

# Shortfall Cover

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# Shortfall Cover Policy

## Introduction

This document explains the Shortfall Cover policy. You will notice that some words are *italicised*. These words have a specific meaning and they are explained under the 'Definitions' section.

Provided that *you*, the policy holder have paid *your premium* on the *premium due date*, Hollard Insurance (*we*) will protect *you* against any losses defined in each section under

## What we cover

*Your cover* is subject to the terms, conditions and exclusions contained in this policy or in any further endorsements to it.

*Your insurance contract* with us consists of the *certificate of insurance*, this policy wording, the Additional Information document and any endorsements or amendments. These documents should be read together.

Please contact your Administrator if you do not understand anything in this policy, *or if your cover* needs to be changed. The contact details are provided in the additional information document.

If the provisions of this policy conflict with any of the other documents mentioned above, the provisions of this policy will apply.

## Definitions

The following words appear in *italics* in the wording and have specific meanings in this policy as well as any related documentation issued by *us*:

### **"Accident"**

An *accident* is an uncertain future event which is caused solely and directly by violent, accidental, external, physical and visible means. It occurs independently of any other cause, on any demarcated road including public and private roads, gravel, tar or dirt roads.

### **"Administrators" or "Motorite"**

Motorite Administrators (Pty) Ltd., an Authorised Financial Services Provider with Licence No. 9140, appointed by Hollard to administer Your Policy

### **"Certificate of Insurance"**

The *certificate of insurance* is a schedule that contains *your* details and the details of the *vehicle, period of insurance, premium payable* etc. This document will be updated from time to time.

### **"Credit Agreement"**

The *credit agreement* is a credit transaction entered into by *you* with the *credit provider* in respect of the *vehicle* (in terms of the National Credit Act 34 of 2005).

### **"Credit Provider"**

*Credit provider* refers to the registered credit provider, whose interest in the *vehicle* is noted on the *credit agreement* as well as in this policy.

### **"Date of Loss"**

The *date of loss* is the date when damage to, or loss of the *vehicle* occurs. This date must fall within the *period of insurance*.

#### **“Date of Occurrence”**

- for **Shortfall** claims – The date that you receive the settlement payment in your account from the *underlying insurer* in respect of the claim that you lodged on your **underlying policy**.
- for **Loyalty Bonus** claims - The date that *you* receive the settlement payment in **your** account from the *underlying insurer* for the claim that *you* lodged on *your underlying policy*.

You have 60 days to notify us about your claim. We start to count the days from the *date of occurrence*.

#### **“Days”**

Ordinary *days*, including weekends and public holidays.

#### **“Ex Gratia”**

An *ex gratia* payment is a non-contractual partial or full settlement of the claim that is made without prejudice when a claim against the *underlying policy* is declined.

#### **“Excess”**

An excess is the amount that you need to pay for every claim against the *underlying policy*.

#### **“Event”**

The events which led to *you* lodging your claim against the *underlying policy*.

#### **“Market Value”**

The *market value* is the average of the recommended retail value and trade price of the *vehicle*, including its accessories and spare parts.

This value is determined by the value of the vehicle as the *date of loss* according to that month's issue of the **“Auto Dealer's Guide”** (by TransUnion Auto Information Solutions). The value may be adjusted according to the average **“Kilometre and Condition Chart”** contained in the guide.

If the particular make and model of the *vehicle* is not reflected in the **“Auto Dealer's Guide”** or **“Auto Dealer's Guide for Cars Over 10 Years Old”** or **“Commercial Vehicle Dealer's Guide”** then the *market value* of the *vehicle* will be based on the average value given for the *vehicle* by three independent motor industry sources of *our* choice.

#### **“Maximum Indemnity”**

The maximum amount that *you* may be paid under this policy is R300 000. In the event of any claim becoming payable under this policy, any premiums that were not successfully collected during the existence of the policy will be deducted from the claim amount payable.

#### **“Period of Insurance”**

The *period of insurance* is the period stated in the *certificate of insurance* for this policy or any agreed renewal period, if we

have received and accepted *your premium*.

*Your cover* starts on the inception date stated on the *certificate of insurance*, if we receive the first *premium* by the *premium due date*.

#### **“Premium”**

The *premium* is the amount that *you* must pay to us every month in order to receive the benefits of the policy, which are set out on *your certificate of insurance*.

