



Insurance

to have or not to have: that's the question

In the days well before digital photography we had the box Brownie camera and it was sensible practice to take at least one extra shot of the same subject, just in case the first one didn't come out. This simple precaution obviously came at a cost because there would be duplicate photos that might not be needed and the film would only last half as long; but the odd time when a head had been cut off or a finger had got in the way of the lens, the take-two routine paid off. That's what insurance is all about, the contingency plan to take care of the unexpected. At least it should be; but as with many aspects of this life, we don't always serve our own best interests.

Insurance is one of those things that tends to be shunted onto the back-burner because it is an option. Some may consider it entirely necessary and wouldn't be without it; but for many, this convenient safety-net comes at a price which is often dismissed as beyond the limitations of the budget. Also, paying out good money in case of a mere possibility is pretty much like a Lottery, except that any benefit is a recovery rather than a bonus. In other words, all you are likely to get back from an insurance claim only compensates for the value of something lost that has already been paid for, minus the cost to date of the premiums. So, do you or don't you? The following may help you decide:

Motor Vehicles

I've put this at the top of the list because automobiles are something most of us can't be without. They can also be very costly for vehicle owners who, for whatever reason, have chosen not to insure. On occasions, there is no choice. Loan companies insist on it as part of the deal, so too car-hire firms. In Australia, third-party insurance is compulsory and is included in the vehicle registration fee to protect persons injured as a result of an accident. That, however, is as far as it goes. Damage to vehicles or property isn't covered and, as many discover after the fact, the cost can be financially crippling. Sure, a driver may have enough cash on hand to repair their own vehicle plus another, should they be at fault; but what if they are involved in more than a simple fender-bender? Consider an incident on a major road where one car clips another which veers onto the wrong side, ploughing into on-coming traffic. The damage may run into the hundreds of thousands, certainly much more than the price of an insurance premium. Having a relatively cheap third-party property-damage cover passes this responsibility over to the insurance company. Admittedly, repairs to the owner's vehicle wouldn't be included but, depending on its value, it might be cheaper to replace than the actual premium on a fully-comprehensive policy. If it isn't an old bomb, a fire-and-theft addition, albeit not totally adequate, might bring a certain peace of mind. Any which way, having no insurance at all could well be a recipe for disaster.

Before going out there completely unprotected, it would be worthwhile to check what's on offer, paying special attention to the level of cover. Aside from the vehicle itself, are you likely to be carrying anything of value which may not be covered on the basic policy? Then, there could be limitations relating to travel beyond designated boundaries such as Country or State borders, even lines of latitude - in Western Australia, special cover is needed when going North of the 26th parallel. Towing a separate unit such as a trailer or boat can also make a difference. Needless to say, anything being towed must be insured separately. Ask the pertinent questions, read the fine-print and never assume - insurance companies are far less accommodating after they've got your money!

Home and Contents

As far as repairs and replacements are concerned, most expenses involving the family home will come out of the owner's pocket. Paying the insurance on it should be one of those periodic household costs along with utilities and taxes; but that's not always the case. The cost of purchasing or building it in the first place could have stretched the budget to its limit, leaving very

little spare cash, certainly none for non-essentials. Is this extra expense really worth it? Well, imagine a month or six later when the roof gets damaged in a storm. There's this to repair, plus whatever else is ruined by water leaks. Once again, a call to the insurance company should sort it out, assuming there is a current policy which is paid up to date. We always make sure ours is, but when we were having our home built, we were offered insurance to cover structural faults. Our immediate thought was: why bother? The builder would have their own insurance and the firm we used was among the biggest in the country, so they weren't likely to go bust. Within six months, they did! Back to the present, have you considered the possibility of fire? Then there's the hoon who loses control and drives his car through the fence, across the yard and demolishes the front wall of the house. He's at fault, of course, and should be paying for any damage, which he may well do, if he's a rich boy, or has his own insurance!

Owning a property carries certain responsibilities. Having home and contents insurance should cover you for most eventualities. Damage as a result of fire, accident or negligence will usually be recompensed; but deliberate acts of destruction, particularly by members of the household, may be a bone of contention. Cover for losses from natural causes such as storm, lightning and flood will depend on the locality and the likelihood of such occurrences. For example, in an area subject to frequent high winds, the policy may exclude replacement of fencing. Which brings me to another consideration - the out-buildings. Sheds, gazebos and separate garages, plus whatever they contain, could need their own insurance, or at least a separate clause inserted into the agreement.

