ABCUL Credit Unions

Understanding Insurance

Have you got it covered?

What is insurance?

Insurance is a way of protecting yourself or your belongings against everyday risks to your health, your life, your home, car or holiday or your financial situation. It allows you to be compensated by an agreed amount for the effects of any misfortune. Some insurance, like motor insurance, is compulsory. You are not allowed to drive on public roads without it. Others are optional, like home contents or travel insurance. You decide whether you take the risk.

How does it work?

You can buy insurance directly from a company or use a broker (a company that searches for deals from many insurance companies) The amount you pay depends on the value of and the type of risk what you want to insure. The insurance company works out the likelihood of you making a claim (the risk) based on the information you give them and calculates how much you need to pay (the premium) to get the insurance cover. Other factors may affect the amount you must pay including your age, where you live, whether you smoke or have pre-existing illnesses. It is important that you give accurate information to the insurer.

You usually pay a regular (usually monthly) premium and the policy is usually renewed at an agreed term (usually each year). If the event insured against (risk insured) happens you can make a claim for the agreed payment for the insurance company. If you are in doubt about what insurance to buy or if it is the right type for you seek independent financial advice.

Do

Give the full facts when applying for insurance. If you don't, your policy may not be valid if you make a claim.

Be sure that you need the insurance – most insurance is not compulsory – but ensure you have insured the things you cannot afford to replace.

Use the Key Facts document provided by the company.

Don't

Be pressured to buy insurance you don't need or could get cheaper elsewhere.

Buy on price alone – shop around and compare levels of cover too.

Forget to check it's right for you – and ask questions if you're unsure.

What types of insurance are there?

Home Contents Insurance and Buildings insurance

This covers the content of your home and would insure the things you may not be able to afford to replace such as: furniture, electrical equipment, carpets, clothes. Anything in your house that can be stolen in a break in or destroyed in a fire. Some home contents insurances include legal costs to cover your liability if someone had an accident on your property or was injured as a result of damage to your buildings or fixtures. Your policy may also cover 'accidental damage' which means you can claim should you accidentally damage carpets, furniture etc. Policies that include accidental damage usually cost more.

Home contents insurance does not usually cover the actual structure of your home and fixtures and fittings; those items 'fixed' to your home e.g. fencing, garage, doorframes, roof. This would be covered under a **Buildings Insurance**. Home contents and buildings insurance can be bought separately of jointly in one policy. If you have a mortgage, one of the conditions is usually that you have buildings insurance.

If you are a tenant in rented property the buildings insurance is usually covered by the landlord; but you should check this. You would be responsible for home contents insurance.

Think about the items in your home that you could not easliy afford to replace and whether you can afford NOT to insure them.

Travel/Holiday Insurance

Most travel insurance packages will cover you for loss of property such as luggage or money whilst travelling or on holiday, personal accident or liability, medical expenses or cancellation of holiday through death, illness or injury of the traveller of a close relative. Holiday insurance is not compulsory but if you were to need hospital treatment abroad or need to come home early through illness it would be very expensive.

Car Insurance/Motor Policy

Any motor vehicle taken onto the roads must be insured by law. The insurance is known as a Motor Policy. Drivers must insure sufficiently to meet liabilities should they cause damage or injury in an accident.

The person who is insured is known as the First Party; The insurance company is known as the Second Party; The person who may be injured in an accident is known as the Third Party.

If you damage someone's car or injure them in an accident, they (Third Party) can sue the driver (First Party) for compensation who relies on the insurance company (Second Party) to pay on their behalf.

There are two main types of Motor Policy:
Third Party – this insures the driver when driving on public roads or on private property and covers any claims made to the driver for damage to their property or injury to themselves. It does not cover damage to the driver's car if the driver was at fault. You can add 'Fire & Theft' to Third Party insurance to cover your vehicle against damage caused by fire, theft or attempted theft.
Comprehensive – This is the most common form of insurance and covers your vehicle for everything in Third Party, Fire & Theft plus accidental damage to your vehicle even if the accident is your fault, personal accident & injury, loss of life in a motor accident, legal expenses and sometimes medical cover

Private medical insurance

This covers the cost of medical treatment for specified illnesses or accidents. You would be treated quickly without having to sit on a waiting list. You can also buy 'cashplans' that help towards dental treatment, optical care and prescriptions.

Life insurance

You can insure your life so that should you die your dependants will receive a cash amount or regular income. The products offered for life insurance are vast and complicated so you should seek professional advice when considering life insurance. The two main types are:

Level Term Assurance - you pay fixed premiums for a number of years and a full payout on claim at any point during the term. E.g. you agree to pay a monthly amount over a fixed number of years. If you die within that 'term' it will payout. If you have not died at the end of the term you will not be paid out.

