

Are you Covered?

Protect what is important to you.

YOUR FIRST GUIDE TO INSURANCE



www.covered.org.nz

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Published by

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What is insurance?

Insurance is a product which you can buy to protect you against risk. You pay an insurance company, and they promise to repair, replace, reimburse or help you when something goes wrong.



You may not realise it, but you are constantly managing and assessing risks in your daily life. For example, you might ask yourself:

- Is it safe to leave my laptop in a car while I go to the mall?
- Is it a good idea to stay up an extra hour to watch your favourite TV show when I have an exam tomorrow?
- I'm always losing things. Should I buy a second hand Nokia that costs little to replace, or should I buy an expensive Samsung Galaxy and hope that I don't lose it?

Insurance helps you to manage risks.



There are lots of different types of insurance and you can insure almost anything, if you can find an insurance company that will agree to it.

In this booklet, we will focus on three types of insurance. These are the three types which you are most likely to think about in the next couple of years:

- Contents Insurance
- Vehicle Insurance
- Travel Insurance

One thing that is important to keep in mind is the difference between **Replacement** insurance, and **Indemnity** insurance.

Replacement insurance (also known as New for Old insurance) means that the insurance company will pay you enough money to replace a broken or stolen item with a brand new version. For example:

- You have an iPhone which you got for your birthday four years ago. It's pretty old, and a bit beaten up. New for Old insurance would mean that if someone steals it, your insurance company may give you enough money to buy a brand new iPhone.

Indemnity insurance (also known as Current Value insurance) means that your insurance company will give you money for the current value of the item that gets broken or stolen. For example:

- Your parents give you a banged up old Toyota Corolla from about 1990. Back in 1990 it might have cost a lot, but now it's only worth about \$1000. Current value insurance would mean that if you crash the car into a wall and crush it, your insurance company will only pay up to \$1000 for it.

It is also important to know about the different types of insurance that the Government provides us with, as this may affect what types of insurance you want. For instance, many New Zealanders don't need to buy health insurance to cover them if they get injured, as ACC covers them automatically. New Zealand also provides free hospital care too, whether you are injured or sick.

ACC (Accident Compensation Corporation):

ACC covers everyone in New Zealand when they have physical accidents. It doesn't matter who you are, what you were doing when you got injured or how it happened. ACC will cover you as long as you can prove that you have suffered a physical injury, or a mental injury which was caused by a physical injury. Depending on your injury, ACC can cover things like doctors' bills, rehabilitation costs and 80% of your weekly income if you are unable to work.

The Accident Compensation Corporation (ACC) provides comprehensive, no-fault personal injury cover for all New Zealand residents and visitors to New Zealand.

You can read more at: <http://www.acc.co.nz/index.htm>

EQC (Earthquake Commission):

EQC exists to protect New Zealanders in the event of a natural disaster (which is especially important here in New Zealand because of our geographic location). It can insure residential dwellings, contents and some land. It can cover you in an earthquake, tsunami, volcano eruption, a landslip, or hydrothermal activity.

You are automatically covered by EQC if you have:

- Paid for insurance which covers your contents in the case of a fire
- Paid for insurance which covers your home in the case of a fire

Your insurance company will take a little bit of the money you paid them for home or contents insurance, and give it towards the EQC levy.

You can read more at: <http://www.eqc.govt.nz/what-we-do>

Weighing it up – to insure or not to insure?

To decide whether you want to get insurance or not, you need to consider a few things. Take the time to think about what is important to you, and what you do and don't care about.

The dollar value of something – how much is it worth right now? How much would it cost to replace?

The cost of insuring that thing – how much would it cost to buy insurance for it? Is it worth it?

