

Insuring your vehicle



A guide to the principles of motor vehicle insurance to help you choose the cover you need.

Motor vehicle insurance – **the facts**

There are three types of general insurance that cover motor vehicle property damage:

- Comprehensive,
- Third party fire & theft (limited availability in NSW and ACT), and
- Third party property.

The Compulsory Third Party insurance that you pay with your car registration covers personal injuries to others only. It does not cover any type of property damage.



Comprehensive

This covers repair or replacement of your vehicle for events including theft, collision, malicious damage and weather-related damage. It also covers repair or replacement costs of other vehicles and property that are accidentally damaged by your vehicle.

Comprehensive insurance is usually chosen to cover vehicles that are in good condition.

In particular, insurers may not provide cover if a vehicle contains rust damage.

Third Party Fire And Theft

This is designed to cover damage caused by your vehicle to someone else's vehicles or property – ie the "third party", plus repair or replacement of your vehicle if it is stolen or damaged by fire.

Third Party Property

This provides cover for damage caused by your vehicle to other vehicles or property, but no cover for your vehicle.

Third party cover is usually taken out by someone with a car with relatively low value primarily to protect them from having to pay for the damage their car might do to a more valuable vehicle or other property belonging to a third party.

UME – Uninsured Motorist Extension

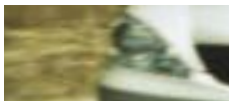
Some third party fire and theft, and third party property insurance offers this extension. It covers damage to your vehicle up to a set amount (usually \$3,000 to \$5,000) if your vehicle is damaged by an uninsured vehicle – as long as you are considered to be not at fault by the insurer and you can provide the uninsured driver's name and address. In the event that you are involved in a motor vehicle accident, or your vehicle is stolen, make sure you call your insurer as soon as possible.

Excess

This is the amount that you will be required to contribute if you make a claim. Some policies also provide for an age excess where an additional amount is contributed, depending on the age of the driver. The amount of excess you would be required to pay is listed on your insurance policy.

No claim bonus

If you haven't made any claims against your insurance policy, your insurance company considers you as a lower risk and may reduce your premium in recognition of this. The size of the discount, or 'no claim bonus', varies depending on the insurance company and could be up to 65 percent of your premium if you have not made a claim over a number of years. When changing insurance companies, your new insurer may ask for your claims record from the previous company to help them calculate the new premium.



Following an accident/car theft

In the event that you are involved in a motor vehicle accident, or your vehicle is stolen, make sure you call your insurer as soon as possible (after police/fire/ambulance if required). Your insurer will handle the claim and advise you on the next steps.

At the scene of the accident you should obtain the following information:

- Name, address, insurer, registration and licence number of the other driver(s).
- Name and address of potential witnesses.

Make sure, where possible, to check with your insurance company before arranging any tow trucks or services with regard to your vehicle.

If the insurer considers the vehicle to be beyond repair (written off), you are paid the insured value of that vehicle. If this occurs, the insurer's responsibilities under the terms and conditions of the insurance contract are considered to have been fulfilled and the agreement is ended. There is no refund for the remaining period of the policy and the policy itself will no longer exist – ie a new insurance policy would need to be taken out for a replacement vehicle.



General information

When buying insurance you will need to find out from the insurer:

1. **Is my sum insured Market Value or Agreed Value?**

- (i) **Market Value** is where the insurer determines the market value of the vehicle (usually with reference to one of the industry guides). This, along with a number of other factors, determines the premium. In the event of your car being written-off in an accident or stolen and not recovered, the insurer pays the owner the market value of the vehicle at the time of the loss, usually as calculated by the industry guide. The condition of the vehicle at the time of the loss is also taken into account.
- (ii) **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 vehicle is not new, this may be based on one of the industry guides. This figure, along with a number of other factors, determines the premium. If your vehicle is written off in an accident or stolen and not recovered, this is the amount paid out by the insurer.

2. **If the accident is my fault will my no claim bonus be affected?**

3. **Will I have to pay my excess if I can nominate the other driver responsible for the loss or damage?**

4. **What can I do to reduce my insurance premium?**

5. **Is UME offered? (Under UME section above. Third party property and third party fire and theft provide for UME).**

Insurance premiums are calculated using a number of factors including:

- Location where the vehicle will be garaged
- Age of the driver
- Claims history of the driver
- The type of vehicle being insured
- Whether the vehicle is for private or commercial use.
- Value of the vehicle (see above)
- Driving record of the driver (eg fines, convictions)

What you need to consider before taking out car insurance

- Your insurer needs to be told about any modifications or accessories added to the vehicle.
- Are you allowed to select your own repairer in the event of an accident? If so is a guarantee provided on the repairs?
- Disclose full particulars of past traffic offences, fines and criminal history to the insurer when buying your policy (or you may not be covered).
- You also have the same duty of disclosure on each and every renewal.
- Insure the vehicle in your own name. This will establish a proven no claim bonus.
- If you insure your vehicle using someone else's name, e.g. parents, you may not be covered in the event of a claim.

Don't purchase cover by price alone

(make sure the product you are buying is the most suitable for your individual needs)

Check what you are buying

(make sure your insurer provides you with all the information you need about your policy)

Read your insurance policy as soon as you receive it

The most important thing to know about motor vehicle insurance is that you are only covered up to the amount stated in your policy and your insurance contract obliges you to take reasonable care to avoid accidents and theft.



Members of the Insurance Council of Australia must adhere to the General Insurance Code of Practice, which sets out requirements such as proper training of staff, plain language wording and internal dispute handling procedures.

The Insurance Ombudsman Service (IOS) is responsible for the administration of the Code. IOS can provide independent advice to consumers and is also responsible for the administration of the General Insurance Enquiries and Complaints Scheme. The scheme is free to consumers and the IOS can be contacted on free call 1300 78 08 08.

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