

**STANDING COMMITTEE ON LAW AND JUSTICE
ELEVENTH REVIEW OF THE EXERCISE OF THE FUNCTIONS
OF THE MAA AND MAC
PRE-HEARING QUESTIONS ON NOTICE**

Compensation Authorities Corporate Shared Services

1. The MAA 2009/10 Annual Report stated that in line with the announcement of the NSW Government to amalgamate agencies and provide integrated services, the Compensation Authorities Staff Division had commenced the first phase of the integration of corporate services across its various Divisions, and was due to be finalized by December 2010.

a. Has phase 1 been finalised?

RESPONSE:

Yes. From 1 November 2010, CASD's information technology services were amalgamated. Finance and human resources were amalgamated as at 1 December 2010.

b. Has the next phase of the consolidation project to: 'rationalise systems and processes with a view to providing more streamlined and efficient services' commenced?

RESPONSE:

Yes. Information technology resources are being consolidated to ensure consistency of programs and platforms as well as sharing knowledge on related projects. Financial systems are also being shared across several of the CASD agencies. This is an ongoing continuous improvement program.

c. What benefits and to whom are expected from the amalgamation / integration?

RESPONSE:

Once systems and processes are fully integrated it is anticipated that benefits of scale will mean better outcomes for all CASD agencies at lower cost.

2. In relation to the amalgamation, the MAA 2009/10 Annual Report stated that 'baseline metrics will be developed in order to measure performance and provide opportunities for improvement.'

a. Have these been developed and if so, what are they?

RESPONSE:

Yes. The baseline metrics are included in the service level agreement between the MAA and WorkCover (CASD) and are a combination of numerous qualitative and quantitative measures with a focus on timeliness and accuracy of services and information delivered. This comprehensive suite of measures covers the operation of financial services, information technology services and human resource services.

b. The Annual Report stated that the baseline metrics will be underpinned by a strong governance framework incorporating a benefits realisation framework.

Can you explain what you mean by a benefits realisation framework?

RESPONSE:

A benefits realisation framework is a system by which both direct and indirect, or hard (generally for financial purposes) and soft (generally for service improvement purposes) benefits are measured and reported. A governance framework (Service Level Agreement and committee) is in place to ensure the effective operation of the shared services group in achieving its objectives and supporting business needs.

Affordability

3. The recent MAA Annual Reports noted the 'best price' for a Sydney Metropolitan Green Slip as shown in the table below.

a. What is the MAA's view on these increases?

30 June 2008	\$324	
30 June 2009	\$377	16.4% increase
30 June 2010	\$404	7.2% increase
(13 July 2011 - best price - Greenslip Calculator)	\$460	13.8% increase

RESPONSE:

The NSW CTP scheme is required to be fully funded which means the prices charged for Green Slips are required to meet the full cost of the expected liabilities arising in that underwriting year. Green Slip prices steadily decreased in real terms during the period 1998-2008, until the onset of the global financial crisis saw prices start to rise. Insurers invest the premiums they collect to ensure they have sufficient funds to meet claims payments that may be made many years later. The lower level of investment returns, especially Commonwealth 10 year bond rates meant that

insurers increased premiums to ensure they would be 'fully funded' and have adequate funds in future to make claim payments.

Since 2008 Green Slip prices have also been affected by inflation, increases in claims frequency and propensity to claim, rising claims costs, and the expansion in April 2010 of the scheme to provide certain benefits to at-fault parties who before that time were not entitled to claim at all. As a result, the 2010/11 year has seen further general increases in Green Slip prices.

The figures above relate to the best price on offer for a passenger vehicle in the Sydney metropolitan area, however, this takes no account of the market share of each of the seven insurers or the 'weighted average best price' which provides a better reflection of prices available in the market. For motorists aged 30-54 this was \$441 in the June 2011 quarter, compared to \$421 in the June 2010 quarter, an increase of 4.7%. The MAA is commencing to report this figure from this year's Annual Report and has been included *The CTP Industry Report June 2011* published by the MAA.

In June 2011 this represented 33% of average weekly full-time earnings. In June 2010 the 'weighted average best price' was also 33% of average weekly full-time earnings. The fact that this index has remained stable over the last 12 months indicates that the recent price increases across the market have been broadly in line with wage growth.

4. On 31 August 2010 the then Minister for Finance, the Hon Michael Daley, said in a media statement that the MAA would work with the Motorcycle Council to appoint an independent actuary to review green slip pricing. Did this review occur, and if so, what was the outcome?

RESPONSE:

Yes, the Motor Accidents Authority worked with the Motorcycle Council to identify an independent actuary to review motorcycle Green Slip pricing. The initial findings of the review are currently under consideration.

