

## SHOPPING AROUND AND COMPARING

**BEWARE!** PRODUCTS OFFERED BY DIFFERENT INSURERS MAY NOT BE THE SAME.

Be careful of certain “exclusions” in your policy’s terms and conditions. An exclusion is a type of claim that your policy will not cover, such as hail damage. One insurer’s cover may therefore seem cheaper than another’s because they’ve excluded some risks, hence providing less cover.

Also be aware of any limits that apply. For example, there may be a limit on how much will be paid to cover a third party’s damage in an accident caused by you.

**TIP** REMEMBER TO READ THE FINE PRINT (TERMS AND CONDITIONS) SO THERE ARE NO SURPRISES

## OTHER PRODUCT FEATURES

Often insurers add non-core features to their products in order to make their premiums seem more attractive. Examples are given in the table below. Although these features don’t necessarily make one product better than the other, it may influence your behaviour, for example whether or not you decide to claim on your policy, and it may sway you to go with a particular product rather than another, irrespective of slight differences in cover.

**TIP** WHEN CONSIDERING PRODUCT OPTIONS, WEIGH UP THE ADVANTAGES WITH ANY CHANGES IN PREMIUM. THE CHOICE IS YOURS.

Policy feature	Description
No-claims bonus	Some insurers will pay you a bonus if you don’t claim for a number of years as stipulated in your policy. This incentivises you to not claim for small amounts as you’ll lose your bonus!
Loyalty bonus	Some insurers pay out a bonus irrespective of whether you claim or not. This is done to incentivise (and reward) customer loyalty.
Discounted premiums	Instead of a lump sum bonus after a certain period, you may receive a premium discount as a reward for your loyalty.

## WHERE TO BUY INSURANCE

So you understand motor insurance, but how do you actually go about buying it? Traditionally people bought insurance through brokers, who assisted in getting the most suitable cover at the best price. In return for their services, the insurance company would pay the broker a commission. Nowadays many people prefer to buy insurance directly from an insurance company, or using an internet “site aggregator” which compares premiums from various companies to assist one in obtaining insurance at the best price.

	Advantages	Disadvantages
Broker	Help find best product. Bargain on your behalf.	Cost of broker services (commission).
Direct	Possibly lower price as no commission to broker.	No comparison of other insurers’ premiums.
Internet aggregator	Fast comparison of many insurers’ premiums.	Differences in the level of cover, exclusions etc. between providers may not be clear.

## WHAT IF YOU ARE UNFAIRLY TREATED?

If you feel that you haven’t been treated fairly, then first explain your case to your insurer. If they aren’t willing to change their decision, then you can take your case to the Ombudsman who will assess your case and do their best to make a fair decision.

**REMEMBER:** THE OMBUDSMAN DOES NOT WORK FOR ANY INSURER! HE OR SHE WILL ASSESS YOUR CASE ON ITS MERITS AND MAKE A FAIR DECISION.

Not happy with the way your insurer handled your claim? Tell your concerns to the Ombudsman for Short-term insurance at 011 726 8900 or info@osti.co.za, or www.osti.co.za or P O Box 32334 Braamfontein 2017.

If you are not happy with the advice you received you can talk to the FAIS Ombud at 012 762 5000 / 012 470 9080 or info@faisombud.co.za or www.faisombud.co.za

The Ombud’s services are free and accessible to all consumers.

Still not fully happy? You can reach the Financial Services Board at 0800 20 20 87 or info@fsb.co.za or www.fsb.co.za

South African Insurance Association

### Contact details

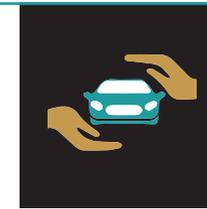
Tel: 011 726 5381

Fax: 086 647 2275

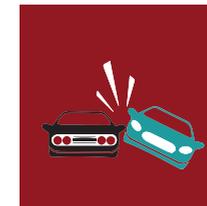
Email: info@saia.co.za  
knowyourinsurance.co.za

[www.saia.co.za](http://www.saia.co.za)

With thanks to the Actuarial Society of South Africa for the content provided.



South African Insurance Association



## MOTOR INSURANCE

A GUIDE TO HELP YOU PURCHASE THE RIGHT COVER





Nobody enjoys paying for insurance, and motor insurance is no exception. Why do you need it anyway? Well, consider the possibility of being in an accident, even if it wasn't your fault, or having your car stolen. Who will cover the costs of the repairs to, or worse, the replacement of your vehicle? Unless you have loads of savings or wealthy friends, motor insurance may be the solution.

