

UNDERSTANDING MOTOR INSURANCE



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Types of Motor Policies

What are the different types of motor policies.?

There are four (4) types of policies. Act Policy, Third Party Policy, Third Party Fire and Theft and Comprehensive.

What insurance cover does each provide?

Act Policy - The Act policy covers your liability for third party bodily injury/death for a limit of \$1,500,000 for any one claim and \$3,000,000 for any number of claims arising from one accident and third party property damage of \$500,000 for one claim and \$1,000,000 for any number of claims from one accident.

Third Party Policy - The Third Party policy also provides cover for third party bodily injury/death and third party property damage but the liability limits are much higher than those under the Act policy.

Third Party Fire and Theft - Your Third Party Fire and Theft policy covers loss or damage to your vehicle as a result of Fire and or Theft. Due to coverage for fire and theft a sum insured is needed to indicate the value of the vehicle. It also provides for third party liability as a result of bodily injury/death and third party property damage. Third party limits are also much higher than under the Act Policy. Each insurance company has its

own standard third party limits but higher limits can be negotiated.

Comprehensive Policies - A Comprehensive policy covers accidental loss or damage including collision, overturning, fire, self ignition, theft, malicious damage and Acts of God to the insured vehicle. Coverage under this section is referred to as Section 1 or Own Damage Section. A sum insured is needed to indicate the value of the insured vehicle

It also compensates for liability to third parties due to bodily injury/ death and or damage to third party property. This Section is referred to as Section 2. Each company has its standard third party limits but higher limits are available.

Limitations of Comprehensive Insurance

The word Comprehensive and scope of cover (accidental damage) would suggest that the cover is not only wide but cover is without any limit.

Every insurance policy has limits and comprehensive only means that cover is very wide. Unlike the Act, third party and third party fire and theft policies, it provides a much wider cover as it relates to damage to the insured vehicle. However there are limitations pertaining the insured vehicle and these are:-

- 1.Mechanical breakdown
- 2.Electrical derangement
- 3.Damage to tyres unless this is subsequent to

overturning and or collision

4.Excess

5.Damage to the insured vehicle as a result of the driver/insured driving under the influence of alcohol and or intoxicating drugs.

Policy Excess

Excess, what's that?

It's the first X amount you are required to pay for damage to your vehicle and then the policy pays the difference. For example let's say the excess is \$20,000 and the claim is \$200,000, you would pay \$20,000 and the policy pays the difference of \$180,000. If the claim is equal to or less than \$20,000, you would be required to stand the entire cost of the claim.

Tyre Damage

Oh. So if I drop in a pothole and my tyres got damage, would my policy pay?

No. Your policy will only pay if subsequent to hitting the pothole the vehicle overturns or there is some sort of a collision such as hitting a wall, another vehicle or utility pole.

Purpose for which Vehicle is used

Why is it I am always asked to state the use to which the vehicle is to be used?

It's important that you ensure the vehicle is used for the purpose stated on the proposal form. For example it's stated that the vehicle is to be used for social, domestic and pleasure. Any use other than that stated such as using for carriage of passengers, for your own business use if you have a salon or lounge, or to do the work of your employer will give your insurer the right to deny a claim whether for own damage or third party.

Coverage of Passengers

Let's explain a recurring issue as it relates to the carriage of passengers. There are instances where an owner will join an organization which describes its business as transportation and provides the necessary infrastructure to facilitate communication to inform owners of private vehicles to pick-up customers. However the privately owned vehicle is insured for private use and in order to comply with Tax Administration of Jamaica regulation, the owners(s) need to obtain a road license in his or her name to operate as a public passenger vehicle. This is legally obligatory although the individual is a member of an

organization that is incorporated and licensed to provide transport services.

Coverage When Vehicle is being Repaired

Is my vehicle insured for loss or damage whilst undergoing repairs?

Your policy does not cover loss or damage whilst in the custody of any motor trader or mechanic but you can have the policy endorsed to provide this cover.

Towing of Vehicle

Should I tow a vehicle and there is an accident, would my policy provide any compensation?.

Your policy only provides for third party payment i.e bodily injury/death and or damage to third party property, once towing is done because the vehicle is mechanically disabled and there is no charge for towing. However, damage to the vehicle being towed will not be paid by your policy.

