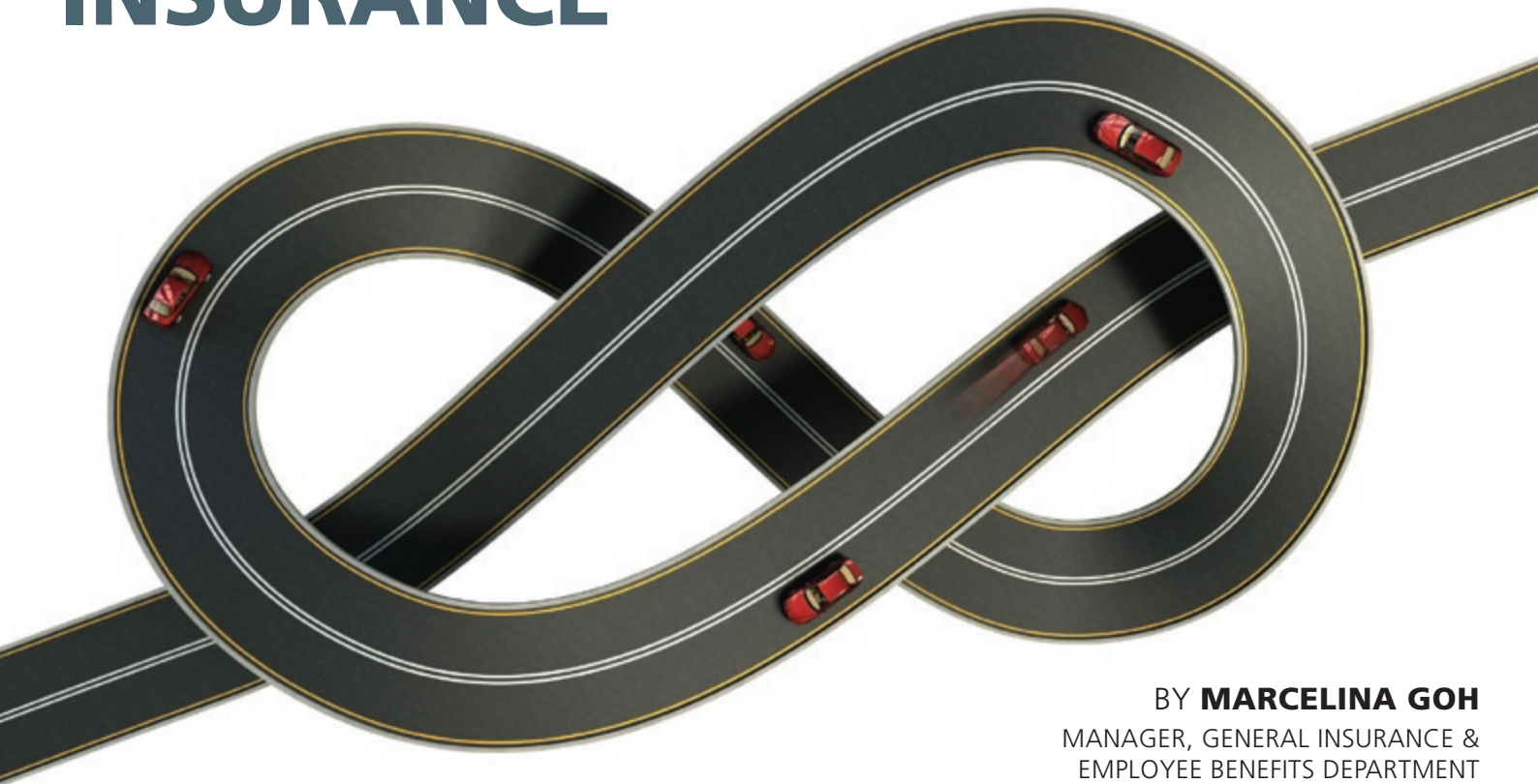




ALL THINGS CONSIDERED: THE INS AND OUTS OF PURCHASING MOTOR INSURANCE



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Not all motor insurance policies are the same. There is a wide range out there, among different general insurance companies, to cater to the many individual needs of car owners. Deciding on which one is best can sometimes bring on a headache, filing through a maze of information comparing “apple for apple” of different grades and sizes, trying to make sense of the differentiating terms and benefits offered among insurance providers.

Sometimes we cave in, and just opt for the insurance policy offering the lowest premium. After all, how much of a difference can there be? As they say, “the devil’s in the details!”

As a general rule, lower premiums can result in restrictions in coverage, the amount of compensation with regard to a claim or even the options available in the event of a claim. For instance, lower-priced policies might come with restrictions as to where you can send your vehicle for repair, or even, whether new or reconditioned parts are used. On the other hand, higher premiums may allow more flexibility in the choice of mechanics, and a host of incidentals that may just save you when the situation hits you in the head.



OUR EXPERTISE AS AN INSURANCE BROKERAGE

Why not allow us to help you? We are in the business for this very reason – to help customise solutions according to our clients' needs, and this extends to motor insurance as well. With our wide network of contacts among insurers, we will likely be able to obtain a quote or arrange a policy with the preferred combination of price, excess/deductible and requirements relating to use and repairs.

Recently, one of our clients was caught out in a situation that required intervention on our part. His vehicle was flooded after a heavy downpour in a condominium car park. The interior of the vehicle was badly damaged by the floodwaters. Unsure about his policy coverage, he contacted his adviser at First Principal. Our General Insurance Department was consulted and we were able to advise him on his options based on his motor insurance coverage.

