



## **DIRE SHORTAGE OF LIFE COVER FOR YOUNG SOUTH AFRICANS**

*September 2010* - Too many young South Africans are placing their families at risk of financial ruin by failing to take out insurance cover that would cover them in the event of accidental death.

This is the warning from PPS Corporate Actuary, Chris de Klerk, who points out that South Africans most likely to die as a result of an accident are those between the ages of 18 to 30.

“The problem,” says de Klerk, “is that the majority of people in this age group are the very ones that are most likely to be underinsured for loss of life. This could prove to be devastating for those with young families who rely on them for financial support.”

He says that many young people are of the opinion that as the likelihood of dying from an illness is rare, life insurance is an unnecessary expense.

However, what they fail to consider is the high prevalence of accident-related deaths in South Africa. Latest PPS statistics reveal that between 40% and 50% of death claims are due to unforeseen accidents.

According to PPS statistics taken from the company’s life cover claims between 2006 – 2009, 64% of life cover claims from accidental causes are as a result of motor vehicle accidents. 54% of such claims were from policyholders under the age of 30, with only 13% for those over 60, while those in the 30 to 40 age group is 48%; 40 to 50 36%; and 50 to 60 24%.

“The second main cause of accidental death is crime and violence, such as hijacking and assault. In fact, there are many causes that most people don’t think of, such as death as a result of burns received, an aeroplane crash or even drowning,” says de Klerk.

He warns that something that is often not taken into consideration is that many men and women in the 18 to 30 age category partake in what has become known as ‘extreme activities’ (e.g. quad-biking, bungee-jumping, scuba-diving, racing, etc.), each of which encompass an element of danger. “All of these, and others, increase the risk of an accident occurring, some of which may result in fatalities.”

### **Closing the cover gap**

De Klerk says that there are products available on the market that provide cover in the event of accidental death only.

For example, the *PSS Accidental Death Product* is a life cover product that, although not excluding older age groups, specifically targets the 18 to 30, or 'accident hump', age group. It is cheaper than comprehensive life cover and can be taken as a stand-alone benefit. The benefit pays a lump-sum and the sum assured can be any amount chosen by the policyholder, subject to the relevant minimum and maximum benefit limits. It can also simply be added onto an existing PPS policy and will double up life cover to a maximum of R2 million if the death was a result of an accident. There are no exclusions on cover for hazardous pursuits and the cover is global.

"Most young adults do not consider life insurance as a necessary expense. However, given the high accident rate in South Africa, particularly among young people, it is important that anyone who has a young family to look after or who has credit taken out in their name, ensures they have a policy in place to ease the financial burden on their loved ones if the worst happens," says de Klerk.