



<http://understandinsurance.com.au/types-of-insurance/car-insurance>

## Car insurance

Like buying a car, there is no single best solution when it comes to buying insurance. Make sure that price is not the only factor you think about when you choose your motor vehicle insurance. You have a wide choice of policies, and you should shop around to make sure that you choose a product that suits your needs and circumstances.

As with all insurance, before signing the insurance contract you should carefully read the policy document and product disclosure statement and make sure you ask your insurer about any aspects of the policy that you don't understand.

Learn more from our car insurance [factsheet](http://understandinsurance.com.au/assets/Car%20insurance%20tips.pdf) [ <http://understandinsurance.com.au/assets/Car%20insurance%20tips.pdf> ] .

To find an insurer that offers these types of policies, visit [www.findaninsurer.com.au](http://www.findaninsurer.com.au) [ <http://www.findaninsurer.com.au> ]

## Types of car insurance

If you own and operate a private motor vehicle in Australia, there are four main types of general motor vehicle insurance you need to be aware of:

- **Compulsory Third Party (CTP)/mandatory motor vehicle accident personal injuries insurance** – required by each state and territory. It protects any person that you might injure while you are driving. It is not an alternative to taking out a motor policy to cover your financial liabilities, such as damage to another vehicle or property, or your own vehicle
- **Comprehensive** – covers damage to your own vehicle and other people's property, as well as theft and some other risks, plus legal costs
- **Third Party Property** - covers damage to other people's property and legal costs, but not damage to your own vehicle
- **Third Party Fire and Theft** – Third Party Property with some add-on features that cover your vehicle

See below for more information.

### Compulsory Third Party/mandatory motor vehicle accident personal injuries insurance

Each state and territory has a mandatory motor vehicle accident personal injury insurance scheme. In some states it's known as Compulsory Third Party Insurance (CTP). In New South Wales it is called a Green Slip. In Victoria it's the Transport Accident Charge.

This form of insurance protects any person that you might injure while you are driving a vehicle, including pedestrians, cyclists and other road users. Each jurisdiction's scheme has different rules, operates in a different way and covers different things.

It is important to know:

- This form of insurance is mandatory in every state and territory
- You must take it out at the time you register your car (in some places such as South Australia, the insurance is part of your registration fee so you are automatically covered but in many other places, it is a separate fee)
- It is illegal to drive a vehicle that does not have this form of insurance

However, you are not covered for damage to your vehicle, other vehicles or property, or theft of your vehicle or its contents, nor does this form of insurance cover your legal liability other than in respect of personal injury caused to another person while you are driving.

In some places, the mandatory motor vehicle insurance will only cover third parties who are injured and not an at fault driver who is injured in a motor accident that they are responsible for.

Vehicle owners risk significant financial and personal loss, potentially in the millions of dollars, if they fail to take out other forms of motor vehicle insurance alongside their mandatory cover.

To learn more about this form of insurance in your state or territory visit:

- ACT [ <https://apps.treasury.act.gov.au/motor-accident-injuries-commission/compulsorytpi> ]
- NSW [ <http://www.sira.nsw.gov.au> ]
- NT [ <http://www.tiofi.com.au/wps/wcm/connect/tio/website/mac/> ]
- QLD [ <http://www.maic.qld.gov.au> ]
- SA [ <http://www.mac.sa.gov.au> ]
- TAS [ <http://www.maib.tas.gov.au> ]
- VIC [ <http://www.tac.vic.gov.au> ]
- WA [ <http://www.icwa.wa.gov.au> ]

### Comprehensive insurance

Comprehensive insurance offers the greatest peace of mind to vehicle owners. It covers the repair or replacement of your vehicle for events including theft, collision, fire, malicious damage and weather-related damage.

It can also cover the repair and replacement of any other vehicles that are damaged by your vehicle in an accident, and damage to property.

You would usually choose comprehensive insurance if your car is in good condition. If your car is not in a good state of repair, or if it has issues such as rust or unrepaired damage, insurers might not cover you.

