



**National
Motorcycle
Alliance**

SUBMISSION

NSW CTP REFORM OPTIONS REVIEW

Submitted by David Cooke

General Manager

National Motorcycle Alliance

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We would like to take this opportunity to congratulate Minister Dominello for undertaking this review into CTP insurance in NSW, and we appreciate the opportunity to contribute to the process. Review and change to the scheme is long overdue, as the NSW system has become overly cumbersome, litigious, inefficient, and fails in its primary aim to take care of injured people and assist their recovery.

This is obviously a subject close to the hearts of motorcyclists, as we are among those road users often referred to as “vulnerable”.

The National Motorcycle Alliance is a not for profit organization that supplies services to the motorcycle community, such as roadside assistance for mechanical breakdowns, as well as access to insurance for motorcycle social groups for events, etc. Our financial membership is in excess of 12,000 riders.

We recently undertook an online survey of our NSW members on the subject of CTP insurance in NSW, and received responses from over 700 riders. It is those responses, as well as the views we receive in letters and other correspondence, that will provide the basis for our suggestions in this submission. We will also include the results of the survey itself for your perusal.

We take great pride in being able to physically represent the views of actual NSW motorcyclists in our submission.

FAULTS WITH THE CURRENT SYSTEM

The current NSW CTP insurance system is failing the people of NSW. Its primary aims should be simple. To provide support to injured people and assist them to maintain their economic and physical wellbeing until they can get back to their normal life, where that is possible.

Sadly, as pointed out in the recent Report of the Independent Review of Insurer profit within the NSW CTP Scheme, the scheme is failing badly in numerous areas. Claims are processed slowly. Claims are disputed by insurers, forcing injured people into needing legal representation and long expensive legal actions. Payouts are slow, leading to the potential for devastating financial effects on injured people. The Victorian TAC scheme delivers a claims completion rate more than double that of NSW within the two years of an accident. That suggests the current system is badly broken, and failing the people of NSW

Every year the Insurers submit filings with plans for a profit of around 8% on average. But as the recent review showed, they regularly end up receiving profits of 20%.

The only thing the NSW CTP scheme does with any efficiency at all, is deliver extortionate profits to the insurance companies who participate in it.

The NSW Government forces its citizens to participate in this insurance scheme if they want to own a vehicle. It is the **ONLY** form of insurance that we are *forced* to pay for. Given that, it is incumbent upon the NSW Government to ensure that we have a system that looks after the people of NSW, not the insurers, and the system must deliver value for the people of NSW, and the economy of NSW by getting injured people back to their normal lives as quickly as possible, where they are able to do so.

THE PRIMARY ISSUE

At the very core of the problems with the current scheme, and the beginning of any solution, is the question of scheme underwriting.

This scheme isn't like other forms of insurance. It's not about replacing damaged cars, or houses, of insuring businesses against loss. This is about people's lives, and helping them at a time when they are at their most vulnerable.

Yet the prime motive for the insurers, is profit. To increase profits, you cut costs. That means trying to reduce payouts. The result of this is something we see regularly. Refused and disputed claims, slow payouts, dragging injured people through long and costly court processes until they eventually give up and accept a settlement, which by that stage will end up in the pockets of the lawyers (and the lawyers who work for the insurers).

This is compulsory insurance that we are forced to participate in by the Government. It should be a scheme run for the people of NSW, underwritten by the people of NSW, with any profits going back to the people of NSW.

The current model does not benefit the people, but benefits the insurers, to the detriment of the people.

It is our position that NSW must move to a publicly underwritten model, similar to that run in Victoria. That will immediately solve a number of problems within the system.

With a Publicly underwritten model we will see much faster claims processing, much lower legal costs, a much higher % of premiums returned to injured people, faster rehabilitation, less financial despair for injured people, and the economic benefits for NSW that come from people getting back to work sooner.

Having insurance companies involved in the scheme has proven to work against the aims of the scheme.

FAULT VS NO FAULT

It is our position that NSW should move to a No Fault scheme as exists in other States, such as Victoria.

By doing so, many injured people who currently suffer huge economic loss due to single vehicle accidents, could be assisted, reducing the strain on the public health budget, and contributing the NSW economy by getting those people back to work sooner.

CONTRIBUTORY NEGLIGENCE

Attempting to reduce a payout for an injured party due to contributory negligence should only apply where criminal driving infringements can be proved, such as drink driving, drug driving, deliberate acts, etc.

We currently see insurers trying to reduce claims for motorcyclists using contributory negligence arguments that are often spurious, such as claiming that injuries *might* have been reduced had the rider been wearing better safety equipment, even though the accident was completely the fault of the other party involved in the first place. This is totally unacceptable.

COMMON LAW VS DEFINED BENEFITS

Having not corresponded with our members on this particular aspect of CTP, we make no formal representation on this subject.

However we would point to the Victorian TAC model as one that operates effectively from our point of view.

LEGAL COSTS

Often we see the legal costs inherent in the system blamed as one of the reasons for premium levels. We would contend that the reason the legal costs are so high is due to insurers refusing

claims and relying on the cost of resolutions under common law to pressure injured persons to relent on their claims and either give up or accept lesser settlements.

We believe the underwriting model itself is the cause of the legal costs, and moving to a publicly underwritten model will remove much of those costs.

COMPETITION

There are only a handful of “brands” operating in the CTP insurance space, but given the centralized ownership of those brands, we do not believe that competition truly exists in the market, removing one of the main arguments for privately underwriting the scheme.

Without competition driving down premiums, there is little point having multiple insurers involved, and this again suggests we should move to a publicly underwritten model.

CONCLUSION

We agree with the stated aims of the scheme as outlined in the Options Paper. The scheme should be aiming to deliver timely, appropriate payments, with minimal premiums, maximum return to participants and good fraud protections.

The best way to deliver these aims is to move to a publicly underwritten scheme.

Our preferred model would be based on the Victorian TAC system, managed under the control of SIRA. It should be a no fault scheme that maintains cross subsidies for more vulnerable road users such as motorcycles to maintain premium price equity.

Profits can be returned to the people of NSW in the form of road safety initiatives.

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