



Understanding Insurance

All you need to know



What is insurance?

And who needs it?

Insurance helps you protect your assets in the best possible way against loss or damage. It involves the transfer of risk from the policy holder to an insurer in exchange for paying a premium. In transferring this risk, you're protected against the possibility of loss or damage arising from certain events.

There are different insurance products available to help protect all your assets. Many people for example, never think about how long they can cope without their income. With Life and Income Protection insurance you don't have to worry if injury or illness leaves you unable to work. And don't forget the importance of your health, health insurance can protect against all or part of the medical costs arising from illness or injury. And of course, insurance helps provides protection for your assets such as home and contents, your car and for unexpected costs that arise during travel.

Each of us faces a different range of risks according to our particular circumstances. These risks will change over time as indeed will your particular insurance needs. Generally, the greater the risk of loss, theft, damage or injury, the higher the premium you will pay.

Many people neglect to take out insurance, presumably relying on unrelenting good fortune to protect them from loss, only to face financial devastation when this good fortune fails. Others view the costs involved as a luxury, however financial advisers will recommend insurance as part of a prudent financial plan.

There are threats that are not always easy to anticipate, such as the 1999 Sydney hailstorm, the costliest natural disaster in Australian history. According to a 2008 study (Crompton & McAneney, 2008) Australia's average annual insured loss due to natural disasters is \$1 billion. Although, given the weather events of 2009, including Black Saturday bushfires, this figure has probably increased.

The cost of natural disasters is increasing worldwide with concerns that the contribution of humans to climate change is responsible for this trend. But quite aside from the risk of natural disaster are the more mundane threats posed by theft and accidents. What if you were to lose your home and its entire contents in a fire? Would you be adequately covered to rebuild and replace what you lost?

Choosing the right insurance policies will help to safeguard your earning power as well as your possessions.

Tip

Evaluate your insurance needs regularly. Changes in circumstances such as buying or selling a business, caring for an ageing parent, and retirement, may mean a change in the amount and type of insurance coverage you require.

*Crompton, R. & McAneney, J. 2008 'The cost of natural disasters in Australia: the case for disaster risk reduction' *The Australian Journal of Emergency Management*, Vol 23(4) pp.43-46

Types of insurance



Home insurance: building and contents

These policies cover the cost of repairing or rebuilding your home in an event such as a fire or storm. Generally these policies cover the primary dwelling, garage, any outbuildings and fences. Contents insurance provides protection against damages to, or loss of personal possessions kept in your home.

Home: Village insurance

Village insurance may suit those living in a townhouse, villa, Retirement or Lifestyle Village. It provides cover for building, contents or valuables for events such as fire, theft, storm and flood damage. As Owners Corporations and standard home insurance policies don't cover fixtures and fittings, Village insurance helps fill those gaps, by covering them under your contents cover.

Assisted living insurance

As well as covering your belongings for accidental loss or damage, Assisted Living insurance includes protection for items such as hearing aids.

Landlord insurance

Landlord insurance protects against theft, failure of tenants to pay rent and malicious damage inflicted by tenants and their guests. Liability, including for any claims made against you by the tenant and any legal expenses incurred in any action you take are also covered.

Apartment insurance

Apia's Apartment Insurance covers you for things like fire, theft and storm damage, and it also recognises your insurance needs may be different to those living in a house.

Income protection insurance

If you are unable to earn an income as a result of injury or illness, income protection insurance offers a monthly income of up to 75% of your normal gross earnings for the period in which you are unable to work.

Motor vehicle insurance

- Comprehensive insurance protects your vehicle for accidental damage or loss. It also provides protection for damage you cause to third party vehicles, property or bodily injury.
- Compulsory third party covers drivers for injuries resulting from accidents caused by them. It does not however, cover drivers for damage to their own or others' cars.
- Third party property damage covers you for damage to any third party vehicle as well as any property damage and bodily injury resulting from an accident involving your car. It does not cover damage to your own car.

Boat insurance

Comprehensive insurance is also available for your boat. You may require third party protection to cover your legal liability arising from the use of your boat for accidental damage to someone else's property, accidental death or bodily injury.

Caravan insurance

Caravan insurance offers coverage for vans which are permanently located in one spot and those which are moving from place to place. Some insurers offer additional coverage for your annexe and caravan contents.