Effectiveness

5. In 2009/10 what was the average time taken for insurers to make the first payment on CTP claims? How has this changed since the last reporting year?

RESPONSE:

In 2009/10, the average time taken for insurers to make the first payment on CTP claims was 72.4 days. Relative to the 2008/09 reporting year of 73.3 days, there has been an improvement of 0.9 day.

Fairness

6. What proportion of injured people in a motor accident lodge an Accident Notification Form under the early accident notification process?

RESPONSE:

The proportion of people injured in a motor vehicle accident who lodged an Accident Notification Form under the early accident notification process was 40% for both 2009/10 and 2008/09 financial years. The figures for 2010/11 will be published in the Authority's annual report for that financial year.

a. What is the average payment made on a finalised Accident Notification Form?

RESPONSE:

The average payment made on a finalised Accident Notification Form in 2009/10 was \$1282.

Efficiency

7. How efficient was the Scheme in the 09/10 financial year, in terms of the proportion of each dollar paid in premiums returned to injured persons as compensation?

RESPONSE:

The difference between premium collected and claims paid is one way of measuring scheme efficiency. Other measures are affordability, propensity to claim and numerous time related measures. It must be noted that this measure of efficiency is a lead indicator which is derived from the insurers' estimates of their future costs. As such it provides a notional view of efficiency, which reflects the insurers' perceptions of market and economic conditions, which may fluctuate over time.

In 2009/10 the projected return to claimants was 66.5%, 64% in 2008/09, 63% in 2007/08 and 63% in 2006/07. Despite the economic volatility over this period, this index has remained relatively stable.

a. Is the MAA satisfied with the current efficiency level of the Scheme?

RESPONSE:

The percentage of premium paid out to claimants as benefits has been consistently around two thirds since the inception of the current scheme in 1999, whereas in the five years prior to this it was less than 60%.

b. Is there scope to return a greater proportion of each dollar paid in premiums to injured persons?

RESPONSE:

Injured people are entitled to receive the benefits set out in the various heads of damage that apply to the scheme. Insurers are expected to pay injured people their full entitlements. Injured parties with legal representation will incur legal costs, which impacts on their cash in hand.

As in any competitive market, insurers have an incentive to keep overhead expenses to a minimum, as the insurer is rewarded with the capacity to lower prices (and improve their competitive position) or increase returns or both. A key priority of the MAA is to keep downward pressure on Green Slip premiums, to ensure they are both competitive and affordable, so that all drivers have a CTP policy.

c. In terms of the proportion of each dollar paid in premiums returned to injured persons as compensation, what was the efficiency of the Scheme for the 2010/11 financial year?

RESPONSE:

The figures for 2010/11 will be published in the Authority's Annual Report.

Due to the long tail nature of Compulsory Third Party insurance, money collected in premiums in a given year is not usually paid out within the same year. Most payments are spread over a longer period, often with a lump sum many years after the accident.

Claims frequency and propensity to claim

8. Has the introduction in April 2010 of the no-fault ANF process impacted on CTP claim frequency?

RESPONSE:

From April 2010 to June 2011, 705 at-fault ANFs have been received. As this is a very small percentage of overall notifications and registered vehicles, and are not able to convert to full claims, there does not appear to be a significant impact on claim frequency.

9. Claim frequency increased from 23 claims per 10,000 vehicles in 2007/08 to 26 claims/10,000 vehicles in 2008/09. Similarly, propensity to claim increased over this period. What factors have contributed to these rises?

RESPONSE:

The MAA's scheme actuary advises that the increase in the ANF threshold from \$500 to \$5,000, and the inclusion of past economic loss in the compensation which can be claimed under an ANF, is likely to have encouraged some small claims to

lodge an ANF in respect of accidents since 1 October 2008. However there has also been an increase in claim frequency and propensity to claim for full claims with a reported incurred cost of more than \$5,000. These appear to be mostly claims with relatively lower injury severity.

Health outcome measures

10. During the Committee's 10th Review the MAA advised that it is undertaking a number of research projects in conjunction with other agencies, to facilitate the development of a range of health outcome measures. Could you update the Committee as to the progress and any outcomes of these research projects?

RESPONSE:

The Authority is supporting a number of inter-agency projects which are directly involved in the measurement of health outcomes for injured people in the scheme or is facilitating the use of health outcomes measures in evidence-based practice.

