



# HOW TO PROTECT WHAT MATTERS MOST

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A SIMPLE GUIDE TO RISK IN COMPLEX TIMES



Shomang  
**BROKERS**

# Over the past year, the world as we know it has completely changed.

Spare rooms have become work stations and dining tables have doubled as classroom desks; masks are the new fashion accessories and the phrase “You’re on mute” is part of our standard vocabulary. It has been a time of great adjustment, hardship and uncertainty—but the slower, quieter pace of life has also brought with it a chance to reflect on the things we really care about.

Globally there is a shift towards a less cluttered, simpler way of living with a focus on core human needs such as wellbeing, financial security and family. Beyond its new role as a makeshift office, home has become our comforting and even more meaningful safe space . The pandemic has taught us

what we can live through— and what we can’t live without. That is why it has never been more important to ask the question: **“How do I preserve the things that matter most?”**

This is where personal insurance has a key role to play. A comprehensive insurance policy provides much-needed peace of mind; ensuring that you and your loved ones are protected against the unexpected.

In this document we unpack in simple terms, the biggest current risks and share guidance on how to reduce their impact. At Shomang we believe that the more you understand risk today, the better prepared you are for the future.



# 1

## ALLOWING INSURANCE POLICIES TO LAPSE

Retrenchments, pay-cuts and wage freezes have become all too common. With vaccine rollout programmes in place, a sense of optimism is creeping back, but it will still be months before we are able to return to economic stability.

As a result, people have cut back on spending in almost all categories. Because many see it as a 'grudge purchase', short-term insurance often falls prey to these cost-cutting exercises. It can be difficult to see the true value of paying a monthly premium on something that offers no instant rewards, and therefore people often make the mistake of putting policies on hold for a time.

The thing with insurance is that you don't need it until you really need it. As the well-known investor Warren Buffet said, "It's only when the tide goes out that you learn who has been swimming naked." He was referring to companies borrowing too much money during good times, but this is equally relevant when it comes to personal insurance. Accidents don't wait for a convenient time and being 'caught without cover' can leave your family and valued possessions in a vulnerable position.



**While this makes sense, we know it's easier said than done—especially in tough times when budgets are tight. So, what can you do? Here are a few practical suggestions:**

- Start with debt. Close store cards wherever possible and try to consolidate any separate loans into one. Speak to your bank about restructuring home or car loans to ease the strain on your cash flow;
- Create a budget template. Make a note of your incomes and expenses, and analyse it. Ask yourself if there are any costs you can cut back on. Look at reducing luxury purchases. Instead of getting takeaways twice a week, see if you can learn how to cook your favourite meal at home. A simple life hack that will help you with this process is to talk about yourself in the third person. For example, instead of saying “I spent R300 on coffee”, say “Sanele spent R300 on coffee”. It might sound odd but behavioural economist, Dan Ariely, says this little trick can help you stay more objective and make the right choices.
- Explore additional income streams. Think about turning a hobby into a side hustle. Choose something that you're passionate about and it won't even feel like work.



# 2

# BEING UNDERINSURED

Being insured is one thing but it is equally vital to be insured correctly. It is estimated that one in three homes in South Africa are underinsured, and these statistics are increasing annually.

But what exactly does it mean to be underinsured? When the amount you are insured for is less than the value of your items, you end up having to pay the difference (also known as the shortfall).

For example: your household goods are insured for R200k but they are worth R300k. In the unfortunate event that they get stolen, you will only be paid out R200k. Should you want to replace the stolen items, you'll have to cover the R100k shortfall. Being underinsured can place unnecessary financial stress on households and often leave people unable to replace the valuable possessions they've worked so hard for.

