



Motor Accidents
Authority



Reforms to the NSW Compulsory Third Party Green Slip Insurance Scheme

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Information on the latest laws can be checked by visiting the NSW legislation website legislation.nsw.gov.au

This publication does not represent a comprehensive statement of the law as it applies to particular problems or to individuals or as a substitute for legal advice.

You should seek independent legal advice if you need assistance on the application of the law to your situation.

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1. How the Green Slip Scheme works

Every year, around five million vehicle owners in NSW purchase a Green Slip before being able to finalise their vehicle's registration. The Green Slip, or Compulsory Third Party (CTP) insurance, is generally the most expensive part of vehicle registration.

CTP insurance policies cover a vehicle owner for any liability from injuries caused by their vehicle, regardless of who was driving it. This includes injuries to passengers, the drivers and passengers of other vehicles, pedestrians and cyclists.

Without CTP insurance, the at fault vehicle owner would personally have to pay for the liabilities arising from such injuries and if they could not, injured people could be left without recourse for their loss. This is why it is important that CTP insurance is compulsory.

A person injured but not at fault in an accident can make a claim for a range of benefits, including medical and related costs, past and future economic loss, and, in the case of those whose injuries are greater than 10% whole person impairment threshold, payments for 'pain and suffering'.

The Green Slip also provides some benefits for the at fault driver, including the first \$5,000 of expenses and access to the no fault Lifetime Care and Support Scheme (LTCSS) for anyone who is catastrophically injured. The Scheme also pays for all ambulance and public hospital expenses irrespective of fault. Children under 16 years old are entitled to claim treatment, rehabilitation and care costs regardless of fault.

Currently Green Slips are sold by five competing insurance companies which operate seven CTP licenses or brands. These are AAMI, Allianz, CIC-Allianz, GIO, NRMA, QBE and Zurich.

These insurers are responsible for setting Green Slip prices and paying out benefits if there is a claim. In NSW, insurers operate competitively and are allowed to offer different prices within limits, depending on a vehicle's risk factors, similar to comprehensive insurance.

The Green Slip price is comprised of the CTP premium retained by the insurer to pay claims, a government levy (the Medical Care and Injury Services or MCIS levy including the Lifetime Care and Support Authority (LTCSA) and the Motor Accidents Authority (MAA)) and GST.

The Scheme is regulated as required by the Motor Accidents Compensation Act 1999 and administered by the MAA.

Fast facts – NSW Compulsory Third Party Green Slip Scheme

	2007	2012
Number of vehicles requiring Green Slips ¹	4.3 million	4.9 million
Annual premiums collected (ex GST) ²	\$1.3 billion	\$1.8 billion
Number of claims (full and Accident Notification Forms) ³	10,900	13,937
Number of claims per 10,000 vehicles ⁴	25	29
Propensity to claim ⁵	41%	52%
Average premium (all passenger vehicles ex GST)	\$313 ⁶	\$518 ⁷
Affordability ⁸	28%	37%
Number of disputes (medical, assessment, court) per annum	7,283	7,370
Scheme efficiency – average 2000-2010 ⁹	50%	

1 Number of registered vehicles for the year ended 30 June

2 For the year ended 30 June from MAA annual report

3 Estimated ultimate number of claims (including claims incurred but not reported claims) for accident year ended 30 June

4 For the accident year ended 30 June, number of claims = ultimate number of claims from note 3

5 For the accident year ended 30 June, propensity to claim = ultimate number of claims from note 3 / number of road casualties

6 For the financial year ended 30 June 2007

7 From 1 February 2013, calculated from insurers' latest rate filing approved by the MAA

8 Average passenger vehicle premium excluding GST as a percent of average weekly earnings

9 Average efficiency of the NSW CTP Scheme from 2000 to 2010

2. Why the NSW Green Slip Scheme needs to change

The need to establish fault means the NSW CTP Scheme is essentially adversarial. In general, the injured person must prove someone else was at fault to receive benefits. By comparison, the Victorian CTP Scheme is no fault and premiums are considerably less expensive.

Every year, there are about 7,000 people who cannot access more than the first \$5,000 of benefits because they cannot prove the fault of another party. Their care and recovery may be compromised. This includes drivers in single vehicle accidents.

In order to claim benefits, the injured person must lodge a claim with the insurer of the vehicle most at fault and provide the insurer with details of the accident, their injuries and losses.

Once all the details of the injury have been established, the insurer is required to make you an offer of settlement. There may be disputes over liability, the extent and cause of injury and the settlement amount.

