Submission No 7

INQUIRY INTO 2018 REVIEW OF THE COMPULSORY THIRD PARTY INSURANCE SCHEME

Organisation: Motorcycle Council of NSW Inc

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2018 review of the Compulsory Third Party Insurance Scheme

June 2018

MOTORCYCLE COUNCIL
OF NEW SOUTH WALES
INCORPORATED

Submission to the Legislative Council's Standing Committee on Law and Justice

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About the MCC of NSW

The Motorcycle Council of NSW Inc. (MCC) is an internationally recognised umbrella group for motorcycle clubs, associations and ride groups, in the state of New South Wales.

Established in 1982, the MCC is recognised as the peak motorcycle representative body in NSW and Subject Matter Experts on many complex issues dealing with motorcycling including crash data and statistics, traffic data and congestion information.

The MCC has published documentation that has been referenced worldwide by overseas motorcycling and traffic bodies and has produced video training films that have been utilised and referred to by many overseas trainers, researchers and ride associations.

MCC is the peak representative body for motorcycling in the state of NSW representing over 60 clubs, with more than 41,000 riders.

We wish to thank the Legislative Council's Standing Committee on Law and Justice for the opportunity to present this submission and the views of our member clubs on the recent changes to the Compulsory Third Party Insurance Scheme.

Should you require further information on the information contained within this submission please feel free to contact the MCC.

Brian Wood

Secretary

Compulsory Third Party Premiums for Motorcyclists

The motorcycle community in NSW were shocked and disappointed to discover that reforms to the CTP scheme introduced on 1st December 2017 would not result in a reduction in or rebate for motorcycle CTP premiums, in line with reductions offered for other classifications.

The MCC subsequently sought a meeting with SIRA on 11th December 2017 where our concerns and the concerns of our members were discussed. Letters were exchanged with SIRA in March and April 2018 requesting further information supporting the decision to retain CTP premiums at current levels for motorcyclists.

When the MCC became aware of this inquiry it sought a meeting before the close of submissions so we would be able to make an informative submission. The MCC met with SIRA on Friday 15th June 2018, and there are a number of issues still remaining to be resolved to explain the premium situation.

1,400 Additional Claims Expected

SIRA claim that, on an annual basis, an estimated 1,400 riders will receive up to six months of benefits under the new scheme. MCC believes it is unlikely that the new scheme will result in 1,400 additional claims.

The Accident Notification Form (ANF) was introduced in 2008 to provide riders and drivers who were at fault an avenue to make a CTP claim. An Ernst Young report[1] states that when the Accident Notification Form (ANF) was introduced it was estimated this would add between $22 and $37 per premium. Experience has shown that the ANF scheme only added around $4 per premium.

Therefore, only about one in seven of the expected claims under the ANF scheme eventuated.

Considering the experience with the ANF scheme, the MCC does not believe it likely that the new scheme will result in 1,400 additional claims.

Now that the new scheme has been operating for over 6 months there should be sufficient information available to better estimate the number of additional claims. Many of the additional claims will be small with the claimant only receiving one or two months compensation.

Comparison of Premiums 'Old' Scheme verses the 'New' Scheme

SIRA has provided the MCC with a bar chart showing the breakdown of how an average premium is spent, see Attachment A. Note this bar chart is similar to tables used in the discussion paper on the new scheme and elsewhere. As it is an average and therefore closely representatives the average car premium, it is of little value in enabling the MCC to understand why motorcycle premiums have not been reduced.

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[1] https://www.sira.nsw.gov.au/resources-library/green-slip-resources/publications/scheme-reports/Ernst-And-Young-report-motorcycle-premium-setting-review.pdf

The MCC has asked SIRA to provide a similar bar chart containing information relating to motorcycle premiums. SIRA has not been able to do so as it claims it is too difficult.

As a result the MCC has made its own calculations of the breakdown of motorcycle premiums for the Old verses the New Scheme, see Attachment B. This chart has been discussed with SIRA.

This breakdown indicates that on average under the New Scheme 56% will go as a direct claimant benefit, which is a significant improvement on the 40% under the Old Scheme.

57% Return as benefit to an Injured Person

It is pleasing to know that under the new scheme 57 cents of every premium dollar will go as a benefit to an injured person, increased from 45 cents under the old scheme. The MCC hopes that this is set as a minimum return and that a greater percentage will be returned to injured persons as the scheme is implemented.

Monitoring the New Scheme

The MCC has asked the SIRA to provide it with regular and sufficient data so it can be reassured that 57 cents in the dollar is going as a benefit to a rider.

SIRA has provided links to its 'Green Slip Quarterly Insights' reports on its website, however, the information provided is on an all vehicles basis. For the MCC to be able to monitor the scheme as it is implemented, it requires this data for motorcycles only. The MCC has requested that this information be made available.

90% of motorcyclists "deemed to be at fault"

SIRA's website[2] explaining the new CTP scheme and why motorcycle premiums have not been reduced states:- "In 90% of motorcycle accidents, the rider is 'at fault'. This is often because there is no other vehicle involved in the accident."

