

MOTOR INSURANCE – COMMONLY ASKED QUESTIONS

Why do I need motor insurance?

In Singapore it is against the law to drive a motor vehicle on the road without a valid insurance policy. The minimum requirement is that the policy provides cover for personal injury to other parties.

Motor insurance makes good sense. Besides covering you for personal injury to third parties, it could also cover you for costs if you damage someone else's property or for any other loss or damage you might suffer in a motor accident.

Remember: always carry your Certificate of Insurance in your vehicle. The police may ask to see it in a routine check and it contains useful information that you will need should you be involved in an accident.

What types of motor insurance policies are available?

Insurers offer three main types of motor insurance policies. Optional benefits are available to meet your individual needs.

Third Party	Third Party, Fire and Theft	Comprehensive	Optional benefits for comprehensive policies (may be subject to payment of additional premium)
Death or injury to other parties	Death or injury to other parties	Death or injury to other parties	Windscreen damage
Damage to other parties' property	Damage to other parties' property	Damage to other parties' property	Damage arising from riot, strike and civil commotion
	Fire damage to, or theft of, your vehicle	Fire damage to, or theft of, your vehicle	Damage arising from flood and windstorm
		Accidental damage to your vehicle	Liability of passengers for acts of negligence
		Personal accident cover (private car only)	Personal accident benefits for passengers
		Medical expenses (private car only)	Additional excess
			No-Claim Discount protection (private car only)

How does the insurer set my premium?

Most insurers in Singapore adopt a "risk factor rating system" when setting your premium. This means that the premium is based on factors other than the vehicle's value or the price you paid for it.

In general, the following risk factors are considered when setting your premium:

- Make and model of vehicle
- Engine capacity
- Age of vehicle
- Age, sex and occupation of drivers
- Driving experience of drivers
- Claims history of drivers
- What vehicle will be used for (private use/corporate use/commercial use/hire etc)
- Type of cover

These risk factors will not necessarily have an equal influence on the size of your premium. Your insurer will give each risk factor a weighting based on a range of statistics and past claims information.

What does my insurer need to know about me?

The insurer needs to know some information about you. This is to help it assess the business accepted from you and your needs as a policyholder. The proper premium can then be set.

It is important to answer these questions truthfully. Failure to do so may affect the level of payout you receive in the event that you make a claim. The following are some questions you may be asked:

- Have you made any recent claims?
- Have you ever received a ticket or been charged for a driving offence?
- Has your vehicle been modified?
- Who will be driving the vehicle?
- What will the vehicle be used for?
- Have you had any recent motor accidents?
- How long have you been driving?
- Do you have any medical conditions or disabilities that may affect your driving?

If you do not understand what is being asked, please clarify with your insurer, agent or broker.

What is the insurer recommended to disclose to me when I buy an insurance policy?

- The premium payable
- The excess (for insured and drivers - named and unnamed)
- The scope and period of coverage
- Restriction on drivers (if any)
- Restriction on repairs
- Non-standard exclusions
- Special accident reporting and claims procedures
- The insurer's cancellation and refund policy

The General Insurance Association of Singapore (GIA) recommends that I your insurer provide a one-page summary of key contract terms and obligations with your policy. Please make a point of requesting this if your insurer has not provided it.

It is important to read your policy as soon as you receive it. This way you can be sure there are no surprises should you need to make a claim.

What is a No-Claim Discount (NCD)?

If you have not made a claim for a year or more, you are entitled to a No-Claim Discount (NCD). The NCD reduces the premium for the following year. This is your insurer's way of recognising you for having been a careful driver. The following table shows how the NCD is set by all insurers across the industry.

Private car policies		Commercial vehicle and motorcycle policies	
Period of insurance with no claim	Discount on renewal	Period of insurance with no claim	Discount on renewal
1 year	10%	1 year	10%
2 years	20%	2 years	15%
3 years	30%	3 years or longer	20%
4 years	40%		
5 years or longer	50%		

If I make a claim, will I automatically lose my NCD?

