

THE FACTS AND THE MYTH IN VEHICLE INSURANCE.

“Sorry it is not covered!” “Your insurance money is not enough to pay for the repair” How many times have someone heard these phrases during the most needful time, after the accident? The car was badly damaged, the pocket was emptied, and the only bad curse one needed to hear at that time was to know that the insurance companies do not cover the vehicle cost of repair! Be aware. Knowing the facts and the myth in making vehicle insurance claims can really save someone from frustration and from losing money and time when dealing with insurance companies. Getting more knowledge about vehicle insurance claims will never harm anyone. It can only be the best assistance one could hope to have, during the time of accident, when it will be needed the most. Learn and master the insurance information before it is too late. Here is what one needs to know about vehicle insurance claims. They are claims procedure, claims excess, No-Claim-Discount (NCD) effect, sum insured effect, claims type and electronic cover note (e-cover note)

First of all, it is compulsory to know the claims procedure. Contrary to popular belief, claims procedure does not start when the vehicle was sent to workshop, or when police report or claims against insurance company is lodged. It starts right after the accident or accidents (god forbid) occurred. It is divided into two categories, accident process and reporting process. In the accident process, the first thing to do is to be awake and calm. It is important to be awake as nothing can be done if one already fainted. If this thing happens, anyone near the victim must know the accident process in order to be able to carry out the appropriate actions. It is also equivalently important to be calm and not panic as one needs to be alert and observant for surroundings details. Next, if there are injuries to any persons, call 911 for assistance immediately. If there are no injuries, move the vehicle to a safe area away from traffic, where possible. Therefore the fact is, accident vehicles can be removed to ease traffic flows, whereas the myth is that the accident vehicles could not be removed at all from the scene of accident.

The second step in accident process is to obtain all relevant data of the accident. Note the names, addresses of the other driver(s) involved, the model and vehicle registration number of the vehicle(s) involved, and the names and addresses of witnesses, if any. Sketch a simple diagram of the accident scene and sketch the position of each vehicle right before and after the accident (Photos of the accident scene, if available, can be very helpful). Exchange information on the names of the respective insurance companies. Do not, at all time, discuss on whose fault it is. This may complicate handling of the claims. Leave it to police and learned judge to do their job. Do not let the myth that states insurance companies, police and adjuster know all, fool us. The fact is that the more detailed information that can be obtained, the more information can be supplied to insurance companies, and the faster it will be to process the claim. Finally call the insurance companies operator or its accident hotline number (also known as auto assist), before the vehicle is towed (if the vehicle needs to be towed), to ensure that the vehicle will be sent to the panel workshop. Do not be fooled by the myth that all workshops are panel for all insurance companies. The fact is insurance companies are only selectively appointing limited number of workshop as their panel and will only entertain claims from their panel.

The second category in claims procedure is reporting process. This is when police report is lodged. By all means, it is compulsory to report the accident to the police and inform the insurance companies' operator promptly, even if there is no intention to make a claim. If anyone said police report is an optional or only for severe cases, it is a myth. The actual fact is police can issue summon to those who fails to lodge police report in the event of accident. In case of A knocked B, even though if A did not suffer from any injuries and had no intention to claim, the police needs reports from A and B to help the investigation. Furthermore B may want to make a claim against A's insurance company which would cause A to loose his NCD.

After all the reports were lodged, the next step to do is to complete the claims form in full and include any additional relevant information. This is when all steps taken in accident process will be helpful. If in doubt, ask the insurance companies' operator for advice. Therefore it is important to keep the auto assist number as it will be greatly useful at the time of accident. It is also important to note here that insurance companies could not reject any claims on the basis of no documentation, as they can obtained it directly from the sources through their appointed adjuster. The only document need to be supplied is the police report and other documents such as grant can be obtained from Transportation Department and Hire-Purchase agreement from financial institutions The fact is, the sooner all the required documents can be gathered, the faster it will be for the insurance companies to process the claim.