Comprehensive car insurance is highly competitive, with companies offering a wide range of inclusions and optional extras, ranging from windscreen protection to use of hire cars.

#### The Yabsley Family's Story

A minor car accident left this family's vehicle with thousands of dollars of damage. [Click here \[ http://understandinsurance.com.au/media \]](http://understandinsurance.com.au/media) to learn how their comprehensive car insurance policy helped this family get back on their feet.

### **Third party property only**

This kind of insurance can provide cover for damage caused by your vehicle to other vehicles or property, but does not provide cover for your own vehicle.

You would usually take out this type of cover if you have a low-value vehicle, so that you are not left financially exposed to having to pay for the damage your car might do to a more valuable vehicle or other property that belongs to someone else.

Some insurers will also cover a specified amount of damage caused to your vehicle if you are in a collision with an uninsured driver.

### **Third Party Fire and Theft**

This offers the protection of third party property policies, as well as additional fire and theft protection for your vehicle up to a specified limit.

## Choosing a policy

Some questions to consider when buying insurance (ask your insurer if you're unsure):

- What type of motor vehicle insurance do I need?
- Do I need any additional benefits such as a rental vehicle?
- Is my car insured for Market Value or for an Agreed Value?
  - **Market Value** is where the insurer determines the value of the vehicle, usually taking into account the condition of the vehicle at the time, its age and other factors.
  - **Agreed Value** is where the insurer and the owner agree on the value of the vehicle at the time of taking out the policy.
- If the accident is my fault will my no claim bonus be affected?
- Will I have to pay my excess if I can nominate the other driver responsible for the loss or damage?
- Am I permitted to select my own repairer or does the insurer determine the preferred repairer, and are repairs guaranteed?

## How premiums are calculated

Each insurance company approaches premium calculation in its own way.

Many factors are considered including, but not limited to:

- The type of cover and excess you have chosen, including any options you have added
- The location where the car is stored overnight or during the day
- The age of the driver
- The driving record and insurance history of the drivers
- The type of vehicle being insured (make, model, year)
- The intended use of the vehicle (such as private or commercial use)
- Whether you have nominated a market or agreed value for your vehicle
- Modifications to the vehicle

## How can I reduce my premium?

Vehicle owners have many options to reduce their premiums. These include:

- Park your car safely. Secure parking (either off street or in a lock-up garage) can reduce the risk of theft, vandalism, flood or storm damage claims
- Maintaining a good driving record reduces the risk of you making a claim
- Buy a car fitted with safety and security devices to reduce the risk of theft and damage, or have them installed if this is feasible
- Drive less often. Some insurers will offer lower premiums for drivers who do not use their car frequently
- Limit the number of drivers you nominate on your policy, especially if they are under 25
- Choose a higher excess
- Choose to insure for market value instead of nominated value

Contact your insurer to check how these may be taken into account.

## Discounts and savings

You may also be eligible for certain discounts such as:

- Multi-policy discount
- Years of insurance discount
- No-claims bonus

## FAQ

### What is the difference between CTP and other types of motor vehicle insurance?

Compulsory Third Party (CTP) insurance covers injuries to people such as pedestrians, cyclists and other road users when your vehicle is involved in an accident.

CTP is a legal requirement for all registered vehicles in every State and Territory. Each jurisdiction has its own scheme, with different criteria and benefits. In some states you will have a choice of insurer.

CTP **does not** cover you for damage to your vehicle, other vehicles or property, or theft of your vehicle or its contents, nor does it cover your legal liability.

Vehicle owners risk significant financial and personal loss, potentially in the millions of dollars, if they fail to take out other forms of motor vehicle insurance alongside their CTP cover.

You have a choice from comprehensive insurance, third party property insurance and third party property and theft insurance.

#### Tamara Mactier

Tamara was uninsured when she wrote off her first new car in an accident in rural Victoria and was left with \$30,000 debt.