Not necessarily.

All insurers in Singapore use a guide called the Barometer of Liability Agreement (BOLA) to determine how much each party is liable in an accident.

The BOLA is designed to speed up claims processing. It does not diminish your right to contest liability under the law.

Under the BOLA, your NCD will not be affected if your liability is **20% or less** in an accident involving an identified vehicle. In all other cases, your NCD may be affected.

Does my NCD apply to me, or to my vehicle?

In principle, your NCD applies to you and not to your vehicle. For example, if you sell your vehicle and buy another one, you will retain your NCD. However, if you own more than one vehicle, you might have a different NCD for each vehicle. You should check the details with your insurer, but generally:

Your NCD can:

Be transferred to another vehicle you own, but it cannot be applied to more than one vehicle at any point in time. For example, if you have accumulated a 30% NCD while using one vehicle, it does not follow that the same NCD applies to any other vehicle that you own or decide to buy. In other words, you will have to earn the NCD for each vehicle separately.

Your NCD cannot:

Be transferred to another person.

Can I insure against the loss of my NCD?

If you have accumulated a 50% NCD (five years or longer without a claim), some insurers may allow you to buy protection against the loss of the discount.

By paying a small amount of extra premium, you can make one claim during the year, and still have the discount fully protected. The 50% NCD is protected as follows:

Claims during the period of insurance	NCD on renewal
1	50%
2	20%
3 or more	Nil

Please check with your insurer whether NCD protection cover is available.

Will I lose my NCD if there is a break in ownership of my vehicle?

Most insurers in Singapore will allow you to keep your NCD should there be a break in ownership for up to 24 months. Some insurers set the timeframe at 12 months. You should contact your insurer for details.

Do I get a refund if I cancel my policy?

The common practice is that both you and your insurer can cancel your policy for any reason by giving seven days of written notice to the other party.

If your insurer cancels the policy, it will refund you the unused proportion of the premium.

Some insurers refund the premium on a pro-rata basis with the deduction of a small administration fee. Others use a method that calculates what would have been charged if your policy were a short-term policy. This usually applies if the cancellation is at your request. Please check with your insurer how this is calculated.

Note that refunds might be subject to a minimum amount, and that your insurer might reserve the right not to refund any premium if a claim has been made on the policy.

Always check carefully and understand what is covered before you take up a policy.

How can safe driving save me even more money?

If you have not violated any traffic rules for three consecutive years, you are entitled to a **Certificate of Merit** from the Singapore Traffic Police.

Should your NCD be 30% and above for a private car policy or 20% for a privately owned commercial vehicle policy, some insurers may reward you with a further 5% discount upon presentation of your Certificate of Merit.

For details, please visit the website <http://www.ecitizen.gov.sg>

BUYING A MOTOR INSURANCE POLICY – THINGS TO CONSIDER

Not all motor insurance policies are the same. To meet the individual needs of customers, insurers offer a wide variety of products. By shopping around, you will have the best chance of finding a policy with your preferred combination of price, excess and requirements relating to use and repairs.

As a general rule, the lower the premium, the more restrictions may apply to what is covered, how much you would be paid in the event of a claim, and what your options may be in the event of a claim. For instance, low-priced policies might come with restrictions as to where you can send your vehicle for repair or whether new or reconditioned parts are used. More expensive policies may allow more flexibility in your choice of repairers, etc.

The following are important things to consider when buying a motor insurance policy:

- Are there restrictions on who can drive the vehicle?
- What extra cover can you buy?
- Does the policy meet the requirements of your bank or finance company if you are buying the vehicle on hire purchase or a car loan scheme?
- How much excess will you be required to pay should you need to make a claim?
- Does the policy require you to take your vehicle to an Independent Damage Assessment Centre (Idac) for damage assessment?
- Does the policy have restrictions on who is permitted to repair the vehicle?
- Will reconditioned parts be used for repairs?

