

Part 2: Motor Insurance – Explaining the Exclusions, Excesses, and Limits for different Motor Insurance Policies

If the client's car runs over a nail which punctures the front left wheel and you have to replace the wheel, will you be covered by your comprehensive motor insurance policy? If the client's son who is a named driver in the policy goes to the club late at night, drinks alcohol, drives back home and meets with an accident, will the insurer pay the claim? As stated in Part 1 of the article concerning Motor Insurance, this article will briefly define and explain the exclusions, excesses and limits that are essential to the motor policy.



There is no insurance policy in the world that does not have exclusions.

Exclusions are for the purpose of controlling the scope of the policy. Usually, a policy contains two types of exclusions, namely, general exclusions and specific exclusions.

General exclusions apply to all sections of the policy. For example, if a client is an owner / driver on Uber but has not informed the insurer of that material fact, if an accident were to occur during the course of business the insurer will not pay the claim.

Specific exclusions as stated relate to particular sections of what is covered in a policy. The sections for what is covered in a motor insurance policy are as follows:

1. Section A: Loss or Damage to the Insured Motor Vehicle
2. Section B: Liability to Third Parties
3. Section C: Medical / Funeral Expenses

Third Party insurance covers only Section B. Third Party, Fire and Theft is covered by all sections **to the extent that the loss or damage was caused by Fire and / or Theft.** Comprehensive covers all sections except for what is specifically excluded.

For example, if the client's vehicle is used to travel to work, but the road where the house is located is full of speed bumps and uneven surfaces, any damage to the shock absorbers will not be covered by the comprehensive policy as one of the specific exclusions in Section A is "Damage to springs/shock absorbers due to inequalities of the road or other legal limit; surface or by impact with such inequalities."

Excesses are the first amount payable by the insured / client when a claim occurs and vary depending on the loss

Excesses ensure that insurers do not have to deal with petty or insignificant claims, and this is achieved by ensuring responsibility of the insured by making the client pay a proportion of the loss when it occurs. It is the first amount payable by the insured / client in the event of a claim.

Depending on the nature of the loss, the excess varies. As per the standard market motor insurance policy, excesses are classified into the following categories:

1. Theft – Partial Loss, Total Loss, or Outside Tanzania
2. Accidental Damage to your Own Vehicle – Within / Outside Tanzania, and COMESA
3. Windscreen
4. Driver under 25 years of age and/or less than 2 years license experience.
5. Third Party Property Damage

It is important to note that the above mentioned excesses vary depending on whether the vehicle usage is private, commercial, trailers, oil tankers, or passenger carrying / special type.

For example, if the client's comprehensively insured private vehicle, Vehicle A, crashed into another vehicle, Vehicle B, and the client went to claim the damages from the insurance company, the claim will be paid as follows. If the damage is TZS 1,500,000 as per the invoice received from the garage, we must first note that the excess calculation for private vehicles is 5% of Claim, Minimum TZS 350,000, but double in case of total theft claim. Due to the fact that 5% of this claim is TZS 75,000 which

falls below the minimum, the client will pay TZS 350,000 while the insurer will pay TZS 1,150,000 for the total of TZS 1.5 Million.

For our second example, if the client's comprehensively insured commercial vehicle, Vehicle A met with an accident by crashing into a tree which permanently damaged the vehicle, the excess will be 7.5% of the claim, minimum TZS 500,000 but 10% of claim, minimum TZS 750,000 in case of a total theft claim. The vehicle is recently purchased for use as an Uber and is valued at TZS 11,000,000. Therefore, 7.5% of this value is TZS 825,000. The client will thus pay TZS 825,000 while the insurer will pay TZS 10,175,000.

For more information on the minimum rates order, please see Issue #3 of the ARiSe Newsletter on our website in the News section.



Limits are the maximum amount of money an insurance company will pay for a covered loss

When an accident occurs, it is not necessarily true that the only cost will be to repair the damage to the vehicle. There may be costs such as towing the vehicle to a safe location, the cost of damaging a third party's property, as well as the funeral expenses of a

passenger who died as a result of the severity of the accident. Depending on your cover, these contingencies can be covered. We have therefore explained the different types of limits for each Section below:

1. Section A: Loss or Damage to the Insured Motor Vehicle:
 - a. Protection & Removal – I.e. Towing charges for taking the vehicle to a safe location
 - b. Authorized Repair Limit – If the loss / damage is below this limit, you may repair the car by yourself **after obtaining approval from the insurer** to repair at your own cost.
 - c. Windscreen Limit – This is the maximum quantity the insurer is willing to pay for a damaged windscreen.
 - d. Audio / Video System: This is the maximum quantity the insurer is willing to pay for loss / damage to the audio / video system in the vehicle.
2. Section B: Liability to Third Parties
 - a. Death or Bodily Injury – There is no limit.
 - b. Passenger Liability – If the client has an accident with another vehicle and is held responsible, the passengers of the client's vehicle may claim against the client and the insurer will pay up to the limit stated in the policy.

- c. Property Damage – This is the limit indicating the maximum quantity the insurer will pay for damage to a third party's property.

3. Medical / Funeral Expenses
 - a. Medical Expenses – This limit may apply per person / per accident and is for medical expenses that may be incurred as a result of the accident.
 - b. Funeral expenses – If someone died as a result of the accident, this is the limit which indicates the maximum quantity the insurer will be willing to pay per person / per event.

For example, if the client's vehicle was damaged in an accident en route to Bagamoyo, and the client had to incur costs of towing the vehicle to a secure location, the insurer will refund the client up to the limit for protection and removal as long as the client provides the receipts for the towing charges incurred.

It is also worth noting that increased limits for all sections can be purchased prior to inception of the cover **subject to insurer approval**, which if the insurer approves will be subject to an additional premium.

We recommend the client to **read their motor insurance policy carefully to be fully aware of the exclusions, excesses and limits or visit our office**. For any further information please give us a call.