## How to avoid risk:

- Do a room-by-room inventory, making a list of all your household items and their value;
- Get a professional to calculate the value of unique, special items such as antiques, art or jewellery;
- When you do home extensions or renovations, inform your insurer so your policy can be adjusted accordingly;
- Similarly, don't forget to count any extras you add to your vehicle such as tracking devices, wraps, a sun roof, sound system and other modifications. These can add up to 50% to your car's value;
- Regularly review and update your policy to make sure important new items are included;
- Take the time to fully understand your policy and any limits or exclusions;
- Remember that a cheaper premium doesn't always provide the best cover. Be careful not to underestimate the value of your items.



<sup>3</sup> Santam Claims Statics: "One in three South African homes are underinsured by some 30%"

<sup>4</sup> <https://www.businesslive.co.za/bt/money/2018-08-25-insure-all-those-extras-on-your-car-or-youll-lose-out/>

# 3

# CLIMATE CHANGE

From devastating heatwaves and wildfires to freak storms and flooding, extreme weather patterns have become more common. While we cannot control the weather, it's important to be aware of changes to your environment and do what you can to protect your home from growing climate change risks.

- Have a look at the area you live in to understand the climate risks relevant to your home;
- Get your plumbing and drainage checked to avoid burst pipes caused by extreme cold, as well as flooding or storm damage;
- Check that your vehicle is insured for hail damage and park undercover where possible;
- Comprehensive insurance can help give you financial security in the face of unpredictable events;
- Well-maintained gardens with less dry or dead plants can reduce fire risk. If you live in an area prone to veldfires, the South African Insurance Association has put together a helpful list of things you can do to protect your property.



<sup>5</sup> <https://hbr.org/2020/05/how-ceos-can-support-employee-mental-health-in-a-crisis>

<sup>6</sup> <https://hbr.org/2020/08/8-ways-managers-can-support-employees-mental-health>

<sup>7</sup> <https://www.accenture.com/za-en/insights/security/cyberthreat-south-africa>

# 4

## PROTECTING YOUR ASSETS

Together with your personal insurance policy, there are a number of other precautions you can take to protect what matters most. They may seem like simple actions, but they can make a surprisingly big difference to your security and financial wellbeing.

### Consider:

- Installing or upgrading alarm systems at your house such as beams or electric fences. Up to 50% of insurance claims relate to theft so making it harder for thieves to access your property reduces your risk ;
- Ensuring that your cars are parked under cover especially during storms. Keep any valuable items hidden under seats, in cubby holes or the boot;
- Making sure that your house is well looked after. This could include:
  - Keeping drain pipes unclogged and gutters clean;
  - Maintaining the geyser as half of home insurance claims relate to geysers;
  - Installing lightning rods;
  - Maintaining roofing to prevent flooding;
  - Waterproofing around doors and windows;
  - Having a safe electrical appliance set up and an electricity system to deal with surges and load shedding;
  - Minimising fire risks from open flames or gas canisters.

The added benefit of these actions is that they often result in a reduced insurance premium. They also lessen your chance of claiming and therefore keep your premium low.



<sup>5</sup> <https://hbr.org/2020/05/how-ceos-can-support-employee-mental-health-in-a-crisis>

<sup>6</sup> <https://hbr.org/2020/08/8-ways-managers-can-support-employees-mental-health>