Luckily, claims excess, the second important matter to know is simpler and does not have many steps as in claims procedure. Excess is also known as a 'deductible'. This is the amount of loss one has to bear before the insurance companies pay for the claim. In simpler word, this means that if the cost of repair is RM 2,000, and excess is RM400, all insurance companies will only pay RM 1,600 for the cost of repair. They are two types of excess applicable, compulsory excess and other excess. Compulsory excess is standardized at RM400. It will be applied if the vehicle is driven by a person not named in the insurance policy or driven by anyone who is not qualified even though named in the policy. To be fully qualified in order to avoid compulsory excess from being imposed, the named-driver must be above 21 and holding full driving license of more than two years. How to name named-driver? Simply just name any qualified person that will be frequently using the vehicle as the named driver. To name two named-drivers in the policy is free, and any additional name up to maximum of 5 persons will be charged RM10 per head. Remember, if anyone said that compulsory excess can be cancelled freely and easily, it is a myth. The fact is the named-driver can only be included upon purchasing or renewing the insurance till before any accident occurred, as any attempt to do it after that will not be entertained and will only cost RM400 in deduction as compulsory excess.

The other type of excess is other excess. This excess is applicable at the discretion of the insurance companies and it is not standardized. In some cases, no excess is imposed as different insurance companies have different discretion and judgment. Other excess can be based on various bases such as vehicle cubic capacity (speed), value of car, and geographical location. This excess is imposed by insurance companies for various reasons. For example if A insurance company want to distract sports and fast vehicle from purchasing insurance from them due to increasing number of claims, A can apply other excess based on cubic capacity, while B can apply other excess based on value of vehicle to distract luxurious car if claims amount from luxurious car is increasing. Therefore again it is a myth if anyone said all insurance companies are the same. In fact, if one is meticulous enough and comparing terms and conditions in the policy, there are many different that can be found.

No-Claim-Discount or NCD is a third must know item for everyone who has vehicle. NCD, also known as No-Claim-Bonus NCB, is a 'reward' scheme given to customer if no claim was made against his policy during the preceding of 12 months. The premium payable may be reduced if he has NCD entitlement. For a private car, the scale of NCD ranges from 25% to 55% as provided in the policy. To illustrate this, let say for example the premium to be paid for the first year is RM1, 000. With NCD entitlement, one only need to pay RM 750 for the second year (25% NCD), RM 700 for the third year (30% NCD), RM 616.70 for the fourth year (38.33% NCD), RM 550 for the fifth year (45% NCD) and RM 450 for the consecutives years onward (55% NCD). NCD will continuously be granted even though there is changes of insurance companies. Say, if in the fourth year A buys insurance from insurance company X with NCD 38.33%, he will be granted 45% NCD in the following year even though he changes to insurance company Y, provided that he has the documentation that shows his previous entitled NCD. Again do not fall into the myth trap that stated NCD can not be continuously transferred inter various insurance companies.

All claims will nullify NCD at any point of time, be it in the event of one claims from his own insurance company (perhaps when he droved his car and knocked his own home) or other people claiming against one's insurance company (unluckily perhaps when he knocked other people or their property). Whenever NCD is nullified, it will restart at 0% NCD. For example if at fourth year A meets with an accident and makes a claim, A only entitles for 0% NCD for the fifth year for that particular vehicle. The only exception to this rule is when one claims from other people insurance (perhaps when the other person knocked one's car), or when windscreen insurance claim is made. Windscreen is an additional vehicle insurance that can be purchased to cover windscreen and to avoid NCD lost should windscreen claim is solely made. NCD is also interchangeable between various vehicles under the same owner. Let say A has old Car 1 with 55% NCD. When A buy new Car 2 with 0 % NCD, he can exchange the NCD from Car 1 to Car 2 to reduce the premium. After the change, Car 1 is with 0% NCD, and Car 2 is with 55% NCD. Should anyone hear if it can not be done, it is indeed a myth.

Next, it is important to know about the sum insured and its effect. Sum insured is the maximum amount to be indemnified should loss occurred to the vehicle. Determination of sum insured is based on market value. As general rule market value is determined as an average price accepted to buy any vehicle. To help to determine market value, one can always refer to gongs.sytes.net and www.motortrader.com websites. It is important to ensure that the vehicle is adequately covered by using accurate market value. Should vehicle sum insured is not equal with market value, two scenarios can arise, under-insured and over-insured. Both scenarios have their own repercussion. Under-insured arises when one insures his vehicle at a lower sum than its market value. He will be deemed as self-insured for the difference. This means in the event of loss/damage, he will only be partially compensated (proportionate accordingly) by the insurance companies. For example let say A's vehicle actual market value is RM50, 000 but he only insured it for RM20, 000 (sum insured). In the event of repair that costs RM10, 000, insurance company will only pay A RM4, 000, and he has to cover the balance from his own pocket. Insurance companies use this formula to calculate approved cost of repair;

(Sum insured/Market Value) x repair cost

In A's case it is $(20,000/50,000) \times 10,000 = 4,000$. This is the actual fact. Anything that deviates from this is surely a myth.