Examples of such inter-agency projects include:

- The two-year follow-up study conducted by the University of Sydney exploring health and social outcomes of injured people under the NSW Compulsory Third Party (CTP) scheme. Preliminary results have shown that injured people in the scheme report high pain levels, significant limitation of activities and absence from work in the first three months following a motor vehicle crash. These results provide the first snapshot of people with mild to moderate injuries in the scheme. Data collection is ongoing for the 12 month follow-up period. The Authority has also funded a series of focus groups with injured people involved in this study to explore their experiences with the CTP claims process following injury. The Authority will use the information from these studies to assist with planning future projects as well as improving the monitoring of insurer compliance with injury management guidelines, and to help improve the experience of injured people in the scheme.
- The Authority has funded four metropolitan hospitals to investigate the benefits of early specialist rehabilitation assessment and a multi-disciplinary coordinated care rehabilitation service for people hospitalised after a motor vehicle crash. Recruitment has begun for the study investigating assessments and submission to research ethics committees is underway for the coordinated care project. Information gained from this research will help ensure that people injured in road accidents receive appropriate services as early as possible, even before a claim is lodged and assessed by a CTP insurer.
- The MAA, in partnership with WorkCover NSW and the Lifetime Care and Support Authority, remains committed to funding a specific research centre as a longer term strategy to enhance both research and educational capacity relevant to compensable injury within New South Wales. It is anticipated that the research strategy for the centre will be developed in early 2012.

The Medical Care Injury Services levy

11. Does the MAA plan to further itemise the MCIS levy on Green Slips to show the components of the levy?

RESPONSE:

In consultation with the Motor Accidents Council, the Authority has introduced a trial on the Authority's online Green Slip Calculator for motorists to obtain a breakdown of the insurer premium, MAA levy and Lifetime Care and Support levy when comparing Green Slip prices. The trial will be reviewed after one year in operation to consider the level of interest in going to the expense of applying this information on the Green Slip itself.

A working group comprising members of the Authority, CTP insurers and the Roads and Traffic Authority considered the technical and administrative changes required to itemise the MCIS levy on Green Slips. The CTP insurers estimated that the technical and administrative work that would be required to itemise the levy on Green Slips would cost between \$80,000 and \$400,000 per insurer, a cost that would be passed on to motorists. They also estimated that it would take up to six months to make the system changes.

Classification of private buses

12. During the 10th Review of the MAA, in response to issues put forward by BusNSW, the MAA indicated that it would investigate the feasibility of requiring insurers to differentiate between Green Slip prices for buses and coaches based on their operating environment and the number of passengers they are licensed to carry.

a. What is the outcome of this review?

RESPONSE:

The MAA met with the Bus and Coach Association in late 2010 to discuss their proposal, and subsequently commissioned an actuarial analysis by Finity Consulting to estimate the potential cost per policy if the classification of buses for premium setting purposes was changed to a classification based on (a) operating environment; (b) weight/seating capacity and (c) engine capacity.

The results of this analysis were discussed with the Bus and Coach Association in January 2011. Comparison of the different alternatives indicated that using 'operating environment' as a means of segmenting buses according to risk was more optimal than the current classification, or using weight/seating capacity or engine capacity, though adopting such a classification would be likely to result in unacceptably large movements in premium relativities (and hence, prices) for a significant number of bus operators.

In view of the significant cost implications of any move to classify buses according to operating environment, it is the MAA's understanding that the Bus and Coach Association do not at this stage wish to further pursue their proposal.

The Motor Accidents Council

13. How often and when has the Motor Accidents Council met over the period September 2010 to date?

RESPONSE:

The Motor Accidents Council has met six times since September 2010. The meeting dates were:

14 September 2010
9 November 2010
22 February 2011
28 April 2011
28 June 2011
23 August 2011

14. What is the current composition of the Motor Accidents Council?

RESPONSE:

The composition of the Council is set by the *Motor Accidents Compensation Act 1999*. The current members of the Council are:

Chair	Mr Ray Whitten (Chair of the MAA Board)
Deputy Chair	Mr Robert Ingui (Deputy Chair of the MAA Board)
Mr Stephen Loomes	Insurance Council of Australia
Ms Mary Maini	Insurance Council of Australia
Ms Roslyn Everett	Law Society
Mr Andrew Stone	Bar Association
Dr Stephen Buckley	Health practitioner
Mr Clayton King	Health practitioner
Ms Jan McClelland	NRMA Motoring Service
Mr Max Bosotti	Injured persons interests
Mr David Brogan	Consumer representative
Mr Rob Colligan	Ministerial appointment (motorcyclist's interests)
Ms Lisa Hunt	CEO, CE CASD Ex-officio member
Mr Andrew Nicholls,	A/GM MAA Ex-officio member

Medical professional service fees

15. The submission of the Australian Physiotherapy Association notes that the reimbursement of physiotherapists' fees varies between insurers who act on behalf of the MAA, and that in the vast majority of cases physiotherapists are paid at a lower rate for MAA work than their normal rate of fees. The Association proposes to work with the MAA to develop an appropriate reimbursement policy for its members. What is the response of the MAA to the Association's concerns?