### Why do young drivers usually pay higher premiums?

Substantial evidence shows young, inexperienced and newly licensed drivers have a higher risk of accidents than more experienced drivers. They are also more likely to engage in risky and reckless driving behaviour.

In Australia, drivers under 25 are significantly over-represented among those killed or injured in road traffic accidents. In NSW, the 2011 Auditor General's report found young drivers accounted for 25 per cent of all drivers killed, despite representing only 16 per cent of motorists.

The cost of your car insurance premium depends on how risky the insurance company thinks you are to insure.

Young drivers are usually charged a higher premium because insurers have to pay more claims involving young drivers than experienced ones.

### What does market value and agreed value mean?

The amount that your insurer will pay you in the event of a write-off depends on whether you have insured your car for an agreed value or a market value.

#### Market value:

Market value is the most common method that vehicle owners choose to determine how much their car should be insured for – it's the amount your car would be worth in the open market. This sum is determined by the insurer.

Market value is usually less than the agreed value because your car's value goes down over time through depreciation and wear and tear. For example, if you bought your car for \$30,000 and two years later the car is a total loss, the market value may only be \$20,000 or less.

#### Agreed value:

If your car is insured for an agreed value, it means that you and the insurer have agreed in the policy how much you will be paid if the car is a total loss. This is usually more than the market value.

An agreed value policy is usually more expensive than a market value policy. However, the value may reduce automatically each year when the policy renews, because the insurer assumes your car's value will continue to depreciate over time.

### Do I need to list all drivers on my insurance policy?

All drivers who you expect will regularly drive your car should be listed on your policy.

Listing regular drivers can affect your premium, excess, policy coverage and the decision to insure you. However, failing to list a regular driver may result in additional excesses, a reduction or refusal of a claim.

You should always check with your insurer how listed and unlisted drivers may be taken into account.

## Do I need to list learners?

Speak to your individual insurer. However, learner drivers are generally covered on your car insurance policy so long as a fully licensed driver is in the car as the instructing passenger in the front seat.

Depending on your insurer, an age or inexperience excess may still apply if the learner driver has an accident.

## What is an excess and when do I have to pay an excess?

An excess payment is the amount you have to pay towards a claim.

Car insurance policies have many types of excesses that can apply in different situations. In some instances you may have to pay more than one excess when you make a claim.

Some excesses, such as the basic or standard excess, will apply whenever you make a claim.

If the claim is not your fault and you can identify the at-fault driver, some insurers will waive the excess. Others may require you to pay the excess and then will refund the amount at the end of the claim and repair process.

Other types of excess that may be payable will depend on the circumstances of your claim. These include:

- **Age excess** where an additional amount is contributed, depending on the age of the driver
- **Undeclared driver excess** in cases where the driver was not stated on the Certificate of Insurance
- **Voluntary excess** that you have elected to have to reduce your premium
- **Inexperienced driver excess** where a driver is under 25 and has not held an Australian licence for more than two years
- **Named driver excess** where one of the drivers listed on your policy has this excess showing against their name
- **Imposed or special excess required** under your policy

The amount and types of excess you would be required to pay is listed in your insurance documents.

## What is a no-claim discount or bonus?

A no-claims discount is accrued by drivers following a period when no claims are made on your insurance policy.

These discounts will vary depending on your insurance provider and its criteria. When comparing policies, check about the type of discount on offer and the length of time that has to pass without making a claim before you are eligible.

Making any claim, even when you are not at fault, can affect your no-claims status.

Some insurers will respect the no-claims bonus of another insurer if you switch insurers.

## What happens if I don't provide information about my driving record, past accidents or claims when asked?

Failing to be upfront and truthful with your insurer means that, if you need to make a claim, it could be rejected or reduced on the grounds you failed to disclose information to your insurer.

You are obliged to tell the truth when buying an insurance policy. Making a mistake in the information you give your insurer, whether it's deliberate or not, can affect the premium you pay.

You should also make sure that you tell your insurer if your circumstances change. For example, if you modify your car, move house, have additional drivers using the vehicle or use the car for work or business.