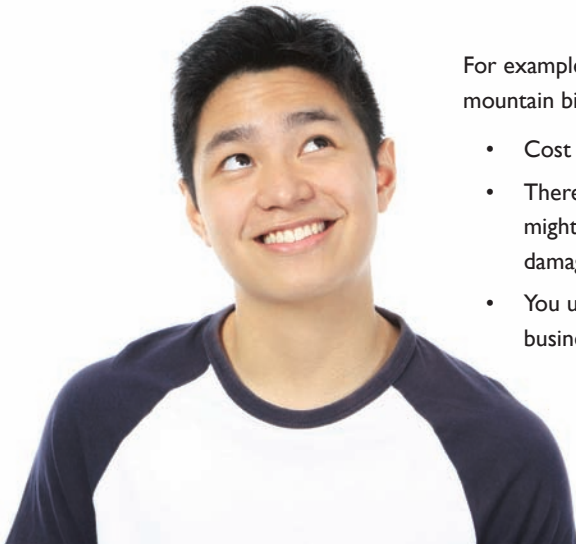
Think about:

What are the chances that thing will get broken or stolen? Is it really likely, or unlikely?

How would you feel if you had to go without that thing for a period of time? Would it make life more difficult, or would you barely notice?

For example, imagine you had a brand new fancy mountain bike. It would:

- Cost about \$3000 to replace
- There is quite a good chance that someone might attempt to steal it or that it may get damaged
- You use that bike on the weekends for your business/ No bike, no business!



Weigh up these questions – do you think insurance would be worth having in this situation?

However, imagine you had a graphics calculator:

- It would cost about \$90 to replace
- Might get stolen, but it isn't as likely
- If you lost that graphics calculator, you might not miss it much – and it would be easy to borrow someone else's.

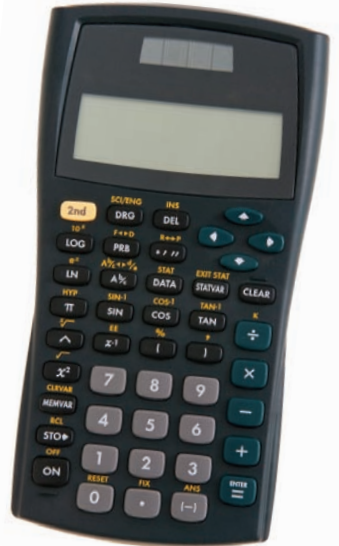
Now weigh these up – do you think insurance would be worth it in this situation?

You are probably more likely to want to insure your mountain bike than your graphics calculator.

People can insure almost anything that they value.

For example:

- Heidi Klum insured her legs – her right leg is worth \$1.2 million, her left is only worth \$1 million (it has a tiny scar on it)
- Tom Jones' Chest Hair – insured for \$7 million
- Over 20,000 people in the USA have insured themselves against alien abduction
- In the US, Taco Bell took out insurance in case a piece of the MIR Space Station hit a floating target in the ocean. If it was hit, they had promised to give every American a free taco. It would have bankrupted them.



(From <http://www.businessinsider.com.au/10-of-the-worlds-craziest-insurance-policies-2010-3?op=1#heidi-klums-legs-22-million-1>)

So how do I get insurance?

If you decide that you do want insurance, there are a couple of different ways to find out where to buy it from.

Look online at different insurance companies websites to see what they offer

Give insurance companies a call or visit their store – they can usually give you a quote for how much your insurance would cost

You can:

Go to an insurance broker – they are independent (they don't work for any insurance companies in particular) so they can give you advice on what might work best for you

Go to an insurance agent – they are not independent. They often work for one or more insurance companies, but can also give you advice on your insurance options

Note: Agents and brokers do charge a commission or fee.

You may want to get a couple of quotes from insurance companies before you make a decision. When you come to buying insurance, some companies will let you do it by email, but often you will need to buy it over the phone or in person. Feel free to ask as many questions as you feel you need to, to make sure you are happy with the insurance you are getting. In particular, you might want to:

- Check what date your insurance cover starts on
- Check what your **excess** amount is (excess is the amount of money which you agree to pay your insurance company if you want to make a claim. For example, if you insure your car and then crash it, you will have to pay an excess before the insurance company will process your claim.)
- Check whether you will have a fixed rate or not.

