COMPULSORY THIRD PARTY INSURANCE: Discussion

The UK, Australia and even states in the US require third party insurance for drivers by law. Why is this not the case for New Zealand, and just as importantly – what are the pros and cons?

ACC

What separates New Zealand from other countries is The Accident Compensation Corporation (ACC). Funded by drivers' vehicle registration and a variety of other levies and investments, the ACC covers injuries caused by motor vehicle accidents on a no-fault basis. As all drivers partly fund the ACC, our vehicle insurance premiums (which only cover property damage) are theoretically lower than without such a system in place.

With personal injury covered by the ACC, most drivers on the road today choose voluntary vehicle insurance to cover the cost of property damage in an accident. However, the question is: should every driver in New Zealand be made to purchase compulsory 'third party' vehicle insurance to cover property damage as a result of any accident involving a vehicle?

PROS v CONS

The obvious upside to making at least 'third party' insurance compulsory, is eliminating the risk to drivers involved in accidents with uninsured drivers. Often accidents occur where one party holds an insurance policy and must either pay an excess amount to their insurer, or the entire cost of damage to their own vehicle if they only hold a 'third party' policy – even if they are not at fault. If all drivers are mandated to pay for insurance – a product, there is a possibility that would-be uninsured drivers will now drive more safely and aware of risk. Drivers could be more likely to avoid actions that may lead to their insurance premiums rising, a now unavoidable cost.

There are challenges to consider for mandatory insurance too. Many New Zealanders are already struggling financially, this is often why a number of drivers lack vehicle insurance in the first place. Government regulation is a possibility which would bring along many additional challenges. Further, there is also the matter of enforcing and policing mandatory insurance for drivers. Would there be random checks at police checkpoints, WOF stations or by parking attendants?

Ultimately, any decisions, possible solutions and challenges rest with the government. For now, we can only consider the likely effects on insurance and vehicle ownership.