Motorhome insurance

As a motorhome tends to be the primary residence while travelling, some insurers will provide automatic cover for alternative accommodation and travel expenses if yours becomes unliveable as a result of loss or damage. Contents insurance is also available.

Travel insurance

These policies can provide cover in the event that you are injured or ill while travelling overseas, lose your luggage or need to return to Australia in the case of an emergency. Most policies will also provide cover if you need to cancel your pre-paid journey due to an unforeseen circumstance.

Tip

A mandatory 14-day cooling off period applies to all insurance purchases giving you time to carefully read the policy document and ensure you have bought the right product.

How does it all



David & Marcia

Empty nesters, David and Marcia, are aged in their mid 50s and working part-time. Marcia is a nurse at the local high school while David has just started his own home-based online business.

Their insurance challenge

They are hoping to consolidate their insurance with one provider. They require cover for their home, contents, their two cars, a holiday home on the coast and an expensive fishing boat

Apia's solution

An attractive feature of Apia's home and contents insurance product is that all the

additional benefits, like cover for flood damage, electrical motors burning out, and damage to plants in your garden and office equipment (up to \$10,000) are included at no extra cost. This is particularly useful for David who is operating a home office.

Also, in the case of a major event or loss, such as a fire, they will be covered for any fees associated with rebuilding and removal of debris; this is in addition to the amount they are insured for.

This product would also be suitable for the couple's holiday home.

Apia's Car Advantage has some great, new, class leading features which would be valuable for the couple. For example, the New for Old feature means that if David or Marcia has their car stolen and it is up to 10 years old, then it will be replaced with a brand new one. No other insurer offers this type of benefit.

We would highly recommend Comprehensive Boat insurance for the couple's boat. Apia's product provides cover for loss or damage if the boat is in the water or being towed and for loss or damage to personal effects (up to \$250).

Tip

Most home and contents insurance policies will include personal liability insurance, protecting against injury suffered by a visitor to your home or damage to their goods. However it does not protect people who are working inside your home.



Andy & Carol

Proud grandparents Andy and Carol are in their early 60's.

Andy works part-time as a landscape designer and Carol still works full-time as a podiatrist. She plans to scale back to part-time hours within the next 12 months.

Their insurance challenge

Andy and Carol own their own home and are particularly proud of their garden, which contains many valuable plants and trees. They also own an investment property, two cars and have recently purchased a motorhome.

work?

Apia's solution

Andy and Carol may opt for Apia's Home Insurance Extra policy which offers all the benefits of the standard home and contents policy, plus the added security of cover for accidental damage or loss, whether it happens at home or away from home if their contents are temporarily removed.

That goes for a digital camera lost in the park, or a vase knocked over by a mischievous grandchild. Other great benefits include new for old contents replacement - regardless of age and cover for trees, plants and shrubs in their beloved garden.

For the investment property we would recommend that the Andy and Carol take out Landlord insurance. In addition to cover for things like fire, storm and flood damage to your building, Apia's policy also includes cover for:

- Rent default
- Legal liability up to \$20 million
- Theft and malicious damage by tenants or their guests

In addition to suggesting Comprehensive Motor insurance for both cars, we would recommend Apia's Motorhome insurance which offers optional cover for Andy and Carol's contents, but also provides automatic cover of up to \$3,000 for alternative accommodation and travel expenses should their motorhome become unliveable as a result of loss or damage. They will be covered for accidental loss or damage to the motorhome and towing costs if required.

Jennifer

Jennifer is single and working part-time as a psychologist. She has also been the carer for her elderly mother who now plans to move to a retirement village.

The insurance challenge

Jennifer intends to downsize, moving from a large house to a two-bedroom apartment. She will also be handling the new insurance requirements of her mother.

Apia's solution

Jennifer will benefit from Apia's Apartment insurance as it's suitable for those living in apartment and covers you for things like fire, theft, storm damage and electrical motors burning out. It also recognises your insurance needs may be different to those living in a house.

For Jennifer's mother, Village insurance is suitable as it's for those living within a retirement or lifestyle village. It provides cover for the building, contents or valuables.

Owners Corporations and standard home insurance policies don't cover things like fixtures and fittings, floor coverings, light fittings, curtains/blinds and so on. The Village insurance is designed to help fill those gaps, by covering those things under their contents cover. It also offers new for old replacement, regardless of age.