When renting, the landlord should take care of the actual building, but the contents are down to the tenant. Contents insurance is less expensive than a comprehensive package and is definitely advisable. It will guard against accidental breakages, loss from burglary or fire and other damage. Some possessions, however, may need separate cover. Such items can include works of art, antiques, jewellery above a certain value and expensive equipment like musical instruments. Hopefully, included in the contents insurance will be a public-liability cover. This protects against injury to persons other than the policy holder or damage to property. You may think this unnecessary, being the kind, considerate soul that you are; but you may be glad of it if a passer-by gets hit by a flying stone when you are mowing the front verge. And if a visitor, be they trespassing or not, falls into a hole you've dug in the garden and breaks a leg, you are legally up for it! As an afterthought, should your dog get out and bite someone, the insurer will want to know if it happened outside the boundaries of the property; if so, they will remind you that this is no longer their problem.

Health

The need to insure yourself and your family will vary from country to country. If you do decide to take this road, go through the offers with a fine-tooth comb. Every company claims to be the best, but they won't necessarily honour all claims in full. Quite often there is a gap between medical charges and refunds. In some cases, certain procedures aren't covered at all. As an individual, you have to seek out a policy that caters for your specific requirements - where's the sense in having family cover including ante-natal care when you are a couple in your sixties?

Life, Personal Injury and Funeral

I don't pretend to know much about this area. I have been offered it from time to time, but chose not to subscribe. I will simply reiterate what I've already said: do the research, read every word of the proposals and take nothing for granted.

Vacation and Travel

Basic flight insurance will guard against loss due to cancellations and will also cover lost or damaged baggage. I'm not sure about sea passages, but the booking agent should be able to advise about this. As for the main part of the holiday, a lot depends where you are going. If you are visiting a foreign country, insurance is as essential as a passport. But make sure you get the level of cover you are likely to need. Although insurance companies will be happy to sell you a policy, they won't always tell you that it doesn't cover you for having an accident while riding a scooter; or that it won't be paying your medical expenses, simply because you are over seventy. These are just two examples of what can happen, what did happen recently. Both victims discovered, after the fact, that their policies failed to cover the circumstances they found

themselves in. Following a painful, seemingly interminable stay in a foreign hospital, the two patients were eventually brought home, thanks to family, friends and fund-raisers collecting the thousands of dollars to make it possible.

Insurance of Any Kind

Premiums will differ from company to company and it is best to shop around. Perhaps the easy way to do this would be to check out comparisons on-line. Some of these advertised lists, however, are not comprehensive; and if they are sponsored by a particular company, rest assured their quotes will appear to be the most favourable. Then there are the insurance brokers who will offer to find you a custom-made policy at the best price. As with any business, the one they are conducting needs to make a profit so, as can be imagined, they don't give their advice for nothing and somewhere along the line you, the customer, will be paying for it. In all cases, bear in mind that cheaper doesn't always get you the cover you really need; on the other hand, opting for the most expensive can be money wasted. Look carefully at the fine print, ask the questions when in doubt, and never commit if unsure. Savings on premiums can be made by agreeing to an excess. This is usually a fixed sum which the customer pays up front when making a claim. Anything over and above this is covered by the insurance company. If you are unlikely to be frequently putting in a number of small claims, this is one way to reduce costs.

There are dozens of companies all claiming to be better than the rest, and you know from your experience with banks that you can take this with a pinch of salt. Just like the financial institutions, these guys are big - I mean *really* big - and they didn't get that way by throwing money away. When you first approach them, they will be all over you like a rash and nice as pie with it. You will be assured by this new friend that they have your best interests at heart and that any claim you are likely to make will be expedited quickly and to your satisfaction. You need to realise that, once they've got your hard-earned cash, these protectors of the faithful will bend over backwards to ensure they give as little of it back as legally possible.

This last point is very pertinent. Although the law may be a mystery and often ambiguous - to the average person, that is - it is still the law and, whether they think so or not, insurance companies have to abide by it. So, if and when you decide to take out insurance, be your own lawyer: read every single word of the proposal, and be very aware that you are the one doing the favour, not them! You don't have to hand your money over, and you aren't going to do it unless you get exactly what you want and are prepared to pay for. The insurers may be under the misconception that you live in a dream world; just let them know that you don't.

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