

PRESS RELEASE

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UNINSURED MOTOR VEHICLES

The challenges within South Africa's short-term insurance industry

There is a tendency among South Africans today to continue driving their motor vehicles long after they have settled the full amount borrowed.. "This poses a huge risk to both the motorist and the South African short-term insurance industry as people tend not to renew their insurance cover after their finance arrangements have come to an end. This is often because the vehicle finance company no longer requires the vehicle to be insured," says Pravin Pather, technical and risk specialist at Centriq Insurance. Therefore, we see an increase in the number of uninsured vehicles on SA roads.

The escalating cost of ownership and maintenance of motor vehicles in SA to date means that fewer people can afford to buy new or even second-hand vehicles, therefore, they prefer to keep driving an older vehicle once it is paid off. According to the National Association of Automobile Manufacturers in SA (NAAMSA), new vehicle sales in July this year dropped to 34 503 units compared to 46 547 in the same month last year. This indicates a 25.8% drop in new vehicle sales, putting the South African automotive industry under severe financial pressure.

KPMG's 2008 Insurance Survey attributes the lack of insured vehicles on SA roads and the drop in motor vehicle sales to decreased disposable income levels and the low employment rate. "Price has become a very important consideration for short-term insurance clients as they struggle to pay their insurance premiums," the survey states.

Other factors contributing to SA's poor performing motor insurance portfolio, according to KPMG, include:

- the lack of road safety among drivers
- the number of inexperienced drivers on and poor condition of SA roads; and
- expensive vehicle parts

WHERE DOES THIS LEAVE INSURERS?

The National Traffic Information System (eNaTIS) recorded more than 9,5-million live motor vehicles on South African roads as at 30 September this year. Given these statistics, motor vehicle accidents are bound to happen. "Taking into account that the minimum average cost of repair following a motor vehicle claim amounts to approximately R16 000, consumers simply cannot afford not to have at least third-party insurance," comments Pather. He adds that insurance experts believe that less than 30

percent of all vehicles on South African roads are insured. “This places a huge financial burden on insurance companies in SA. For example: If Motorist A who has motor vehicle insurance collides with Motorist B who does not have motor vehicle insurance, Motorist A’s Insurer will suffer a loss as it cannot recover the loss against Motorist B’s insurance company,” Pather explains.

MOTOR INSURANCE A NECESSITY

“Motor insurance in SA is a necessity, not a luxury,” says Pather, adding that consumers can be relieved that car insurance in SA is not enforced by law like in most developed countries.

He refers to traffic authorities in the United Kingdom that use automatic number plate recognition technology to identify uninsured drivers. “Vehicle owners who are pulled over without car insurance risk being prosecuted while their car will be confiscated and/or crushed,” notes Pather.

The following statistics released by Arrive Alive proves that motor vehicle insurance is of utmost importance in SA.

Number of vehicles involved in <u>fatal</u> crashes	14 463 for the year 2008	
Number of motor vehicles/motorcycles stolen	<i>April 2007 – March 2008</i>	<i>April 2008 – March 2009</i>
	80 226	75 968
Theft out or from motor vehicle	<i>April 2007 – March 2008</i>	<i>April 2008 – March 2009</i>
	111 661	109 548
Driving under the influence of alcohol or drugs	<i>April 2007 – March 2008</i>	<i>April 2008 – March 2009</i>
	48 405	56 165
Car-jacking	<i>April 2007 – March 2008</i>	<i>April 2008 – March 2009</i>
	14 201	14 915
Truck hi-jacking	<i>April 2007 – March 2008</i>	<i>April 2008 – March 2009</i>
	1 245	1 437

Pather advises consumers who cannot afford comprehensive motor vehicle insurance to at least consider taking out third party insurance. "Third party insurance will cover you for accidental damage caused by you to a third party's property due to a driving accident," he explains. By doing so, you can at least cover yourself against having to carry the financial burden of another party's damage. "Third party insurance with fire and theft cover will furthermore cover you, the insured, against fire, theft and hi-jacking as well as accidental damage caused by you to a third party's property due to a driving accident," he says.

If uninsured at the time of an accident, you can be held accountable by law for the repair costs of the vehicle you collided with. "This will not only expose your cash flow, but it may also put you in huge debt. If you are unable to pay for the repair of the vehicle you collided with, you can by law be listed with South African credit bureaus, which will make it extremely difficult for you to finance a new motor vehicle or obtain any form of financial assistance or loan in the near future," notes Pather.

With that in mind, Pather believes that South Africa should make third party insurance a legal requirement in the country.

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