

## INQUIRY INTO 2022 REVIEW OF THE COMPULSORY THIRD PARTY INSURANCE SCHEME

**Organisation:** Insurance Council of Australia

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Insurance Council  
of Australia

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Via Email: law@parliament.nsw.gov.au

The Hon Chris Rath MLC  
Committee Chair  
Standing Committee on Law and Justice  
Legislative Council  
Parliament House, Macquarie Street  
Sydney NSW 2000

Dear Mr Rath,

## **2022 Review of the Compulsory Third Party Insurance Scheme**

The Insurance Council of Australia (“Insurance Council”), on behalf of New South Wales (“NSW”) licensed CTP insurers (“Insurers”), is pleased to provide a submission to the NSW Legislative Council Standing Committee on Law and Justice (“Standing Committee”) in relation to the 2022 review of the NSW Compulsory Third Party (“CTP”) insurance scheme (“2022 Review”).

The Insurance Council is committed to ensuring that the CTP insurance scheme (“the Scheme”) performs optimally and is implemented to best meet the needs of injured road users and the motoring public in NSW.

Insurers protect vehicle owners in NSW from liability in the event of a motor accident affecting other road users and assist injured people through the management of statutory benefits and damages claims made under the *Motor Accident Injuries Act 2017* (“the Act”). The Scheme is privately underwritten by six licensed insurers operated by five parent entities: AAMI and GIO (AAI Limited), Allianz (Allianz Australia Insurance Limited), NRMA Insurance (Insurance Australia Limited), QBE (QBE Insurance Australia) and Youi (Youi Pty Ltd).

The three-year Statutory Review (“Statutory Review”) required under section 11.13 of the Act was tabled in Parliament on 24 November 2021. The Statutory Review considered the design and terms of the Act, regulations made under the Act (“Regulations”), the Motor Accident Guidelines (“Guidelines”) issued by the State Regulatory Insurance Authority (“SIRA”) and the implementation of the Act with regard to specific key performance indicators. The Statutory Review found that overall, the Scheme is meeting its policy objectives for aspects where there has been sufficient experience to date to make an assessment.<sup>1</sup> The Insurance Council participated in a recent consultation on the Guidelines which responded to several recommendations made by the statutory reviewers (Clayton Utz and Deloitte, on behalf of the Minister for Customer Service and Digital Government). The Insurance Council welcomes further consultation on the recommendations made by the statutory reviewers and their associated cost impacts on the Scheme.

### **Premium affordability**

The recent *2017 CTP Scheme Performance Report to June 30 2021* (“2021 Scheme Performance Report”) found that market competition is contributing to the delivery of premium affordability with data

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<sup>1</sup> *Statutory Review of the Motor Accident Injuries Act 2017: Final Report*, p 129.

demonstrating significant reductions to the average premium since the commencement of the Scheme.<sup>2</sup> We note that the average CTP premium paid by all NSW passenger vehicle owners (Class 1) at 30 June 2017 was \$626, compared to \$450 at 30 June 2021, resulting in an overall average saving of \$176.<sup>3</sup>

### Statutory benefits

The Insurance Council supports Scheme mechanisms and processes that ensure that the evolving and varied needs of injured road users are centred in service design and delivery. In providing claims management for the Scheme, Insurers draw on their long-term experience in managing personal injury claims across Australia and in the general insurance market to best assist people injured in a motor vehicle accident in NSW. Insurers are well placed to harness best practice developments through leveraging commercial economies of scale and expertise in the management of claims.

Consistent with the objects of the Act, Insurers facilitate the timely provision of benefits, support and early and appropriate treatment and care through early and ongoing contact with people injured in a motor vehicle accident. Insurers speak with customers throughout the lifecycle of a claim to understand their specific needs and provide support for their recovery and return to work and life.

Insurers have supported the delivery of an increased proportion of treatment and care statutory benefits to injured road users before the lodgement of their full claim. The Insurance Council observes that early access to treatment can optimise the recovery of injured people. Recent Scheme data demonstrates that 72% of injured people accessed treatment and care benefits prior to formally lodging a claim in the 2021 calendar year, with a further 23% accessing treatment and care services within the first month after lodging a claim.<sup>4</sup> This enables injured people to self-manage their care and to access treatment and care quickly and easily.

Insurers further assist injured people in NSW by delivering early financial support by way of weekly payments for loss of income. The introduction of these payments delivers benefit to injured people by reducing financial pressures and concerns, which in turn allows for greater focus to be placed upon achieving optimal recovery. SIRA's recent *CTP Insurer Claims Experience and Customer Feedback Comparison* report identifies that in the year from 1 April 2021 to 31 March 2022, 65% of injured people entitled to income support were receiving benefit payments within one month of lodging their claim, with a further 29% receiving income support payments within 13 weeks.<sup>5</sup>

The Insurance Council supports the extension of the current statutory benefit period of 26 weeks to better enable the Scheme to provide ongoing support to injured people and optimise their recovery. We submit that extending the statutory benefit period would reduce the instances of support being withdrawn prior to a customer achieving a full recovery and return to work and minimise the probability of protracted disputation relating to the determination of fault and liability. The Insurance Council supported this proposal throughout the course of the Standing Committee's reviews in relation to the 2020 NSW CTP Scheme.

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<sup>2</sup> *2017 CTP Scheme Performance Report to June 30 2021 Motor Accident Injuries Act 2017*, State Insurance Regulatory Authority, July 2022, p 9.

<sup>3</sup> *Ibid*, p 4.

<sup>4</sup> *CTP Insurer Claims Experience and Customer Feedback Comparison – 31 March 2022*, State Insurance Regulatory Authority

<sup>5</sup> *Ibid*

## Internal review

The Insurance Council considers that internal review facilitates the achievement of several important customer service benefits, including facilitating access to a simple, cost effective and efficient dispute resolution system without the need for legal representation or escalation to the Personal Injury Commission (PIC).

We note that the internal review process can facilitate the provision of additional information and introduces a further decision-maker to determine the dispute which advances the objectives of fair and just outcomes. The Insurance Council considers that the internal review process also allows for continuous improvement in insurer decision making and is operating as intended by the design of the Scheme.

Recent data derived from the 2021 Scheme Performance Report demonstrates that since the commencement of the Scheme to 30 June 2021, 77% had the initial claim decision affirmed.<sup>6</sup> The majority of internal reviews related to minor injury and whether treatment and care was reasonable and necessary for the purposes of the Act. The 2021 Scheme Performance Report demonstrates that from the commencement of the Scheme to 30 June 2021, the original decision was affirmed in 87% of determined minor injury reviews.<sup>7</sup> With respect to internal reviews regarding whether treatment and care is reasonable and necessary, 71% of the original decisions were affirmed in the same period.<sup>8</sup>

The Insurance Council appreciates the opportunity to contribute to the review of the Scheme.

Yours sincerely

### **Andrew Hall**

Executive Director and CEO

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<sup>6</sup> 2017 CTP Scheme Performance Report to June 30 2021 Motor Accident Injuries Act 2017, State Insurance Regulatory Authority, July 2022, p 21.

<sup>7</sup> Ibid, p 21.

<sup>8</sup> Ibid, p 21.