The MCC is not aware of any crash data currently available which would support this percentage.

SIRA have explained that it is based on claim data adjusted so that motorcycle claims where the other driver was at fault are not part of the calculation. As the new scheme is a no fault scheme, the MCC view is this should not be used as a factor in determining motorcycle premiums.

Clawback of Insurers Profits

MCC also notes that there has been a profit adjustment for insurers from 21% under the old scheme to the legislated level of 8%.

[2] https://www.sira.nsw.gov.au/fraud-and-regulation/reforms/ctp-green-slip-reforms/how-prices-were-reduced

Given the large reduction in profit levels, which have obviously been unchecked for some time, MCC recommends that all road users are offered some evidence that Insurers profits under the new scheme are being monitored on a real time basis by SIRA.

Summary

In light of experience with the Accident Notification Form scheme (ANF) the MCC is of the view that the expected 1,400 additional claims may not eventuate.

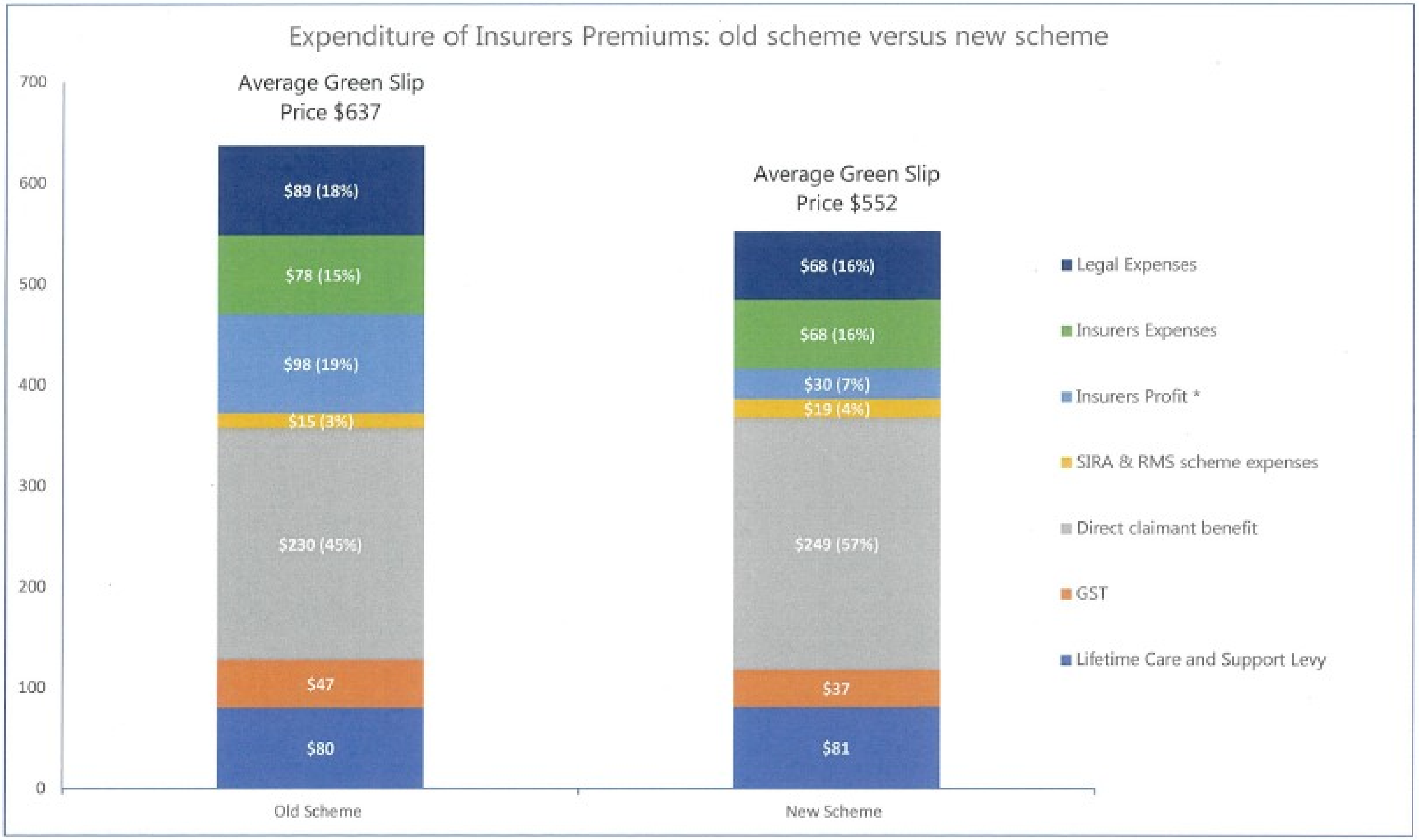
Now that the scheme has been operating for over 6 months sufficient data should be available to indicate if the trends in claims as predicted by SIRA have eventuated.

If the additional 1,400 claims are not likely to eventuate, then motorcycle premiums should be reduced and refunds made for policies taken out since 1st December 2017 and for the 12 months prior to the introduction of the new scheme.

