



19 April 2013

Mr Andrew Nicholls  
General Manager  
Motor Accidents Authority  
Level 25, 580 George Street  
Sydney NSW 2000

Dear Mr Nicholls

## **Reforms to the NSW Compulsory Third Party Green Slip Insurance Scheme**

The Actuaries Institute ("Institute") is the sole professional body of actuaries in Australia. It represents the interests of over 4,000 members, including more than 2,000 actuaries, providing independent, expert and ethical comment on public policy issues where there is uncertainty of future financial outcomes. Actuaries have played an important and long-standing role in New South Wales CTP including:

- Providing actuarial reports accompanying a licenced insurer's filed premium rates;
- Providing independent certification that proposed premiums, in aggregate, meet the Fully Funded test set out in section 27(8) of the Motor Accidents Compensation Act 1999; and
- Assisting the Motor Accidents Authority in fulfilling its roles and responsibilities.

Actuaries assess risks through long-term analysis, modelling and scenario testing across issues in a wide range of areas including enterprise risk management, general insurance, life insurance, health financing and disability.

Our contributions to public policy are guided by the following principles:

- The need to take a long term policy view, with appropriate transitional arrangements;
- Ensuring that consequences of risk taking behaviour are borne by the risk taker;
- Public sector involvement where the market does not meet societal needs;
- Equity between generations; and
- Clear and reliable information available for decision making.

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## Principles for reform

NSW Government has outlined its principles for reform of the NSW CTP (green slip) scheme. These principles of reform and Government's proposed scheme design are aimed at driving better health outcomes, efficiencies, competition, predictability and consistency across the scheme. Benefits will be extended to compensate people injured in motor vehicle crashes regardless of fault. We are excited by some of the opportunities for improvement presented by this reform and are very interested to work with the relevant parties to assist in its design and implementation.

The detailed scheme design that will sit behind these high level principles is yet to be released. Therefore, comment on detailed design elements cannot be made at this time. Nevertheless, the Institute supports reform of the NSW scheme that achieves better health outcomes, efficiencies, competition, predictability and consistency.

Further comments on selected elements of scheme design are provided below.

### Specific responses to elements of scheme design

*Universal cover - extending cover to those at fault:* The Institute agrees with extending eligibility to compensation regardless of fault. Government has stated that health outcomes are optimised when assistance is provided as soon as possible. Extending speedy access to appropriate assistance to at fault drivers is consistent with improving recovery and hence reducing current costs to society.

*First party cover – lodging a claim with the insurer of the vehicle in which the injured party is travelling:* The Institute is supportive of the Government's proposal insofar as the scheme is simplified for the claimants as a result. The Institute reiterates support for consequences of risk taking behaviour being borne by the risk taker. The Institute acknowledges the need to balance these two issues (simplicity and ensuring risk taking consequences) in order to reduce long and costly disputes so that compensation gets allocated to those who need it most. We look forward to seeing how this balance is achieved in the detailed design phase that Government sets out.

*Payments made sooner based on need – consistent with compensation and rehabilitation irrespective of causation.* The institute supports this policy as it is consistent with long term policy in the disability and accident compensation sectors.

*Simpler claims system – removing some complexity around claim lodgement:* The Institute is supportive of this element of scheme design to the extent that it assists with earlier treatment and improved health outcomes.

*Common law will be retained for some –* The Institute does not provide a specific position on retention of common law. However, the Institute is supportive to the extent that common law allocates the consequences of risk taking behaviour to the risk taker.



*A simpler scheme with fewer disputes* – The Institute has no specific position in respect of this element of scheme design.

*Some reform to premiums needed* – Actuaries are engaged by both licensed insurers and the MAA and are well placed to assess premium design changes required for the proposed scheme to deliver on Government's principles for reform and to understand trade-offs between equity and affordability.

### **Continued role of actuaries**

The Institute supports a continuing role of its members in advising insurers, the MAA and government on issues of premiums, premium equity and long term public policy.

We would be happy to discuss the current reforms with the MAA, responsible Minister or advisors and look forward to further engagement with the MAA through this exciting reform. Please do not hesitate to contact Melinda Howes, Chief Executive Officer of the Actuaries Institute on (02) 9239 6106 or email [melinda.howes@actuaries.asn.au](mailto:melinda.howes@actuaries.asn.au) if there is any way we can assist.

Yours sincerely

John Newman  
President