RESPONSE:

The *Motor Accidents Compensation Act 1999* requires an insurer to make "reasonable and necessary" payments in respect of treatment and rehabilitation expenses for motor accidents claims on an "as incurred basis", once liability for the claim has been admitted. Neither the Act, nor the Authority's Claims Handling Guidelines, prevent insurers from developing their own payment scales in respect of treatment.

An insurer remains liable to the claimant for treatment that is reasonable and necessary and causally related to the injury sustained in the motor vehicle accident, while the liability to pay for treatment remains an obligation of the beneficiary of the service.

Previous enquiries made by the Authority indicated that payments scales from CTP insurers compared favourably with physiotherapy rates provided by the WorkCover Authority of NSW and Medicare Australia. While it is acknowledged that there may be some slight differences in payment scales among the insurers themselves, most insurers indicated that their claims staff are able to exercise a degree of discretion in approving payment of physiotherapy and other treatment fees.

The Authority does not propose to regulate physiotherapy fees.

16. The submission of the Australian Medical Association notes that: 'In January 2010 AMA (NSW) president at the time, Dr Brian Morton wrote to the Authority raising various concerns with the cost setting regime for motor accidents matters. In particular, AMA NSW believes that by setting medico legal fees at appropriate levels, you will ensure the quality of the contribution the treating doctor in particular is able to make. Those issues remain unaddressed and still remain a concern to the Association.' What is the response of the MAA to the Association's concerns?

RESPONSE:

The Authority consulted with the Australian Medical Association (AMA) in the course of reviewing the *Motor Accidents Compensation Regulation 2005*. The AMA's feedback was useful and has been considered. The repeal of the existing regulation has been postponed until 1 September 2012 and a revised regulation is being finalised for consideration by the Government. The amendments and transitional issues of any new approach are potentially quite significant and the Authority

considers there is benefit in taking the appropriate time to finalise stakeholder consultations prior to adopting a considered approach.

Insurer profits

17. Since the 2006 /07 financial year prospective insurer profits as reported by the MAA have risen from a weighted average of 6.0% to a weighted average of 8.6% in 09/10.

What factors have contributed to this rise?

RESPONSE:

Each insurer filing is analysed on its merits by MAA analysts and the independent scheme actuaries. The weighted average for prospective profits of 8.6% in 2009/10 is not unusual. The range was 8.7% in both 2004/05 and 2005/06, and 8.1% in 2008/09.

There are a number of factors that impact on and result in changes to prospective profit including the allocation of capital, target internal rate of return, forecast return on investment, deterioration in claims experience (both in the number and cost of claims). Unexpected events like the global financial crisis and the consequential impact on yields also have an impact.

However to strengthen the MAA's role, the Authority has recently released updated Premiums Determination Guidelines requiring greater insurer disclosure on matters related to their profit and rates of return, and the MAA has worked with Applied Economics in the building of a prototype financial modelling tool to utilise this additional information to better assess filings and likely realised profit

The anticipated profit estimate as submitted with insurer filings to the Authority may differ from what is realised retrospectively once the majority of claims are finalised. The Scheme's independent actuaries also monitor and advise on estimated actual profits but that can only occur accurately several years after the year in which the premium is written. There are many uncertainties in the intervening years – numbers of claims that eventuate, late filing of claims, outcomes of court decisions that impact on the expenses associated with claims, and increased litigation in the Scheme.

Insurers are required to continue to invest in improving services to customers and to look for competitive advantages that will result in a lower price for CTP policies for motorists.

The Minister has initiated an internal review of CTP pricing and asked the MAA to consider:

- Insurer profits and costs
- Transparency in legal costs to ensure that injured people get to a fair level of their entitlement in their hand

- Fair and affordable CTP green slip pricing
- The Motor Accidents Authority's operating model to ensure the agency has optimal regulatory powers

Once this is complete, the Government will consider options for improvement to the system.

Competition review

18. The MAA 2009/10 Annual Report noted that in late 2009 the Authority commissioned an independent competition review of the CTP scheme.

a. Has this review been finalised?

RESPONSE:

The Authority is considering the initial findings in the context of a potential broader review.

b. Has the MAA published the review and/or does the Authority intend to make it publicly available?