Village insurance also provides some unique benefits, such as cover for contents stored in a locked storage cage



at a residential complex and veterinary expenses for a domestic pet after vehicle impact.

Jennifer would also be advised to take out Assisted Living insurance on her mother's behalf. As well as covering all her belongings for accidental loss or damage, she would be covered for practical items such as hearing aids and spectacles. This product also offers new for old contents replacement regardless of age and cover of up to \$10 million for personal legal liability.

Tip

Insurance companies reward loyalty. If you are a valued customer, with multiple policies with the one insurer, you'll be rewarded with lower premiums and special discounts or bonuses.



Keeping costs down

And avoiding underinsurance

Making sure you are getting a good deal with your insurance means shopping around. Get several quotes, being careful you are comparing like with like. Like for like can be product related or policy conditions related. For example, make sure you are quoting on the same excess level. Does one insurer charge you extra for flood, electric motor burnout etc., while another insurer includes this in the total costs?

Ensure you are getting the very best policy for your particular circumstances, not just the cheapest deal you can find. Make certain you are familiar with exactly what is covered. If you are underinsured in the event of an accident, you could find yourself a lot worse off than if you had bought the most appropriate policy for your circumstances in the first place.

Other options which may assist in keeping costs down include:

- Agreeing to pay a higher excess when making a claim
- Multi-policy discounts are offered by most insurers
- Ensuring you can demonstrate a high level of security i.e. window locks, alarms
- No-claim discounts are sometimes offered for drivers who have not made a claim for a particular period of time

- Restricting the age of those nominated to drive your car to over 25 years

Some insurers take into account how far on average you drive each year. Those who drive less can generally get a discount.

Underinsurance

Underinsurance is when the sum insured on your policy will not cover the full cost of replacement if there is a loss.

Unfortunately, many Australians are not aware that they are underinsured until it is too late. The 2005 Australian Securities and Investment Commission report into the problem of underinsurance found that anywhere from 27% to 81% of Australians are underinsured by 10% or more for the cost of rebuilding. Again, this figure may have increased in the wake of Black Saturday 2009. While many consumers are not aware they are underinsured, there is evidence to suggest there are others who choose to be so deliberately either because of being overly optimistic about their risks or in the belief that this is an effective way of keeping premiums down.

Ways to avoid being underinsured

Conduct a room-by-room inventory of your contents, remembering to calculate replacement costs. Your television may be 10 years old, but to replace it with a brand new version of the same size with today's technology may cost somewhat more. Be sure to include things like

books, CDs and manchester. Expensive jewellery may require separate coverage.

Talk to a professional valuer or builder about just what it would cost to rebuild your property including outbuildings and fences. Even though most insurers cover this in addition to your sum insured, remember to take into account the costs of demolition, council costs and debris removal.

- Be as familiar as possible with the product disclosure statement (PDS) in order to understand the details of your policy. (see page seven for a fuller explanation).
- When it comes time to renew your policies, take the time to review the sum insured, making sure it takes into account any new purchases, or any additions you've made to your home (even a garden shed or outdoor paving).
- Talk to your insurer. Apia staff are fully qualified to give you advice on the best cover and sum insured for you.

Tip

Price should not be the only factor when shopping for an insurance policy. The reputation of the insurer and the level of customer support should also be considered.

Getting home insurance right, 2005. ASIC, www.fido.asic.gov.au



Making the technical simple

Product Disclosure Statement (PDS) is a document that sets out the terms and conditions to which you are insured under. It includes limits to cover provided, how to make a claim, and complaints resolution processes. Take the time to read this document carefully to avoid the potential for unpleasant surprises at claim time. Given the vast array of different insurance products available, it is important to be as clear as possible on what is actually being offered when making the decision to purchase or renew your policy.

The following terms may be found within a PDS:

But what does it all mean?

Agreed value

Agreed value means the amount you and your insurer agree to cover the value of your vehicle at the time the policy is purchased. In the event of an accident or disaster which results in total loss, an insured receives the agreed value of their vehicle.

Comprehensive

Comprehensive cover offers the highest level of protection for motor vehicles, caravans and motorhomes.

Duty of disclosure

Is the consumers' duty to disclose all information which could be known

by a reasonable person to be relevant to the insurer.

Excess

The amount the insured contributes towards their claim, and forms part of the insurance contract. Most types of general insurance come with an excess.