General Insurance FAQs:

Is insurance compulsory?

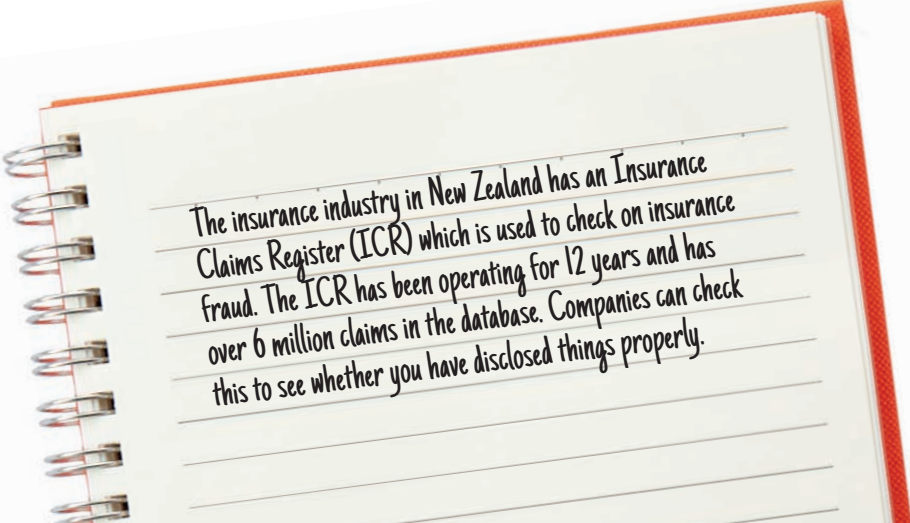
No it is not. It is completely your choice whether you get insurance or not, and what types of insurance you get. It is up to you to assess your risk and the value of your possessions and then decide whether to insure.

What responsibilities do I have when I get insurance?

When you take out insurance, you have to tell your insurance company the truth about your assets and any possible risks to these assets. You must also tell the truth when you make an insurance claim. It is also really important to keep your insurance company updated with any changes to the things you insure or if your circumstances change during the period of insurance. For instance:

- If you have contents insurance, tell your insurance company when you change address
- If you have motor vehicle insurance, tell your insurance company if you change vehicles or if you make any modifications to your vehicle
- If you have travel insurance, tell your insurance company if your travel plans change

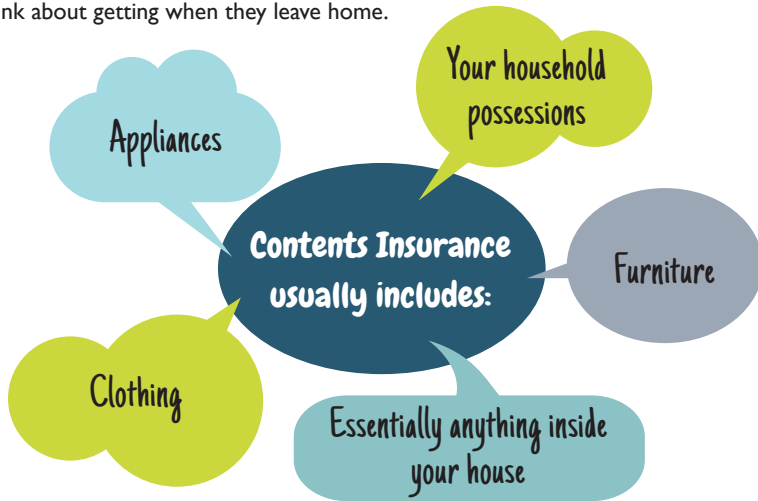
If you don't keep your insurance company up to date, it can make your insurance policy invalid. In more serious cases, if you lie when you make an insurance claim you may also be charged with insurance fraud. If an insurance company believes you've committed insurance fraud, you can be prosecuted and face severe penalties (and also be declined insurance cover in the future). See the later section *What Happens Next* for more information on insurance claims.