RESPONSE:

Public release of the report is dependent on finalising the scope of a broader review.

c. What are the recommendations that have arisen from the review?

RESPONSE:

See above.

Legal costs Regulation

19. The Motor Accidents Compensation Regulation 2005 will be automatically repealed on 1 September 2011. The Committee is aware that the MAA established a working party to review the Regulation.

a. What recommendations did the working party make?

RESPONSE:

The working party made a wide range of recommendations from amended and clarified wording in the regulation and new price schedules to some of the more significant items as outlined below:

- removal of legal fees for matters below \$5,000
- removal of legal practitioners' option to 'contract out' of the regulated costs for matters up to \$20,000
- increases in regulated legal and medico-legal costs

- greater 'front end loading' of legal costs to encourage early settlement
- an introduction of transparency about what a claimant receives 'in hand'.

b. Is it the intent of the Authority to publish a draft remade Regulation before the expiry date?

RESPONSE:

The Regulation was due for repeal on 1 September 2011. However, the repeal has been postponed to 1 September 2012. The Authority will consult with key stakeholders when a final draft of the proposed Regulation is available.

c. Has the MAA established a mechanism whereby legal practitioners notify the MAA of the amount of compensation that a claimant receives once their legal costs have been deducted?

RESPONSE:

Amendments to the *Motor Accidents Compensation Act 1999* would be required in order to provide the Authority with the power to permit disclosure to the MAA and claimants of the amount the claimant is expected to receive/receives once legal costs have been deducted.

Eligibility for the Scheme

20. In the Committee's 10th Review the NSW Farmers' Association drew attention to the interaction between the *Motor Accidents Compensation Act 1999* and the *Workers Compensation Act 1987*. During the public hearing, the then General Manager of the MAA, Ms Donnelly, advised the Committee that she would pursue further consultation with the Association to better understand the issue.

a. Has the MAA undertaken this further consultation?

RESPONSE:

The Motor Accidents Authority is consulting with WorkCover NSW to identify areas where clarification is needed regarding interaction between the *Motor Accidents Compensation Act 1999* and the *Workers Compensation Act 1987*, as the principal impact of any amendment has consequential impacts on that scheme.

In August 2010 the Motor Accidents Authority sent a written invitation to the Farmers' Association to discuss concerns relevant to their submission to the last Review. No response was received.

b. What outcomes have arisen from this consultation?

RESPONSE:

The Authority and WorkCover work closely together on potential issues and are considering potential opportunities to engage with the Farmers' Association and their new President.

The Motor Accidents Assessment Service Reference Group

21. The Committee's 10th Report commented upon MAA policy officers attending MAAS Reference Group meetings. Have any policy officers attended these meetings over the last 12 months?

RESPONSE:

The appropriate scheme stakeholder policy forum is the Motor Accidents Council. The Motor Accidents Assessment Service (MAAS) Reference Group is primarily concerned with operational issues related to the day-to-day operation of the MAAS. The Reference Group is chaired by one of the Authority's Deputy General Managers, and any relevant policy issues are fed back to the MAA Executive for consideration.

Motor Accidents Assessment Service

22. The MAA 2009/10 Annual Report noted the Motor Accidents Assessment Service Strategic Direction (2010-2012). What performance measures does the MAA propose to use to gauge its success in achieving the objectives outlined in the Strategic Direction?

RESPONSE:

The measures used to gauge success in achieving the objectives are a mix of quantitative and qualitative elements including:

- **Service:** Customer feedback responses, complaint rates, satisfaction survey responses, uptake of electronic lodgement functionality.
- **Quality:** Obvious error correction rates, Review lodgement, acceptance, and overturn rates, customer complaint rates, administrative challenges and decisions, assessor decision-writing workshops held and participation rates.
- **Efficiency:** Data reports developed to monitor workload, timeliness and data exceptions, targeted matters finalised, dispute lifecycles and Guideline timeliness.
- **Culture:** Implementation of corporate values, performance evaluations, uptake of staff development and training opportunities, promotions and retention.

Medical Assessment Service (MAS)

23. The median lifecycle for finalising medical disputes was 101 working days for 2009/10. Whilst this is significantly less than the peak of 177 days for 2002/03, it is a 30% increase from the low point of 78 days for 2007/8.

a. What factors have led to such an increase?