Limitations

Is there any limitation under the Third Party or Section 2?

There are quite a few which is dependent on the type and use of the vehicle that is insured. For example, under a private car policy liability to employees who are carried in pursuant to a contract of employment is not covered. Under a CMC motor policy, damage to goods being carried is not covered as well as injury/death to employees

Third Parties

Who is a third party?

A third party refers to persons being carried in your vehicle (the insured vehicle) passengers, persons in another vehicles and also pedestrians. In other words, the other person(s) is always a third party and third party property refers to damage to the other person's property.

Bodily Injury

Can I claim for bodily injury under my policy if I am in an accident?

No. You and or any person driving your vehicle are not regarded as a third party. Remember third party refers to the other person.

Is there any coverage available to me if I want to be covered?

You can be covered on requesting a Personal Accident Rider which provides for injury/death as well as hospitalization to you and or the person driving. Coverage usually starts from \$100,000 to a

maximum of \$1,000,000. There is an additional premium to be paid.

Liability Explained

What is meant by liability?

Liability means that you are at fault and as a result the Law requires you to compensate for bodily injury/death and or property damage to the third party. However because you are insured your policy pays on your behalf subject to the loss limit provided under the policy. For example, let's say your policy limits are \$5 million any one claim for injury and \$7.5 million any number of claims arising from the same accident. These are the maximum amounts payable for injury/death.

What Happens if I damage my Vehicle

Would my policy pay for damage to my vehicle if I am at fault?

Your comprehensive policy provides for damage to your vehicle irrespective of whether you are at fault or not.

Damage by Uninsured Vehicle

I am informed that there are many uninsured vehicles on the road. What happens if I am involved in an accident with one and I am not at fault?

You can successfully claim under your policy but, because the third party was uninsured your insurer would not be able to recover from the third party insurer, you would lose your No Claim Discount.

You may also lose a portion or all of your no claim bonus depending on the level of the no claim bonus being earned.

However, you can request the Uninsured Motorist Rider which would pay for damages to your vehicle and your No Claim Discount would not be affected. Further you would not be required to pay any excess.

Insuring Personal Belongings

Can I get my personal belongings insured?.

Personal belongings including laptop can be covered by insuring personal effects and the laptop for individual sums insured. Condition of cover would apply however, concerning the laptop.

Garaging of Vehicle

I have a warranty pertaining to garaging my vehicle at home. What is a Warranty?

A warranty is a provision that requires strict compliance as non-compliance will permit your insurer to deny your claim. For example if the Warranty requires that the vehicle be garaged in an enclosure at nights and the vehicle is stolen whilst parked on the road, your claim will not be paid. Another example - a Warranty requiring the vehicle be fitted with a burglar alarm or other anti-theft devices and due to non-compliance the vehicle is stolen, the theft claim will not be paid.

Making a Claim

How should I go about making a claim?

Every accident or claim must be reported to your insurer and the report must be made within a stipulated period. At least a verbal notice must be provided and this to be followed by the submission of a completed claim form along with an estimate of repair. This is obligatory on your part as failure to do so gives your insurer the right to reject or deny paying your claim.

Arrangements after accident

Suppose I am involved in an accident and the third party agrees to fix my vehicle, am I required to make a report?

Third Party agreement may not work to your advantage because should the cost of repairs prove costly, the party usually backs out. This can happen after the claims notification period expires so that when you do decide to report the accident, your insurer deny the claim due to late notification. It's always advisable therefore to report the claim so that should the party refuses to settle, you will be able to claim under your policy. Repairs will only be done by your insurer only if you have a comprehensive policy.

Total Loss

Would my comprehensive policy indemnify me for the sum insured if my vehicle is a total loss?

The amount payable maybe less than the sum insured due to depreciation rate applied by the Loss Adjuster. Motor Vehicles unlike other properties such as real estate a house for example, depreciates over time and because of this it's value will be reduced. It is therefore important to have a professional valuation done at the commencement and at each renewal date as this will ensure that the sum insured reflects its replacement value. The impact of depreciation will be much less and the total loss payment should not differ substantially from the sum insured less of course the excess. However, depending on the age of vehicle and sum insured, the insurance can be arranged an Agreed Value basis and the full sum insured will be paid less the excess.