### IN A NUTSHELL...

**MOTOR INSURANCE GIVES YOU PEACE OF MIND ABOUT YOUR CAR. YOU PAY A FIXED MONTHLY PREMIUM, AND IN THE EVENT OF AN ACCIDENT, FIRE, OR THEFT, THE INSURER WILL REPAIR OR REPLACE YOUR CAR.**

Sometimes buying motor insurance isn't optional. For example, if you finance your vehicle through a loan, the bank (or other lending institution) may well require insurance before approving your loan.

This guide will cover the basics of motor insurance: how it works and what to consider when buying it.

So let's discuss some of the details to help you make wise purchasing decisions...

### TYPES OF MOTOR INSURANCE

There are three basic types of motor insurance, from very basic to comprehensive.

**TIP** IT'S IMPORTANT TO KNOW WHAT YOU'RE COVERED FOR, BECAUSE THAT NOT ONLY DETERMINES HOW MUCH YOU PAY FOR YOUR INSURANCE, BUT ALSO WHAT YOU GET OUT WHEN YOU MAKE A CLAIM.

Type of cover	What it covers...	What it won't cover...	Cost?
COMPREHENSIVE	This is the broadest type of cover, covering most risks: from theft and hijacking to loss or damage caused by accidents, fire, hail, floods etc.  Will also cover costs to repair another driver's car (third party) after an accident caused by you.	Depreciation, wear and tear, mechanical or electrical breakdown.  Each insurer may include specific events that they will not cover, e.g. hail damage.  Make sure you read your policy carefully to check what will not be covered.	Most
THIRD PARTY, FIRE AND THEFT (TFT)	Covers you if your car is stolen or catches fire.  Also covers losses to third parties.	Costs to repair your own car following an accident	In-between
THIRD PARTY	Only covers the cost of repairs to the other person's car following an accident caused by you.	Any damage to or theft of your own car.	Least

### WHAT DO YOU ACTUALLY GET PAID?

Well that depends on whether the car is repairable or not.

Event	Action by insurer
REPAIRABLE DAMAGE	Insurer will pay for all repair costs (less any excess or first-amount payable)
DAMAGE BEYOND REPAIR (FULL WRITE-OFF)	Insurer will pay out the entire insured value, which you can use to repay your loan and/or pay for a new car. This is the total value you are covered for and you can choose between one of 4 different options (see below).
THEFT	Same as full write-off

The maximum amount paid on a given claim is known as the insured value. You can choose from:

Insured value option you choose	What you get if car is written off or stolen
BOOK VALUE (LOWEST)	What your car is worth in accounting terms (depreciating monthly)
TRADE VALUE	What a car dealer would pay you to trade in your car (an undamaged version of your car that is ...)
MARKET VALUE	Somewhere between retail and trade value
RETAIL VALUE (HIGHEST)	What you would pay a car dealer to buy your car from them



**TIP** MORE COVER IS GENERALLY BETTER, BUT YOUR PREMIUM WILL BE HIGHER. IN SOME CASES YOU MAY BE REQUIRED TO BUY A CERTAIN LEVEL OF INSURANCE; FOR EXAMPLE, IF YOU BUY YOUR CAR ON CREDIT.

### HOW CAN YOU REDUCE YOUR PREMIUMS?

REDUCE YOUR RISK	Reduce unnecessary driving, park your car in a safe place or fit a tracking device. Ask your insurer how you can reduce your risk so as to reduce your premiums
COMMUNICATE WITH YOUR INSURER	If you think they have not taken something into account, explain to them why your premium should be lower.
PHONE INSURER EACH YEAR	Your car's value decreases over time, so make sure your premium accounts for this because you will never be paid more than the value of the car. Some providers actually offer reducing premiums as a standard feature.
INCREASE EXCESS (BUT BE CAREFUL!)	An excess is the amount you pay on each claim. For example, if you have an accident which costs R10 000 to repair and your policy has a R2 000 excess, you will pay R2 000 and your insurer will pay the remaining R8 000.  You can choose to include a higher excess as a way to reduce your premiums. But you would then need to ensure that you have the necessary cash available when you make a claim. It is not always a good idea to go for this option, especially if you do not have savings to cover the increased excess.
DRIVING BEHAVIOUR TRACKERS	Some insurers give you the option to add a tracking device to your car, where the device can give the insurer details about your driving habits (braking, acceleration, cornering) and details of where you drive the car. Your premium is then adjusted each month depending on how risky your behaviour was during that month. So if you are a safe driver, you may want to consider this option.