

## Motor insurance

### Introduction

This is an introductory guide to provide you with a better understanding of what motor insurance is and what you must know when buying motor insurance policies and making claims.

### Types of motor policies

When you buy a motor vehicle, you need to buy a motor insurance. There are, however, many types of motor insurance policies available. The common types are:

- **Third party cover** - This policy insures you 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 your vehicle.
- **Third party, fire and theft cover** - This policy provides insurance against claims for third party bodily injury and death, third party property loss or damage, and loss or damage to your own vehicle due to accidental fire or theft.
- **Comprehensive cover** - This policy provides the widest coverage, i.e. third party bodily injury and death, third party property loss or damage and loss or damage to your own vehicle due to accidental fire, theft or an accident.

Types of motor policies	Third party injury and death as well as loss/damage to third party property	Loss/damage to your vehicle due to accidental fire or theft	Loss/damage to your vehicle due to an accident
Third party cover	✓	✗	✗
Third party, fire & theft cover	✓	✓	✗
Comprehensive cover	✓	✓	✓

### Exclusions/extensions

A standard motor insurance will not cover certain losses, such as your own death or bodily injury due to a motor accident, your liability against claims from passengers in your vehicle (except for passengers of hired vehicles such as taxis and buses) and loss or damage arising from an act of nature, such as flood, storm and landslide. However, you may pay additional premiums to extend your policy to cover flood, landslide, and landslip as well as cover your passengers. *It is important to check your policy for the exclusions.*

## Important points to consider when buying motor insurance policies

### Excess

Also known as a 'deductible'. This is the amount of loss you have to bear before your insurance company will pay for the balance of your vehicle damage claim. The types of excess applicable are as follows:

**Compulsory excess of RM400** – if your vehicle is driven by a person not named in your policy or a person named in your policy who is under the age of 21, the holder of a provisional (L) driving license or the holder of a full driving license of less than two years.

### Insured value/sum insured

If you are buying a policy against loss/damage to your vehicle, you must ensure that your vehicle is adequately insured as it will affect the amount you can claim in the event of loss/damage. For a new vehicle, the insured value will be the purchase price while for other vehicles, the insured value is the market value of the vehicle at the point you apply for the insurance policy.

- **Under-insurance** – If you insure your vehicle at a lower sum than its market value, you will be deemed as self-insured for the difference, i.e. in the event of loss/damage, you will only be partially compensated (up to the proportion of insurance) by your insurance company.
- **Over-insurance** – Should you insure your vehicle at a higher sum than its market value, the maximum compensation you will receive is the market value of the vehicle as the policy owner cannot 'profit' from a motor insurance claim.

### Duty of disclosure

You should disclose fully all material facts, including previous accidents (if any), modification to engines, etc. When in doubt as to whether a fact is relevant or not, it is best to ask your insurance company. If you fail to disclose any material fact, your insurance company may refuse to pay your claim or any claim made by a third party against you. In such cases, you are personally liable for such claims.

### Price

The price you pay for your motor insurance will depend on the type of policy selected. The insurance premium charged by your insurance company is the standard minimum rate in accordance with the Motor Tariff.

However, in addition to the standard minimum rate, your insurance company may impose additional premiums known as loadings to the premium payable in view of higher risk factors involved such as age of vehicle and claims experience. Loadings are governed by Bank Negara Malaysia (BNM) and no insurance company may charge loadings higher than the levels permitted by BNM.

### No-claim-discount

The premium payable may be reduced if you have no-claim-discount (NCD) entitlement. NCD is a 'reward' scheme for you if no claim was made against your policy during the preceding 12 months of policy. Different NCD rates are applicable for different classes of vehicles. For a private car, the scale of NCD ranges from 25% to 55% as provided in the policy.

**Other excess** – applicable at the discretion of your insurance company and in some cases, no excess is imposed. You can negotiate with your insurance company on this excess.

### Insurance policy

With the implementation of e-cover note in 2005, insurance companies will transmit motor insurance information electronically to the Road Transport Department (RTD) and you will receive confirmation slip containing details of your motor cover as confirmation of the purchase of your motor insurance. Thereafter, within one month, you should receive:

- the Schedule which shows your name and address, details of the vehicle, the sum insured (for comprehensive and third party fire & theft policies), the period of insurance, the policy number, your NCD entitlement, premium breakdown, excess and named drivers;
- the certificate of insurance which shows your name, vehicle model, registration number and cubic capacity, period of insurance, authorised drivers and limitations of use. In some cases, this may be issued at the point of purchase in place of the cover note; and
- A motor policy which shows the terms and conditions of cover provided by your insurance company.

