

SA's people under-insured by R24trn

Insurance company Liberty plans to capture more uninsured young people by issuing free cover for a year in the hope that the clients will understand the importance of insurance.



Liberty's Nicholas van der Nest says giving away free insurance cover to young people will convince them of its necessity. Image: [FA News](#)

The insurance gap study done by the Association for Savings and Investment in SA shows that South Africans are under-insured by R24trn of which R9.3trn is in life assurance.

"It's definitely an acquisition strategy which is not necessarily based on a hard sell. If people have something for a while and they understand how it works, it becomes easier for them to understand how it works in the long-term," Liberty Risk Product Innovation Director Nicholas van der Nest said last week.

"These people are generally young and have never had insurance. It's people who are in their early 20s and mid-30s. They are newlyweds and have new families," he said.

The plan is to give away policies worth about R25,000 for up to a year.

Not a game-changing move

Avior Research Analyst WJ de Vries said Liberty had an opportunity to capture the clients who had dealt with an unfortunate incident and understood the need to retain the life cover.

He said there was a high likelihood that many customers who did not have an unfortunate incident in the year of the free cover could cancel the insurance.

"Insurance is not something that you receive the immediate benefit from. It will probably gain them some new customers. But I don't think this will be a game changer. If you don't understand the importance of insurance after a year, you are not going to continue," De Vries said.

In its claim statistics for last year, Liberty indicated that it had paid out R2.7bn in claims.

"Young people often did not think they would suffer an insurance event," Liberty's Head of Risk Product Development, Ryan Switala, said. Its statistics showed 8.4% of all claims were for people under the age of 35.

"About half of all claims for young policyholders were due to losing their income and the rest were due to death or critical illness," Liberty said.

Source: Business Day via I-Net Bridge

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