The second scenario that can arise when vehicle sum insured is not equal with market value is over-insured. Over-insured arises when one insures his vehicle at a higher sum insured than its market value. In this case the maximum compensation he will receive is the market value of the vehicle only. This means even though A purchases his Kancil's vehicle insurance for sum insured of RM80, 000, insurance companies will only pay him according to market value, say 25,000 in the event of lost. Again it is a myth when somebody said that his Kancil was compensated with RM80, 000 from any insurance companies.

It is also utmost important to know the type of claims one wants to lodge against his insurance companies or other person insurance companies in the event of loss and accident. The determination of claim type will be based on type of coverage one's purchased, type of coverage of the third party purchased (third party is the person who is knocking or knocked by us), and liability consideration (who is at fault). Basically they are two types of coverage, comprehensive and third party coverage. Comprehensive coverage covers all accidental damages to one's own vehicles and accidental damages to other people properties and other people injuries should one collided into them. Note that however under this coverage ones own injuries are not covered. It is a myth if anyone said that comprehensive coverage covers all. Remember to buy other type of insurances such as life or personal accident, should one wants his life to be covered, or alternatively he can claim his injuries from the third party should the third party is at fault, if there is any.

The second coverage is third party coverage. This coverage covers against claims for bodily injuries or deaths caused to other persons (known as the third party), as well as loss or damage to third party property caused by one vehicle. This means that third party coverage does not cover one's own life and property. It only compensated other party should one knocked them. Therefore it is a myth that said comprehensive coverage and third party coverage are all the same.

Now what type of claim one should claim? If one is not at fault (as determined by police investigation report and not by one's or third party police report), there are three choices. It is either to make own damage (OD) claim, third party (TP) claim, or own damage no fault (ODN) claim. OD claim is the easiest and the fastest processed claims in comparison to ODN and TP. If one uses OD claim, his NCD will be nullified. Alternatively, one can use ODN in exchange of OD. ODN is equivalent to OD, except that NCD will be given back if one uses ODN. ODN requires written police outcome of investigation that clearly stated that other people is at fault before NCD can be reactivated. To obtain this written police outcome of investigation may take time. Remember to choose wisely for the type of claims one wants to have after taking all consideration into accounts. Only those who believe in myth will believe that any type of claims is as good as all type of claims.

The last choice is TP claim, and it is by far the slowest processed claim amongst the three, but NCD will not be affected as one is claiming against other people's insurance to cover his damages or injuries. Now, if one only has third party coverage, he must pray that he will never involved in any accident, or even if he did, he must pray, he is not at fault. Why? If one is not at fault he can make TP claim against vehicle insurance that knocked him, if not, he can certainly hear this phrase being repeated "Sorry it is not covered!" when he send his vehicle to workshop. Finally note that all the three type of claims are not similar and failure to choose the right claims type will make ones claim be rejected

Finally it is without doubt, one should be selective when purchasing their insurance from companies and agents as it is now compulsory to use e-cover note. E-cover note is an electronic data of insurance coverage that will be transmitted directly to JPJ upon purchases transaction of vehicle insurance via internet. With the implementation of e-cover note by Transportation Department, manual cover note is no longer valid. Consumers is now no longer need to go out, face the hectic traffic jam or pay for petrol, toll and parking as they can purchase the vehicle insurance within the comfort of they room or office as long as they have internet facility. Therefore only competent insurance companies and agents will be able to transact e-cover note electronically. Choose wisely and always ask for copy of e-cover note to be faxed or send to consumers e-mail, as it is a proof that the data of insurance coverage has been successfully received by Transportation Department. Failure to receive e-cover note can indicate that the data transmitted has been distorted and this will result the nullification of policy. If this happens it is as good as no insurance coverage at all. When this occurs, no insurance companies will cover for any claims for the vehicle involved. Therefore to avoid this please obtain the right assistance and information. One can always visit gongs.sytes.net or www.bnm.gov.my and go to insurance information to get the right information.

By now it is my hope that the readers could understand why insurance companies do not cover certain types of claims and only approve certain amount as cost of repair. Grab all the facts regarding vehicle insurance and be an informed customer that knows his right when dealing with vehicle insurance claims. Know how to separate the facts from the myth when making vehicle insurance claims in order to make out the most from the insurance policy's benefits. Do not let the myth and ignorance fool us. Indeed ignorance can be very costly especially pertaining to the vehicle insurance claim. Be the one who masters his own destiny.