



FINFLASH

TIRED OF BEING FINANCIALLY OUT OF POCKET AFTER A TOTAL LOSS ON YOUR MOTOR VEHICLE?

Every vehicle owner has or may in future be in the position of experiencing a financial loss when their motor vehicle is either written off in a motor accident or stolen.

Insurance companies will only compensate you for the retail value of your vehicle as on the day of the loss. After the outstanding finance amount has been settled with the financing company, the difference (if applicable) will be paid to you, the client. This brings relief in the sense that you do not owe the financing company anything. If you received any settlement amount over and above what was paid to the financing company, you may still be in the position of not having enough finances for a deposit on the replacement vehicle you want to purchase. This situation is especially true for newer vehicles. There is a solution to this problem.

If you are concerned about this possibility or if you would like advice on short-term insurance in general contact us.

There is a product available on the market where vehicle owners can insure at the Inception Value of their motor vehicles. This is an additional insurance product over and above your standard insurance policy and does not replace the standard motor vehicle insurance policy. This product only pays you the difference between the value of your vehicle at the inception of the policy and the retail amount that was paid by your insurance company on the claim.

Let us explain this by means of an example. On 8 March 2019 you purchase a 2018 Audi A3 Sportback 1.0 TF SI Stronic for the discounted amount of R340 000. The actual retail value of the vehicle is R359 900 and this is the value at which it will be insured by your insurance company, company X. The credit shortfall cover for this vehicle is also covered by company X. You opt to insure your vehicle at insurance company Y on their Inception Value Product for the amount of R359 900 (which represents the current retail value at the inception of the policy).

Every year the retail value of your vehicle with company X will decrease according to the Transunion guideline. The value of your vehicle with company Y remains at R359 900 which is the original retail value on the date you purchased your vehicle.

On 5 May 2020, your vehicle is written off in an accident. Retail value at the time of loss is R320 000. The outstanding settlement amount owed to the financing company is R330 000. Payments will be made as follows:

- ◇ R330 000 to the financing company to settle the outstanding debt, paid by company X. This covers the retail value of R320 000 as well as the R10 000 owed to the financing company & covered by the credit shortfall extension to the policy.
- ◇ R0 to you the client, by means of your standard insurance policy with company X
- ◇ R29 900 to you the client because you were covered on the Inception Value policy, paid by company Y
- ◇ This leaves you with R29 900 for a deposit on a replacement vehicle.

If you did not have the Inception Value policy you would have to pay a deposit for a replacement vehicle out of your own pocket.

The product is available regardless of when you purchased your vehicle. However, the retail value on the Inception Value policy will correspond with the date of issue of the policy and not the date of purchase of the vehicle. Thus, the sooner you get the cover activated, the better.

The good news is that your standard or underlying insurance policy for your vehicle does not have to be through our brokerage firm or the insurance company that offers this product. The only requirement is for your vehicle to be insured for you to qualify for this product.

To discuss this option or for an obligation free quotation

[CONTACT US](#)