The insurance industry in New Zealand has an Insurance Claims Register (ICR) which is used to check on insurance fraud. The ICR has been operating for 12 years and has over 6 million claims in the database. Companies can check this to see whether you have disclosed things properly.

Contents Insurance

Contents insurance is often one of the first types of insurance young people have to think about getting when they leave home.



With contents insurance, it is really important to tell your insurance company about any specific valuables that you own, e.g. you should tell your insurance company that you have an expensive laptop or valuable jewellery.

Remember to keep in mind whether you want **Replacement** insurance, or **Indemnity** insurance (see page 4).

What if I still live with my parents?

If your parents or guardians have a comprehensive contents insurance policy, then there is a good chance that all of your possessions will already be covered. You should check with them to see whether they have insurance, and what it covers. If they have no insurance, or if you have some particularly special valuable possessions, then having your own contents insurance is an option.

What if I am flatting?

Contents insurance can be a popular option with people in flatting arrangements because it can cover any damage that you might accidentally do to your landlord's flat and possessions, as well as your possessions. Just make sure you talk to your insurance company and check whether they will cover you if you break your landlord's appliances or contents. e.g. if you break your landlord's fridge, your contents insurance may cover the cost of a replacement.

What if I live in a University Hall of Residence?

If your parents have a comprehensive contents insurance policy, then you may still be covered by them – even if you're in a Hall in a different city. It's best to get your parents to talk to their insurers. If your parents don't have contents insurance, then you may want to think about getting your own. Many University Halls suggest it during your orientation, especially for important things like your laptop or phone. If you are worried then you can talk to your student advisors or RAs at your Hall, or check with your University Accommodation Service.

Will my possessions still be insured if I take them outside my house?

Yes, usually your contents will still be insured if you take them to school, work or on holiday with you – unless you take them outside of New Zealand. Just check with your insurance contract or your insurance company if you are worried.

What happens if my flatmate breaks my possessions?

Usually your possessions will still be covered, as long as you have made an effort to protect your belongings. It's a good idea to check with your insurance company to make sure though.

What happens if I break my flatmate's possessions?

Your contents insurance probably won't cover anything that your flatmate owns. If your flatmate has contents insurance then their insurance company will pay out for it.





Motor Vehicle Insurance

Motor Vehicle insurance is a very common form of insurance in New Zealand. Vehicle insurance is an important one to think about, as it can protect you from having to pay huge amounts of money if you have an accident. There are three basic types of vehicle insurance:

- **Third Party** – this type covers any damage that you might do to another vehicle, or to someone's property. For example, say your car spun out and hit a parked Honda Civic, then crashed into the fence of a Childcare Centre. This would mean your insurance company would pay to repair or replace the parked Honda Civic, and repair the Childcare Centre's fence. However your insurance company would not pay to fix or replace your car – you would have to do that yourself.

A spiral-bound notebook with a red cover is open, showing a lined page. The text is handwritten in black ink.

Third party – the third party is the other person in an accident. The first is you, and the second is your insurance company.

- **Third Party Fire and Theft** – this gives you slightly more coverage than Third Party Property Damage. Third Party Fire and Theft will cover any damage that you cause to other cars or property. It will also cover the costs of replacing or repairing your car if it is stolen or someone sets fire to it (hence the ‘fire and theft’ part). However it will not cover any damage that happens to your car in an accident.
- **Comprehensive** – this type of insurance covers much more. It can cover damage you do to other cars or property, as well as damage done to your own car, and cover the costs of towing your car to a repairer. It can also sometimes cover any legal costs you might have if you have a road accident.

It is important to check with your insurance company about what terms and conditions your Motor Vehicle insurance contains. Some policies are only valid when you are driving your car yourself, and some can cover other licensed drivers too. Sometimes policies will cover anyone who drives the car, as long as they are over 25 years old.