RESPONSE:

The Authority continues to monitor the timeliness of finalisations of medical disputes on a regular basis. The increase in number of days undertaken to finalise a medical assessment may be attributed to a number of factors:

- **Multiple physical assessments needed** - There is a trend towards an increasing proportion of medical disputes involving multiple injuries listed for assessments. Where possible, the Medical Assessment Service (MAS) attempts to minimise the number of multiple assessment appointments a claimant must attend. There are, however, some injury types that can only be assessed by certain medical assessor specialists, such as Ophthalmology and Ear Nose and Throat. As such, matters requiring multiple assessments can lead to increased life cycles of claims.
- **Care disputes requiring multiple assessments** - An increasing number of treatment and care disputes require multiple assessments to assess clinical need and the extent of the need.
- **Acquired brain injury claims** - These claims require multiple assessment appointments in both neurological and psychiatric which cannot be scheduled concurrently.
- **Clarification of issues in dispute to reduce the need for multiple further assessments** - Occasionally the MAS staff members clarify or seek additional information from the parties to avoid any irrelevant requests or rejection due to allocation to wrong medical specialties. Also, such quality control reduces the frequency of disputes requiring a further assessment application.
- **Medical Assessors, when conducting an assessment, are more proactive** in requesting additional information from the parties if in their opinion it is required to complete the assessment. This led to an increase in the lifecycle for some matters as the dispute requires additional time for the parties to submit the requested information. On a positive note this resulted in fewer disputes requiring deferment for extended periods of time due to injuries found to be not permanent. As a consequence it resulted in a reduction in applications for further medical assessments pursuant to s 62.

Claims Assessment Service (CARS)

24. The MAA 2009/10 Annual Report noted that a major project for 2010/11 will be a review of the Claims Assessment and Resolution Service. What has been the outcome of this review?

RESPONSE:

The CARS Review report recommendations are being considered as a part of a broader review.

25. The MAA 2009/10 Annual Report noted that the overall time taken for CARS matters to be finalised in the reporting period reduced by 22 working days or 12 per cent. Can you explain how this has been achieved?

RESPONSE:

The average overall reduction for all Assessment Applications finalised at CARS (2A, 3A and 5A) has been primarily driven by a significant reduction in one cohort of finalised claims at CARS, those requiring an assessment and decision.

The reasons for this reduction include :

- The 2006 and 2008 reforms streamlined the pre-CARS lodgement requirements.
- These improvements are reflected in a number of specific examples:
 - claims referred now for assessment have generally had any medical disputes commenced, if not finalised, before referral to CARS for assessment; and
 - claims for assessment are generally better prepared with more comprehensive supporting documentation; and
 - the new procedure requiring mandatory exchange of information, settlement conferences, and written offers of settlement from both parties reduces delays.

Injury prevention strategies

26. The submission from the Motorcycle Council of NSW expressed concerns about vehicle crash data, and noted that the implementation of a crash reporting scheme similar to the West Australian model (<https://www.crashreport.com.au>) would contribute to a more accurate and timely data capture system. Could you comment on these observations of the Motorcycle Council?

RESPONSE:

The MAA is aware of the West Australian crash reporting system and organised for a presentation last year to the Authority and other key stakeholders including insurers, the RTA and Police. While a system such as this has a whole of government impact, the MAA organised for a scoping study to examine the opportunities, benefits and feasibility of such a program in NSW. It was broadly agreed there may be some benefits for a similar system in NSW, however, there are a number of significant differences between the NSW and WA operating contexts which would need detailed consideration prior to any further work such as a cost benefit analysis being undertaken. The MAA is currently considering the options in relation to a crash reporting system as part of forward projections.

27. Youthsafe has expressed concern that the MAA 2009/10 Annual Report notes a reduction in 'Rehabilitation road safety grants and sponsorships' from \$25,787,000 in 2009 to \$6,655,000 in 2010.

a. Can you explain this reduction and any ramifications for spending on road safety programs?

RESPONSE:

The Annual Report groups rehabilitation grants and sponsorships as well as road safety grants and sponsorships under the one heading. The difference between the 2009/10 and 2008/09 expenditure for "rehabilitation road safety grants and sponsorships" reflects "one off" capital grant payments in relation to disability and retrieval services within the injury management grants program during 2008/09. This was not at the expense of the road safety program or funding. The level of expenditure for the road safety program in 2009/10 was consistent with that in 2007/08.

The MAA remains committed to working with the NSW Centre for Road Safety to provide a single, consistent and consolidated message on road safety for all users, including young people, and funding programs which promote this message.

28. What is the current role of the MAA in regards to promoting road safety?

RESPONSE:

The Authority provides funding for initiatives and projects for road safety education to prevent and minimise injuries to people in road crashes. The NSW Centre for Road Safety has been the lead agency for road safety in NSW since its commencement in 2008. The Authority works with the NSW Centre for Road Safety to ensure that its investment in road safety in NSW is delivered effectively and efficiently to target the most vulnerable road users.

