

# JUST MONEY

## What is disability insurance?

Disability insurance pays out a predetermined amount in the event that you become disabled. Disability is often defined as being unable to conduct day-to-day activities such as bathing, dressing or eating. You can get disability insurance to cover your income or to pay you out a lump sum or both.

Advisors usually recommend getting both types of disability cover so that you can use the lump sum to pay off your debts and the income disability insurance to live off.

### Can it happen to me?

A 2013 study by True South Actuaries and Consultants ([\*Disability cover: assessing the efficiency of the South African insurance market in its provision of disability cover\*](#)) found that South Africans are seriously underinsured when it comes to both permanent and temporary disability. The study showed that South Africans were underinsured for permanent disability by as much as 60% in 2013 and a whopping 73 – 88% for temporary disability.

There are a number of reasons why disability insurance is not as popular as other kinds of insurance. One of the main reasons is that people don't know or understand what the leading causes of disability are. People also tend to underestimate the long-term financial implications of living with a disability and believe that it will never happen to them.

“The need for life cover to take care of your family when you're no longer around are more readily understood. The concept of living through a serious illness or an accident that leaves you unable to earn an income is something few people ever consider. So when it comes to finding a balance between affordability and insurance needs, people tend to choose a product that deals with the inevitability of death rather than the possibility of disability,” explains Ryan Chegwidan, head of product and technical at Hollard Life.

Many people think that the most common causes of disability are freak accidents and injuries at work. This allows them to believe that it's less likely to happen to them, but that's a myth. While the likes of arthritis, back pain, and joint disorders are the leading causes of disability, it's actually serious illnesses such as cancer, heart attacks and diabetes that cause the majority of long-term or permanent disabilities – the kind that prevent you from being able to work again. Sadly, these illnesses are becoming more prevalent among people younger than 50.

After serious illnesses, motor vehicle accidents are a significant cause of temporary and permanent disability – and the most common cause (of disability) in young males under the age of 30 according to Hollard's claims statistics. Estimates from the Road Traffic Management Corporation also suggest that there are around 20 accidents that leave people disabled on our roads every day. For anyone who commutes on South Africa's roads whether by car, bike, foot or public transport, the possibility of being involved in an accident like this is an ever-present reality.

# JUST MONEY

## **Getting to grips with disability cover**

Many people have difficulty in understanding the importance of having both disability and impairment cover. Although they seem similar, they have very different – yet equally valuable – roles to play when it comes to financial planning.

“A disability leaves you unable to do your specific job and earn an income, while an impairment is a physical or functional disorder that doesn’t affect your ability to keep working. Typical examples of impairment may be losing a leg or injuring a leg so badly that you can no longer use it. Disability benefits aim to compensate for the future loss of income that comes with being unable to do your specific job, while impairment benefits provide cover for the unexpected expenses that come with an impairment,” explains Ryan.

Impairment cover is typically included in most disability insurance products but it’s essential to ask whether it is included and not just assume that it is. “Disability and impairment cover are an essential part of a good financial plan, and not just for people who have dependants. In fact if you have no dependents it is equally as important because cover like this allows you to remain financially independent of others, maintaining your dignity and self-sufficiency,” explains Ryan.

Disability and impairment products vary greatly between insurers. Make sure you discuss the differences with your financial advisor, paying attention to what is covered, what the premiums are and any fine print.

“Never underestimate the importance of insurance cover for your living years. Life cover is important and usually the cornerstone of most financial plans in ensuring that you can maintain your standard of living and dignity if you survive a life threatening illness or disability,” concludes Ryan.