

Beware cut-price cover

Are your insurance premiums too high? Maybe – but an obsession with price could cost you when it comes to value. By Chris Wheal

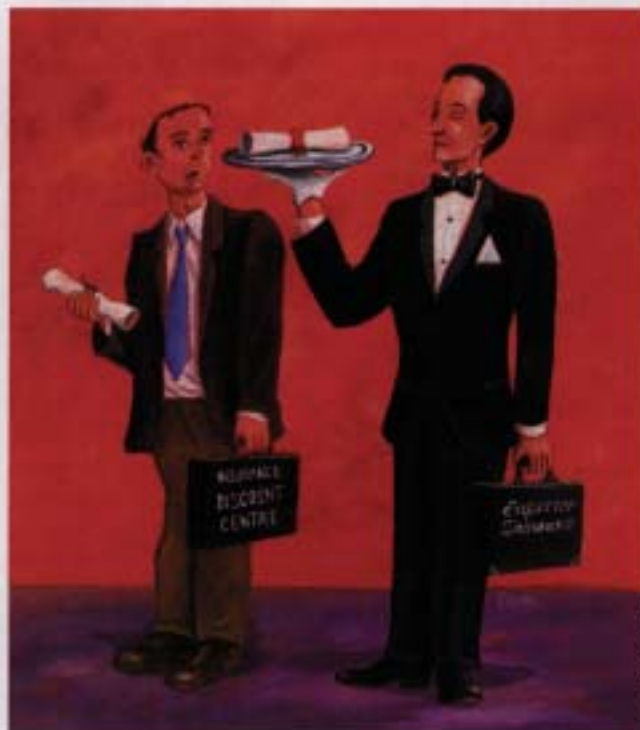
THERE IS no point worrying about the price of insurance cover if you don't consider value for money. David Ross, spokesman for Norwich Union, Britain's biggest general insurer, says, "Your insurance needs to be fit for your purpose."

In the past, market conditions have forced insurers to compete almost on price alone, but cheap is rarely cheerful. Insurance is not standard. You may believe you get the same whatever price you pay, but you don't.

Even the most standardised products, such as motor and household policies, vary. There will be different excesses and exclusions, and maybe add-ons some insurers will offer as extras and others include in the quoted price. Some do not provide courtesy cars if your car needs repairs; others do, but with a clause that means you only get a car if one is available. Some insurers guarantee a courtesy car.

Even that may not be enough. Having your estate or people carrier in the garage and being given a tiny two-door microcar as a replacement may leave you just as stranded.

For a small add-on to the annual premium, Cornhill Direct will allow you to select the car of your choice as a replacement while yours is being repaired, enabling those with families, pets or responsibilities that require larger vehicles, to get one of the appropriate size.



Look for add-ons

Using Cornhill as an example, the number of add-ons to its policies is an eye-opener. "If you have an accident away from home and you have to stay in a hotel for the night, we will put your pet in a kennel if the hotel won't accept pets," says Ian Firth, product and pricing manager.

"In our motor policy we offer counselling if you need treatment for stress as the result of a road rage incident. In our household policy we can provide counselling if your doctor says you need it because of a burglary. The motor policy provides a couple of hundred pounds if you suddenly get a medical condition that means you can't drive. And we cover people automatically for doing any

voluntary service in their car, such as driving people to hospital or delivering meals on wheels. We also cover wheelchairs, pushchairs and prams, which some insurers won't."

Norwich Union also has lists of incorporated extras, plus some available as an add-on – rehabilitation such as physiotherapy, for example – faster than it would be available from the NHS.

Independent broker Paul Dickson, of multi-award winning Dickson Insurance Brokers, which deals with a lot of high-net-worth insurers, as well as its preferred mainstream providers, says other covers can be included as standard in some policies.

"Some people might buy a cheap household policy but find they need an extra policy

because something is not covered," Paul adds. "Many golfers take out an extra policy, whereas other insurers will include that cover." He points out that Chubb will provide the additional top-up cover required for motoring in the US as part of its UK car insurance – at no extra cost.

The British Insurance Brokers' Association (Biba) provides a range of policies negotiated specially for its members and points out that quality comes before price.

"If you claim on Biba's travel policy there is one excess, whereas most travel policies have separate excesses for each part of the claim," says Jennifer Weller of Biba.

Quality of service

Even when two policies exactly match in terms of cover offered, the quality of the service each insurer will provide can be as different again. Some insurers operate through call centres only, some send loss adjusters to every incident, some make repairs or offer replacements within set, short time periods, others take weeks.

"If you pay really low rates you will get slow service and if you depend on whatever it is you have insured – your car, for example – that can be really frustrating," says Phil Southgate, spokesman for Churchill Insurance.