Recent initiatives have included education, promotion and research to support evidence-based practice in injury minimisation and prevention, with the aim of reducing the annual number of deaths and serious injuries from road crashes by 30% by 2020, in accordance with the *National Road Safety Strategy 2011-2020*. The Authority's focus continues to be on vulnerable road users, such as children, cyclists, motorcyclists and pillion passengers, new drivers, older drivers and pedestrians.

Motorcycle safety issues

29. What were the results from the University of NSW Injury Risk Management Centre and their study of the crash characteristics and causal factors that motorcycle riders and pillion passengers are subject to when they impact with a roadside barrier? What does the MAA intend to do with this information?

RESPONSE:

The Authority contributed \$25,000 to the first stage of the study conducted by the Injury Risk Management Research Centre of the University of New South Wales. The first stage provided a statistical overview of the fatal motorcycle-into-barrier crashes that occurred in Australia and New Zealand over a five-year period and identified causal human factors (such as speeding, alcohol, fatigue and inexperience) and characteristics of the crash scenario for each.

The Authority works with the Centre to fund and support such evidenced-based research in road safety. Research findings are used by the Centre to guide and inform road safety initiatives in NSW. The Authority recognises that motorcycle riders and pillion passengers are at greater risk of injury in a crash and intends to continue to fund and support such research.

Insurer competition

30. What is the most recent proportion of policy holders who change insurer at the time of CTP renewal?

RESPONSE:

The Authority receives quarterly returns of premiums collected and policies sold from insurers at an aggregate rather than an individual level so an exact number of how many people change insurer at the time of renewal is unknown. However it is estimated that in the last financial year that approximately 22% of CTP policies were not renewed with the existing insurer.

Reasons policyholders may not renew their CTP with their existing insurer include the vehicle being sold, not renewing the vehicle registration or the vehicle being written off.

Awareness of the CTP Scheme

31. What actions have the MAA taken to ensure that people who are injured in a motor accident are aware of their statutory rights to compensation under the Scheme?

RESPONSE:

The Authority operates a Claims Advisory Service to provide information and assistance to injured people making claims under the Compulsory Third Party (CTP) scheme. The Claims Advisory Service answers approximately 8,000 calls each year from injured people or their relatives. The Authority's website provides detailed

information for injured people about making a claim and has produced a fact sheet for injured people to help them understand the benefits available under the CTP scheme.

In addition, the Authority conducts regular targeted communication campaigns for health professionals as they are the first point of contact for an injured person following a motor vehicle accident. The Authority communicates with health professionals by direct mail, service provider workshops, advertising and editorial in a range of health professional magazines, journals, professional association newsletters and industry websites.

a. In particular, how have migrant or ethnic communities been informed about the Scheme?

RESPONSE:

The Authority provides telephone interpreter services for injured people contacting the Claims Advisory Service and translation services to assist injured people to complete CTP scheme claim forms. Information in relation to these services is included in MAA publications as well as in CTP claim forms. Each month, the MAA receives an average of two calls where the telephone interpreter service is utilised and provides for translation services for approximately six claim forms.

The CTP scheme fact sheet is available in Arabic, Vietnamese, Korean and Chinese and the Guide to Whiplash Recovery is available in Arabic, Chinese and Vietnamese.

The MAA's Green Slip Advertising Campaign which ran in the second half of 2010 and into early 2011 specifically targeted community media outlets to raise awareness of the Scheme and the benefits of price shopping. The community language component of the campaign comprised 12% of the overall media budget and included print and radio advertising in Arabic, Chinese, Korean and Vietnamese media.

32. The 2009/10 MAA Annual Report noted that a major project for 2010/11 was to review the Green Slip Calculator Advertising campaign. What has been the outcome of this review?

RESPONSE:

The Authority provides an on-line Green Slip calculator and telephone Green Slip Helpline to assist motorists to access the best Green Slip prices. The Authority regularly conducts advertising campaigns to promote the fact that the NSW CTP market is a competitive one and that the MAA provides a one stop price comparison service.

The MAA's review of the Green Slip Advertising Campaign has shown that when the advertising was running that demand for the Authority's price comparison services increased by approximately 20% to as many as 27,000 users per week.

The Authority also collected data to measure long term behavioural change by surveying users of the Green Slip Calculator to determine whether they would use the service again to compare Green Slip prices. Over 97% of users indicated that they would.

What is the trend in the number of hits to the Calculator website since 2007?