General insurance

Includes motor vehicle, building and contents and travel insurance policies.

Liability

Your legal responsibility for something, particularly costs and damages.

Market value

Market Value means the amount the insurer calculates the market would pay for your car, caravan or motorhome in your local area. It takes into account the age, make, model, kilometres travelled and condition of your car, caravan or motorhome.

Nominated driver(s)

In the case of motor vehicle insurance, the insurer will require the details of any other persons who will be regularly driving the insured vehicle. Some insurers, such as Apia, do not require this information.

Risk

Risk is used in insurance in many senses, usually as the subject matter of

insurance, uncertainty as to the outcome of an event, the probability of loss and the hazard or peril insured against.

Sum insured

This is the amount you agree to insure your property for, and the total amount of liability of an insurer under a contract of insurance or the amount payable on the occurrence of an event insured against under a benefit policy.

Third party, fire & theft

Cover will be provided for loss or damage to your car caused by fire, lightning, explosion or theft and for your legal liability for accidental damage to someone else's property arising out of the use of your car.

Third party property damage

Provides cover for your legal liability for accidental damage to someone else's property arising out of the use of your car.

Underwriter

The underwriter is the person or institution that agrees to take on a proportion of the risk of something.

Tip

Speak to your insurer if you are unsure about any terminology or terms and conditions which you do not understand.



APIA Branches

Australian Capital Territory

Canberra: 24 Corinna Street, Phillip

New South Wales

Albury: Shop 2 Myer City Centre
David St

Coffs Harbour: 58 Moonee St

Gosford: Cnr. Mann & Donnison Sts

Newcastle: 17 Darby St

Port Macquarie: Shop 4

Colonial Arcade 58 Horton St

Wollongong: Shop 1/74 Kembla St

Queensland

Bundaberg: 58 Woongarra St

Cairns: Unit 2/212 Mulgrave Rd
Westcourt

Coolangatta: 4 Griffith St

Hervey Bay: 18 Fraser Shore Shopping
Centre, Pialba

Maroochydore: 26 Duporth Av

Southport: Cnr. Short &
Scarborough Sts

South Australia

Adelaide: 30 Currie St

Kadina: 9A Hallett St

Victor Harbor: 24 Ocean St

Tasmania

Hobart: 66-70 Collins St

Devonport: 64 Best St

Launceston: 54 Brisbane St

Victoria

Melbourne: 446 Collins St

Ballarat: 3 Sturt St

Bendigo: 56 Queen St

Geelong: 86 Yarra St

Rosebud: 1385 Nepean Hwy

Traralgon: 106 Franklin St

Warrnambool: 124 Liebig St

Western Australia

Bunbury: Shop 2, 7 Stirling St

Mandurah: 15 Scholl Street

Useful resources

- The Insurance Council of Australia is the representative body of the general insurance industry in Australia
Ph: 1300 728 228
www.insurancecouncil.com.au
- The Financial Ombudsman Service provides assistance in resolving conflicts between consumers and insurance companies
Ph: 1300 780 808
http://fos.org.au/centric/home_page.jsp
- The Private Health Insurance Ombudsman provides an independent service to assist consumers with health insurance problems
Ph: 1800 640 695
www.phio.org.au
- Fido is the Australian Securities and Investment Commission's website and gives information on a range of insurance and other financial products
Ph: 1300 300 630
www.fido.gov.au
- Smartraveller is the government's travel advisory and consular assistance service
Ph: 1300 555 135 from Australia, +61 2 6261 3305 if overseas
www.smartraveller.com.au

Making the right decisions

When it comes to making the important decisions about which insurance products suit your particular needs, make sure you have access to good advice and support.

Apia recently won the Australian Financial Review's Smart Investor SMILES Award, for the best General Insurance company, for the fourth year in a row. Apia specialise in providing for the insurance needs of people over 50 who are working less and living more.

Apia's multi-skilled and qualified frontline staff offer a high level of service and provide products and service solutions that display an intimate understanding of their customers' needs and life-stage requirements. Because it is important to take as much time as required to get the best insurance solutions for you, calls are not timed.

The focus is on the customer, not the clock.

To speak to an Australian-based insurance professional today, call 13 50 50, visit our website www.apia.com.au or drop in to an Apia branch to find out more