You are also expected to try your hardest to protect your car, and drive sensibly. For instance, imagine you left your car parked outside the supermarket and it got stolen. If you had left your car unlocked, your insurance could be voided.

Motor Vehicle insurance may also cost more if you are still on a learners or restricted license – it’s important to tell your insurance company what type of license you are on. If you lose your license, your insurance will most likely be voided.

Lots of motor vehicle insurance lets you pick and choose various extras too. You can choose extra cover for windscreen chips, trailers or caravans etc.

Remember to keep in mind whether you want **Replacement** insurance, or **Indemnity** insurance (see page 4). For motor vehicles, they might sometimes call these ‘Vehicle agreed value’ (like replacement) or ‘Vehicle Market Value’ (like Indemnity).

We will talk about what you need to do if you get into an accident later – see our section called ‘I’ve got insurance and something has gone wrong – now what?’ for more information.

If you are worried about what to do in a car crash, check out the Citizens Advice Bureau (CAB) website: <http://www.cab.org.nz/vat/tt/ds/Pages/Caraccidents.aspx#4>



Travel Insurance

Travel Insurance is a way to manage your risk in terms of your travel plans. It can cover trip cancellations, lost baggage, lost credit cards or passports, missed connecting flights, or emergency evacuation. You can get travel insurance for travel within New Zealand, or overseas.

It is really important to think about where you will be travelling to, and how risky it can be there. The longer the trip, or the more dangerous countries you visit, the more risky travel can be.

In New Zealand, hospitals are funded through taxes. This means that if you get injured or sick, you do not have to pay to be treated. However many countries do not have free hospital care. This means that if you break your leg in the United States, or get food poisoning in Ethiopia, you could end up with thousands of dollars of medical bills.

For example, take the 2014 West African Ebola outbreak. A few US aid workers contracted Ebola while treating people in West Africa. They received some treatment in Africa; however they were airlifted back to the US in quarantined planes, to carefully quarantined hospital wards. If those aid workers did not have travel insurance, then they could have to pay for their treatment in Africa, and their private flight back to the US.

Travel insurance usually doesn't cover pre-existing conditions. This means things like Type 1 or Type 2 Diabetes, Asthma, Colitis, or any other medical condition which you had before travelling. If you have a pre-existing condition, it would be worth talking to your doctor about these things before you travel.

Travel insurance usually doesn't cover extreme sports either – check with your insurance provider if you want to check what things they will cover.

Safe travel is a website run by the Ministry of Foreign Affairs and Trade. They give the following advice to travellers:

“Do not leave New Zealand without comprehensive travel and medical insurance – treatment of a minor injury or a hospital admission can be very expensive in some countries. Ask your travel agent, bank or doctor for available options and carry evidence of your insurance cover at all times.”

Safe Travel gives you information about how risky countries, advice on travelling, and the contact details of New Zealand Embassies overseas.

Check it out at: <https://www.safetravel.govt.nz/>

What happens if I change my travel plans?

If you change your travel plans then tell your insurance company right away. Whether you change your destination, or decide to stay for longer, it is important that you tell them so that your insurance policy does not become invalid. It might mean you have to pay a little bit extra, but you will need to if you want to stay covered.

I've got insurance and something has gone wrong – now what?

If you have insurance of any kind, and something has gone wrong, you will need to put in an insurance claim with your insurance company. Do this as soon as you possibly can.

These claims can take a little while for your insurance company to process. Sometimes you will need to prove to them what damage has been done to your possessions or vehicle.



Contents insurance claims:

You will need to call your insurance company and tell them what has happened. You may need to prove what damage has been done to your contents. They might want things like photographs, warranties, receipts or serial numbers. Remember to tell them the truth here about what happened, how it happened, and how old your possessions were.