The negotiation and dispute processes are often costly and protracted. In NSW, very little is paid to injured people in the first year after an accident. Only medical expenses are paid on the way. Generally, the majority of the compensation is paid out between three and five years after the accident. This means that unless severe hardship can be established, funds are not received by injured people when they need it most and would be most effective in assisting with a quicker recovery. Many disputes will end up in a formal assessment process or in court, which is frequently very stressful for injured people, contributing to secondary injuries.

There is little incentive for the injured person to get better. The continuing need to prove disability or incapacity perversely discourages quick recovery as this tends to equate to reduced payments, creating a lump-sum compensation mind-set.

Compensation can also be reduced if it is determined that the injured person was partially at fault in the accident. Many people take a long time to reach an agreement as to their future needs and entitlements, only to have this amount reduced because they were considered partly at fault. For many such people, their ongoing needs arising from injury are not met despite a protracted claiming process.

Many of the payments made by insurers are not benefits to claimants. These include medical assessments and legal costs.

Because of the complexity and adversarial nature of the Scheme, and because many claimants have never dealt with formal dispute resolution processes, many engage a lawyer to help them with their claim. The system deters unrepresented claimants.

Since 1999, more has been spent on lawyers in the NSW Scheme than on medical and related treatment costs (excluding care) for injured people. The complex system also dissuades many people from making a claim in the first place, with only around half the people who could make a claim actually doing so, while others may simply give up or give in during the process, perhaps receiving sub-optimal benefits.

Fault-based schemes can be said to help uphold the principles of justice and fairness, by providing compensation for the wrongdoings of others and withholding benefits from those at fault. Some believe that this provides an incentive for people to drive safely, however because risk is effectively contracted out to the insurance company, there is little evidence that the price of a Green Slip influences driver behaviour.

Instead, as the case studies below show, the complex technicalities of the current Scheme lead to disputes and unnecessary costs and delays, which do not help the injured person but increase Green Slip premiums.

CASE STUDY:

A recently resolved claim from a an injured person hit by a car incurred costs to the Scheme and the MAA of about \$200,000 for legal, investigation and assessment expenses. This is more than the \$160,000 the claimant was awarded. The claim took eight years to resolve as there were five different medical disputes and several review applications lodged, resulting in almost 30 medical assessments and conferences.

CASE STUDY:

A motorcycle rider was involved in an accident due to the road conditions. The rider sustained serious injuries. Under the current fault based Scheme the rider was not entitled to recover damages as there was no other at fault vehicle involved in the accident. Investigation and legal costs by the insurer were around \$30,000 defending against the claim to prove that the claimant did not have a case. The claimant also spent an unknown amount on legal expenses.

CASE STUDY:

An injured person lodged a claim four months late as the impact of the injuries was not immediately apparent. The insurer denied the claim on the grounds that the explanation for the late claim was not 'satisfactory'. An independent assessor from the MAA's Claims Assessment and Resolution Service (CARS) ultimately found a late claim could be made 18 months after the initial claim. The personal cost to the claimant of the late claim dispute was \$7,000 and the cost to the Scheme was \$45,000. The total costs for this late claim amounted to over \$50,000 simply to determine whether a claim can be made. This claim is still open.

