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Before You File That Insurance Claim: Gerald's Experience Shows Why You Must Understand Excess

When Gerald, a Harare-based journalist, had his vehicle sideswiped by another motorist, he was relieved that he had comprehensive insurance. After all, that is what he had faithfully paid premiums for over the past three years.

He promptly filed his claim with the insurer and received the good news that his car would be repaired. However, he was told he needed to pay US\$300 before the insurer could release the funds for the vehicle repairs. Confused, Gerald protested, "But that is why I bought insurance, to cover accidents!" The claims officer gently explained that the amount was his excess, a portion of the repair costs that he was contractually required to contribute.

This story is fictional, but it mirrors a common misunderstanding among many policyholders — the meaning and purpose of excess (sometimes called a deductible) in insurance claims.

An excess or deductible is the amount a policyholder is required to pay out of pocket towards the cost of the claim before the insurer pays the remaining balance. For example, if your policy has an excess of 20% and your vehicle repair cost is US\$1,500, you pay the first US\$300 and the insurer pays the balance of US\$1,200.

Most insurance policies, whether for motor, property, or household goods, have an excess clause. The exact amount or percentage is specified in the policy document or schedule.

The idea behind the excess is simple: it discourages very small or frivolous claims and ensures that policyholders share part of the financial responsibility for the risk. It also helps keep premiums affordable for everyone, because when small claims are reduced, overall costs for the insurer and policyholders go down.

Some policyholders view the excess as a "hidden charge", yet it actually serves several important purposes:

- Promotes responsibility: Knowing that you will pay part of the loss encourages careful behaviour and risk prevention.
- Reduces small claims: Without an excess, insurers would be flooded with minor claims, leading to higher premiums for everyone.
- Aligns interests: It ensures both insurer and policyholder have a stake in preventing and managing losses.
- Keeps premiums affordable: Shared costs help insurers maintain stable pricing across policyholders.

Some policyholders only learn about the excess clause during the claiming stage, like Gerald. This misunderstanding often occurs because many people do not thoroughly read their policy documents.

To avoid confusion, ask your insurer or broker to clearly explain the applicable excesses at the time of purchase or renewal. Always keep a copy of your policy schedule for reference.

While excesses are common in motor insurance, they also appear in other policy types.

Regardless of the policy type, the principle remains the same, the policyholder contributes a portion of the loss.

Choosing the right excess level is about balance. A higher excess reduces your monthly premium, but you will pay more if you claim. A lower excess means higher premiums but less financial shock in the event of an emergency.

Excess or deductibles are not penalties, they are essential parts of how insurance works. They encourage shared responsibility, help manage risk, and keep premiums affordable.

Gerald's experience serves as a reminder that understanding your policy terms and conditions before an accident happens is critical. Do not be afraid to ask, no question is too small. The best time to ask questions about your excess is before you sign the policy, not at claim stage.

The Insurance and Pensions Commission (IPEC) urges policyholders to review their insurance policies carefully, understand the applicable excesses, and seek clarification from their insurers or brokers.

Insurance works best when policyholders are informed. Knowing your responsibilities, including the excess, ensures smoother claims, fewer disputes, and greater confidence in the protection you have purchased.

About IPEC

The Insurance and Pensions Commission (IPEC) is a statutory body established in terms of the Insurance and Pensions Commission Act [Chapter 24:21] to regulate the insurance and pensions industry for the protection of policyholders and pension scheme members.

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