#### **“Premium Due Date”**

Means the period stated in the Certificate of Insurance of this policy or any agreed renewal period. Cover starts on the inception date as stated on the Certificate of Insurance, subject to Hollard's receipt of the first premium by the *premium due date*.

### **“Premium Collection ”**

The premium is payable monthly in advance by debit order on the *premium due date*. Written notification of any changes in banking details must be provided to the Administrator at least 10 days before the next premium is due for payment. Should the debit order be rejected or the premium unpaid as a result of insufficient funds or reasons outside of your control, the policy will remain active and a single premium will be collected on the following *premium due date*. In the event that 2 (two) consecutive premiums are unpaid the policy and all cover and benefits in relation thereto will immediately be cancelled. In the event of any claim becoming payable under this policy, any premiums that were not successfully collected during the existence of the policy will be deducted from the claim amount payable.

### **“Statutory Settlement Balance”**

The *statutory settlement balance* is the payment due by you as at the *date of occurrence* which would clear your outstanding liability to the *credit provider* in terms of the *credit agreement*.

The *statutory settlement balance* excludes arrear instalments, interest or finance charges thereon, and early settlement penalties.

### **“Sum Insured”**

The *sum insured* is the value of the vehicle specified by you in your *certificate of insurance* at the time of your application for this policy. The *sum insured* is the applicable value of the *vehicle* which includes accessories and spare parts (whether factory-fitted or added after purchase) and VAT. This value can be updated by you from time to time.

### **“Total Loss”**

A *total loss* is where the *vehicle* is stolen/hijacked and not recovered, or the *underlying insurer* decides that the *vehicle* is damaged beyond economical repair.

### **“Underlying Policy” and “Underlying Insurer”**

The *underlying policy* is a current comprehensive motor vehicle insurance policy (*underlying policy*) that you entered into with a registered domestic insurance company (*underlying insurer*).

This policy must cover the *vehicle* against all possible motor vehicle risks, including collision damage, theft and hijacking that occurs in the Republic of South Africa.

The *underlying insurer* must be obliged to pay the claim if all the underlying conditions have been fulfilled.

### **“Unspecified Extras”**

*Unspecified extras* are any additional equipment or accessories that are fitted to the *vehicle* (such as tow bars, canopies, mag wheels), which have not been specified in your *underlying policy*.

### **“Vehicle”**

This refers to the *vehicle described* in the *certificate of insurance*. It may be any of the following:

- motor vehicles, minibuses (maximum 16-seater), caravans, 4x4 vehicles, 4x2 vehicles, light delivery vehicles, and panel vans, all with a gross vehicle mass of not more than 4 500 kg;
- trailers with a carrying capacity of not more than 750 kg;
- motorcycles.

The following vehicles are specifically excluded:

- any vehicle used as a courier service;
- any vehicle modified for commercial purposes (such as but not limited to emergency and towing vehicles);
- any vehicle used as an armed reaction vehicle;
- quad bikes or off-road motor cycles.

### **“We, Us, Our”**

These terms refer to the insurer providing this insurance policy. The insurer is The Hollard Insurance Company Limited (Hollard), registration number 1952/003004/06.

Hollard is a registered insurer in terms of the Short-term Insurance Act 53 of 1998, and a licensed financial services provider in terms of the Financial Advisory and Intermediary Services Act 37 of 2002.

### **“You, Your”**

These terms refer to the person or entity who is insured and is named as the policyholder in the *certificate of insurance*.

## **What we cover**

### **1. Shortfall Cover**

#### **What we cover**

We will provide cover under this section if there is a difference (shortfall amount) between the total payment made by the underlying insurer and the statutory settlement balance after your vehicle is declared a total loss.

#### **Benefit**

We will pay the shortfall amount, subject to the specific deductions identified below. We will not pay more than the maximum indemnity.

The following amounts are not covered and will be deducted from the *statutory settlement balance*:

- a. Any amount over R 20 000 in respect of the excess that you need to pay for a claim on the underlying policy.
- b. The amount paid by the underlying insurer.
- c. Any amount that the underlying insurer deducts from the settlement of the claim because it is not covered under the underlying policy.

Example: Items such, as but not limited to, premium refunds, towing, salvage, storage and release fees may create a short payment from your underlying insurer and are not covered in terms of the shortfall benefit of this policy.

