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## NSW CTP reforms would put downward pressure on premiums

Proposed reforms to New South Wales's Compulsory Third Party (Green Slip) scheme would put downward pressure on premiums, the Insurance Council of Australia said today.

Speaking at the CTP Roundtable held at the NSW Parliament House, Insurance Council CEO Robert Whelan said the insurance industry understood the community's concerns about recent rises in CTP prices.

He said the industry was open to the prospect of reform to ensure the scheme was sustainable and affordable, but the exact impact on prices of the proposed changes to the scheme could not be calculated until the fine details of the scheme's design were known.

"Streamlining the scheme and bringing down costs will have downward pressure on CTP prices," he said. "We can't guarantee the extent to which premiums will go down. The reason for that is we don't have clarity around the claims position on this new scheme."

Mr Whelan said the proposed shift to a no-fault scheme was a more viable long-term model that would help drive some costs out of the process.

"There is a lot of evidence that ... proves early intervention and rehabilitation started early in an accident victim's situation actually has much better outcomes," he said. "They can get back to work, back to their lives, much faster.

"Protracted legal argument about who is at fault just frustrates that process. We would argue that anything that streamlines the system and allows us to be able to intervene and rehabilitate individuals faster, and brings those costs down, is actually a good thing and will have a better outcome."

Mr Whelan said CTP prices had been rising largely due to an increase in claims frequency and the impact of the global financial crisis, which had slashed the investment returns available from government bonds. This hurt the ability of insurers to ensure they had adequate capital to pay claims.

He said: "The industry is quite open to reform. It is happy to go through the process of assessing how best to underwrite a reformed scheme. These schemes typically need to be looked at every 10 years or so because they do get out of step with current circumstances.

"It is timely that this is going on now and I think the NSW Government has embarked on an appropriate process of collaboration and discussion around this.

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“That’s essential, because the industry will need to work through the complexities and the capital requirements of any reformed scheme to be able to construct an appropriate pricing model.

“That will be then subject to the MAA to make decisions about whether those pricing levels are appropriate or not, and that will also go to government as well.”

Mr Whelan also defended the competition among CTP insurers. “The fact that insurers are out there offering packages and trying to entice customers into their products I think is a healthy thing, he said. “It’s exactly what they should be doing and it’s exactly what the scheme structure is designed to do - bring people into the market, make that market competitive, make it efficient, drive down costs and therefore be able to provide benefits to consumers.”

The ICA looks forward to further discussions with the MAA and the NSW Government about the reform process.

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