

Submission
No 3

**INQUIRY INTO THE EXERCISE OF THE FUNCTIONS OF
THE MOTOR ACCIDENTS AUTHORITY AND THE
MOTOR ACCIDENTS COUNCIL - ELEVENTH REVIEW**

Organisation: Suncorp
Name: Mr Anthony Day
Position: Chief Executive Officer, Commercial Insurance
Date received: 10/08/2011

Two attachments



10 August 2011

The Hon David Clark MLC
Committee Chair
Standing Committee on Law and Justice
Parliament House
Macquarie Street
SYDNEY NSW 2000

By email: lawandjustice@parliament.nsw.gov.au

Dear Chair

RE: ELEVENTH REVIEW OF THE MAA AND THE MAC AND FOURTH REVIEW OF THE LTCSA AND THE LTCSAC

I refer to the *Eleventh Review of the Exercise of the Functions of the Motor Accidents Authority (MAA) and the Motor Accidents Council (MAC) and the Fourth Review of the Exercise of the Functions of the Lifetime Care & Support Authority (LTCS) and the Lifetime Care and Support Advisory Council (LTCSAC)*. Suncorp welcomes the opportunity to contribute to the Standing Committee on Law and Justice's (the Committee) review of the MAA, MAC, LTCS and LTCSAC.

Nationally, Suncorp is the leading insurer for a range of insurance products that cover personal injury and/or property damage arising from motor vehicle accidents on Australian roads. The insurance products include compulsory third party insurance (CTP), workers compensation (with travel to and from work cover), commercial and personal motor insurance products. These products are available through our mass brands: GIO, Vero, Suncorp, AAMI and our niche brands: Apia, Shannons, CIL Insurance, InsureMyRide, Bingle and Just Car Insurance. GIO and AAMI offer CTP cover in NSW.

Suncorp's interest in the review is two-fold. From a social perspective, Suncorp as a national insurer seeks to contribute generally to the national public debate of reducing the level of fatalities and personal injury arising from motor vehicle accidents with its consequential social benefits. Secondly, from an insurance perspective, Suncorp seeks opportunities to implement and promote best practice personal injury claims management with a focus on health outcomes. This two pronged approach in reducing fatalities and personal injuries from motor vehicle accidents and implementing and promoting best practice personal injury claims management is likely to place downward pressure on CTP insurance premiums, a benefit for our clients and the community as a whole.

The Terms of Reference

The Terms of Reference for both reviews are very broad. Suncorp has been invited to raise any matter in respect to the MAA, MAC, LTCS and LTCSAC. It is noted the Committee will be basing its review, in part, on the 2009-2010 Annual Reports for the MAA and LTCS.

The Tenth Review of the MAA and MAC and Fourth Review of the LTCS and LTCSAC were conducted in 2010. In respect to these Terms of Reference (which are identical to the current review), Suncorp relied on

the insurance industry submission and responses to supplementary questions lodged by the Insurance Council of Australia in 2010, in respect to the CTP market, affordability of CTP premiums, insurer profits, key issues surrounding claims management and the inconsistency between the operation of the LTCS scheme and damages claimed in the motor accidents scheme in NSW.

Indeed, Suncorp actively contributed to that Insurance Council's submission. This review was completed and the final report released in October 2010.

In respect to the current review, Suncorp re-states the insurance industry view that it has been working collaboratively with the MAA on the range of issues highlighted in the final report released in October 2010. This process has not yet concluded and as such Suncorp is not in a position to pre-empt the outcome of that process. Suncorp is pleased to provide further details and/or clarity on the industry position and/or Suncorp's product benefits if required. However, Suncorp takes this opportunity to make general comments.

Insurer Profits

For any insurance product underwritten by Suncorp, the Group has a target of a return on capital of at least 15%. This target benchmark is to ensure that shareholders continue to invest in Suncorp and to underpin the long term viability of the company. Such a target is also appropriate for CTP, especially in light of the level of capital required to be put aside over many years to pay CTP claims and the volatility in key economic factors (average weekly earnings, super imposed inflation and interest rates) that can impact the size of open CTP claims and take many years to finalise.

We also acknowledge that for the early years of the new MACA Act in 1999, above forecast profits had developed due to an unanticipated fall in claims frequency (to a new low that was reached several years ago) and a period of gradual increases in interest rates up until the Global Financial Crises (GFC). It should be noted that through this period CTP premiums remained stable in actual dollar terms (headline rates of around \$350), representing a large fall in real dollar terms whilst scheme benefits increased.

Over the last two years there has been an unexpected increase in claim frequency, as seen in the 2009-10 period,¹ and a significant fall in interest rates (triggered by the GFC). This has placed significant upward pressure on claims costs and resulted in a lift in CTP premiums. This increase in claims cost has also had a major impact on insurer profits and the prospect of insurers making their target profits in recent years has also been placed under significant pressure.