Mortgage Protection Assurance - life assurance where the lump sum reduces in line with the outstanding mortgage balance over time. If you die the balance of the mortgage is paid.

Why it is called life 'assurance' not 'insurance'? Assurance is for something that is certain to happen, insurance is where there is only a risk of it happening...and death is assured.

Payment Protection Insurance

Sometimes called accident, sickness and unemployment cover or mortgage protection cover. This insurance promises to make repayments on your mortgage (and other related expenditures like building's insurance), in the event of accident, sickness or unemployment. The policy will normally only pay out on certain illnesses or level of injury and would not pay out for illnesses you have had previously or at the time you take out the insurance (pre-existing illnesses). There are also some circumstances where it would not payout for loss of employment. If you have a mortgage it is sensible to think about some level of insurance cover.

Pet Insurance

You can insure against medical treatment and vets bills for your pet.

Jargon Buster

Terms you might come across

Excess - the amount you agree to pay before your insurer pays the rest of the bill - e.g. you might pay the first £50 of a claim and your insurer pays the rest.

Premium - The amount (usually monthly) you pay for the insurance.

No Claims Discount - A discount on your premium if you have not claimed on your policy for a period of time. E.g. 3 years no claims discount means you have not made a claim in the last 3 years.

Cover - the amount of protection your insurer has agreed to insure for.

Exclusions - Things that your insurance will not cover.

Policy - The Terms and Conditions of the Insurance. The details of what your insurance covers, what it does not, what the insurance will cost.

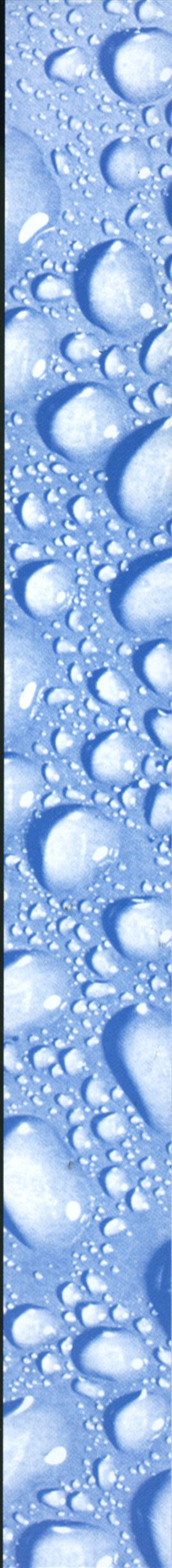
Schedule - The specific details on what is covered and what is not. Which parts of the insurance you are covered for and which you are not.

Pre-existing illness - any illness you have had prior to or at the time of taking out the insurance.

Loss Adjuster - An independent person paid for by the insurance company to assess the amount payable for a claim.

New For Old - Cover for property with no deduction for wear and tear. The item lost or destroyed would be replaced with a new one.

Write Off - A damaged vehicle which is not repairable, or one which would cost more to repair than the car was worth before the damage occurred.



More about insurance

Who regulates insurance companies?

The FSA regulates most types of financial services firms, such as banks, building societies, credit unions, insurance companies, financial advisers, stockbrokers, mortgage and insurance sellers. The FSA imposes rules on how your claim should be handled.
NB extended warranties on goods or Insurance policies sold as part of a travel/holiday package are not included in FSA regulation.
For more information: 0845 606 1234 www.fsa.gov.uk

What if something goes wrong?

Your policy documents will tell you what to do if you need to make a claim. If you're not satisfied that your claim has been handled correctly you should contact your insurer, who will tell you how they will handle your complaint. If you are not satisfied with the insurer's final response to your complaint, you can refer your case to the Financial Ombudsman Service 0845 080 1800.

About credit unions

- Credit unions are co-operatives run for members by members.
- Credit unions offer savings products and provide affordable credit to members.
- Many credit unions offer a variety of insurance products including free life savings and loan insurance* - check with your credit union for details.
- Any profits made by the credit union may be returned to the members in the form of a dividend on savings and/or reinvested into the credit union. This means that any profits made stay in the community and do not go to investors outside of your community.
- One of the requirements of the Credit Union Act 1979 is that credit unions educate their members on the wise use of money and promote responsible savings and lending.

This leaflet aims to give general information about insurance including what the terms mean. The information in this leaflet is not advice nor does it take into account your individual circumstances. If you need specific advice you should consult an adviser or your local CAB.

ABCUL Credit Unions

*Limits apply.

Association of British Credit Unions Ltd - 0161 832 3694 www.abcul.coop
The main trade body for credit unions giving information about how to find your credit union, how credit unions work and how to set up a credit union.

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