## If personal effects are stolen from my vehicle are they automatically covered?

Your motor vehicle policy may not cover anything that can easily be removed and stolen from the vehicle, including personal property such as a briefcase, laptop or mobile device.

Check with your insurer what your policy does and does not include.

Ideally, you should not leave valuable items in your car. However, if you have to, make sure items are out of sight of potential thieves. Most thefts are opportunistic and by hiding any valuables from sight you are considerably reducing the chance that your items will be stolen.

If your property is stolen or damaged, some contents policies may cover personal property even if it is not in the home at the time of loss.

## What should I do if I have an accident?

If you are involved in an accident:

- Move yourself and any passengers to a safe place, especially if you are on a busy road or highway
- Call 000 if anyone has been hurt, the road is blocked, or if any other party refuses to stop or exchange details
- In some states you are required to notify the police if a tow truck is required
- Write down the following details about the other party or parties involved:

○ Name

- Phone number
- Vehicle registration
- Address
- Licence number
- Insurance details
- Statement of what happened

- Gather the names and phone numbers of any witnesses
- If safe to do so, take photos of the accident scene and the damage to all vehicles involved
- Contact your insurer to discuss your next steps, including moving your damaged vehicle and, if your policy allows, using a hire car while yours is being repaired

## What could make my claim more difficult?

Insurance companies pay out most car insurance claims. However, insurers are much less likely to accept a claim in a number of circumstances, including if:

- The driver was under the influence of alcohol or drugs
- The driver was unlicensed or with a suspended licence
- The vehicle was unregistered
- The vehicle was being driven irresponsibly or improperly
- The vehicle was not in good order and repair, free from rust, mechanical, hail or unrepaired damage, or any other damage that would make it unsafe
- Police have charged the claimant with an offence that relates to the claim

## How can I save on car insurance?

As with all insurance products, it pays to shop around. The Australian insurance market is highly competitive with more than 120 licensed insurers operating.

Though price is important, it is essential to buy motor insurance that offers the level of cover, and inclusions, that best meet your needs.

You may find a lower premium if you:

- Choose a market value policy instead of an agreed value policy
- Accept a higher standard excess
- Buy a policy online
- Pay your annual premium in full rather than in instalments
- Park your car off the street or in a lock-up garage
- Complete a defensive driving course
- Maintain a clean driving record
- Install security devices to your vehicle
- Have more than one form of insurance with the same insurer

## Should I use a dash cam?

Part of making a claim is being able to apportion blame and responsibility. It's up to individual insurers whether the use of dashboard cameras can be used in support of an insurance claim.

Most insurers will not factor in the use of a dash cam in pricing a policy because it does not actually reduce the risk of something unexpected happening that could lead to a claim. However, dash cam footage may be taken into account when determining the cause of an accident that leads to a claim, and resolving who is to blame.

Dash cam footage has proven useful in uncovering fraudulent and exaggerated claims, especially in states that have at-fault CTP schemes.

## Am I covered for off-road driving?

If you are planning to drive off-road, your policy may not cover you, or you may have to pay a higher premium to account for the increased risk.

Speak to your insurance provider and explain what your requirements are for off-road driving. Whether you are covered will depend on your insurer and the type of policy you buy.

## Will modifications affect my insurance?

Your insurer needs to be told about modifications or non-standard accessories fitted to your car as soon as possible. Failing to notify your insurer may affect a claim or result in your policy being cancelled altogether.

When purchasing insurance, make sure you answer all questions about modifications accurately and honestly. This is part of your duty of disclosure. You also need to tell your insurer if you decide to make modifications to your car during the period of insurance cover.

Remember, different insurers have a different view on what a modification is. No matter what type of car you have, it's best to check with your insurer before making modifications to see how it will affect your premium and your insurance cover.



If an insurer chooses to cover a modified car, it will only insure legal modifications and accessories. Your state or territory road transport authority will be able to tell you which modifications are permitted.