Wait until after you have spoken to your insurance company before you arrange to get your possessions fixed. Sometimes they will make you take your possessions to a certain place to get them fixed – for example, say you accidentally spilt coffee all over your brand new Mac laptop. Your insurance company may want to send your Mac to a specific repairer – one that they trust.

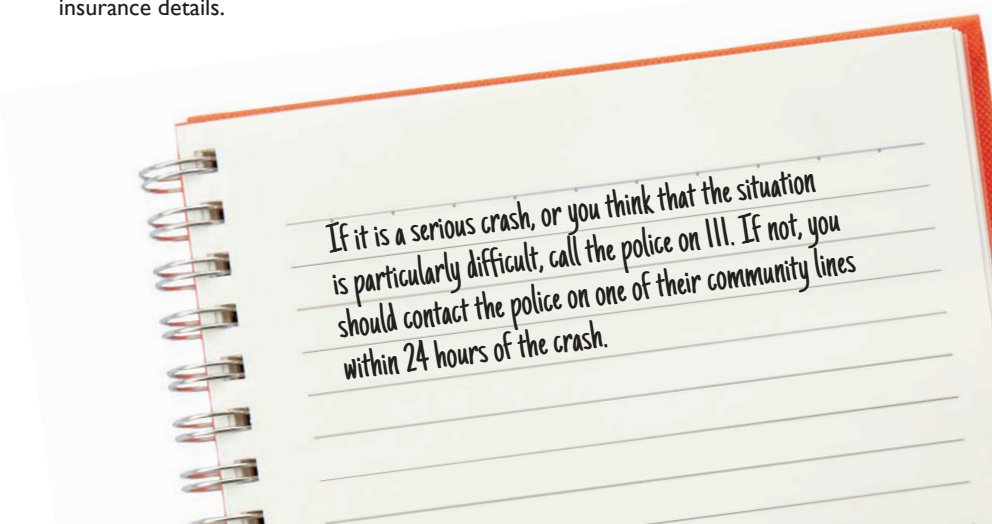
If your possessions have been broken or stolen by a burglar, then you will need to talk to the police. They will note down what has happened, and give you an incident number which you can then give to your insurance company.

To claim on your insurance, you will have to pay an excess. This is often around \$100-400, although it varies depending on your insurance contract. An excess is the contribution which you pay towards the damages, and your insurance company will pay the rest of what your contract says you are owed.

Vehicle Insurance Claims:

In movies when people crash they always have to exchange insurance details. What kinds of things are expected?

If you get into an accident, check that everyone is okay first. If anyone is injured then call an ambulance first! If everyone is okay, then you should exchange insurance details.



If it is a serious crash, or you think that the situation is particularly difficult, call the police on 111. If not, you should contact the police on one of their community lines within 24 hours of the crash.

The CAB (Citizens Advice Bureau) website suggests that you should:

- Write down the name, address and phone number of each of the other drivers, along with their vehicle registration number and the name of their insurance company
- Give these same details about yourself to the other driver
- Write down the name, address and phone number of any witnesses to the accident
- Write down, as soon as you can, as much as you can remember about the accident, including:
 - the time of the accident
 - where it happened
 - the weather and road conditions
 - the speeds you think you and the other vehicle were travelling at

Remember never to admit fault at the scene of the accident. It is up to the insurance companies to work out who is at fault and if you say anything to this effect it can make it harder for your insurance company to sort things out with the other drivers involved. It could result in your claim being cancelled.

Source: <http://www.cab.org.nz/vat/tt/ds/Pages/Caraccidents.aspx#4>

If you accidentally hit a parked car and you cannot find the driver of that car, you should report this to the police as soon as you can, within 60 hours. That way they can sort everything out, and you can find out contact details for your insurance company. Try to leave a note on their dashboard with your contact details too!





Travel Insurance Claims:

You can choose to make an insurance claim while you are still travelling, or when you get home. You will often have to pay for your expenses yourself, and then get your insurance company to pay you back later.

