

13 May 2016

The Director
Standing Committee on Law and Justice
Parliament House
Macquarie Street
Sydney NSW 2000

Email: lawandjustice@parliament.nsw.gov.au

Dear Sir/Madam

First Review of the Compulsory Third Party insurance scheme

The Insurance Council of Australia (ICA) is pleased to contribute to the Standing Committee on Law and Justice's (Committee) First Review of the Compulsory Third Party (CTP) insurance scheme.

The ICA is the representative body of the general insurance industry in Australia. This includes the four licensed insurers who underwrite the NSW CTP scheme.

The ICA would like to welcome the Hon Natasha Maclaren-Jones as the new Committee Chair along with the other new Committee members. We recognise the significant contribution that the Committee has made to the CTP scheme. The Committee plays an important role in ensuring the scheme remains accountable to the NSW Parliament and the broader community. We welcome this, and look forward to working with the new Committee members in this regard.

The ICA notes that the Committee is seeking to hear from stakeholders about the affordability, efficiency and sustainability of the CTP scheme. These measures reflect the policy objectives established in the *Motor Accidents Compensation Act 1999* and the scheme performance indicators that are reported by the State Insurance Regulatory Authority (SIRA).

The Committee's review is in alignment with reviews currently underway into the CTP scheme. We note that the 2015 Independent Review of Insurer Profit, conducted by Trevor Matthews, is an outcome of the previous Committee's Twelfth Review of the exercise of the functions of the Motor Accidents Authority.

The ICA will be working closely with SIRA as it considers the Profit Review's final recommendations and conducts a review into the scheme's premium framework.

We are also contributing to the NSW Government's consultation on options for reforming Green Slip insurance in NSW.

The Government's Options Paper has identified four key objectives for scheme reform. These are:

- increased efficiency;
- improved timeliness;
- reduced opportunities for fraud and exaggeration; and
- reduced cost of premiums.

The ICA submission to the Options Paper provides a comprehensive assessment of the current CTP scheme along with the processes and scheme design features that can be considered for scheme reform. Our submission acknowledges the concerning trends in the current scheme and we concur with the NSW Government's assessment that major reform is needed.

Our submission includes an actuarial analysis prepared by Finity Consulting on behalf of the ICA. The analysis represents industry's preferred model for scheme reform. This is a hybrid scheme with:

- defined benefits for treatment and loss of earnings for all those injured in a motor accident regardless of fault and payable for a set period of time; and
- common law rights for those with a 'serious injury' (as defined) caused by the negligence of another.

The actuarial analysis includes an assessment of the reform model against each of the NSW Government's four objectives.

The ICA considers that our submission to the Options Paper is of direct relevance to the Committee's review. Once our submission has been published by the NSW Government, we would welcome the opportunity to brief Committee members on the details of the ICA submission.

The ICA is also a member of the NSW CTP Fraud Taskforce. The aim of the Taskforce is to make recommendations to the NSW Government on strategies to deter, detect and respond to unmeritorious and fraudulent CTP claims. The ICA, insurers, lawyers, NSW Police, the Office of the Legal Services Commissioner and the Health Care Complaints Commission are members of this Taskforce. Increased instances of fraud and exaggeration have had a significant impact on CTP premiums. We anticipate that this cross-sectoral effort to curtail fraud and exaggeration should assist with improving the scheme's affordability.

The last time the NSW CTP scheme underwent significant reform was in 1999. In 2006 the Lifetime Care and Support Scheme commenced and it was expanded in 2007 to cover all people catastrophically injured in a motor vehicle accident.

We recognise that further meaningful change to the NSW CTP scheme is now due. The ICA and its members are willing and prepared to work alongside the NSW Government, SIRA and all stakeholders on the full details of scheme reform and the extensive implementation requirements. We look forward to the delivery of a fairer, more affordable and more sustainable CTP scheme for NSW.



If you have any questions in relation to this submission, please contact Vicki Mullen, General Manager, Consumer Directorate on (02) 9253 5120 or vmullen@insurancecouncil.com.au

Yours sincerely

A handwritten signature in black ink, appearing to be "RW", with a long horizontal flourish extending to the right.

Robert Whelan
Executive Director and CEO