- a. Any amount exceeding 10% of the market value or sum insured (whichever is the lesser) for unspecified extras.
- b. any refunds due to you in terms of the credit agreement on the date of loss. These may include short-term, credit life or motor warranty insurance premiums.
- c. any amounts added to the principal debt in terms of the credit agreement after its start date, and any finance charges and
- d. interest related to these amounts.

#### **Specific conditions** applicable to shortfall cover

- We will treat the amount paid by the underlying insurer as no less than the market value of the vehicle. This will apply whether the settlement is agreed or on an ex-gratia basis.
- If the sum insured stated in the certificate of insurance and the premium paid to us is incorrect, then your benefit will be adjusted accordingly subject to the above clause.

### **2. Loyalty Bonus Benefit**

#### **Benefit**

If you have a valid total loss claim on your underlying policy, we will pay R10 000 towards the purchase of a replacement vehicle of your choice.

The replacement vehicle must be purchased from a dealer within 3 months of finalising the claim against the *underlying policy*.

## Claims conditions

If an *event occurs* which may lead to a claim under this policy, *you* are required to take the following actions for each claim. These actions are at *your* own expense.

### Shortfall Claims

- Immediately notify *us* when *your* claim against *your* underlying policy has been settled and submit a *shortfall* claim form to *us* within *60 days* of the *date of occurrence*.  
The following documents will either need to be provided to *us*, or you will need to give *us* authority to obtain them:
  - a copy of *your credit agreement*.
  - a statement of *your account* and transaction history with the *credit provider*.
- Provide *us* with a copy of the applicable signed agreement of loss or *ex gratia* agreement between *you*
- and the *underlying insurer*, or the letter accompanying the *ex gratia* payment.
- Provide *us* with any other proof, information and affidavits that *we* may need to process the claim.

### Loyalty Bonus Claims

- Notify *us* within *60 days* of the *date of occurrence* of *your* claim against the *underlying policy* together with the agreement of loss between *you* and the *underlying insurer*.
- Provide *us* with the proof of purchase of a vehicle from a dealer.
- Payment will be made to the dealer who *you* are buying *your* new vehicle from.

## General conditions

The following conditions are applicable to all sections of this policy unless specific conditions or exceptions are noted under the various sections.

### 1. The privacy of your personal information

*We* care about the privacy, security and online safety of *your* personal information and *we* take *our* responsibility to protect this information very seriously. Below is a summary of how *we* deal with *your* personal information. For a more detailed explanation, please read *our* official Privacy Notice on our website.

- **Processing your personal information:** *We* have to collect and process some of *your* personal information to provide you with our products and services, and also as required by insurance, tax and other legislation.
- **Sharing your personal information:** *We* will share *your* personal information with other insurers, industry bodies, credit agencies and service providers. This includes information about *your* insurance, claims and *premium payments*. *We* do this to assess claims, prevent fraud and to conduct surveys.
- **Protecting your personal information:** *We* take every reasonable precaution to protect *your* personal information (including information about your activities) from theft, unauthorised access and disruption of services.
- **Receiving marketing from us:** Please contact *us* on the details included in the **Additional Information** section if *you* want to change your marketing preferences. Remember that even if *you* choose not to receive marketing from *us*, *we* will still send *you* communications about this product.

### 2. Condition prior to cover

*You* only have cover if:

- The premium has been received by the administrators by the premium due date;
- You comply with the claims procedures set out in this policy; and
- There is a valid and enforceable underlying policy in place at the date of loss.

### 3. Comprehensive underlying policy for your vehicle

The vehicle, including its accessories, must be comprehensively insured for its full market value through the underlying policy at the date of loss. This policy will not operate unless there is a valid, enforceable and comprehensive underlying policy.

**Ensure that all your vehicle extras are insured. We will only cover unspecified extras under this policy to a maximum of 10% of the market value or sum insured, whichever is the lesser.**

If the underlying insurer declined your claim but did not cancel or void the underlying policy and has made an ex gratia payment to you, the cover on this policy will be limited to the difference between the statutory settlement balance and the market value and will be dealt with as a shortfall claim on this policy.

#### **4. Underlying policy**

You need to submit a claim to *your* underlying insurer and institute any necessary legal action to enforce *your* rights in terms of the *underlying policy*.