What is an excess, and how does it work?

An excess is the cost you may be required to bear in the event of a claim being made against your policy. Generally, the more risk the insurer carries the higher the excess will be.

Why is it a good idea to tell my insurer who will be using the vehicle?

Declaring the names of the people who will be regularly driving your vehicle allows your insurer to assess the risk profile accurately and set the appropriate premium and excess.

You are required to fully disclose information that may have a bearing on your policy cover. If your vehicle is damaged while being driven by a person not named in your policy, the insurer may apply a higher excess due to the unknown risk covered.

If the vehicle is damaged while being driven by a young or inexperienced driver not named in the policy, you may be charged a higher additional excess because the driver represents a higher degree of risk. The definition of young and inexperienced driver varies from insurer to insurer. Please check the definition in your policy.

For some vehicles, such as high-performance cars, your insurer may specify that coverage will only apply to drivers named in the policy, i.e. authorised drivers.

Will my insurer cover me if I teach a provisional driving licence holder how to drive in my vehicle?

No, your motor insurance policy will not cover you. Only a certified driving school can teach a provisional driving licence holder how to drive a vehicle.

Can I choose who repairs my vehicle?

Your insurer may impose some restrictions on who can repair your vehicle. As part of an ongoing effort to control claims costs, some insurers use the tender bidding system or authorised workshops in making arrangements for repairs. Cost savings will benefit customers by keeping premiums competitive.

More expensive policies may allow you to go to the repairer or dealership of your choice. Your insurer is encouraged to disclose any restrictions on repairs before you buy the policy.

Dealer workshops

The warranty on new or relatively new vehicles will often state that the vehicle has to be repaired by the dealer or appointed agent of the manufacturer. If this is the case with your vehicle, you should check with the authorised motor dealer, agent or distributor on the terms and conditions of your warranty as repairs by other workshops may affect this.

Authorised workshops

Some insurers limit your choice of repairer to a panel of authorised workshops which does not always include authorised dealerships. Upon completion of repairs, a six-month warranty is usually given.

What is tender bidding?

In order to obtain cost-effective repair for your vehicle, some insurers use the tender bidding system. Insurers will invite selected workshops to provide quotes for the repairs to your vehicle and will award the job to a competitive bidder. Insurers adopting this system offer assurance that there will be no compromise on the quality of repairs. A post-repair survey may be conducted on the vehicle before it is returned to you.

Insurers adopting the system of authorised workshops and tender bidding seek to control claims costs without compromising quality. Such cost savings benefit customers in the form of competitive premiums.

Will my vehicle be repaired with new or reconditioned parts?

The aim of most policies is to have your vehicle restored to a condition similar to the one it was in before the accident.

Based on this principle, for a relatively new vehicle, damaged items will usually be replaced with new parts, which are either genuine or OEM (Original Equipment Manufacturer) parts.

However, for vehicles more than three years old, the insurer might opt to use good-quality reconditioned parts. Such parts are carefully checked to ensure they do not compromise the safety or roadworthiness of the vehicle. A six-month warranty for repairs is usually provided by the workshop.

Your insurer will be happy to clarify its policy on replacement parts.

What is Idac?

The Idac network was set up to provide a fast, impartial accident assessment service and to reduce claims fraud. There are Idac at convenient locations around Singapore.

Many insurers require policyholders to deliver their vehicle directly to an Idac following an accident. Check with your insurer if in doubt.

If your insurer is a member of Idac:

- Your vehicle will be towed free of charge to an Idac within 24 hours of the accident. An assessor will record visible damage and prepare a report on the replacement parts needed.
- Once you have the report, you can make arrangements with your insurer for the vehicle to be repaired.
- Remember: Do not authorise any repair work without the consent of your insurer as it will need to negotiate repair costs with the workshop before repairs begin.

If your insurer is not a member of Idac:

- Your authorised workshop will contact your insurer to have the vehicle surveyed and authorised for repairs.

