

A submission on Third Party Insurance

Third Party Insurance is unnecessarily expensive in the ACT. The reasons are little to do with competition but the way the system is structured.

The following describes a variation on the existing system that will result in a reduction of costs which can be used to either increase benefits or reduce third party insurance payments.

The system should meet the following criteria.

1. People who get injured through no fault of their own should get adequate funds to rebuild their lives.
2. Everyone who drives a car should contribute to the scheme.
3. We should only collect enough to pay for the claims that have been made after the claims are granted.
4. People who are at fault should pay extra

To achieve these aims the system should have

1. Standard payments for different types of injuries and the system should give people the funds to rebuild their lives but there should be no payments for "pain and suffering".
2. Each year the cost to the community of these payments should be established and this should be collected equally from all drivers over the next year.
3. Anyone found to be at fault should pay extra - perhaps a flat amount for the next ten years. If they do not have insurance then the flat amount is doubled. If they cannot pay the amounts then they must stop driving.
4. People can still make claims for extra payments if the standard amounts are deemed inadequate.

The savings that are made are:

1. Insurance companies have to collect more than is necessary to cover them in the event of an increase in payments. Funding through savings of this type is always more expensive than payment after the fact. Insurance companies have to take on risks over which they have little control and they require extra payments to cover this risk.
2. The current system is unnecessarily litigious and this increases the costs.
3. People who cause accidents are not punished if they have insurance. This system will cause people to be more careful and if they cause too many accidents then they will be forced to stop driving.

Kevin Cox