



Hot issues

Should I insure my smartphone?

If like me you've got Teflon-coated hands, then dropping your mobile phone and breaking your screen is a regular occurrence. To avoid expensive repair jobs you might consider taking out insurance. ACCAN's investigator, Xavier O'Halloran, wades through the legal fine print and uses his abacus to crunch the numbers on three of the major insurance plans.

Optus, Vodafone and JB Hi-Fi all offer mobile phone insurance, Telstra has something a bit different which includes security and technical advice as well as a guarantee to swap or replace your device if something goes wrong. For this review we're just looking at the pure insurance offers for devices valued over \$600. We don't recommend insurance for devices that are cheaper than this because the value of insurance compared to paying for repairs or replacement yourself is marginal.

The cost

Optus - \$13/month premium (\$156/year). Plus \$50 excess for damage or \$150 for replacement.

Vodafone - \$15/month premium (\$180/year). Plus \$125 excess for damage or \$200-\$300 for replacement.

JB Hi-Fi - \$15/month premium (\$180/year). Plus \$75 excess for damage or \$175 for replacement.

You get slugged with large excess fees when you make each claim, so you need to take this into account when deciding whether it is worth buying insurance.

Cracked screens

One of the more common repairs on a smartphone is for a cracked screen. One way to compare the value of policies is to look at the cost of repairing your device without insurance versus with insurance. As an example we looked at the cost of repairing a broken iPhone 6 screen with Apple compared with the three plans above.

Apple [currently charges \\$188.95](#) to fix a broken iPhone 6 screen. The excess for a similar repair on the three insurance policies ranges from \$50 to \$125. Vodafone at \$125 with a \$15/month premium would require you to make a claim every 4 months to 'breakeven'. The Optus breakeven point is better at 10 months and JB Hi-Fi's is 8 months. If you don't think you would make a claim to repair a broken screen more frequently than these breakeven points, then insurance might not be for you.

Vodafone limits the policy to three claim events per 12 months. This means you can never move beyond the breakeven point and would be equally well off without insurance if you were only claiming for broken screens.

Full replacement

The cost of replacement if your phone is lost or stolen can be a real hit to the wallet and if this is a concern then insurance might be a good option. Keep in mind excess charges are much higher for a replacement and could set you back anywhere from \$150-300. So what are the odds of me losing or having my phone stolen? According to industry figures around 120,000 devices are blocked after being reported lost or stolen each year. To put this in context there are about 32 million mobile services connected in Australia, so that's about a 1 in 266 chance of having a lost or stolen phone. You'd probably get better odds on *Santa's Little Helper* in race 7 at Dapto!

The exclusions

Going through the fine print we found some doozies that could bar you from making a claim. For example, JB Hi-Fi and Vodafone prevent claims if you don't have your 'nominated' or 'usual' SIM card present in the device. Given it is not uncommon to swap in different SIMs, especially when travelling, you could end up voiding your insurance without realising.

The Optus plan requires you to show proof of purchase for the device when you make a claim. This is despite the fact you can only take out the insurance policy if you purchase the device from Optus. So if you don't hold on to those old receipts or bank transactions you might find your insurance policy is void.

Non-citizens not welcome. That's right; the Vodafone policy bars you from making a claim if you are not a citizen or resident of Australia. This is despite one of the key terms advertising it as 'worldwide cover'.

The JB Hi-Fi policy bars you from making a claim if you can claim under another policy. Double insurance is a bit of a contentious issue given its association with people trying to defraud insurance companies, but the way this clause is worded takes it beyond what would be reasonable to prevent fraud. If the other insurance policy had a similar term you could end up in a Catch 22 nightmare of simultaneously being able to claim under both policies and neither.

All three contracts stop you from claiming if you can't explain the event that led to disappearance, damage or malfunction of your phone. After a night on the tiles it can be difficult to pin point exactly when your phone was stolen/ended up in the toilet/fell into your long island iced tea/shattered after a bear hug from an old friend. Also, it's not unheard of for phone screens to spontaneously crack without being touched. The Sony Xperia Z was notorious for its self-cracking screen.

Overall

Insurance is often compared to gambling, except in gambling you usually know the odds of winning. You need to weigh up your own costs of repairing or replacing your phone if it gets lost or damaged. You may also find that your phone is already covered by your home and contents or travel insurance. Make sure you fully understand what you're being offered before signing up. If you're looking at purchasing a new phone from a provider and thinking about getting phone insurance, it's a good idea to research what the insurance offers beforehand, rather than making a decision on the spot. But, if you're the clumsy, forgetful type with a permanently broken phone, then phone insurance might be worth a look.

For the policy insiders

ACCAN has called for the Australian Consumer Law Review to take a close look at the insurance industry. Insurance has an exemption from some consumer protections, for example many of the fine print terms we picked out above may be void if the unfair contract term provisions in the consumer law applied to insurance. We think this is unjustified and have called for unfair contract term protections to be extended to insurance contracts.

We are also concerned that insurance is one of those 'add on' products that you get upsold to when you're buying a mobile phone, a bit like an extended warranty. Consumers tend to get sold these products in the heat of the sale and don't have time to review the fine print before signing on the dotted line. For the most part cooling off periods apply to insurance, but we think they should be expanded to other add on products like extended warranties.

To see the full list of ACCAN's recommendations to the Australian Consumer Law Review, [click here](#).