RESPONSE:

The Authority estimates that since 2007 there has been an average increase of more than 30% per annum in calculator users. The calculator remains one of the NSW Government's most visited websites and is usually in the top 25 visited.

Viability of insurance companies

33. Could you outline the quality assurance process the MAA uses to ensure that its licensed CTP insurance companies remain solvent, and that the Minister is informed of any solvency issues in a timely manner so that appropriate action can be taken?

RESPONSE:

The quality assurance process the Authority uses in relation to CTP insurer solvency includes:

- Commissioning independent actuarial analyses of all insurers' Premium Filings to confirm premiums proposed to be charged meet the fully-funded test.
- A Memorandum of Understanding (MOU) with the Australian Prudential Regulation Authority (APRA) setting out the framework for co-operation between the agencies in relation to regulatory supervision of general insurers and monitoring of their solvency. The agencies exchange information and hold high-level meetings approximately every six months to discuss solvency and other general insurance market issues. The Authority's officers also meet regularly with APRA Company Analysts to discuss, in more detail, APRA's assessment of individual CTP insurers' solvency, their risk of failure using APRA's Probability and Impact Rating System, and any other current issues.
- Monitoring undertaken of national press and alerts from the Australian Securities and Investments Commission and Federal Treasury, of financial, economic and regulatory information relating to or impacting licensed insurers' parent companies that are quoted on the Australian Stock Exchange.
- Engaging an actuary to provide an annual assessment of insurer solvency for the Authority.
- The *Motor Accidents Compensation Act 1999* (section 179) allows the Authority to appoint an appropriately qualified person to audit or inspect, and report on, the accounting and other records relating to the business or financial position of a licensed insurer.

- Should the Authority have any serious issues of concern in relation to the solvency of any licensed CTP insurer, it will brief the Minister as a matter of urgency.

Whole person impairment

34. Can you comment on the Australian Lawyers Alliance proposal that there should be a single system of compensation in NSW contained in the Civil Liability Act 2002?

RESPONSE:

Compensation and damages for personal injury in New South Wales is governed by the *Civil Liability Act 2002*, *Motor Accidents Compensation Act 1999*, *Workers Compensation Act 1987*, and other legislation.

The Motor Accidents Authority is responsible for administering the *Motor Accidents Compensation Act 1999*. Amendments to the Act made over the last decade were aimed at sustainability, fairness, affordability and effective rehabilitation of injured people. These have resulted in more timely intervention and treatment for injured people. This is in line with similar reforms in most other personal injury jurisdictions in Australia.

35. Can you comment on the NSW Bar Association submission that states: 'The [MAA] actuaries conceded that looking back on payments for non-economic loss for accidents occurring between 1995 and 1999 (compensated under section 79A), it was clear (admittedly in hindsight) that the 1995 amendments had worked in terms of stabilizing payouts for non-economic loss... the 1999 amendments were not financially necessary.'

RESPONSE:

The MAA has consulted with its independent actuary to whom the comment was attributed. The MAA is advised that the quote is taken out of context and was made informally at the conclusion of a presentation.

The decision to make the 1999 amendments was made by the then Government in response to significant community concerns about scheme affordability and ongoing viability.

36. Can you comment on the NSW Bar Association submission in relation to the scarring of a victim of a motor vehicle accident, and that 'only the worst scar counts and all other scars don't add to the WPI total, despite adding to injury, pain and suffering.'

RESPONSE:

The Authority is aware of the Bar Association's concerns in relation to scarring having discussed and addressed them earlier this year through the Permanent Impairment Guidelines Interpretation Group (PI-GIG) meeting. Additionally, a sub-committee of the Motor Accidents Council, on which the Bar Association

representative participates, is reviewing cases that fall close to the WPI threshold of which it is envisaged scarring will be considered.

Plastic surgeons who assess bodily scarring advise that they do take account of multiple scars as an integral part of assessing the skin as a body organ.

Section 89A Motor Accidents Compensation Act 1999

37. The submission of the NSW Bar Association argues that the section 89A compulsory settlement conference is in fact increasing costs, and the requirements of the Act appear almost impossible to comply with at reasonable cost. What is the MAA's response to the Bar Association's concerns?

RESPONSE:

One of the key objectives of the motor accidents scheme is to ensure that injured people receive early and appropriate compensation for their injuries. Participation in compulsory settlement conferences formed part of a package of Scheme reforms introduced on 1 October 2008 which were developed in consultation with the Authority's key stakeholder groups. The reforms introduced a number of process changes to the Authority's dispute resolution services in order to enhance transparency, improve opportunities for the early resolution of motor accident claims and improve scheme efficiency.