

## The new wave of 'consumer driven' insurance

As South Africa struggles to emerge from its longest downward cycle since 1945, the threat of a ratings downgrade and a forecast for low economic growth in 2020 means that consumers may have to drastically tighten their belts in order to survive.

Policy uncertainty, high unemployment and the threat of financial burden caused by Eskom are just a few of the contributing factors which have sent ripples through the economy and lead to a decrease in consumption and low investor confidence.

Herman Lombard, founder and Executive Director of financial services provider African Unity believes that in tough economic times it is more important than ever for consumers to have adequate cover in place to secure assets and protect loved ones in the event of a crisis or the loss of the breadwinner.

He adds that while many South Africans have funeral cover, a significant portion of the population are either under-insured or uninsured altogether for death, disability or in the event of a job loss.

"Regulatory and other changes within the insurance industry have paved the way for enhanced cover for policyholders and greater financial inclusion for all South Africans. Insurers are taking advantage of this by using technology to develop smart, value for money products that meet the needs of their customers," he says.

Lombard explains that the insurance industry is facing a watershed moment where those that are not able extend themselves and to evolve with the changing environment may lose market share and customers.

"We are entering a new age of insurance where customers have much more choice and will prioritize streamlined applications and claims processes over loyalty to a brand. For insurers, this means knowing what your customer wants, finding ways to providing it and rewarding those that stay."

While consumers will see the growth of new product offerings, like subscription-based models, peer-to-peer insurance and pay-per-kilometer car insurance, many will also experience a change in focus by their insurers from protection to prevention models.

While many insurers already provide value-add services like road-side assistance, new tech-enabled prevention tools, such as sensors to keep your house safe, or wearable apps that monitor and warn of health events, will become the norm.

Lombard believes that new wave threats, such as fires or flooding brought about by climate change, social unrest and the like may have a negative impact on affordability in the future.

On the international front, it has been reported that insurers have blamed the recent Californian wildfires on global warming and have warned that the increase in risk from wildfires, flooding and storms may mean an adjustment of prices, making cover for ordinary people less affordable.

Lombard advises, however, that despite any changes in insurance models or the way in which insurance is bought, sold or delivered, the fundamental cautions for consumers are important now and will remain vital into the future.

"Ensure that you understand the extent of the protection you are buying, what your excess and exclusions are and what is expected of you. For example, whether your household cover is based on having burglar bars or an alarm which must be activated when the house is empty. It is also important to be completely honest when applying for cover. One oversight could mean that the protection you thought you had, may not materialize should you need it," concludes Lombard.

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