



Insurance you don't need

Don't waste your money on insurance products that are overpriced, unnecessary and riddled with exclusions. **Leigh Jackson** reveals the ones to avoid, and better alternatives

AT A GLANCE

- Which insurance products you should avoid
- The alternatives you can buy more cheaply
- The exclusions that can make claiming almost impossible

Taking out insurance is supposed to offer you the comfort of knowing you're protected if disaster strikes. But some insurance products make the promise, then fail to deliver. Some are just overpriced, such as the excess waiver cover sold by car-hire firms, which can cost more than the rental. Others have a long list of exclusions – cosmetic car policies don't even include damage to the bonnet, roof or any windows. And some offer protection you may already have (see p46 for information on extended warranties and reliability).

Unsurprisingly, some pointless policies may be difficult to claim on and may pay out very little. Data from the Financial Conduct Authority reveals that between 2008 and

2012 just 15p in every pound spent on premiums for personal accident cover (which protects you against accidents that may cause you serious and lasting injury) was paid out in claims.

Even insurance industry bosses believe some products have little value. A former managing director of one of the UK's biggest insurers told us: 'Selling policies is often at the heart of creating new products. This means that some of the smaller, niche products on the market have limited value and they are unnecessary for many.'

So which products aren't worth the paper they're written on? Our experts identified the types to avoid, and analysed policies from up to five market leaders in each area.

Useless for all

There are better alternatives to all three of these – which can help you save hundreds of pounds



Car-hire excess waiver direct from car-hire companies

Don't waste £144

Car-hire excess waiver, also known as super-collision damage waiver, is sold when you rent a vehicle. It's designed to lower or waive the excess if the car is damaged.

What do I need to know?

The excess charged by car-hire firms is very high so a waiver is a good idea, but you may pay over the odds if you buy it from the hire firm. For example, Europcar has an excess of £1,000 and charges £160 for the waiver on a week-long rental of small cars such as a Fiat 500. You can rent the vehicle from Europcar's London Heathrow branch for £96 – less than the price of the waiver.

What are the alternatives?

You don't have to buy from your car-hire company. Direct Car Excess sells a similar standalone policy for just £16 for a week-long rental, saving you £144.

Our verdict

This type of insurance can be a real money-spinner for car-hire firms, so it's worth opting for standalone cover for a fraction of the cost.



Handbag insurance

Don't waste £10 to £20 a year

Handbag insurance is designed to cover your bag and its contents against theft or damage, and is most commonly sold as an add-on to car insurance.

What do I need to know?

The policy limits can be low. Standalone provider Newmarket Lifestyle offers only £400 cover for your bag and its contents, including mobiles. The excess can also be high – £50 on Newmarket Lifestyle's cover, meaning the most you can claim is £350.

What are the alternatives?

Your bag and its contents can be covered with more generous limits under the personal possessions cover section of your home insurance policy for a premium of £10 to £20.

How much can you save?

Not bothering with handbag insurance could save you £10 to £20 a year.

Our verdict

If you have an expensive bag and a smartphone, it could be worth much more than the maximum claims limit. And on smaller claims, the excess could wipe out most of what you would get back.



Cosmetic car insurance

Don't waste up to £400

This is sold by dealers when you buy a car and covers minor damage such as paintwork chips and small dents.

What do I need to know?

The cover can be expensive and laden with exclusions. Jaguar's policy costs up to £400 but doesn't cover damage to roofs, bonnets and boot tops. BMW, like many, only covers scratches (up to 15cm long) and bodywork chips up to 1.5mm (see p47).

What are the alternatives?

You can claim on comprehensive car cover but will pay an excess and your premium may increase the following year. You can go to a garage or a mobile 'smart repair' company, and pay for the work, but this may be costly; Nationwide Repairs quoted £408 to fix a scratch on a BMW 3 series, but some garages may be cheaper.

How much can you save?

By avoiding the product you can save up to £400, assuming you don't have a claim.

The verdict

It's very expensive and the exclusions could mean many claims are rejected, leaving you to foot the bill anyway.

TOTAL SAVINGS: UP TO £564 OVER A YEAR

Useless for most

There may be exceptional circumstances in which some of these products are useful for you, but check there isn't a better alternative



Over-50s life insurance

Over-50s life cover pays a fixed sum to your dependants when you die.

What do I need to know?

The fixed sum payout means that you can end up paying in more than you can claim. Buying a £10-a-month policy with Aviva at age 50, for example, would pay out £3,347, but you would have paid this much in premiums by the age of 77.

However, the product is offered without medical screening, making it potentially useful for those who cannot afford standard life insurance.

What are the alternatives?

Putting £10 a month into a high-interest savings account instead could provide you with a better return.



Extended warranties

These cover faulty goods after a manufacturer's warranty expires.

What do I need to know?

They're pricey. Four-year cover with Argos for a £467 Bosch WAT24460GB washing machine is £105. Plus, the Bosch has a four-star Which? reliability score, so there's a low risk of it breaking down.

What are the alternatives?

Under the Consumer Rights Act you may be able to return faulty goods up to six years after purchase (five in Scotland) but after six months the onus is on you to prove there was a fault at the time of purchase. It's worth checking the manufacturer warranty too, as Bosch, Miele and Samsung products have a two-year warranty as standard.