*You* need to notify us of any rejection of the claim under the *underlying policy*, even if legal action is being taken on the claim decision. *You* also need to update *us* on the status of such legal action from time to time.

#### **5. Fraud**

All benefits under this policy as well as *premiums* paid for cover will be forfeited and *we* have the option to void the policy if any of the following occur:

Any claim lodged against this policy or the *underlying policy* is fraudulent in any way; or

*You*, or anyone acting on *your* behalf use a fraudulent method to obtain any benefit under this policy; or

Any of the *events* insured against in terms of this policy are as a result of *your* intentional acts or with *your* complicity in any way.

#### **6. Legal jurisdiction**

This policy is subject to South African law and the jurisdiction of a competent South African court.

#### **7. The Credit Provider's interest**

The *credit provider* has an interest in this policy if the *vehicle* is the subject of a *credit agreement*. If a *total loss* occurs, payment under this policy will be made first to *your credit provider*. The *credit provider's* acceptance of the payment will be an effectual discharge of *our* liability for that portion of *your* claim.

#### **8. Credit agreement termination**

**This is an important clause.** This policy is designed to operate in tandem with the *credit agreement*. If for any reason the *credit agreement* is terminated, cover under this policy will automatically cease, and *you* will need to make alternative insurance arrangements.

#### **9. Cancellation and refund of Premiums**

This policy may be cancelled by *you* or *us* at any time by giving the Credit provider 31 *days'* written notice.

If a *premium* has been paid for any period after the date of cancellation of the policy, *we* will refund the relevant *premium* to *you*.

#### **10. Authority to complete claim form**

If the *vehicle* has been damaged, written-off or stolen during the *period of insurance* and *you* are unable, refuse, fail or cannot be traced to complete, wholly or partially, a claim form in terms of this policy, a manager of the *credit provider* will be authorised by mean of this clause to complete and sign the claim form to the best of their knowledge and belief on *your* behalf.

#### **11. Reasonable precaution**

*You* must take all reasonable precautions to avoid and minimise any loss, and failure to do so will mean that *we* have no liability under this policy.

#### **12. Period of grace for premium payments**

For your policy to start, you must pay your first monthly premium by the premium due date. From your second monthly premium, you have a grace period of 15 days from the premium due date in which to pay your premium. There is no grace period for the first premium payment.

#### **13. Prescription**

*We* are not liable for any claim under this policy after 12 months from the *date of occurrence* has lapsed, unless the claim is the subject of a pending legal action.

#### **14. Amendments or endorsements**

*We* may amend or endorse this policy at any time by giving you 31 *days'* written notice at your last known address.

## 15. Territorial limits

You will only be covered for *events* which have occurred within the territorial limits specified in *your underlying policy*.

### General exclusions

**These exclusions are applicable to all sections of this policy. We do not cover *your* losses:**

1. if the underlying insurer rejects your claim in terms of the underlying policy;
2. if you cancel your underlying policy;
3. for liability to any passenger or third party for loss, damage or personal injury;
4. to any goods, materials, possessions or property carried in or on the vehicle;
5. caused whilst the vehicle is being driven by you or someone else (with your consent), who is not licensed to drive or who is not complying with the laws related to learners;
6. when you, or someone else (with your consent) is driving the vehicle while under the influence of alcohol or drugs or when the driver's blood or respiratory system exceeds the statutory alcohol limit;
7. for consequential loss. Consequential loss is any further loss or damages that you may suffer as a result of the insured event;
8. for depreciation, wear and tear, mechanical or electrical breakdowns, failures or breakage;
9. if they fall within the scope of any compulsory motor vehicle insurance legislation at the date of loss and applicable in any territory covered by this policy, such as the Road Accidents Fund Act 56 of 1996. This exclusion will apply whether the applicable legislation fund is able to provide compensation or not;
10. to the vehicle which existed prior to the event (pre-existing damage), or losses arising from any other event unrelated to the claim;
11. for misrepresentation, non-disclosure or misdescription of any fact or circumstance, whether in connection with:
  - your underlying policy or claim; or
  - this policy or claim in terms of this policy;
12. more than our rateable proportion of any claim which is covered under another enforceable insurance policy;
13. from permanent or temporary dispossession resulting from detention, confiscation, forfeiture, impounding or requisition legally carried out by any lawfully constituted officials or authorities.