

Earners 'grossly underinsured'

Millions of families could become virtually destitute if the main breadwinner were to die or become disabled, because many income earners are grossly underinsured for both death and disability, according to insurance experts.

By [Sure Kamhunga](#) 19 Nov 2010

Releasing the results of a study done for the Association for Savings and Investments SA, the organisation's deputy CEO, Peter Dempsey, said SA's 12.4 million income earners between the ages of 16 and 65 are underinsured by R18.4 trillion.

This means the families of breadwinners who die or become disabled will struggle to survive, rendering many destitute, with serious social and economic consequences.

The insurance gap was calculated separately for death and disability and was defined as the difference between the insurance need and the actual cover.

The death insurance gap is R7.3-trillion and the disability insurance gap is R11.1 trillion.

Findings are 'alarming'

"Given the fact that it was possible to interrogate data in much greater detail this year, and factoring in the growth in earnings over the past three years since the last study was conducted, we conclude that the insurance gap has not necessarily widened," he said.

The head of retail at Alexander Forbes Life, Mark Lapedus, said the findings of the study are alarming.

"The 2010 figures show that little has been taken to heart in spite of the life insurance industry going out of its way to point out how unprepared South African families were for the death or disability of breadwinners in 2008," he said.

Don't trust in fate

Lapedus said that while many employees do not have death or disability cover as it is not compulsory in SA, this does not mean people should leave their lives and those of their families to fate.

The survey found people older than 55 typically are over insured.

Dempsey said the level of underinsurance had prompted the industry to propose a compulsory scheme. However, he said this was unlikely to draw union support, as millions barely survive on their wages.

The sector should improve its image, he said, so "insurance (comes to be seen as) something worth having and not a grudge purchase".

Source: *Business Day*

