

CREDIT LIFE INSURANCE FREQUENTLY ASKED QUESTIONS

1. What is credit life insurance?

Answer: Credit life insurance is insurance cover taken by a consumer taking credit. Credit life insurance insures the consumer's obligations against the consumer's death, disability, unemployment, or other events that may affect the consumer's ability to earn an income to service the debt. The insurance may be required by the credit provider as a pre-condition granting credit to the consumer.

2. When is credit life insurance taken?

Answer: It is generally taken at the time when the consumer takes credit. It may also be taken during the life of the credit agreement, normally when the consumer switches between insurers.

3. What kind of debts are covered by credit life insurance?

Answer: Mortgages, personal loans, credit cards, store cards, instalment sale agreements for vehicles, furniture or appliances.

4. Are there any exclusions to credit life insurance?

Answer: Yes, there are exclusions eliminating coverage for some types of risks. Generally risks resulting from the consumer's deliberate conduct, or for which the consumer is totally responsible for causing. Examples are exclusions resulting from suicide, alcohol and drugs. The exclusion may also be extraneous risks such as civil commotion, riots, unprotected strikes and self-inflicted injury. The consumer is not covered for these risks and the insurer is not liable to pay claims arising from them.

Below are examples of exclusions to credit life insurance - Credit life insurance may exclude or limit cover in relation to different covered events in the circumstances set out below (please note that there is a complete list of these exclusions in the Credit Life Regulations):

- Loss of an income resulting from retrenchment within the first three (3) months after the commencement of cover under that credit life cover
- Lawful dismissal from employment as a result of wilful misconduct
- Resignation
- Retirement

- Participation in an unprotected strike
- Voluntary retrenchment or termination of employment
- Where a consumer is aware or received notice of termination of employment during three (3) months preceding the date of which cover under the credit life policy commenced.

5. If a consumer lost employment while under debt review, is he/she allowed to claim credit life insurance?

Answer: Yes, if a consumer had credit life insurance against retrenchment or loss of income whilst in debt review.

6. Can I claim credit life insurance if I have either momentarily lost my full income or experienced a partial reduction in income during or resulting from Covid-19?

Answer: This depends on the terms of your policy. Most policies cover temporary loss of full income. Some policies do not cover partial loss of income whilst others do. It is therefore important to check the terms and conditions of your policy and understand what you are covered for.

7. Are consumers forced to take credit life insurance offered by the credit provider?

Answer: No, the consumer can purchase insurance from a different insurer. The credit provider must be nominated as the loss payee in this policy to benefit from it when the insured event occurs.

8. What is the maximum charges for credit life insurance?

Answer: The policy must be kept for the term of the credit agreement. The policy falls away when the agreement terminates.

What is the maximum charges for credit life insurance?

Answer: A premium of **R2,50 per R1000** for mortgages in general and **R2 per R1000** for mortgages for affordable housing. The premium amount is set at R2 for consumers below 55 years and R2,50 for those above 55 years. A premium of **R4,50 per R1000** of credit for personal loans, credit cards, store cards, overdrafts, vehicle loans and other loans.

For further information, contact info@ncr.org.za



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