

**INQUIRY INTO 2018 REVIEW OF THE COMPULSORY  
THIRD PARTY INSURANCE SCHEME**

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I refer to the 2018 review of the NSW CTP scheme by the NSW Legislative Council's Law and Justice Committee. I would particularly like to comment on the scheme as it applies to motorcycles, specifically the Terms of Reference 'Reducing the cost of Green Slip Premiums'.

#### COMMENT

\*The new premium structure introduced by the former Motor Accident Authority (MAA) several years ago for motorcycles was poorly designed.

\*The price structure is primarily based on motorcycle engine capacity which has only a tenuous relationship in terms of predicting crash risk.

\*Type of motorcycle, motorcycle performance, safety features (for example, ABS and traction control) have far greater relevance to crash risk but have been completely ignored in premium calculation.

\*For example, one of the motorcycle CTP price structure categories is engine capacity 226cc to 725cc. This is illogical since it encompasses every type of motorcycle from small commuter bikes and trail bikes through to race replica motorcycles capable of extreme speeds.

\*If MAA had an understanding of research they would have at least taken into account the fitting of ABS - the fitting of which has been found by a number of studies to have crash reductions of up to 30 percent.

\*The current scheme is so unfair and lacking in any form of logic that it has resulted in a large proportion of trail bike riders simply electing to ride unregistered motorcycles.

\*The price structure for this cohort of riders is so far removed from reality that not even hefty fines for riding unregistered/uninsured act as a deterrent (other states allow trail bikes access to public roads at minimal cost through recreational registration).

\*Roads and Maritime Services (RMS) long recognised the problems with engine capacity alone when determining suitable and safe motorcycles for novice riders and as a consequence moved to a power to weight based scheme. RMS officers advised MAA at the time that their proposed structure based on engine capacity alone had little evidence base but this advice was ignored.

#### CASE STUDY

A rider has three registered motorcycles, none of which are used to carry a pillion;

1. 220cc sports motorcycle designed for going fast on roads with lots of corners.

Annual CTP cost: \$90.

2. 230cc trail bike designed for pottering around the bush.

Annual CTP cost: \$350

3. 1200cc touring motorcycle.

Annual CTP cost: \$650

Motorcycle 3. is fully equipped with safety features such as ABS, traction control, wet riding mode etc. None of the other two motorcycles have such features.

As can be seen above, the price structure is completely illogical. How the same rider could be more than seven times more likely to crash when riding motorcycle 3. as compared to motorcycle 1. is completely beyond understanding. Similarly, comparing motorcycles 1. and 2. above, how could a 10cc increase in engine capacity result in a four-fold increase in premium? This defies logic.

#### FURTHER COMMENT

Since the revised scheme was introduced, motorcycle CTP premiums in most categories have risen substantially. A further issue is that it appears that the insurance companies may be taking it in turns to have the most competitive prices, presumably because some people will just pay their renewal without checking or simply may not want to keep changing insurance companies.

#### CONCLUSION

Underpinning the MAA designed CTP scheme is an assumption that somehow more motorcycle engine capacity always equals more crashes. This has no evidence base and has been exacerbated by poorly thought through engine capacity break points.

In addition, the fitting of safety equipment such as ABS needs to be a critical factor in determining any pricing structure.

Further, CTP insurance provider profit margins and whether they are genuinely competing in the market place, needs further investigation.

#### RECOMMENDATION

The NSW motorcycle CTP scheme be benchmarked against other states and that the opportunity be taken to completely review the scheme using evidence based policy and research in consultation with stakeholders.

Paul Rees