Commitment to Reducing Fatalities and Personal Injuries Arising from Motor Vehicle Accidents

In respect to the CTP scheme in NSW, motorcycle injuries feature significantly.² The average cost per claims is highest for motorcyclists and pillions.³ Emerging young driver trends reveal that from 2002-2009, young male motorcycle drivers were 22 times more likely as young women to experience road traffic related trauma (396 young male admissions compared to just 18 young female admissions). This may be due to more young men than women participating in motorcycling and many more young male motorcyclists appearing to have a greater willingness to take risks.⁴

¹ NSW Government: *Motor Accidents Authority Annual Report 09/10*: <http://www.maa.nsw.gov.au/default.aspx?MenuID=136>; at page 61;

² NSW Government: *Lifetime Care and Support Authority Annual Report 09/10*:

<http://publications.nsw.gov.au/pub/b0e/dd6/b0edd641e56f86a43e6c8741a07fc41070e7ef9c/publication.swf>; at page 16;

³ NSW Government: *Motor Accidents Authority Annual Report 09/10*: <http://www.maa.nsw.gov.au/default.aspx?MenuID=136>; at page 62;

⁴ AAMI: *Young Drivers Annual Road Safety Index, November 2010*: <http://www.aami.com.au/sites/default/files/fm/news/2010-AAMI-Young-Drivers-Index.pdf>;

On 9 June 2011, the Minister for Roads and Ports, Hon. Duncan Gay MLC, announced motorcycle safety initiatives stating: "Motorcycles represent less than four per cent of registrations however, preliminary figures for 2010 show 61 motorcyclists died on NSW roads accounting for 15 per cent of all fatalities."⁵

It is Suncorp's understanding that the aim of the initiatives announced by the Minister is to address some of the issues raised in the draft National Road Safety Strategy, in respect to motorcycle driving behaviour. Suncorp applauds these initiatives in an effort to reverse the current trend in motorcycle accidents and the consequential personal injuries as part of a risk management strategy to preserve the financial integrity of the NSW CTP scheme.

Suncorp is proud to have contributed to draft road safety strategy released for public comment at the national⁶ and State/Territory level.⁷ Draft road safety strategy discussions generally involve consideration of safer roads, safer speed, safer vehicles and safer driving behaviour in an effort to reduce fatalities and personal injuries arising from motor vehicle accidents. Invariably these strategies require a consistent, co-ordinated approach from all levels of Government.

For its part, Suncorp supports and has extensive experience with targeted public education programs to promote safe driver behaviour. Our Road Safety Ambassador program, involving a partnership between Suncorp and professional V8 supercar driver, Craig Lowndes, is our most recent initiative promoting safe driving.⁸

Other initiatives include the Rotary Youth Driver Awareness (RYDA program - road safety education program targeting 16 to 17 year olds);⁹ Skilled Drivers Program (driver awareness program for young people under 25)¹⁰ and the Prevent Alcohol and Risk-Related Trauma in Youth (P.A.R.T.Y.) Program (bringing young people face-to-face, in the intensive care units of Australia's trauma hospitals, with the consequences of risk taking and poor decision-making by other young people whose lives have now changed forever).¹¹

Suncorp is currently developing a Young Offenders Program, an educational program for young drivers in regional areas, which focuses on the long term impacts driving convictions can have on a young person's life.

Commitment to CTP Personal Injury Claims Management

As you are aware, the CTP scheme in NSW is a fault based scheme, except in the following circumstances:

- anyone injured in a motor vehicle accident, including the driver at fault, may be entitled to claim up to \$5,000 in cover using the Accident Notification Form (ANF). This covers extends to medical expenses and/or lost earnings incurred within six months of the accident;

⁵ Media Release: The Hon Duncan Gay MLC Minister for Roads and Ports Deputy Leader of the Government Legislative Council: *Motorcycle Safety Initiatives Announced*, 9 June 2011

⁶ Suncorp's Submission of 4 February 2011 to the Australian Transport Council: *National Road Safety Strategy 2011-2020; Draft for Consultation* - http://www.infrastructure.gov.au/roads/safety/national_road_safety_strategy/files/0463_stake.pdf; Suncorp's Submission of 6 May 2011 to the National Transport Commission: *Heavy Vehicle National Law - Draft Regulatory Impact Statement*;

⁷ Suncorp's Submission of 10 June 2011 to the Road Safety Advisory Council (SA): *Draft Road Safety Strategy 2020 - Towards Zero Together*

⁸ Suncorp Insurance, *Must - Have Safer Queensland Roads*, <http://www.suncorp.com.au/suncorpmotor>.

