

FINANCE

Driving under cover

ASIC Chairman **Tony D'Aloisio** says look at your car insurance carefully.

THE TYPE of cover you take out will affect how much you have to pay if you're involved in an accident.

So if you're about to buy a new vehicle or if your insurance is up for renewal, shop around for the best deal.

Compulsory third party

Compulsory third party (CTP) insurance is the most important type of car insurance. It covers death and injury to other people if you are involved in an accident. You must have CTP insurance to register your car. This is sometimes known as a green slip. Go to your state or territory roads and traffic authority website to compare quotes on CTP car insurance.

Questions to ask

- ▶ 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?

Choosing a policy

Car insurance policies 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 you purchase a car insurance policy you will agree to pay a premium, that is, a regular amount that covers the cost of the insurance, and



Brand new baby: Make certain your pride and joy doesn't end up as valueless scrap metal.
Photo by Sgt Andrew Hetherington

you will agree to an excess, which is the initial amount you will have to pay if you make a claim on the policy. Weigh up the difference between having a high premium and low excess versus paying a lower premium and having to pay a higher excess if you have an accident.

Typical exclusions

Make sure you understand the level of cover before signing up. All insurance policies come with 'exclusions'. Exclusions are things not covered by your policy. Typical car insurance exclusions to watch out for include:

- ▶ 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.

Case study

Pte Baker gets into debt

Pte Baker decided not to get any extra car insurance on top of his CTP because his car was old. A few months later, he hit a new sports car, which needed \$10,000 worth of repairs.

Because he was not insured for damage to other cars and without access to such a huge amount of cash, Pte Baker had to take out an expensive personal loan to pay off the debt over three years.

Drivers under 25

The cost of insurance is determined by the level of risk your insurer is taking on. As more young drivers are involved in accidents than older driv-

WHAT YOU ARE COVERED FOR

Additional types of car insurance include:

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

ers, most insurance companies charge a higher premium for drivers under 25.

It pays to be extra vigilant with checking the details and doing all the appropriate paperwork and back checks before buying any vehicle.

It's wise to go to your state or territory roads and traffic authority for helpful information on what you need to do when buying a car. It's also very important to call your insurer before you buy to find out everything they need to know about the car in order to insure you.

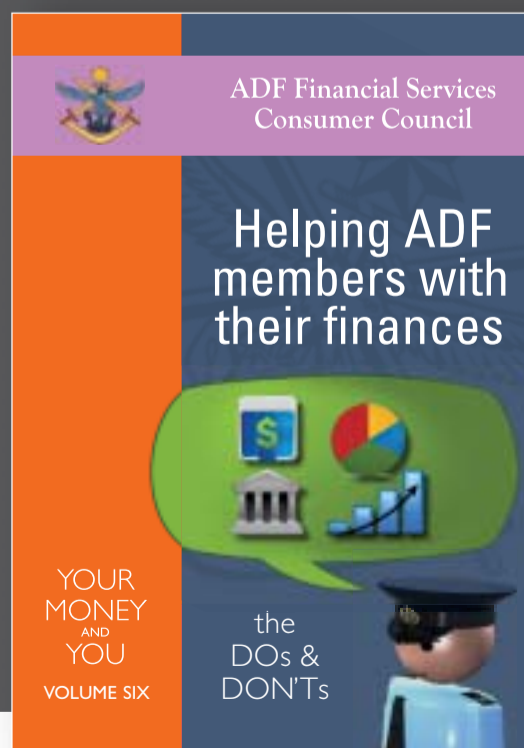
If you're not covered when you drive away having just bought your new vehicle and you're involved in a crash, even if it's not your fault, you could end up with an expensive debt and no vehicle.

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