

Insurance for Your Car

As anyone who has ever had a car accident will know, it is wise to have insurance for damage to your car, and other people's cars and property.

Because there are so many insurance companies and types of policy available, it is important you understand the basics before you make any buying decision. Price and detail of coverage varies from one company to another, so using a broker can help to make the correct decision to have proper coverage.

Basic covers for cars

Buying car insurance

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There are four basic cover:

Compulsory third party (CTP)

This compulsory cover must be taken out when you register a car. It protects you against claims made by third parties for personal injuries and attendant legal costs, arising out of the use of your car when the person in charge of your car was at fault. Commonly referred to CTP, you must take out this insurance otherwise you cannot register any road vehicle. For more information speak to an insurance broker.

Third Party Property Damage (TPPD)

This insures your liability for damage to another person's vehicle or to the property of others (a fence, for example) if you caused the accident. It covers both the damage and if necessary, your legal defence. It does not cover any damage to your own car. If you decide you don't want or can't afford comprehensive insurance (see below), undoubtedly TPPD is vital insurance to have, because a big claim for which you are liable could easily bankrupt you, or a smaller one put unexpected financial pressure on you.

Comprehensive

Comprehensive insures includes (CTP, of course), plus damage to your own car no matter who causes it. If your car is under finance, this cover will usually be insisted on by the finance company so that their interests in your car are protected.

Buying car insurance

Before buying car insurance, consider:

Excess or Deductible

These terms mean the same thing - that you accept the first part of the risk yourself. Practically speaking, this means that in event of a claim, you pay the first prescribed dollar amount. If the accident was not your fault, the insurer may waive your excess or later return it to you, both methods subject to having successfully recovered costs from the party at fault. Some insurers make the excesses compulsory, while others might make a voluntary excess option available to allow policy holders to reduce their annual premiums. Some insurers provide certain excess - free covers, like broken windscreens.

No Claim Bonus

A feature of comprehensive policies is to reward you for each successive year without a claim by giving a no claim bonus. If you do claim, your bonus may be either lost or reduced, although if the accident is not your fault, your bonus may be left intact. Once you've reached the highest bonus scale, some insurers "protect" your bonus, so you're not penalized for every next claim in light of your previous good driving record.

Market Value or Agreed Market Value

Most policies settle total loss claims (i.e. the car is stolen and never recovered, or is irredeemably damaged) on a "market value" basis. This means you are compensated with an amount representing the cost of a vehicle of similar make, model, age and condition. If the vehicle is new, say less than one year old, many insurers offer to replace it with a new vehicle of the same make and model.

An Agreed Value cover is especially useful for classic or vintage cars - where the insurer agrees after seeing an accredited valuation to pay a specified amount in the

event of a total loss because of the scarcity of similar makes, models, age and condition.

Some insurers also offer Agreed Value cover on all types of vehicle.

Premium Rating

The premium, or cost of the insurance, is based on such factors as type of vehicle, age of the driver, driving experience, location and intended use of the vehicle.

Modifications or inclusion of accessories to a vehicle must be disclosed, otherwise any claims may be refused or reduced.

Making a claim

Following an accident and after first aid if there are injuries, ensure you comply with legal requirements such as notifying police, exchanging details with all other parties aiding with the safety of the accident scene. You should notify your insurance broker/company as soon as possible, preferably within 24 hours. He or she will then advise you on the steps you need to take to make a claim.