



Need for disability income protection increases substantially after Covid

by Paul Kruger

The pandemic has highlighted the financial vulnerability of people living in South Africa. Amidst a lagging vaccination programme and a resurgent third wave of infections, it is clear that the catchphrase 'it won't happen to me' no longer carries the same confidence it once held, particularly amongst younger people.

- Sickness income claims within the disability insurance category increased 3.5 times in 2020
- 25% jump in the payout amount for disability income claims
- Average age of disability income claimants were between 30 and 55

Old Mutual's [Claims Statistics Report 2020](#) has revealed a significant rise in the number of disability income claims year on year, as well as a 3.5 times increase in sickness income claims under the disability insurance category. The highest cause of sickness income claims was 'infectious diseases', under which COVID-19 falls.

Despite the increase in disability income claims and growing concerns about health, Priya Naicker, Head of Strategic Retail Marketing at Old Mutual says that many South Africans do not have disability insurance.

"Traditionally, when people think of disability insurance, there is a common misperception that it applies only to those working in dangerous industries, or in high-risk jobs," she says. "However, this could not be further from the truth. Disability insurance is virtually for everyone. It means being able to help cover the costs that come with being disabled and unable to work or take care of yourself because of an illness or injury. It also lets you carry on providing for yourself and your loved ones, preventing you from becoming a financial burden on someone else. In the context of those suffering from COVID-19 related health issues for extended periods of time, disability insurance can help you and your family to maintain monthly obligations without financial stress, which is critical for a smooth recovery."

According to the Association for Savings and Investment South Africa's Insurance Gap Study 2019, the total existing shortfall in disability insurance was a staggering R19,3 trillion, which equates to R1,2 million per average South African earner. However, this gap is substantially wider for earners younger than 40.

"While younger people rarely think about dying or becoming disabled or even see the need for disability insurance, it is actually younger people who are more adversely affected by disability because they have not had as much time to accumulate wealth and create a financial buffer," says Naicker.

The latest Claim Statistics report showed that the average age of disability claimants sits in the family provider age group, with the average age for male claimants at 47 and for females at 43. However, within the claims category for infectious diseases and trauma and lifestyle, which was the most prevalent cause for claims under sickness income, the ages 20 – 30 and 30 – 40 each contributed to 36% of sickness income claims.

“It makes good financial sense to have cover that suits the life stage you’re at,” says Naicker. “Not having disability insurance only increases your risk of going into debt, which could have serious consequences on your future financial security. It could mean risking your home, your car, and the ability to continue with your retirement or even shorter term savings goals. For those with families, it may affect parents’ ability to fund their children’s education.”

“While many younger South Africans may question the idea of paying for disability insurance, thinking they will never need it, or perhaps wondering if they can afford it, a more pertinent question may be to ask whether they can afford **not** to have it,” says Naicker. “It is important that we do not underestimate the value of disability insurance and the role it can play in protecting your future and the financial wellbeing of your family.”