If you are injured or sick overseas, get a doctor to give you a medical certificate. Keep your receipts for your medical bills.

If you lose luggage or your personal belongings while travelling, you will need to get proof of this. Either get your transport provider (like your airline or train company) to provide a letter explaining what happened, or tell the local police. They will provide you with a letter explaining what happened too.

If you have any big problems overseas, New Zealand Embassies/High Commissions are there to help. They can talk to you when things go wrong, and help if you lose your travel visas or passport. Embassies will sometimes also offer assistance if you fall seriously ill overseas.

If you have any questions, talk to your insurance provider.



If you need more help:

It might be worthwhile talking to someone else about your insurance contract if you aren't sure about it. You could talk to your parents, other family, teachers, or friends. You can also get help from other places. The Citizens Advice Bureau (CAB) has offices throughout New Zealand, and can talk to you about any problems like this for free.

WEBSITES TO CHECK OUT:

Citizens Advice Bureau:

<http://www.cab.org.nz/Pages/home.aspx>

Insurance Council of NZ:

<http://www.icnz.org.nz/>

My Insurance Guide:

<http://www.myinsuranceguide.co.nz/>

New Zealand Transport Agency:

<http://www.nzta.govt.nz/transact/>

Ministry of Foreign Affairs and Trade:

<https://www.safetravel.govt.nz/>

Sorted:

<https://www.sorted.org.nz/a-z-guides/insurance>

Glossary:

Some of these terms can be a little confusing. They show up in insurance contracts and policies.

Claim: You are making a claim when you ask your insurance provider to repair, replace or reimburse you when something goes wrong. You usually put in an insurance claim by calling the company up. They will ask you some questions, and then process your claim. They will check to see if it fits within your insurance contract, and if it does then they will approve your claim.

Premium: A premium is what you pay to an insurance company to get insurance. Often you have to pay a premium annually (yearly) or monthly. It's basically the money you pay to 'buy' your insurance.

Excess: Excess is the amount of money which you agree to pay your insurance company if you want to make a claim. The excess is the first part of your insurance claim – your insurance company will pay the rest. Your insurance contract will say how much of an excess you must pay if you make a claim.

No claims bonus: If you have never made a claim on your insurance before, sometimes insurance companies will offer you a 'no claims bonus' – this is often a discount in how much you have to pay for your premium.

Policy: This is a document which the insurance company will send you when you pay for insurance from them. It will outline what you are covered for, and what isn't covered.

Cover: The things which your insurance company has agreed to repair, replace or pay for.

Underwriter: A person from an insurance company who writes their rules and guidelines. They decide what things you can be covered for, what your terms and conditions are, and decide how much the company will charge you for that cover.

Duty of Care: When you take out insurance, you are expected to try to look after (to care for) the things you have insured. If you don't try to care for your things, then your insurance company may try to void your contract.

Void: Cancel, negate, or refuse to recognise.

Utmost Good Faith: This is a legal concept (from Contract Law) which insurance companies have to follow. Basically it means that both you and your insurance company must try to be truthful, honest and act 'in good faith' to each other. It means that your insurance company shouldn't lie to or manipulate you.

Comprehensive Insurance: Covers lots of things

Third Party Insurance: Only covers damage done to the 'third party'. The first and second parties in insurance are you, and your insurance provider. The third is anyone else involved. For example, if you crash into another car, the third party is the person who owns that other car.

New for Old/Contents Replacement insurance: means that the insurance company will pay you enough money to replace a broken or stolen item with a brand new version.

Indemnity/Market Value Insurance: means that your insurance company will give you money for the current value of the item that gets broken or stolen.

Act of God/Force Majeure: This may sound strange, but it is actually a legal term. It means 'anything which is outside of human control'. It does not actually have any religious meaning here; it just means something that happened because of nature rather than humans.

For more definitions, see the New Zealand Insurance Council website: <http://www.icnz.org.nz/for-consumers/glossary/>

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