



COMPARING INSURANCE

UNDERSTANDING YOUR INSURANCE CONTRACT

Personal insurance products can be complex and benefits can vary greatly. You need to consider more than just premiums when making a decision to purchase or renew your insurance. Understanding your needs and the features of the products will help you select the right product for you.

The best way of comparing the features of insurance products is to read the Product Disclosure Statement (PDS) or policy document.

These documents set out:

- Features of the product, including terms, conditions and exclusions
- Fees and charges that apply
- Information about complaints handling and “cooling off” rights
- Other information that is material to your decision to purchase the policy

The law requires that your insurer provide you with information about the insurance product so you can make an informed decision. Speaking to an insurer or broker for general insurance or a financial adviser about life insurance products will also ensure that the cover you choose will be best suited to your needs and financial situation.

TIP

If you have special needs seek professional advice before you take out insurance cover. Remember, price is not the only thing to consider; the features of the product, any exclusions, the excess, the insurer's reputation and support if a claim arises are all equally important.

READ YOUR INSURANCE POLICY AS SOON AS YOU RECEIVE IT!

Most people only read their insurance policy from cover to cover when they need to make a claim. Unfortunately, by this time it's often too late.

The policy document issued by the insurer to you usually has two separate parts:

- Terms and conditions – is a standard document, which tells you about the terms and restrictions in your policy, but does not contain any specific information about you or what you have insured.
- Policy schedule or certificate – this document will contain your personal details including the description of what you're insuring, any options or special restrictions that have been taken out and, if applicable, tells you when the policy is expiring.

Did you know?

According to the law, insurers must provide a 14-day cooling off period to purchasers of insurance. This provides you with enough time to thoroughly read the policy document and decide whether it is the right insurance contract for your needs.

TIP

If your policy is renewed each year (as happens with home or car insurance) you will need to contact your insurer and inform them of any changes to your personal situation since the policy was originally taken out.

TIP

Your life insurance policy is a legal document and should be stored with your other legal documents. You will need the policy document when you lodge a claim with your insurer.

HOW DO INSURANCE CONTRACTS WORK?

An insurance contract is a legal agreement whereby the insurer will pay you if certain defined events occur and conditions are met.

Insurer obligations

- Explain to you the terms of the policy: An insurer must clearly inform you of the features of the product, such as inclusions and exclusions, before you enter into the insurance contract. The insurer does this by providing you with a copy of the PDS and policy document.
- Ensure confidentiality of your information: Insurers are legally required to keep your personal details confidential.

Your obligations

- Read your insurance policy: Make time to read your policy document when you receive it from your insurer. It is important that you know what's covered and what's not covered.
- Answer all questions fully and honestly: When entering into a contract with an insurer you must give them all the relevant facts – this is called a 'duty of disclosure.'

TIP

Understanding what's covered and what's not covered will help you to find the product which best meets your needs.

EXCLUSIONS – KNOW WHAT'S COVERED AND WHAT'S NOT

It is vital to check your policy document for exclusions – events that are not covered by the insurance policy. Even though the insurer has an obligation under the law to clearly explain the insurance contract to you, it is important that you make sure you understand what you're being covered for and what you're not covered for.

Examples of some typical exclusions are: self inflicted injury; pre-existing conditions; war or terrorist activities; damage caused by domestic pets; tree lopping; certain weather related losses, such as flood or storm surge; theft of items in the open air (BBQs etc) or damage to vacant property. Some policies may also exclude a particular sport, a medical condition or valuable item, unless specified. Not all general and life insurance policies have the same exclusions.

FEES AND EXPENSES

Insurance premiums are based on a number of factors that relate to the potential risks to the insurer as well as other costs, including administration fees, Federal and State taxes (GST and stamp duty) and government levies (fire services levy).

Life insurance products are usually available through an insurance broker or financial adviser. These advisers are usually paid a fee or commission from the sale of insurance products for the advice they provide.

HOW CAN YOU SAVE ON YOUR PREMIUMS?

These are general suggestions, so you should think about what best suits your needs and financial situation.

- Minimise your risks. Take security precautions like putting locks on the windows of your home or an immobiliser on your car to make it harder to break into or steal. Or put in place tools to help reduce the likelihood of damage like installing a fire extinguisher in your home.
- Pay a higher excess. Increasing the excess you would pay if you did make a claim can lower your premium. But you need to weigh up whether it's better to pay more now in the form of premiums, or pay more later through a higher excess if you make a claim.
- Nominated drivers. Restricting the use of your car to drivers over a certain age (usually 25) reduces your car insurance premium.
- Discounts. If you don't make a claim for a certain period of time, you can reduce the premium you pay for car insurance – this is called a 'no claim discount'. Often you can save if you take out more than one policy with the same insurer – this is called a 'multi-policy discount'. For general insurance, other discounts can be available to you if you're a long-term customer: Some insurers offer discounts for people who are over 55 years of age. For life insurance, discounts can be available for larger sums insured.
- Take a longer waiting period. You may pay more for having immediate income protection cover. If you opt for a longer waiting period you may pay a lower premium. But you need to think about whether you have adequate savings, sick leave or the ability to cover expenses until you receive the first benefit payment.
- Superannuation. You can save by having life insurance in your superannuation fund (see pages 24-25).
- Select a policy that suits your needs. It may be better for you to pay less for your insurance, but also have fewer inclusions.
- Shop around. Compare insurers' (including your superannuation fund) cover and prices; they can differ greatly.

TIP

Speak to your insurer. Don't be afraid to ask questions if you aren't sure how a policy works or if you want to clarify how the insurer will apply policy terms and conditions. If you have an insurance broker or financial adviser and they can't give you an adequate explanation, then you can contact the insurance company directly for more information.