



NEW RESEARCH SHOWS GRADUATE PROFESSIONALS IN SA UNDERINSURED FOR DEATH AND DISABILITY

High income earners, including graduate professionals are often deemed to be more financially astute than the rest of the population when it comes to financial matters. However, research released by the Association for Savings and Investments of South Africa (ASISA) this week suggests that this group is severely underinsured when it comes to life and disability cover, potentially placing themselves and their families' financial stability at risk.

According to the research, South Africans earning a monthly income of R16,700 or more are underinsured in the event of death by an average of R1.5 million or 46%. In the case of disability, high income earners are, on average, underinsured by over R3.2 million or 60%.

The study also measured levels of underinsurance based on education levels. The results show that while degreed professionals are three times more likely to have a life policy and five times more likely to have a disability policy than individuals without a degree, they remain heavily underinsured for these types of cover, by 28% and 55% respectively.

According to Gerhard Joubert, Head of Group Marketing and Stakeholder Relations at PPS Insurance, the financial services company that offers insurance, investment and healthcare products to graduate professionals, there are a number of options available to high income earners to close the insurance gap between the cover they have and that which they need. "The first option is to increase their level of cover. According to the ASISA study, this income group would on average need to increase their monthly life and disability premiums, as a percentage of their earnings, by 1.6% and 1.4% respectively."

He says that another option is for individuals to reduce their monthly expenses on items such as transport, holidays and houses. The study shows that on average, this group would need to reduce these expenses by 25% to close the underinsurance gap on their life cover and 39% on disability. "By reducing their monthly expenditure, they would require less insurance cover in order to maintain their living expenses, should a tragedy occur," says Joubert.

He says that the other main cause of underinsurance amongst graduate professionals is the fact that they fail to update their product provider when circumstance changes (e.g. a salary increase).

“When a member joins and takes out a policy, typically at the start of their career, an appropriate level of life cover is provided in line with the information supplied. However, salary inflation tends to be much higher among graduate professionals such as lawyers, doctors and engineers in the early years of their career, meaning that the cover they have is not appropriate to their changing needs.”

He says that statistics held by PPS shows that a number of the graduate professionals on its books regularly fail to update their details. “Our records show that only around 70% of the income we would expect members to be earning is actually reflected on our books. This means that the life cover that members have taken out would actually fall short of how much they need, based on their current earnings.

“Families of these individuals will have a standard of living that will be impossible to maintain if something were to happen to the main breadwinner. It is, therefore, crucial that adequate life and disability cover is in place should the worst happen.”

He says PPS products are automatically increased every year, which means members are at least keeping up with inflation. “However, it is important that professionals regularly inform their financial adviser or product provider of a change in their circumstances, to ensure they have the right amount of cover for themselves and their families,” concludes Joubert.