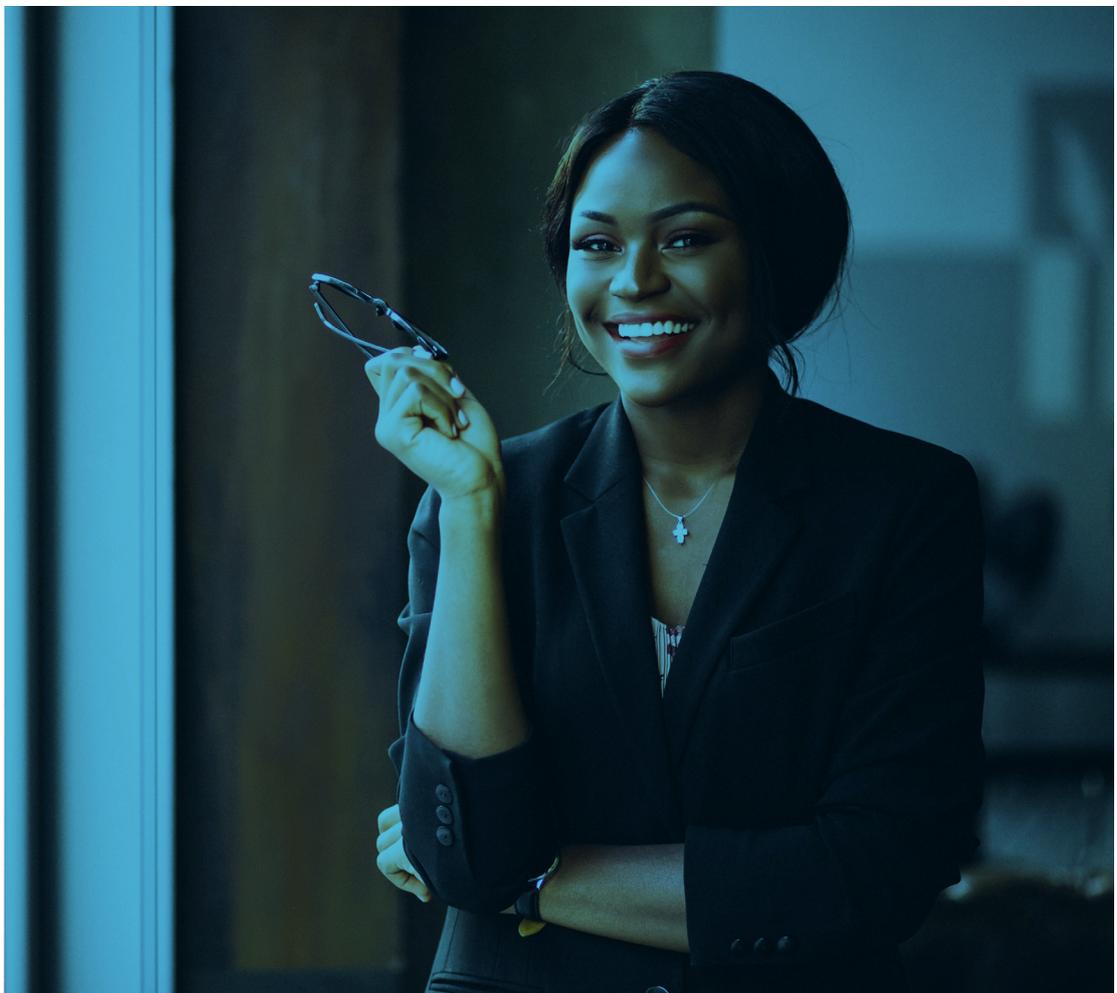
<sup>7</sup> <https://www.accenture.com/za-en/insights/security/cyberthreat-south-africa>



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# HOW CAN SHOMANG BROKERS ADD VALUE?

A fair number of the above risks can be avoided or better managed by having a broker. The insurance industry is notorious for its technical jargon which can make understanding all the ins-and-outs of a policy rather intimidating. However at Shomang, we believe that insurance doesn't have to be daunting. With simplicity and service as our cornerstones, our experienced brokers can help you cut through the complexity and provide much-needed clarity. With comprehensive knowledge of insurance products, we can also equip you with the right decision-making tools and advise on the best personal cover for your unique circumstances. This will enable you to preserve what matters most.



## CONTACT US TODAY

**Tel: 011 452 4662**

**[www.shomanggroup.co.za](http://www.shomanggroup.co.za)**

<sup>7</sup> <https://www.discovery.co.za/corporate/my-business-surviving-cyber-crime>

<sup>8</sup> <https://www.willistowerswatson.com/en-ZA/Insights/2020/09/helping-clients-navigate-an-increasingly-complex-world>