Mobile phone and gadget insurance

This costs from £6 a month for smartphones, and covers accidental damage and theft.

What do I need to know?

Most policies only include loss for an extra fee and older phones can be difficult to cover. Insurance 2 Go only insures phones up to six months old, when you take out the policy. Some won't cover a phone when you're abroad. Buy it from your network provider and a phone may be replaced more quickly than under home insurance.

What are the alternatives?

The best one is to use personal possessions outside the house as part of your home contents cover. The typical cost is £20-£40, depending on how much you need to cover.



Personal accident

This cover costs £5-£15 a month and protects you if you have an accident causing serious, lasting injury.

What do I need to know?

There can be a lot of exclusions. Simply Health's policy, for example, doesn't cover accidents caused while riding a motorbike, diving or scuba diving (see opposite). Many policies refuse to pay if you have an accident under the influence of drugs or drink.

What are the alternatives?

Accident, sickness and unemployment cover generally has wider coverage and can have fewer restrictions, but it costs more. A policy providing income support to someone earning £25,000 a year is likely to cost £25 to £40 a month.

Insurance you *do* need - Which? Recommended Providers

Home insurance

NFU Mutual 76%, nfumutual.co.uk

M&S Bank 75%
bank.marksandspencer.com

John Lewis 73%, johnlewis-insurance.com

Rias 73%, rias.co.uk

Car insurance

NFU Mutual 84%, nfumutual.co.uk

Nationwide 77%, nationwide.co.uk

John Lewis 76%, johnlewis.com;

LV 76%, lv.com, **Rias 75%**, rias.co.uk

AgeUK 72%, ageuk.org.uk

Travel insurance

Saga 83%,
saga.co.uk

50 Plus 78%
50plusinsurance.co.uk

M&S Bank 76%
bank.marksandspencer.com

Useless for some



Life insurance

At its simplest, life insurance provides a payout for your dependants after you die.

What do I need to know?

Life insurance can be a useful policy, but it won't be if you have no dependants.

Who is it useful for?

Life insurance can be ideal if you have dependants who will struggle to provide for themselves after you've gone.

What are the alternatives?

Saving and investing wisely could leave your loved ones with a sizeable income, however, this alternative isn't without possible drawbacks. For example, you could die before you are able to save as much as you would like, or it might be that your financial situation changes.

PHOTO: GETTY IMAGES

How to complain

If you believe insurance was mis-sold to you, or you don't agree with the company's approach to claims handling, don't be afraid to complain

Speak to the company

Speak to your insurer first. Outline your problem and how you would like it resolved. If the company has a complaints procedure, follow it closely.

Ask for a letter of deadlock

If you can't come to an agreement, ask for a letter of deadlock. It shows that you have taken every step to resolve the claim. You can then present this letter, after giving the company at least 14 days to respond, to the Financial Ombudsman Service (FOS).

Speak to the FOS

The FOS will weigh up the evidence and then make a decision. If it rules in your favour the decision will include details of what the company has to do to put things right.

Complaint statistics

The table below shows complaints made to the Financial Ombudsman between April and September 2015 about a selection of insurance products and the percentage that have been upheld in favour of the consumer. Almost half of mobile phone insurance complaints were ruled in the consumer's favour.

PRODUCT	NEW COMPLAINTS (APRIL TO SEPTEMBER 2015)	PERCENTAGE UPHELD
Motor insurance	4,095	33%
Mobile phone insurance	272	49%
Personal accident insurance	297	31%
Warranties	478	29%
Whole-of-life policies (inc savings endowments)	806	20%

Lengthy exclusions

Some policies may seem like they would cover any eventuality, but a closer look at the terms may unearth a lengthy list of exclusions

Cosmetic car insurance

BMW

You cannot claim for the following...

'Any damage to the insured vehicle's bonnet, roof, roof pillars, roof rack, sun-roof, boot or upper non-vertical hatchback areas. All glasswork, light lenses, light clusters, handles, locks, hinges, trim, beading, moulding, wheels, tyres, number plates, badges, grills, spoilers or body seals.'



Personal accident

Simply Health

Here are just some accidents Simply Health's policy won't pay out for...

'Motorcycling (including riding mopeds and motor tricycles) as a driver or passenger. Diving (including scuba diving), mountaineering, rock or cliff climbing, potholing, parachuting, sport as a professional, boxing, racing (other than on foot), time trials or sprints, or flying (except air travel) or training or practising for any of these activities.'

THE BOTTOM LINE

While some insurance products put you back on your feet following testing times, others may not be worth the paper they are written on - either because they offer cover you have elsewhere, have too many exclusions or because they cost the earth. Before you buy insurance make sure it's necessary and will do the job you want.

FIND OUT MORE

On Which.co.uk

- Read more about the best and worst car insurers at which.co.uk/carinsurance
- And the best and worst home insurers at which.co.uk/homeinsurance

- Support our insurance renewals campaign at which.co.uk/insurancerenewals

Recent banking articles

- 'Warranty warning', *Which?*, Dec 2014, p24
- 'The best ways to insure

- your mobile phone', *Which? Money*, Oct 2013, p17
- 'Overpriced for the over 50s', *Which?*, Feb 2015, p44

Other useful contacts

- The Financial Ombudsman Service, financial-ombudsman.org.uk, 0800 023 4567