

Is the motor industry underinsured?

"Traditionally this market is underinsured, choosing to focus on basic traditional insurances such as buildings and vehicles, neglecting the sometimes more volatile issues such as legal liabilities, defective workmanship, business interruption, fidelity and so on. Building and contents are also grossly underinsured leading to the principle of average being applied," believes Ian Labram, executive: underwriting at Guardrisk Insurance Company Limited.



Source: pixabay.com

And why is this so?

Jakkie Olivier, CEO of the Retail Motor Industry Organisation (RMI) believes the challenge lies in members of the motor industry as well as brokers not being fully conversant with the importance of bespoke insurance products that are tailor-made for a specific sector of the industry, that covers all aspects of a business's risks. "There is also the continuing challenge of the cost of adequate insurance versus what the business can afford."

Labram points out that sadly where the average principle is being applied to insurance, it is highly likely that in the event of an incident only a percentage of the claim will be paid which can result in potentially catastrophic losses that the business won't recover from. Olivier confirms this saying there have been cases where service providers have had to close their doors following an incident.

"We have nearly 8,000 members in the RMI and we are constantly highlighting the importance of adequate insurance. We even have a tailor-made product for the retail motor industry called RMI4Sure, which is available to members and non-members. While insurance is often seen as a grudge purchase it is a necessity for any business in the motor industry," he says.

What does this mean for motorists and fleet owners?

Olivier says by supporting a service provider that is adequately insured, motorists and fleet owners will encourage a culture of being properly insured in the industry. "You can also rest assured that you have put your vehicle into the capable hands of a professional that, should an incident happen, will be properly insured to deal with it."

Labram adds that generally, an insurance company will have agreements with their approved providers thus the insurer can control and influence quality and service standards. “It makes sense to only use insured service providers. While it’s not common to see insurance details splashed around business premises, if you are concerned you should ask about the vendors’ liability and defective workmanship insurance limits.”

He advises companies to apply proactive risk management techniques within their business to mitigate risks within the South African landscape especially focusing on theft and driver controls.

Olivier agrees, saying the only way to improve the current situation is for businesses in the sector to seek out sound advice. “Speak to more than one insurer who has experience in the sector. Do your homework and factor the cost of insurance into your business model. You don’t want to be caught underinsured and out of pocket should an incident occur,” he concludes.

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