

# First-party insurance: cutting costs can be expensive

Consumers who take out first-party motor insurance in an effort to save costs may be placing themselves at significant financial loss should they be at fault in an accident with another vehicle.



Nazeer Hoosen, executive director: PPS Short-Term Insurance

According to Nazeer Hoosen, executive director: PPS Short-Term Insurance, first-party motor insurance only covers the insured for damage or total loss to his own vehicle, not the financial costs associated with paying for damages caused to a third party in the event of a motor vehicle accident. "Furthermore, some first-party motor insurance policies may only pay out if the driver was not at fault in the accident, meaning that the insured could still be liable for damages to his own vehicle if he is deemed to be at fault.

"While first-party insurance only covers damages that are caused to the policy owner or his passenger, third-party liability insurance also covers damage caused to other people's property that is attributable to the policy owner. At the very least, consumers should have third-party motor cover in place to avoid potentially huge financial losses should they be found responsible for causing a motor vehicle accident with a third party."

Hoosen said that it is particularly common among young people who are trying to save money not to opt for third-party liability cover as they only consider the importance of being covered for the total loss of their vehicle should it be hijacked, stolen or written off. "However, should the driver be found at fault when involved in an accident with another car, he is then liable for the costs associated to repair or replace the vehicle.

## Hundreds of thousands of rands

He said that third-party claims can run into hundreds of thousands of rands - especially if the other vehicle is expensive - and can ultimately leave the responsible driver in a financial predicament if he does not have third-party liability cover in place. "The best option is to have a comprehensive motor insurance policy in place, which covers everything from damage or theft of the vehicle right through to damage caused to third parties, in order to mitigate massive financial losses in the long term."

Another common mistake made by consumers trying to save money when it comes to motor insurance, but could actually end up costing them more in the end, is confusion over specifying the named driver/drivers covered by the policy, said Hoosen.

Many consumers specify only one or two main drivers of the motor vehicle as some providers offer this cover at a discounted rate, depending on the profile of the driver, which includes age, accident or claims history, said Hoosen. "However, by specifying only one or two drivers of the vehicle they do not realise that the cover is invalidated should anyone else drive the vehicle and subsequently cause a motor vehicle accident."

When you take into consideration the cost that damages to a third party can amount to, the financial losses could be quite significant if the claim is repudiated because the policy did not cover other drivers, said Hoosen. "While it might cost a little bit extra each month, motorists should rather specify the regular driver, but also ensure their policy covers anyone else driving the vehicle."

However, this might not be an option for owners of luxury motor vehicles as the premiums are typically a higher than standard motor vehicles, said Hoosen. "In this case, the owner of the vehicle should inform their insurance provider immediately if another driver will be driving the vehicle to ensure it is covered in the event of an accident.

"Trying to cut corners when it comes to motor insurance by opting for the cheaper option may actually cost the consumer far more when it comes time to claim. The best way to ensure you are fully covered for all situations is to use the services of a reputable and qualified financial broker who can advise on the best type of cover for the individual's specific needs," concluded Hoosen.

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