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FEATURE ARTICLE

## Vehicle Insurance Premiums and Claims

Buying vehicle insurance is expensive. And you will never understand how the premiums are determined? Maybe that's why there is so much misinformation about insurance coverage and pricing.

However, having an insurance cover is a sigh of relief for the vehicle owners as they know if they meet with an accident, they won't go out of pocket.

But for Suresh Singh, this was not the case. He insured his 2007 model Cherry Q Q Wagon vehicle for \$18,000 with a well-known insurance company. Unfortunately, he was involved in an accident where his vehicle was badly damaged.

Suresh immediately lodged a claim with the insurer. The insurer engaged a prominent motor vehicle company to value Suresh's vehicle. This company determined a 'pre-accident value' of the vehicle to be \$4,000. Based on the pre-accident valuation, the insurer determined a settlement amount of \$3,050 which is just 16.94% of the sum insured. The valuation amount stated by Suresh on the Motor Vehicle Proposal Form was not taken into consideration at the time a claim was lodged.

This offer came as a shock to Suresh because when he had filled the form with the insurer, he indicated \$18,000 as the market value of the vehicle. The insurance company then proceeded to underwrite Suresh's policy based on the valuation amount of \$18,000.00 and had established a premium of \$648 which he paid up front.

Suresh was baffled, thus, he sought the assistance of the Council. He wanted answers as to why the insurance company was paying him only \$3,050 when his policy was worth \$18,000 and, if his vehicle was indeed over-valued as claimed by the insurer – why didn't the insurance company raise an alarm when the policy was purchased and premium amount was discussed and paid.

Although the market value of this vehicle is less at the time of claim when compared with the figure specified on the policy, the question remains- Can Suresh buy a replacement 2007 model Cherry QQ Wagon for \$3,050 in the same market conditions that have been used to determine the payout value?

The insurance company blamed Suresh instead saying that they relied on the information disclosed by him in the Motor Vehicle proposal form, which was \$18,000. But the Council is questioning how the valuation was carried out after the accident?

The Council believes the insurance company failed to clearly explain to Suresh the difference between "agreed value" and "market value". How could the insurer fix the premium without asking for a valuation report when market value was the mode for determining the payout? Suresh had stated \$18,000 as purchase price as well as the market value on the proposal form which the insurer should have picked up while assessing the proposal. After all this was not a

case of “agreed value” where the car owner and the insurer agreed on a specific value when the policy was taken out.

The insurance company should have ensured that he files a valuation report. By not doing that, the Council believes that the insurance company is in breach of section 128 (1) of the Insurance Act 1998 and needs to amend its proposal and policy documents to include clauses that provide for the mandatory provision of valuation reports by consumers.

*Section 128 (1) reads: A form of proposal for insurance, a policy document or any endorsement of a policy document, or any form of written matter used by an insurer which describes the terms or conditions of, or the benefits to be or likely to be derived from a policy of insurance, must not contain anything inaccurate or likely to mislead an insured.*

The Council has written to the Reserve Bank of Fiji, which is the regulator of the insurance industry, requesting them to provide redress to Suresh.

Insurance companies must ask for vehicle valuation report prior to underwriting insurance policies when it's to do with “market value”. Unless and until this practice is acquired by the insurance companies, consumers will continue to fall victims to unfair practice at the hands of the insurance providers.

Vehicle owners are advised to use the vehicle valuation services provided by the Land Transport Authority (LTA) to establish the correct market value of their vehicle before getting the insurance cover. LTA provides vehicle valuation service at a fee of \$17 per vehicle.