*If you do not receive your policy within one month, you should check with your insurance company*

### What you should do in the event of an accident/loss

- **Take notes of the accident** – If you are involved in a motor accident, take notes of the accident, i.e. the names and addresses of all drivers and passengers involved, vehicle registration numbers, make and model of each vehicle involved, the drivers' license numbers and insurance identification as well as the names and addresses of as many witnesses as possible
- **Make a police report** – You are required by law to lodge a police report within 24 hours of a road accident.
- **Notify your insurance company** – You must notify your insurance company in writing with full details as soon as possible. Depending on the type of claim you intend to make, you may have to notify other insurance companies (please refer to '**Making a claim against an insurance company**' for details). If you fail to report the accident, you will be liable for your own loss as well as any third party claim against you.
- **Select the workshop** – You must send your damaged vehicle to a workshop approved by your insurance company. If the accident occurs during office hours, you may call the hotline/emergency assistance numbers provided by your insurance company. Otherwise, you may call your insurance company for the nearest approved workshop. Should the accident occur outside office hours and you are making a claim against your policy, i.e. an own damage claim, you should ensure that your vehicle is towed to a workshop approved under the **Persatuan Insuran Am Malaysia** Approved Repairers Scheme [called a PIAM Approved Repairers Scheme (PARS)]. If you are making a third party claim, it is advisable to also send your vehicle to a PARS workshop.

## **Making a claim against an insurance company**

### **Accident claims**

When you are involved in an accident, you may either make an own damage claim or a third party claim:

#### **Own damage claim**

- This refers to making a claim on your own insurance policy, i.e. you have a comprehensive policy. However, you will lose your NCD entitlement.
- In notifying your insurance company of the accident, enquire about the names of approved workshops to send your vehicle for repair.
- Submit the fully completed Motor Accident Report Form together with all supporting documents as soon as possible to your insurance company.
- The workshop will commence repairs on your vehicle upon the approval of your insurance company.
- Upon completion of repairs, you will be informed by the workshop to collect your vehicle.

#### **Third party claim**

- You may make a third party claim if you are not the party at fault in the accident and you can retain your NCD entitlement.
- There are two ways of making a third party claim, i.e. submit the claim directly to the insurance company of the party at fault or, if you have a comprehensive policy, submit the claim to your insurance company. You are encouraged to submit your claim to your own insurance company for speedier claims processing.
- As the third party claimant, you are required to mitigate your loss i.e. you must act to minimise your loss.
- Appoint a licensed adjuster to assess the loss. The workshop or the third party insurance company may advise you on this.
- Submit the adjuster's report and the fully completed Motor Accident Report Form together with all supporting documents as soon as possible.

- You are eligible to claim from the third party insurance company for 'compensation for actual repair time' (CART) and compensation of excess. For the actual repair time of your vehicle, this is based on the adjuster's recommendation on the number of days required for your car to be repaired. Insurance companies, at their own discretion, may allow an additional seven working days for any unforeseen or unavoidable delay. A standard scale of daily CART has been specified by the PIAM as follows:-

<b>Private Use Vehicles</b>	CART/Day
Up to 1500 cc	RM 30
Above 1500 cc - 2000 cc	RM 40
Above 2000 cc	RM 50
<b>Commercial Vehicles</b>	
Up to 1 ton	RM 40
Above 1 ton - 2 tons	RM 60
Above 2 tons	RM 90
Trailer Lorries	RM 120
Buses (Private)	RM 90
Other Buses (Stage/Express)	RM 180
Taxi/Hire and Drive	RM 40
<b>Motorcycles</b>	
Up to 250 cc	RM 10
Above 250 cc	RM 15

Alternatively, you may also claim the cost of hiring a replacement vehicle of equivalent type and capacity for the recommended number of days of actual repair time as evidenced by a receipt from a licensed car rental company.

#### **Theft claims**

- After submission of the claim form, you must cooperate fully with your insurance company or its representative during the course of investigation of the theft claim.
- In view that the police and your insurance company will require time to investigate your claim, you will receive the offer of settlement from your insurance company within six months from the theft notification or upon completion of police investigations, whichever is earlier

### Principle of indemnity

The principle of indemnity is crucial in insurance. Based on this principle, the insurance cover will compensate your loss by putting you back to the same position you were in immediately before the loss. As you will be compensated only for the loss suffered, you cannot 'profit' from a motor insurance claim. Therefore, if your vehicle is more than five years old, betterment will apply.

**Betterment** occurs when in the course of repairing an accident-damaged vehicle, an old part is replaced with a new franchise part. In line with the principle of indemnity, you will have to bear the difference in costs as you are in a better position after the accident with the new franchise part. However, the application of betterment is at the discretion of your insurance company. Should your insurance company apply betterment, it will be in accordance with the standard scale of betterment adopted by the industry as follows:-

Age of vehicles/Years	Maximum Rate (%)
Less than 5 years	0
5	15
6	20
7	25
8	30
9	35
10 and above	40