

COMPREHENSIVE INSURANCE, THIRD PARTY INSURANCE AND EVEN ACT POLICY EXPLAINED

1. What are the types of insurance cover available to the public for a motor vehicle?

The main types of Motor insurance that a member of the public can purchase are: 1) Comprehensive; 2) Third Party; and to a lesser extent 3) Act cover. All insurance companies offer Comprehensive and Third Party cover, but not all may offer the most basic of all cover types, which is Act cover.

2. What are the differences between these types of policies? What are the advantages and disadvantages of each?

Comprehensive insurance is the most robust type of cover. It provides insurance to cover damage to your own vehicle if it is involved in an accidental collision, damaged maliciously or by fire, stolen or damaged by hurricane or earthquake. In addition to this, it also covers damage or injury to third parties or third party property arising out of the use of a motor vehicle up a limit which will vary by insurer or product offering. This is the element of cover that is mandatory by law. With Comprehensive insurance, most insurers will also offer additional covers, e.g. wrecker, windscreen, personal accident etc built into the premium. Therefore, with Comprehensive cover you have the advantage of protecting your asset (i.e. your vehicle) along with the other fringe benefits that go along with it and it may be required by a financial institution if you have financed the purchase of the vehicle. You will have this protection whether you are at fault or not. In return, the premium that you pay will be higher.

Third Party (define who or what is third party cover) cover only covers damage or injury to third parties or third party property arising out of the use of a motor vehicle up to a limit, which will vary by insurer. There's no cover for damage to your vehicle. This means that you have no protection for your asset under your own insurance policy. However, if you are not at fault in an accident, then you can try and recover money for repairs from the other

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party's insurance company. The premium for this cover is less because it provides less protection.

Act cover provides the minimum limits for third party liability as outlined under the Motor Vehicle Insurance Third Party Risks Act. It will not provide any cover above these minimum limits or any additional benefits and is the cheapest and most basic form of limited protection. (You may need to state what these limits are)

3. Why may one type be a better fit than another?

One type of insurance may be a better fit than another depending on several factors:

- Budget – especially in today's economic climate, each client will have to assess how much they are able to pay for insurance. (give example like third party v comprehensive)*
 - Financial interest – if a bank or credit union has a financial interest in the vehicle, there may be no choice but to purchase Comprehensive insurance so that the bank has protection for the asset.*
 - Level of risk appetite – each person will have a different level of risk appetite. Some may want the widest protection out there in the event that they are involved in an incident which damages their vehicle as well as causes loss or injury to a third party, whether they are at fault or not.*
 - Value of vehicle – persons with more expensive vehicles may be more inclined to choose Comprehensive cover to protect their asset. Most insurers have a minimum value under which they are not able to offer Comprehensive insurance.*
4. How can someone make an informed decision when choosing their cover

Although all companies are offering Comprehensive and Third Party cover, all of the product offerings are not the same. In order

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to make the best decision – and determine which product offering has the better value for money – insurance buyers need to ask for full details of what the cover they are being offered includes. Many companies bundle additional benefits for free and for an additional premium to their Comprehensive and Third Party offerings.

5. What can someone expect at the claims stage if they have Comprehensive vs Third Party vs Act?

If Comprehensive cover is purchased, an individual can expect that their insurer will either pay their claim in cash or authorize repairs to the individual's chosen repairer. The client may only have to absorb their excess. If the individual was in an accident and not at fault, and the negligent party has insurance cover, their insurance company may recover on their behalf and they may be able to recoup their excess.

With Third Party cover, the individual can only claim for damages to their vehicle from the other party's insurance company if they are not at fault in the accident. Once they are at fault, they will not receive any settlement for damages to their own motor vehicle. However, their insurance company will settle claims for any innocent parties who have suffered loss or damage up the coverage limits in the individual's policy.

With Act cover, the procedure is similar to Third Party, except the coverage limits will be much less. There could be a chance that there may not be enough cover to pay for all of the damage and injury caused and, as a result, the individual may find himself or herself exposed to further claims.

6. What is the significance of the so called Act Policy?
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As mentioned before, this is not something offered by all insurance companies. It's a very basic form of cover and may not provide enough protection. However, some individuals choose to purchase

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it in order to pay the cheapest premium possible. It's simply called an Act policy because it offers no more protection than the basic minimum required under the Motor Vehicle Insurance Third Party Risks Act.

8. Sometimes there seems to be so many different product offerings from multiple insurance companies. How does one effectively sift through all of these offerings when making a buying decision?

It can really seem like a daunting task to try and understand what is being offered and by which company. However, asking questions is key. Customers have the right to ask an insurance company to outline all of the benefits being offered with a particular product and ask any additional questions which may arise as a result. Each company has a duty to be open and forthright with respect to what their product offerings entail and should welcome the opportunity to explain the cover that is included. This will allow consumers to make an informed buying decision.