

Third party insurance even more important during tight times, says AA Insurance

Auckland – 12 November 2008 – Drivers deciding where to tighten their belts in preparing for the tough economic times ahead may be tempted to drop their insurance. But that would be a false economy according to AA Insurance.

People often think that because their car is worth relatively little an accident won't cost them much. That's faulty logic: it's not just the value of your car that determines what an accident will do to your financial position. It's what it will cost you to repair the damage you cause and compensate everybody affected for the loss you cause them.

"In terms of affordability third party insurance is probably the most cost effective form of insurance you can have," says Chris Curtin, CEO, AA Insurance.

In the twelve months to July 2008, AA Insurance's average premium for third party insurance was \$146. Its average payout was almost ten times that -- \$1,446 -- and can easily be much more.

"If you're concerned about meeting your financial obligations then third party is one of the first things you should consider," says Chris. "That's because those on tight budgets can least afford the costs of an accident."

Some young people wonder why they should bother having insurance at all, especially if their car is not worth much. But third party insurance doesn't protect your car, it protects you against paying for the damage you cause.

This example shows why even people with inexpensive cars need to consider at least third party insurance. A student with a part-time job owned a car he'd bought for only \$1,200 so he didn't think it was worth insuring. But one day he rear-ended a BMW which was shunted into the car in front. The total repairs came to \$32,000. The student is without a car and paying the debt back in instalments over ten years.

Other examples that have occurred recently with AA Insurance demonstrate the value of third party insurance.

- A man failed to stop and rear-ended a taxi. He had third party cover only so he had to pay for his own repairs himself, about \$2,500, but AA Insurance paid \$3,000 for the repairs to the taxi. However, the taxi was off the road for a month while repairers waited for special parts from Japan so the driver was compensated for the money he could not earn – an average of \$400 a day. With the taxi driver reimbursed \$12,000 due to lost earnings, and the \$3,000 for actual vehicle repairs, the third party cover protected the man from having to pay over \$15,000 for a small accident.
- A man driving down a residential street lost concentration, drifting towards the wrong side of the road. He then over-corrected and swerved into a power pole, bringing it down completely. His \$4,000 car was completely written off -- but the big costs of the accident were in replacing the power pole and re-connecting it to nearby houses, a bill of over \$10,000.

“Budget advisers often see people struggling with debt resulting from having an accident when uninsured,” says Raewyn Fox, Chief Executive Officer of the New Zealand Federation of Family Budgeting Services. “When helping people develop their budget, our advisers will show clients what options they have and what the consequences of different choices may mean. Clients are then able to make an informed choice.”

There are two variations of third party insurance: Third Party only, which covers damage you do to others (the “third party”); and Third Party, Fire and Theft, which also covers the cost of your car if it is stolen or catches fire. The latter only costs a little more and is worthwhile, because if you’ve purchased third party insurance only and your car is stolen, your insurer can’t help you.

Purchasing third party insurance is simple and easy. You can arrange your cover over the phone or online, and payment options include one-off, monthly or even fortnightly.

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About AA Insurance

AA Insurance was launched in 1994 and is a joint venture between New Zealand Automobile Association and Suncorp-Metway Limited.

AA Insurance has over 300 staff servicing 130,000 plus customers and manages almost 300,000 policies. Over half of those policies cover motor insurance risks including cars, bikes, caravans, and motor homes, and the remainder are house and contents insurance.

AA Insurance Limited has an A+ (Strong) insurer financial strength rating given by Standard and Poor's (Australia) Pty Ltd on 17 May 2008. For further information visit www.aainsurance.co.nz

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