In an emergency situation as such, it helps to have someone in the know on your side to help alleviate some of the distress caused by unforeseen circumstances.

ISSUES TO CONSIDER WHEN PURCHASING MOTOR INSURANCE

A Motor Insurance policy insures motorists against financial loss when driving a vehicle. The policy covers damages to the vehicle, the insured's liability for causing bodily injury (including death) or property damage to third parties (including bodily injury and death to passengers). Here is information from the General Insurance Association of Singapore, which outlines some of the more pertinent points for your consideration.



THREE CHOICES OF COVERAGE

COMPREHENSIVE coverage provides the widest form of cover, including accidental damage to the insured owner's vehicle.

THIRD PARTY LIABILITY involves two kinds:

Legal liability for damage to property belonging to other persons, such as, cars, fences, street lighting, to name a few.

Driver's legal liability for death of, or bodily injury to passengers and third parties, caused by the driver's negligence.

THIRD PARTY FIRE & THEFT is another form of coverage. This includes the above covers, plus accidental loss or damage by fire and/or theft of the vehicle and its accessories and spare parts.

OPTIONAL BENEFITS AVAILABLE

Beyond the three main types of motor insurance cover, optional benefits exist for drivers who are concerned about other issues that may arise from driving and/or owning a vehicle.

This can encompass windscreen damage, damage to the vehicle arising out of civil commotion, such as, riots and strikes, and damage arising from floods and windstorm.

Personal accident benefits for car passengers, medical expense coverage, limiting the excess or deductible and No-Claims Discount (NCD) protection are also options that are available, at additional cost.

It might be worthwhile to note that NCD protection serves to help reduce premium payments for drivers with accident-free records. A reduction in yearly premium, accumulative up to 50%, can add up to quite a lot of annual premiums saved.

The other benefit of maintaining a clean record is also to take advantage of the No Demit Points incentive, which allows drivers another 5% reduction in premium if they possess a cumulative NCD of 30% or more.





OUTLINED IN THE TABLE IS A SUMMARY OF THE TYPES OF MOTOR INSURANCE COVER THAT ONE CAN PROTECT AGAINST.

Third Party	Third Party, Fire and Theft	Comprehensive	Optional benefits for comprehensive policies (may be subject to payment of additional premium)
Death or injury to other parties	Death or injury to other parties	Death or injury to other parties	Windscreen damage
Damage to other parties' property	Damage to other parties' property	Damage to other parties' property	Damage arising from riot, strike and civil commotion
	Fire damage to, or theft of, your vehicle	Fire damage to, or theft of, your vehicle	Damage arising from flood and windstorm
		Accidental damage to your vehicle	Liability of passengers for acts of negligence
		Personal accident cover (private car only)	Personal accident benefits for passengers
		Medical expenses (private car only)	Additional excess
			No-Claim Discount protection (private car only)

Source: General Insurance Association (http://www.gia.org.sg/consumer_howto_motorinsur.php)

ADDITIONAL MATTERS GOOD TO KNOW

There are also these other matters pertaining to car ownership that some may not be aware of.

1. ASCERTAINING THE RIGHT VALUE (SUM INSURED) OF THE VEHICLE

Generally, most insurers operate on a points-based system. Therefore, it is not necessary to provide the insurer with the market value of your car. This reduces the hassle of finding the right value to insure. In the case of total loss where a vehicle is deemed beyond repair, the insurer would use the market value of your vehicle at the time of loss to ascertain the indemnified amount to compensate you.

2. INSURING VEHICLE WITH COE AND PARF COVER

The market value of a vehicle includes the Certificate-of-Entitlement (COE) and Preferential Additional Registration Fee (PARF) components. It pays to insure your vehicle with COE and PARF cover. This is especially helpful should you choose to scrap your car or if it has been in an accident that renders the vehicle beyond economic repair. In this instance, the motor insurer will refund you the portion of COE and PARF rebate in cash, as well as compensate you for the scrap value of your car.

Insuring a vehicle without COE and PARF cover would require you to look for a scrap buyer on your own. Under Land Transport Authority (LTA) regulation, you will not receive a cash rebate on the remaining value of your COE and PARF. LTA will instead offset the amount from the value of COE and PARF in your next car purchase. Alternatively, you are left to sell this rebate to someone else, should you want a cash refund.

The cost of this additional component cover of COE and PARF is typically about 5% more, in insurance premium.

In closing, here's a quick cap on some important matters to consider when buying motor insurance, such as:

- Are there any restrictions on who can drive the vehicle?
- Does the policy meet the requirements of your bank or finance company if you are buying on hire purchase or a car loan scheme?
- How much excess will you be required to pay should you need to make a claim?
- Does the policy require the vehicle to be sent to an Independent Damage Assessment Centre (IDAC) for damage assessment?
- Does the policy have restrictions on which mechanics are permitted to repair the vehicle?
- Will reconditioned parts be used for the repairs?
- What additional covers can you buy to help circumvent some of these issues pertaining to car ownership?

Speak to your adviser at First Principal Financial. We can help answer your enquiries and address your concerns. You may just be a phone call away from sleeping better at night. Call us at Tel: **6220-5333** or email enquiry@firstprincipal.com for a wider range of options on your motor insurance needs. We look forward to being of service to you.

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