"If you have a Churchill policy we have guaranteed service standards. If your car is written off we will give you a written offer within two

Familiarity breeds respect

Customers with time to search may still find cheap insurance attractive. The Victor Meldrews can overturn and wrangle out of many of the exclusions their policies include, and the Insurance Ombudsman rarely upholds unreasonable clauses. But, as insurers have eight weeks leeway before you can take a complaint to the Ombudsman, this is hardly quick justice.

Another trick to look out for is the cost of paying by instalments. A cheap quote might come with a high cost for monthly payments. Companies provide monthly instalment schemes at prices ranging from zero to ten or more per cent.

Stability can be a good thing,

too. Shopping around, changing insurer every year may save a few pounds here and there but, when you need a bit of flexibility, such as adding an extra person to your cover or doing something outside the norm, loyalty to an insurer will count.

Broker Paul Dickson sums it up: "Flexibility is significant. You will find that any insurer that has got its feet in the door and has had you as a customer for a few years with no claims will be more flexible in terms of premium rates, in terms of adapting the cover and in terms of claims. If you shop around for the cheapest quote you will get more and more pigeon-holed and you will lose flexibility."

days. If you need roadside assistance for a broken windscreen, we will get someone to you within 90 minutes. There is a list of these standards and, if we don't meet them, we pay compensation."

Other companies offer add-on services. "We have helplines to advise on legal matters, and domestic helplines to find you a plumber and get them to you," says Ray Facer, head of technical services at Legal & General.

Having negotiated discounts and prompt delivery terms from suppliers to help smooth claims delivery, L&G is one of a number of insurers to make those discounts available to its customers making new purchases rather than just claims, saving them money. It is all part of trying to keep the customer satisfied.

Some major insurers are so concerned about their reputation they will bend over backwards to get things right and quickly remedy errors. Other firms have no reputation to sully and have a take-it-or-leave-it attitude to disgruntled customers.

"Some companies look at

how they can avoid paying claims, whereas many bigger firms have a claims philosophy aimed at making claims as easy as possible. We don't send people to shops to get quotes anymore, we just replace the items with products

that are identical or even better," says NU's David Ross.

Travel insurance is a market where price and performance tend to be closely linked. David points out that after the Bali bomb, some insurers used the terrorism exclusion in all policies to refuse to help their customers. NU didn't do that.

"We're big enough to pay the £35,000 it cost in medical treatment and repatriation with no problems," he says.

Churchill, which the AA has just selected as its chosen travel insurer, agrees. "The travel market is over full of insurers and many of them do not have a name to protect," says Phil Southgate.

Bigger and stronger

Many insurers sell only through brokers, and often only discerning brokers. Many Lloyd's syndicates and some general insurers, such as Groupama, will make just as big an effort to protect their own reputation among

the brokers who recommend their products as household names. Groupama, for example, was the first motor insurer to offer to replace written-off cars of any age, rather than offer a cash settlement.

One of the considerations top brokers look at is the financial strength of their insurers. The bigger and stronger the firm, the more likely it is to be around to pay the claims. With several high-profile companies going to the wall in recent years, this is increasingly important.

And sometimes being cheap can be a sign of weakness. Independent Insurance had got its prices so wrong it did not have enough money to pay claims. The company was so desperate to get money in, it underquoted to win business, worsening its financial position and leading to its collapse. Insurance companies and those selling policies are regulated only to minimum levels. Many strive for much higher standards.

"The service from the assistance company was appalling"

In March 1997, Kate Hague and her husband Chris had a motor accident while on holiday in Spain. "We were back seat passengers. Our driver was killed. I broke my leg and jaw and suffered a major head injury, leaving me in intensive care and needing repatriation. We'd bought a cheap travel policy from the travel agent that sold us the flights," recalls Kate.

Chris takes up the story: "The service from the assistance company was appalling. It took dozens of calls before they finally agreed to send an English-speaking nurse to help. Before that I'd had to struggle to understand the briefings in Spanish from a neurologist in the intensive care unit and then try to feed and wash my wife - nurses don't do that in Spain - despite being traumatised and having my own broken hand in plaster.

"There were more problems, too, but to add insult to injury, when I came to fill in the claim form, I discovered there was a separate excess for each part of the claim, even splitting Kate's dental treatment from her other

Kate Hague and husband Chris had little help from insurers after a car crash in Spain



medical care, resulting in our payout being reduced by several hundreds of pounds."

Thankfully, after a long period of recuperation Kate has made a full recovery, and the couple eventually received some compensation from the other motorist five years after the accident. But Chris says, "It was no thanks to our insurance company, who failed even to tell us we had to lodge a compensation claim within two months of the accident. We ended up pursuing the claim ourselves, hiring a local lawyer and fighting the insurance company all the way to get them to meet our costs."