

# UNDERSTANDING INSURANCE

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*It will pay you handsomely to know what types of insurance providers are out there.*

Most people are not aware that there are three different types of insurance providers out there. Understanding the difference can, however, affect the quality, cost and effectiveness of any insurance purchased.

Traditional insurers have been around the longest. They deal with clients through brokers who develop close relationships with their clients and tailor the cover to best suit their needs.

Direct insurers cut out the broker and deal directly with the client, usually through call centres and Internet sites. Direct insurers have larger advertising budgets than traditional insurers so eliminating the broker does not necessarily result in reduced premiums.

Alexander Forbes Insurance provides a personalized insurance service more efficiently by using in-house professional service consultants. This cuts down on the costs of dealing with the broker and allows the client direct contact with the two people managing his insurance service.

While insurers compete on price, the current price war between direct and other insurers tends to disguise other differentiators, like the actual content of the offering – along with the ability of the insurer to deliver.

Using price as the sole guideline, while ignoring the content of cover, or not investigating the claims payment history of a provider, is looking for trouble. Alexander Forbes Insurance for instance, boasts the highest claims payment history in the industry, over 90% of all claims having being paid.

Most consumers change insurers because they have been offered a cheaper premium elsewhere. Yet it makes far more sense to change your insurer for better quality of cover and service.

As such, policy holders need to understand the detail of the cover difference before they decide to move.

So, before changing insurers it is essential that consumers establish:

The new insurance provider's reputation for service excellence. Check especially the claim-paying history of your prospective insurer. Sometimes friends or other clients refer you and are able to provide first-hand experience of a company's track record in this regard. It is important to find out:

- The termination procedure of their current cover, how long it will take, when the debits will cease and when cover will terminate.
- How long the new cover will take to activate, and when the first debit will take place.
- What is covered by the new cover that wasn't covered by the old cover, or vice versa. This is found in the small print. The exclusion detail is very important to read as policies can vary greatly.

- Who is covered? Is this stated clearly in the policy? Some policies only cover the owner-driver, others nominate other parties, some specifically exclude other parties.
- What the excess is. Some excesses are expressed as a percentage of value, while others as a percentage of loss. Some will be a flat monetary amount while others will be a percentage of value. In many cases you can buy the excess, a concept called excess buy-back.
- What the vehicle is insured for. Retail value, market value, trade-in value, or a combination. These all have very different cost and pay-out implications and purchasers of insurance should understand what they are buying.
- What the insurers' repair philosophy is. Does the insurer believe in repairing vehicles with new parts or second-hand parts? Will the insurer insist that repairs are done by manufacturer-approved repairers to avoid loss of manufacturers' warranty?

Alexander Forbes Insurance (AFI) and SAARP have been working together since 2009 and during that time more than 2 000 SAARP members have entrusted AFI with their short-term insurance portfolio. This is largely due to the fact that Chris Freebury (the primary contact person at AFI for SAARP members) personally meets with almost all his clients – something that very few insurers will do in these days. Chris takes time to get to know his customers to get a full understanding of what they need, he assists them through the documentation and processes in order to best ensure that they are properly informed about what their current cover offers, and what they are buying into.