

This correspondence from:
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Compulsory Third Party Insurance project
Land Transport Environment and Safety
Ministry of Transport
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Dear Sir/Madam,

Thank you for the opportunity to comment on the Compulsory Third Party Vehicle Insurance (CTPVI) discussion document.

The NZ Federation of Motoring Clubs (FOMC) represents over 100 clubs with individual membership of 20,000 people, catering for cars, motorcycles, trucks and military vehicles, tractors and traction engines, covering heritage and collectors vehicles spanning all years of production.

Our member clubs are cautiously in favour of CTPVI as, depending on how it is implemented, it may benefit the motorists they represent. But we are not convinced that the scheme will address the issues raised, nor are we confident that CTPVI would reduce insurance costs for those motorists who already have insurance. Nevertheless, we propose that if such a scheme were to be mandated, then it should be done so via an individual's driver's licence rather than per individual vehicle.

We have answered the relevant questions in the discussion document below:

Question 1. It would seem from the discussion document that the problem is less about the risks posed by some uninsured motorists, and more about a lack of understanding of what third party insurance actually is (given that it excludes injuries which are covered by ACC), and the benefits thereof (e.g. uninsured motorist extension). The FOMC suggests that in fact a solution may not be CTPVI but, rather, better education about (optional) third party insurance.

Question 2. Some self insure, others can't afford insurance, premiums can be high for some types and model of vehicle, insurance companies refuse cover for some vehicles or people, or impose unreasonably high excesses which make insurance financially unviable.

Question 5. The number of uninsured vehicles may be correct, but this does not take into account multiple-vehicle owners. For example, members of car clubs may own several vehicles, but they may have at least one 'primary' vehicle fully insured, while choosing to self-insure the remainder on the grounds that they get limited use. On that basis, it is not safe to assume that at any one time, there are as many as 25% uninsured vehicles on the road.

Question 10. The FOMC have considered the three options, and while we tend to favour option two (raise awareness) as the simplest solution, we also propose that there should be a fourth option: CTPVI included with your driver's license. This would mean if you borrow a vehicle, take a vehicle for a test drive, or are required to drive a company car etc., then you would know you have third party cover without having to rely on what you are told by another party. In this way, people who own several vehicles will only need to have one comprehensive insurance policy for the driver (as opposed to multiple comprehensive vehicle policies), and instead perhaps only third party 'fire and theft' policies for individual vehicles. Likewise, if such owners choose to self-insure their other vehicles, then under a CPTVI scheme which applied to each vehicle they would be required to obtain multiple insurance policies in order to comply with the law, rather than just one driver-based policy as we propose.

Questions 17 & 18. If CTPVI was included on a driver's license or an insurance document specific to the individual driver/rider/operator as we have suggested, then neither of these questions would be relevant.

Question 19. No, we think CTPVI should primarily address road safety, not social equity.

Question 20. However, the FOMC thinks the ability of CTPVI to address road safety issues (and thereby associated property damage) has been overstated. The type of people who pose a road safety risk are the same type of people who drive unlicensed, with unregistered and unwarranted vehicles, let alone insured. So while this is a desirable goal – and the key justification for CTPVI – it is unlikely to fully address the issues raised in the discussion document. While many uninsured but otherwise low-risk motorists would comply with the CTPVI requirement, the gross offenders probably won't, and any legislation to make them comply let alone improve their driving behaviour will be no more successful than it is now. Their lack of compulsory insurance will simply be one more infringement to add to the list of driver licence and vehicle breaches – if they are caught (let alone pay up). Without confidence that a CTPVI regime will in fact address road safety issues associated with at-risk (uninsured) drivers, it is hard to justify mandating such a scheme on all drivers, including those that self-insure.

Question 24. The FOMC believes that if a CTPVI regime were to be introduced, then ideally it should be privately-administered to minimise unnecessary costs by piggy-backing on insurance companies' existing administration infrastructure. That said, if such a scheme were to be associated with individual drivers rather than vehicles as we propose, it may be easier for the state to administer it as part as the driver licence system.

Question 25. Yes. If used on private property, damage to a third party's property is unlikely and individuals are covered by ACC for personal injury. If CTPVI is included on an individual's license, then not requiring third party cover on private property would allow unlicensed operators to drive or ride farm equipment etc.

Question 26. Yes. If CTPVI is to help reduce the risks posed by certain drivers in certain vehicles, then it is appropriate that some drivers be denied cover because of that risk. That will only work, however, if the lack of insurance actually prevents them from driving, or forces them to modify their behaviour or vehicle choices to the extent that they can become insured.

Question 27. No. This imposes a cost on insurers by requiring them to insure drivers which are a commercial risk (a cost that will inevitably be passed onto all other policy holders). Such drivers should be denied insurance – and steps made to ensure they do not continue to drive in breach of that compulsory obligation. If a CTPVI regime cannot guarantee that high-risk 'uninsurable' drivers do not stop their behaviour, then perhaps CTPVI it is not worth pursuing.

Question 28. The FOMC is in favour of the CTPVI treating the individual driver/rider/operator as the subject of the insurance, as they would know that they had cover regardless of who's vehicle they were using. As we have explained, this would also have benefits for multiple vehicle owners, who would only need one policy, rather than multiple policies for all vehicles even though they can only drive one at a time. A CTPVI regime for car collectors etc. would be a nightmare to comply with, especially if such vehicles presently have no cover at all, save for an all-encompassing 'fire and theft' policy for the premises in which they are stored (we acknowledge however that there are several low-cost comprehensive 'classic car' policies available).

Question 29. A stamp or sticker on your license with a bar code or a separate insurance certificate to be carried with your license. Either can be renewed each year as would be necessary. Alternatively, confirmation of current insurance could be recorded in the Driver Licence Register, which could be accessed in the event of a motor vehicle accident. This would permit the insurance to be renewed at regular intervals, without re-issuing the licence itself.

Question 30. As we have stated, as part of a driver licence or in association with a licence. The cost of such third party cover should relate to the driver's accident and traffic offence history primarily, and their age, gender, and years of experience secondarily. However provision would need to be made for learner drivers and those on international licenses etc.

Question 33. Yes. The paper quotes the cost in the UK but their third party insurance also covers injury and this is expensive. In New Zealand this is covered by ACC. Nominal dependant fund claims in NZ should therefore cost less than the at-fault uninsured costs at present, as failing to meet costs under our proposal could result in a loss of licence.

Questions 36 & 37. There would be no need to self insure under our driver's license proposal.

Question 38. An independent insurance and financial services commissioner may be required to act as a watchdog.

Question 39. The FOMC is concerned that, in order for CTPVI to be effective, a considerable amount of enforcement will be necessary. We suggest this is not really feasible considering such enforcement is already required to ensure that drivers and cars are licensed and warranted, and yet these rules continue to be flouted by the same at-risk individuals.

Question 43. It seems the Government will be creating more problems for itself under a CTPVI regime. If they make it compulsory, then some sort of assistance package will be needed for those who cannot afford it. Yet, under the current optional system, it isn't mandatory – and so no taxpayer-funded handout is needed either.

Question 46. Yes, we support an education campaign in the first instance to try to address the issues outlined, before deciding to undertake further development on a CTPVI.

Yours sincerely

NZ Federation of Motoring Clubs

Representing the responsible special interest and heritage motoring enthusiast