
- **Home insurance:** Covers physical structures and protects you in the event of damage and fire.

I

- **Income protection:** Insurance that provides a regular income if you are unable to work due to illness or injury.
- **Insurance:** A risk management tool that transfers the financial burden of an unexpected event from an individual to an insurer in exchange for a premium.
- **Insurance planning:** A key component of sound financial planning, ensuring that you have a strategy in place to mitigate potentially devastating losses.
- **Insurer:** The insurance company that indemnifies you against a loss event in exchange for a premium.



L

- **Life cover (life insurance):** Provides financial support and security to your designated beneficiaries after your death, typically in the form of a lump-sum payment.
- **Lump sum:** A single, large payment or deposit.

M

- **Medical aid:** Provides financial cover for medical expenses (up to a specified amount) in exchange for a monthly contribution.

O

- **Overinsured:** Paying excessive premiums for unnecessary insurance coverage.

P

- **Permanent life cover:** Provides life insurance coverage for your entire life (no age limit) with guaranteed payout to your beneficiaries.
- **Policy:** The contract between you and the insurer, detailing the terms and conditions of your coverage.
- **Premium:** The regular payment you make to maintain your insurance coverage.



R

- **Replacement value:** The cost of replacing damaged or destroyed property with new property of like kind and quality in the current market.
- **Risk assessment:** Evaluating potential risks, their financial impact, and their likelihood.
- **Risk management:** The process of identifying, assessing, and controlling threats to an organisation's capital and earnings.

T

- **Term life cover:** Provides life insurance coverage for a specific period (e.g. up to 65). If you outlive the term, the coverage ends without a payout.
- **Third-party:** A third-party refers to a person or entity who is not directly involved in an initial or primary relationship, agreement, or transaction, but who is affected by it or plays a role in it.
- **Third-party only vehicle insurance:** The most basic vehicle insurance, only covering liability for damage to third parties caused by an accident.

U

- **Underinsured:** Lacking sufficient insurance coverage, leading to potential out-of-pocket expenses and inability to replace lost assets or maintain financial stability.



W

- **Waiting period:** The amount of time you have to wait before disability or illness benefits begin.

For more information and explanations of financial language and terminology, visit the expanded glossary on our website.

[Learn more](#)