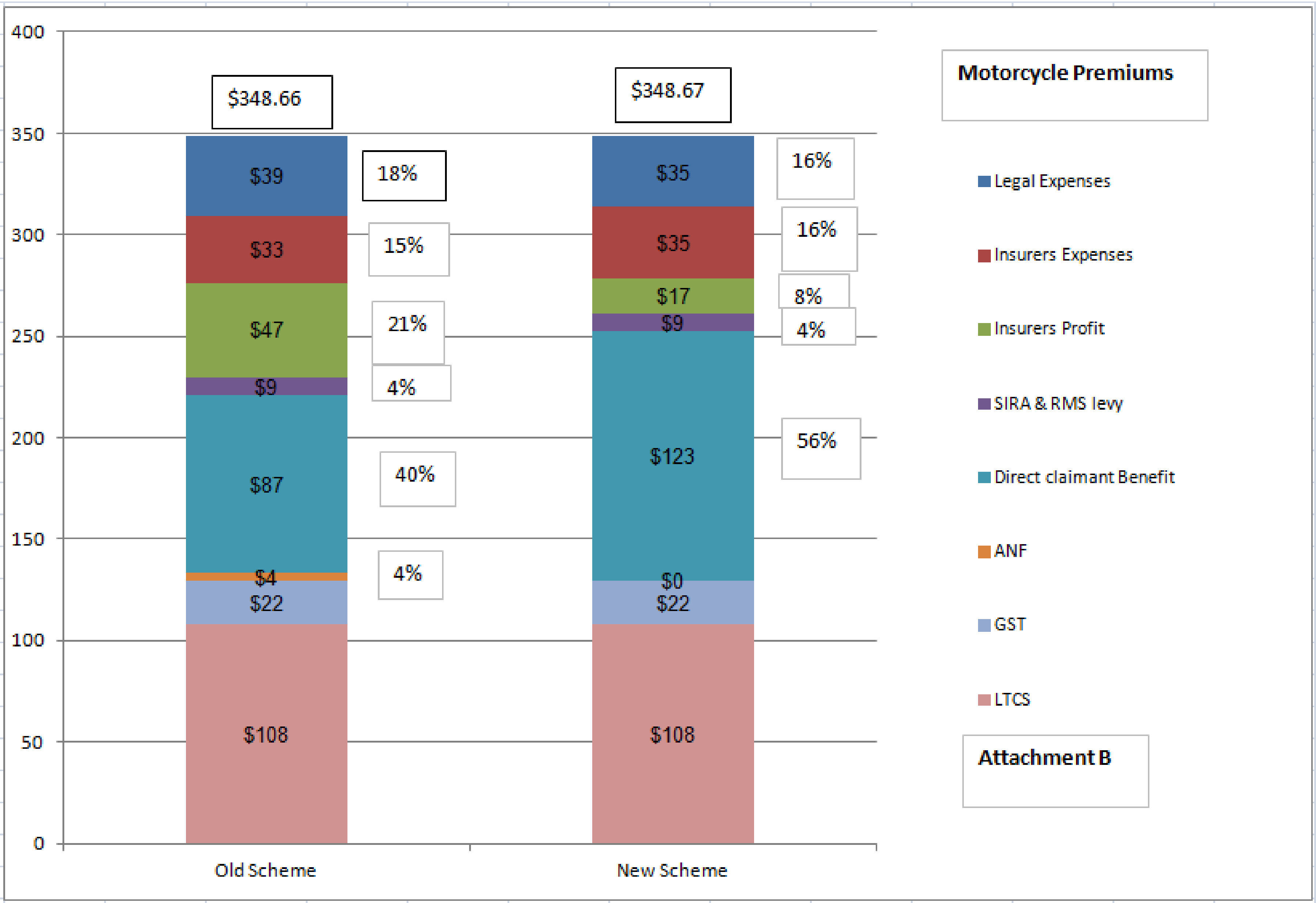
The MCC requests the ability to monitor the costs incurred in the new scheme. To do this SIRA needs to provide the MCC with sufficient and regular data so it can determine what percentage of premiums is bring returned to riders as a benefit.

Insurer profits under the new scheme also need to be scrutinised by SIRA, to avoid the high profit levels enjoyed by Insurers under the old scheme.

Figure 1: Comparison of insurers premium expenditure between the old scheme and the new scheme



* Note: Insurers profit in the new scheme is 7 percent of the combined total of Insurers' Premium and SIRA & RMS scheme expenses, or 3 per cent of the Insurers Premium (Insurers expenses, legal expenses, direct claimant benefit and insurers profit)



Motorcycle Premiums
400
350
300
250
200
150
100
50
0
$348.66
$348.67
$39
18%
$35
16%
$33
15%
$35
16%
$47
21%
$17
8%
$9
4%
$9
4%
$87
40%
$123
56%
$4
4%
$0
$22
$22
$108
$108
Old Scheme
New Scheme
Legal Expenses
Insurers Expenses
Insurers Profit
SIRA & RMS levy
Direct claimant Benefit
ANF
GST
LTCS
Attachment B