Idac Hotline

1-800-887-5151

Should I insure my vehicle with or without COE and PARF?

The market value of the vehicle includes the certificate-of-entitlement (COE) and preferential additional registration fee (PARF) component. If your vehicle is bought using hire purchase or a car loan scheme, the bank or finance company may require you to insure the vehicle at its open market value (OMV), including its COE and PARF. If you own the vehicle, it is your choice.

Under current Land Transport Authority (LTA) regulations, when you scrap your vehicle you will not be given a cash rebate for the remaining value of the COE and PARF. Instead, the rebate may be used to offset the COE and PARF amounts when you buy a new vehicle. The rebate must be used within 12 months of the vehicle being scrapped. Alternatively, you can sell the rebate to someone else.

The benefits of insuring with COE and PARF are:

- If you do not wish to buy a new vehicle after a claim, you save yourself the trouble of having to find a buyer for the rebate. Your insurer will pay you the full value of the rebate, which otherwise would not have been refundable in cash.
- Your insurer absorbs the loss in the sale of COE and PARF rebate since this is usually at a discount.

The cost of insurance inclusive of COE and PARF is typically about 5% higher.

SERVICE STANDARDS

What does the General Insurance Code of Practice mean for me?

The General Insurance Code of Practice sets clear minimum standards for insurers, brokers and agents to meet when dealing with customers. The code includes the following requirements:

- Brokers and agents should disclose their commission rates if requested.
- Insurers will respond to your request for insurance within 3 business days.
- Insurers will confirm cover - or otherwise - within 5 business days after receipt of the required information for policy processing.
- Insurers will dispatch complete policy documents to you within 7 business days from the date of confirmation of cover.
- Insurers will acknowledge a claim within 3 business days.
- Insurers will pay claims within 7 business days of agreeing to a settlement.
- Insurers will keep you informed, at least 30 business days before the expiry of your policy, when you need to renew your policy or when the policy will expire.
- Insurers agree to work towards using plain English language in all insurance documents.

DISPUTES

Where can I go to settle disputes with my insurer?

If you feel you have been treated unfairly by your insurer, you should lodge a complaint directly with the insurer, and provide the insurer with your details (name, contact numbers, etc.), the specific nature of your complaint and supporting documents.

The insurer should acknowledge your complaint within 3 business days, and if necessary, request additional information from you within 7 business days of the date of your complaint.

Depending on the nature of your complaint, the insurer may need more time to attend to it. If so, the insurer should contact you and update you on the progress within 14 business days of your last communication, before proceeding to resolve the problem.

If you have taken these steps and still feel the response is not satisfactory, or if there is no response within the timeframes stated above, you should then appeal to the principal officer of the insurer in writing. You can expect a response to this within 14 business days.

Finally, if you are still unsatisfied after going through these channels, you can contact the Financial Industry Disputes Resolution Centre Ltd (FIDReC). FIDReC was set up to provide an affordable, independent channel for resolving insurance disputes involving claims between insureds and insurers of up to S\$100,000 for both life and general insurance. In addition, FIDReC also handles motor third-party property damage claims of up to S\$50,000. Its operation is provided for in the General Insurance Code of Practice.

How do I file a claim with FIDReC?

You may lodge your complaint/claim in person, by fax, post or e-mail.

Filing a claim and having a Case Manager review your claim is free of charge. If a Case Manager takes your claim up with the insurer concerned and is unable to facilitate a resolution, you can then refer your claim to an FIDReC mediator or panel of mediators depending on the size of the claim. If you choose to do so, you need to pay a nominal administrative fee of S\$50.

The ruling of the mediator or panel is final and binding on the insurer, but not on you. If you are not happy with the ruling, you are free to reject it and pursue a settlement through mediation, arbitration or legal proceedings. However, if you accept the panel's ruling, this means you have chosen to give up your right to proceed with legal action against the insurer.