

A GUIDE TO MOTOR INSURANCE IN NEW ZEALAND

Every year, one in six New Zealand policyholders will make a claim on their motor vehicle insurance. These claims total over \$300 million a year. That's why your vehicle should be insured.

Motor vehicle insurance covers you against accidental loss of or damage to your vehicle, up to its *market* or *agreed value*. It also covers you against any damage you might cause to someone else's car or property.

The two most important things to remember about motor vehicle insurance are that you're only covered up to the limit stated in your policy, and your contract requires you to take reasonable care to avoid accidents and theft

Market Value

This is what your vehicle is worth just before the damage occurred. If your car is written off, you are paid what an assessor considers the car was worth immediately before the accident. You should review the sum insured each year to make sure it matches the market value of your vehicle.

Agreed Value

This is where you and your insurance company agree on the value of the car at the beginning of the contract and at each renewal. If your car is written off, you are paid the agreed value in the policy.

TYPES OF POLICIES

Third Party Property Damage

Even if you have no other motor vehicle insurance, you should have Third Party Property Damage. This only covers you against the damage you cause to someone else's vehicle and/or property. It's the least expensive type of car insurance, and it's a good deal for people with older cars that aren't worth insuring but still don't want to be hit by a heavy bill for damage caused to someone else's property.

Third Party, Fire and Theft

This type of policy covers damage caused by fire and theft to your vehicle as well as Third Party Property Damage. The advantage is that it provides you with cover for major risks at an affordable cost. The disadvantage is that you're not covered for any damage caused to your vehicle unless it's caused by fire or theft. This might be a good policy for younger people facing higher premiums and excesses because of their age group's driving record and who might own cheaper, older vehicles.

Comprehensive

The comprehensive policy covers you against accidental loss of or damage to your vehicle, as well as any damage to other people's vehicles or property, whether it was your fault or someone else's. It also covers other costs like salvaging your car from the accident scene and towing it to a repairer.

As well as the standard policy, companies offer a wide variety of options and benefits. To get the best from your insurance, decide what cover you are most likely to need. Generally, the more extensive the cover, the more expensive the policy.

Do you want the insurer to provide:

- costs of alternative transport such as a rental car?
- automatic cover when you change vehicles?
- cover for trailers?
a replacement vehicle if yours was less than one year old?
- no excess for windscreen claims?

Your answers to these and any other questions will determine which company you insure with and at what price.

Disclosure of relevant information

Insurance is a contract between you and your insurer acting in *utmost good faith*. You need to provide complete and accurate 'material information' (information that is important or relevant) when taking out or renewing a policy, or making a claim. This may include information that was not asked for directly in the policy form.

A material fact is one that may influence a prudent insurer in deciding whether or not to insure you, and if so, at what terms and conditions and for what premium.

An example of a material fact would be a previous driving conviction. If you're not sure which facts are considered material, discuss this with your insurer. Remember, if you don't disclose all material information, your insurer may refuse to pay your claim or even cancel your insurance from the starting date of the policy.

PREMIUMS

A premium is the amount you pay each year to have your vehicle covered by insurance. Premiums are traditionally paid annually, but other options can include monthly, quarterly or half-yearly payments. These can be automatically deducted from your bank account. Instalments generally cost more, because it costs the company more to handle instalments than it does to process one annual payment.

Premium rates can be based on:

- the age and sex of the main driver and their accident record
- who else may be driving the vehicle
- where the vehicle is used or kept
- what the vehicle is used for
- the vehicle's value
- previous claims record

Your premium and excess may be higher if the vehicle:

- is parked overnight on the street so is more likely to be stolen
- is a commercial vehicle, so is driven more and is more likely to be involved in an accident
- has a young or inexperienced driver
- has a driver with previous traffic convictions
- is an exotic import with expensive and hard-to-get parts

Government levies

All policies include a separate charge to fund the Fire Service. The Earthquake Commission no longer provides cover for vehicles. Cover for earthquake is now available from insurance companies.

Excess

An excess is the amount you pay for each claim you make. For example, you might pay the first \$250 and the company pays everything above that, up to the policy limit. Excesses help keep the cost of premiums down because insurers don't have to pay for numerous small claims.

Standard excesses may range from \$250 to \$500, but there are other excesses which may apply. Drivers under 25 and those who have had their licence for less than two years face additional excesses because they pose the greatest risks.

Choosing a higher voluntary excess will reduce the cost of your premium. Obviously, the higher your voluntary excess, the greater the discount. This makes sense for those who want to take part of the risk for any damage they may cause or suffer.

DISCOUNTS

No Claims Bonus

The most common form of discount is the No Claims Bonus. If you haven't made any claims, your insurance company views you as less of a risk and reduces your premium to reward you for this. While the size of the discount varies from company to company, you can save up to 65% of your premium if you have not made a claim in the past three or four years.

If you are changing companies, your new insurer will ask you for your claims record from the previous company. This is a standard arrangement between insurance companies.

