

Cover all the bases

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The right insurance can save you in the long run, writes Bina Brown.

IF THERE is a downside to the extremely competitive insurance industry it is the wide choice that can blindside people in almost every category.

The huge range of products at varying premiums can make selecting the right car, travel or home and contents product seem like a nightmare - although not as big a nightmare as if disaster struck and you were left totally exposed without any cover or alternative resources at all. Indeed, when it comes to insurance, the best way for consumers to save is to shop around.

HOME AND CONTENTS

It is one thing to be able to replace your entire CD collection in the event of a fire but what about the cost of rebuilding the house? While few people expect their house to be destroyed it is an important consideration when choosing home and contents insurance.

Underinsurance is common.

The two main ways to obtain more cover for the same price, or even for a lower premium, are changing the excess under your policy and shopping around for less expensive cover.

As it is generally better to have a higher level of cover, you could then increase the level of cover by the difference.

An ASIC study of four insurers showed that for the same \$500 premium, the level of insurance ranged from \$195,000 to \$368,000 for the same house.

Of course, it is important to consider the differences between policies, which means reading the fine print. It is possible to get just contents insurance or just home insurance, though it is generally more expensive to buy them separately.

Canstar Cannex compares the costs between insurers and also rates them.

Its tips for lower premium costs include taking out multiple policies with the one insurer, buying online to save as much as 10 per cent and paying annually. See canstar.com.au.

TRAVEL

Kevin Sherman, the managing director of Artog Financial Services, a company that compares travel insurance, says it is easy to pay more for little benefit.

"Shop around and only buy the cover you need," says Sherman. "Don't just accept the insurance that your travel agent or airline offers you; there may be cheaper insurance available which suits your needs."

While most travellers would be concerned about the medical side of things - that if they were hit by a bus while overseas the treatment costs would be met and they would be helped home - others might focus on the cover for lost luggage or items such as cameras.

Travellers with items of little value visiting high-risk destinations might want to focus on whether the costs of cancellation are covered and the level of medical cover rather than the coverage of their personal gear.

Buying insurance online cuts out the need for commission-based selling so premiums should automatically be cheaper. But cover is sometimes reduced with online policies.

Other saving tips include getting an annual policy rather than cover for several short overseas trips; bundling - using one company for home and life insurance; increasing the excess you are prepared to pay if you do need to make a claim; a combined insurance policy covering family and friends; and member benefits such as through a credit card company or health insurance company.

CAR

Car drivers might have little room to move when it comes to compulsory third-party insurance - it is automatically added onto your registration - but when it comes to comprehensive insurance, it is entirely up to you whether to pay or not. Ross Lee, insurance lawyer and general manager of the Insurance Hub, says it is not uncommon for individuals or businesses with a car fleet to self-insure.

"When a car gets a bit older, why insure it comprehensively?" Lee says. "Have third party in case you hit a Rolls-Royce but you can consciously self-insure and then decide if it is worth fixing or not."

He says where comprehensive cover is required, the model is an important factor for insurers in working out the premium.

"An exotic sports car may be very expensive to insure while a locally built sedan with comparable power (but not overtly 'sporty') may command only a modest premium," he says.

The postcode where cars are kept is also important to insurers. If you are having trouble getting insurance because it is a model popular with thieves, you may be rewarded with a cheaper premium if you have a car alarm fitted.

Up to 60 per cent can be saved off the base premium by having a top-ranking no-claim bonus so it is important to think carefully about making any claim. In addition to paying an excess, you may also lose 20 per cent of the no-claim bonus and perhaps also the opportunity to improve your no-claim bonus 10 per cent that year.

Rate-comparison specialists Ratecity.com.au allow you to compare rates between 23 companies in less than a minute. Based broadly on your age, the car, and where you keep it, the differences in premiums can be hundreds of dollars.

This story was found at: <http://www.theage.com.au/articles/2009/02/07/1233423551402.html>