

2018 Review of the Compulsory Third Party Insurance Scheme

Opening Statement to the NSW Legislative Council's Standing Committee on Law and Justice

Delivered at NSW Parliament House in Sydney, Thursday August 23, 2018

Delivered by: Jon Murphy, Chair of the Insurance Council of Australia's Motor Accident Injury Scheme Committee (appearing with James Dunwoody, Chair of the Council's CTP Claims Managers' committee; and independent actuary Estelle Pearson, who is an advisor to the Insurance Council).

The Insurance Council of Australia welcomes the opportunity to contribute to the Committee's inquiry today.

The ICA is the representative body of the general insurance industry. Our members include the four insurance groups that underwrite the New South Wales CTP scheme.

My name is Jon Murphy and I am here in my capacity as the Chair of the Insurance Council's Motor Accident Injury Scheme Committee.

The Insurance Council remains optimistic that the scheme will achieve the Government's objectives. The scheme's design features are likely to benefit those seriously injured on NSW roads, and improve outcomes for many injured people. The cost to motorists has also been reduced. Premiums collected by insurers in the first six months of 2018 were \$320 million lower than those collected in the first six months of 2017 – a reduction of 23.8 per cent

The Insurance Council is confident that the scheme's design will lead to a greater proportion of benefits going to the most seriously injured road users. Seriously injured not-at-fault road users will now receive treatment and care for life. And all road users will also receive statutory benefits for loss of income and treatment for at least six months. The new scheme will reduce common law claims for minor injuries with a welcome change in focus to recovery and rehabilitation.

Early and regular payments for loss of income and timely access to treatment and rehabilitation will help deliver improved return to work and recovery outcomes. This will be supported by the vocational education and return to work support provided by SIRA.

The statutory benefit structure means that the time taken to resolve many claims will be significantly reduced. While damages claims may still take a number of years to resolve, injured people will be receiving income loss and treatment benefits prior to the resolution of their damages claim.

The Insurance Council is optimistic that the Government's reforms will reduce opportunities for claims fraud and exaggeration.

The legislation also ensures that any excess profits will be returned to motorists through lower CTP premiums. The Insurance Council will continue to work with SIRA on the Excess Profit and Loss Adjustment mechanism.

This new CTP scheme is a major piece of reform, and as with any reform of this size, further refinements and clarifications will be required. Policy decisions about benefit design necessarily involve decisions about the distribution of finite resources to injured parties. The Insurance Council will continue to work with the Government and SIRA to ensure any refinements maximise benefits for motorists, and those injured on NSW roads, as well as maintaining scheme efficiency.

We are happy to answer any questions the Committee may have.

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