

Car Insurance

Buying a car is exciting. Many people spend weeks test driving different models to find a vehicle that suits their budget, lifestyle and personality.

You should also think hard about car insurance. The type of cover you take out will affect the overall and ongoing cost of your vehicle. Always shop around for insurance before you go to the car yard.

In addition, there are a number of things young drivers need to consider.

- Types of car insurance
- What type of insurance do I need?
- How to choose an insurance policy
- Be honest with your insurer
- Making a claim

Compulsory third party (CTP) insurance is the most important type of car insurance. It covers death and injury to people if you are involved in an accident. Each state and territory has different rules relating to this type of cover. Go to your state or territory traffic/transport authority for information on CTP car insurance.

Additional types of car insurance include:

- **Third party property insurance** - covers damage to other people's property (e.g. their car or home) and your own legal costs
- **Third party, fire and theft insurance** - covers damage to other people's property, and provides limited cover for damage to your own car caused by theft or fire
- **Comprehensive insurance** - covers damage to your own car and other people's property if your car is in an accident (including fire) as well as theft

The table below shows the coverage offered by different types of insurance.

Type	Damage to your car	Damage to other people's property (e.g. other cars)	Damage or loss caused by theft of your car	Injuries or death to other people in an accident
Compulsory third party	✗	✗	✗	✓
Third party property	✗	✓	✗	✗
Third party property, fire and theft	✗	✓	✓	✗
Comprehensive	✓	✓	✓	✗

Some third party property policies include an 'uninsured motorist extension' that covers you if your car is damaged in accident and you're not at fault.

If you are on a low income or your car is not worth much, it's still worth insuring if you don't have the money to replace it. Good Shepherd Microfinance has worked with insurance companies to create affordable and simple insurance policies for cars worth up to \$5,000. These policies have flexible payments options and premiums can even be deducted from some Centrelink benefits. Find out more about the [Good Insurance program](#) on the Good Shepherd Microfinance website.

Some car dealers may offer you add-on insurance or insurance extras to add onto your car loan. Some of this insurance is not very good value and you may already have some of this cover.

What type of insurance do I need?

By law you are required to have CTP insurance. This is sometimes known as a green slip.

On top of CTP cover, decide what level of additional cover you need. Ask yourself:

- If I crash into a luxury sports car will I be able to afford the repairs?
- Is my car likely to be broken into?
- How will I get around if my car is stolen or written off?



For most people, having (at least) third party property insurance is the way to go because it means you won't have to pay a hefty sum for someone else's damaged vehicle.

Richie decided not to get any extra insurance on top of his CTP because his car was very old. A few months later, he hit a brand new sports car, which needed \$20,000 worth of repairs.

Because he was not insured for damage to other cars, Richie had to take out an expensive personal loan and work extra hours to pay off the debt over 5 years.

Insurance policies for cars are based on either 'agreed' or 'market' value. An agreed value policy has a set dollar value for your vehicle. Market value policies value your car based on the make, model and condition. The agreed value is usually higher than the market value.

When comparing the cost of different car insurance policies, weigh up the difference between having a high premium and low excess versus the opposite. You may be able to save on your premium by increasing your excess. Also, check the wording of your policy to make a fully informed decision about the impact a 'no claims discount' may have on your premium.

Tips for saving on car insurance premiums:

- Drive safely to give yourself the best chance of having a good driving record
- Shop around and compare premiums for the same type of cover
- Bundle your insurance with one insurer to get discounts
- Add security devices to your car
- Don't make unnecessary modifications to your car

Make sure you understand the level of cover before signing up. Below are some typical car insurance exclusions to watch out for:

- Damage from mechanical failure, modifications, depreciation, rust and wear and tear
- Lost wages if you can't drive
- Damage caused because your car was unsafe or in a race
- Intentional damage
- Damage caused if the driver was unlicensed, drunk or under the influence of drugs
- The driver wasn't covered by the policy

Always 'tell it like it is' because making a mistake in the information you give your insurer, whether it's deliberate or not, can affect the premium you pay. Provide truthful information at all times. If you don't the insurer might refuse to pay when you try to make a claim.

Also inform your insurer if your circumstances change. For example, if you:

- Modify your car (e.g. rims, tinted windows, woofers and kits)
- Move house
- Have additional drivers
- Use your car for work

Jimmy bought a new car and took out comprehensive insurance. He decided to add a spoiler and lower the car a few inches to give it a more distinctive look. But when the car was damaged, his claim was rejected because he had not informed his insurer of the changes.

Check the wording of your policy to understand the impact making a claim has on your no claims discount and premium, as well as what excess you will pay.

If you have an accident, contact your insurer straight away. Depending on how serious the accident is, you may need to fill out a police report. Get details from any other parties involved. When you're making the actual claim, put in as much detail as possible.

Claims for some incidents may result in you paying multiple excesses. Check your policy to see what your excess will be for likely incidents.

Selecting the right insurance for your car, motorbike, truck or van is very important and could save you lots of money if something goes wrong. At the very least you should always consider getting third party property cover so you don't end up with a big debt if you're in an accident.