Named drivers

You can get a discount from some companies if you restrict the number or age of drivers covered on the policy. Be warned: with this restriction, damage caused by an unnamed driver of your car (other than by theft) may not be covered.

Glass claims

As this is one of the most common claims, there are a variety of benefits and discounts for windscreen and glass insurance. Some companies offer a benefit where, for a higher premium, you can have glass claims paid without having to pay the excess or losing your No Claims Bonus. Other companies will allow you to exclude windscreen damage from your policy, which usually means you get a discount or lower excess.

Other discounts

The car insurance market is intensely competitive, so many companies offer a range of discounts. This can include:

- lower rates for: older age groups
- burglar alarms
- all named drivers being over 25
- abstinence from alcohol
- placing other insurance with the company

MAKING A CLAIM

After an accident

Report your claim to your insurer as soon as possible. In most cases an assessor will make an assessment of how much it will cost to repair the damage. If the damage is extensive and you have *market value* cover, the company will get a qualified motor vehicle dealer to assess the *market value* of the vehicle at the time of the accident.

If it's uneconomic to repair, the vehicle may be written off. A write-off is not necessarily a total wreck. Sometimes the damage is repairable, but the cost of the repairs is too high as a proportion of the market value of the vehicle. For instance, \$1200 worth of damage on a \$1500 car is not usually worth repairing.

If your vehicle is written off, what you are paid depends on the type of cover you have (*market or agreed value*). If this happens, your insurance cover will have been used up. This means there is no refund of the premium for the unused part of the year.

If your insurer insists that your vehicle must be deregistered, it is because they are complying with strict Land Transport Safety Authority regulations about this.

Disputes

You may not agree with either the damage assessment, the market value or the cash settlement offered for the vehicle. You can get a second opinion from a recognised expert (that is, another panelbeater or a qualified motor vehicle dealer) but the company does not have to accept that opinion. The final decision often represents a compromise between the two values.

If you feel that the vehicle has not been repaired to a satisfactory standard, notify your insurance company. You will need to prove that the repairs were inadequate. Don't sign the *discharge* (a form which closes the claim) until you are satisfied with the repair and you don't want to make any further claim for that particular accident.

Excess and No Claims Bonus

Normally, when you make a claim you may lose part or all of your No Claims Bonus and pay the excess stated in the policy. If the other driver is identified and is entirely at fault, you keep your No Claims Bonus and your excess is refunded. This is because your insurer may be able to recover costs from the other person's insurance company.

All companies have policies which provide extra cover if your vehicle is damaged by an uninsured driver. As long as the other driver is identified and is clearly at fault, your company pays your excess and you keep your No Claims Bonus.

If the question of fault is disputed, you may not recover your excess or have your No Claims Bonus reinstated until the matter is settled.

Reasonable care

An insurance policy is a contract, and you have an obligation to take good care of your vehicle. This means not putting your vehicle at risk of theft or damage. For example, if you left your keys in an unlocked vehicle, the company may consider that you had not taken reasonable care. The general rule for reasonable care is common sense - would you act in the same way if you were not insured?

The same principle applies to alcohol. A driver over the legal limit will not be covered. If a driver has been drinking but is under the limit, the company may decline the claim where that drinking contributed to the accident. Alcohol slows down reactions and affects judgement.

Insurers can also decline claims where the influence of illegal drugs contributed to the accident. Also, be sure to follow the advice of your pharmacist when taking prescription drugs, which can lessen driving judgement, especially if combined with alcohol.

Reasonable care includes making sure you are driving within the law. You must also be careful to drive within the conditions of your licence. If you break these conditions, you may be disqualified from making a claim. For example, a driver on a restricted licence must not drive between the hours of 10 p.m. and 5 a.m.

WHAT TO LOOK FOR IN AN INSURANCE POLICY

Plain English

Most insurance policies these days are written in *Plain English*. Make sure you read all policies carefully before signing. If there is anything you don't understand, just ask your insurance company.

Reputation

You need to check the reputation of any company you're planning to do business with. This is easy to do, because almost everyone has had some experience with insurance companies. If your insurance company is a member of the Insurance Council you are covered by the Fair Insurance Code and the Insurance and Savings Ombudsman. You should also check the credit rating of the insurance company. This indicates its claims paying ability or its financial soundness. Check with your insurance company.

MAKING A COMPLAINT

Specific complaints are dealt with by your insurance company through its internal complaints process. If you and your company cannot reach agreement (deadlock), your insurance company will advise you about taking your complaint to the Insurance and Savings Ombudsman at no cost to you. The Ombudsman's decision is binding on your insurance company.

INSURANCE COUNCIL OF NEW ZEALAND

The Insurance Council of New Zealand is an association representing fire and general insurers. Members must comply with the Fair Insurance Code. Council membership is an assurance of quality to consumers. However, the Council cannot assume liability for its members. When buying insurance, consumers should make sure that the company is a member of the Council.