⁹ Rotary Youth Driver Awareness Program (RYDA), Educating young drivers, <http://www.suncorp.com.au/corporate/community/partnerships/ryda>.

¹⁰ AAMI Skilled Drivers, *Are you under 25? Become a safe driver*, <http://www.aami.com.au/skilled-drivers>.

¹¹ Prevent Alcohol and Risk-Related Trauma in Youth (P.A.R.T.Y.) Program, <http://www.partymelbourne.net.au/>.

- if the injuries of the driver at fault are deemed to be severe and profound, the driver may be covered under the LTCS.

In all other cases, the claims are assessed on a fault based system. That is the driver at fault is not covered under the NSW CTP scheme. Suncorp is committed to developing enhanced CTP products for its customers. Through the GIO brand, "Driver Cover Plus" is offered. "Driver Cover Plus" provides an extensive range of cover for injuries sustained by the driver at fault in a motor vehicle accident, where cover is not automatically extended. Essentially, "Driver Cover Plus" is an additional and meaningful cover that comes free with GIO CTP Insurance (for the majority of risks), which we believe is the best at fault driver cover available in NSW at no extra cost.

Further, the GIO brand is the only NSW CTP insurer to provide its customers with an information booklet about our CTP policies. This booklet aims to educate and inform our policy holders, their family and friends about how CTP works, what services and support are available, the role of the insurer and the MAA. The Information booklet is automatically distributed with all our policies.

Attached for your reference is:

- NSW CTP Insurance Driver Cover Plus – Attachment A; and
- NSW Compulsory Third Party Personal Injury Insurance Information Booklet – Attachment B.

Suncorp's CTP claims management is focussed on health outcomes and getting people back to their lives. Suncorp provides active support in the community in driving these outcomes through the following partnerships:

- Youngcare – a support service for young people with high care needs resulting from significant injuries suffered in motor vehicle accidents;¹²
- NSW Wheelchair sports, with GIO the key partner of:
 - ❖ the OZ day race,¹³ the iconic wheelchair race around the Rocks which kicks off Australia Day celebrations on Sydney's foreshore; and
 - ❖ the NSW wheelchair rugby team,¹⁴ the GIO NSW Gladiators in a game of wheelchair rugby, a fast-paced game incorporating elements of basketball, American football and ice hockey; and
- Spinal Cord Injuries Australia – Teamsafe,¹⁵ an initiative where Teamsafe Ambassadors share their emotional stories with workers around Australia to help prevent the incidence of injury and fatality in the workplace.

Conclusion

Suncorp acknowledges the MAA strives to lead and support an effective CTP scheme that minimises the social cost of motor vehicle accidents. Similarly, Suncorp acknowledges the LTCS scheme provides lifelong treatment; rehabilitation and attendant care for people severely injured in a motor vehicle accident, regardless who was at fault.

¹² Youngcare, *Suncorp goes above and beyond for Youngcare residents*, <http://www.youngcare.com.au/page.aspx?pid=575>; *Youngcare, Suncorp's Mark Reinke Vs. Wild*, <http://www.youngcare.com.au/page.aspx?pid=646>.

¹³ GIO Oz Day 10K: <http://www.australiaday.com.au/whatson/detailedevent.aspx?EventID=57>

¹⁴ GIO supports Murder Ball competition to help those with disabilities get back into life, 10 June 2011 - <http://www.gio.com.au/news/gio-supports-murder-ball-competition-help-those-disabilities-get-back-life>;

¹⁵ Spinal Cord injuries Australia, Teamsafe - <http://scia.org.au/injury-prevention-teamsafe>;

Suncorp is keen to ensure the current scheme structures remain financially robust and enhanced, if possible. Reducing the risk of motor vehicle accidents and enhancing best practice CTP claims management will assist in ensuring healthy sustainability of the CTP scheme in NSW. Apart from the social benefits of these aims, improvements in rates of motor vehicle accidents and claims management outcomes will also put downward pressure on CTP premiums, which would benefit the community as a whole.

Suncorp is keen to work collaboratively with the Committee, the MAA, MAC, LTCS and LTCSAC to explore further cost effective, targeted and outcome-based initiatives to reduce motor vehicle fatalities and personal injuries and improve CTP claims management outcomes. This includes developing both Government and insurer initiatives to confront all current road safety issues, including poor driver behaviour.

Should you wish to explore these options further, or wish to seek further clarification of Suncorp's position in relation to the matters discussed above, please feel free to contact me .

Yours faithfully

Anthony Day
Chief Executive Officer
Commercial Insurance

Cc:

ATTACHMENTS

- Attachment A – NSW CTP Insurance Driver Cover Plus; and
- Attachment B – NSW Compulsory Third Party Personal Injury Insurance Information Booklet