

# Think Twice

Buying insurance direct isn't always cheaper, faster or better

**IT'S TEMPTING TO BUY** insurance direct, but Vice-President of the Financial Intermediaries Association of Southern Africa (FIA) Seamus Casserly says it isn't necessarily faster, cheaper or better to buy your insurance over the telephone than through an intermediary.

"When comparing the costs of buying insurance directly through a call centre or via an intermediary, make sure you are comparing like-for-like products," says Casserly. "This is a decision you should not make on price alone and so make sure you also take quality into account."

Although advertisements make it seem that it is cheaper to buy insurance directly, be aware of the hidden issues.

Intermediaries earn commission which is made up of an administrative fee and commission received from the underwriter or insurer. But direct insurers also pay commissions to their staff and banking partners for client leads often related to performance or profit. In addition, direct insurers must cover the costs of their substantial advertising campaigns as well as operational costs including running call centres. These costs are priced into their products.

**"IF YOU ANALYSE ALL THE DIFFERENT COSTS INVOLVED, YOU WILL FIND THAT IT IS MORE LIKELY CHEAPER TO BUY YOUR INSURANCE THROUGH AN INTERMEDIARY,"**

says Casserly. "Compare the cost of the entire package - including your premium - before reaching a conclusion about which channel to use to buy your cover."

Casserly says people often make the mistake of buying cover over the telephone and leaving it at that. "There is plenty of small print which catches people out when they try to claim through a direct insurer," he says. For example, if you do not inform a direct insurer that you have changed security companies or if you incorrectly declare a small piece of information

at inception, you may not be covered if you suffer a loss.

"An intermediary will help you avoid restrictive clauses in your contract and assist you to negotiate appropriate terms and conditions," says Casserly. "They also have the experience and understanding to help guide you through the legal aspects of buying insurance and represent your interests should you need it. If you buy your cover directly, it is unlikely you will have any informed protection on your side if you claim."

While intermediaries will hunt around and find the appropriate product for your needs, a direct insurer is likely to try and 'fit you into their product'. "Direct insurers tend to shoe-horn customers into the product," says Casserly. "The problem is that you only find out that the product isn't suitable for you when you try to claim."

It's also not necessarily faster to buy your insurance directly. Instead of relying on one person at the end of a telephone line to give you a quote, an intermediary will

find the best deal for you without you having to spend hours calling around.

One of the advantages of using an intermediary is the fact that many will review and offer you a range of products from different insurance companies, whereas direct insurers will only offer you products from their company. "Even if you get several quotes off certain websites, you may notice that these are just different brands offered by a single insurer, rather than true competitive estimates," says Casserly.

Buying insurance through an intermediary can be just as quick as going the direct route. Your intermediary can deal with you via email if preferred and you can reply electronically. The intermediary is then able to negotiate the most appropriate cover for you because he or she works with a range of suppliers. Says Casserly: "By using an intermediary, you are ensuring that you have the appropriate, affordable cover that will not let you down when you claim." ■



Seamus Casserly

*Not always cheaper, better or faster.*