2.1 Green Slip prices are too high

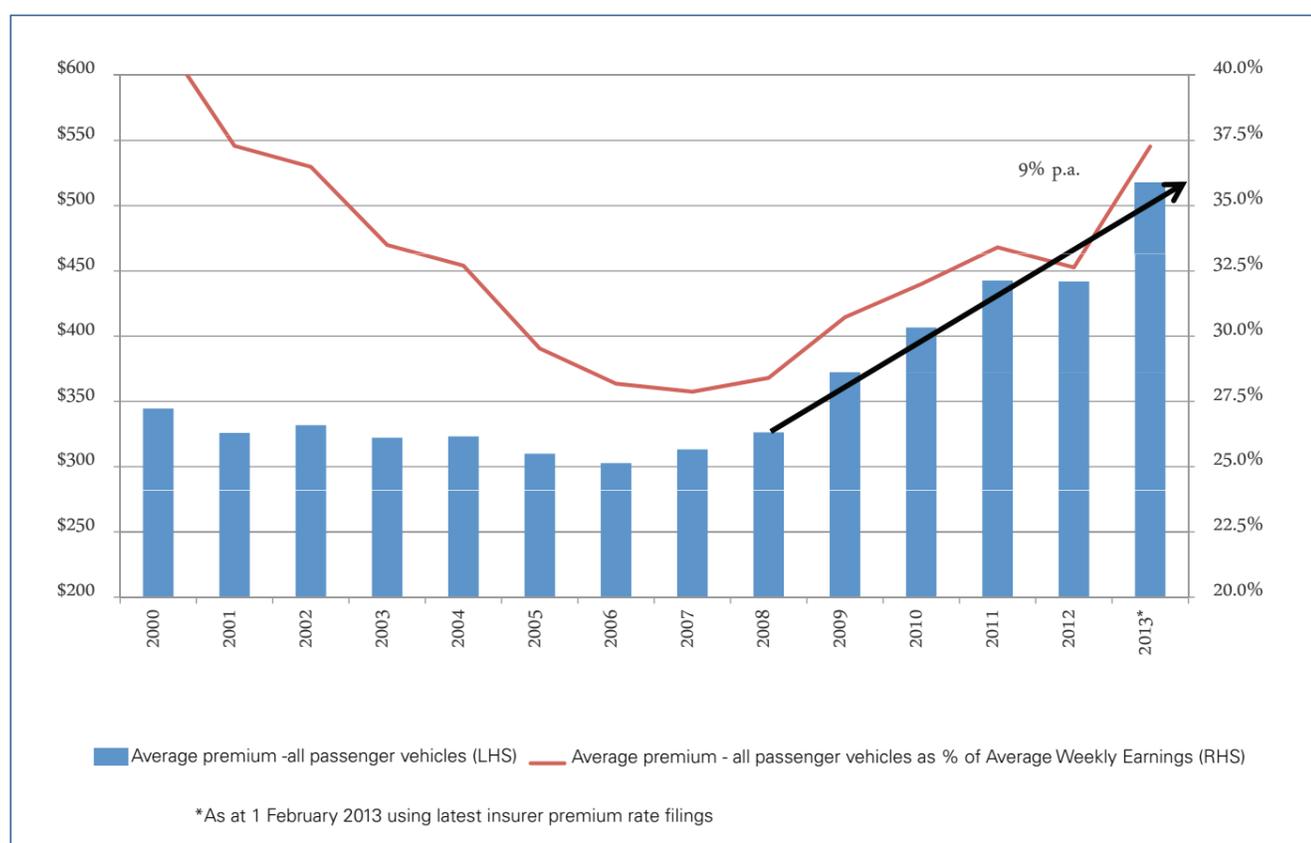
Green Slip prices in NSW have increased significantly since 2008 and at present, the average Green Slip price is high compared to other Australian states and territories. Prices have risen by around 70% since 2008.

In part this is because benefits in NSW are comparatively more generous than some other states and territories.

However the affordability of a Green Slip in NSW is worse than in other states and territories.

Affordability is measured by comparing the cost of a Green Slip with the average wages of a worker. When measured against average weekly earnings (AWE), the price of a NSW Green Slip has increased from around 28% of AWE in 2007 to around 37% of AWE in 2013, compared to Victoria which is only 27% of AWE.

Compared to other states, NSW is the least affordable jurisdiction. NSW is marginally less affordable than South Australia which is undertaking a major review of its CTP Scheme and is expected to reduce its prices dramatically.



Premium affordability by state

State	Price (\$)	% Avg Weekly Earnings	Underwriter	Benefits	Claims Management
NSW	\$518	37%	Private insurance companies	Modified common law Hybrid. Fault-based with no fault for catastrophic injury, under 16 years old and costs under \$5,000	Private insurance companies
SA	\$470	37%	Government	Common law with statutory limits Fault based	Outsourced
ACT	\$526	32%	Private insurance companies	Common law Fault based	Private insurance companies
NT	\$456	31%	Government	Statutory benefits No fault	Government
VIC	\$362	27%	Government	Statutory benefits plus modified common law for serious injury No fault	Government
TAS	\$319	26%	Government	Statutory defined benefits with restricted common law rights No fault	Government
QLD	\$299	22%	Private insurance companies	Modified common law Fault based	Private insurance companies
WA	\$247	16%	Government	Common law Fault based	Government

*CTP premiums quoted are for all passenger vehicles effective 1 February 2013 including levies and duties but excluding GST and ITC loadings. Data has been sourced through jurisdiction agencies and a range of publicly available Scheme reports. Adjustments have been made to align the comparisons on the same basis as feasible.

While NSW Green Slip prices have been impacted by decreasing returns on the funds, insurers need to invest because of the very low interest rate environment. Comparisons with other states and territories show that other schemes are better designed and performing better, even in the same difficult economic climate.

The CTP Scheme actuary's independent cost estimates of the proposed Scheme design shows that the design will result in significant immediate savings and more stable and predictable claims costs over time. As a consequence this will lead to stable premium increases, more consistent with normal inflation, and increased premium savings to vehicle owners over time compared to the existing Scheme.

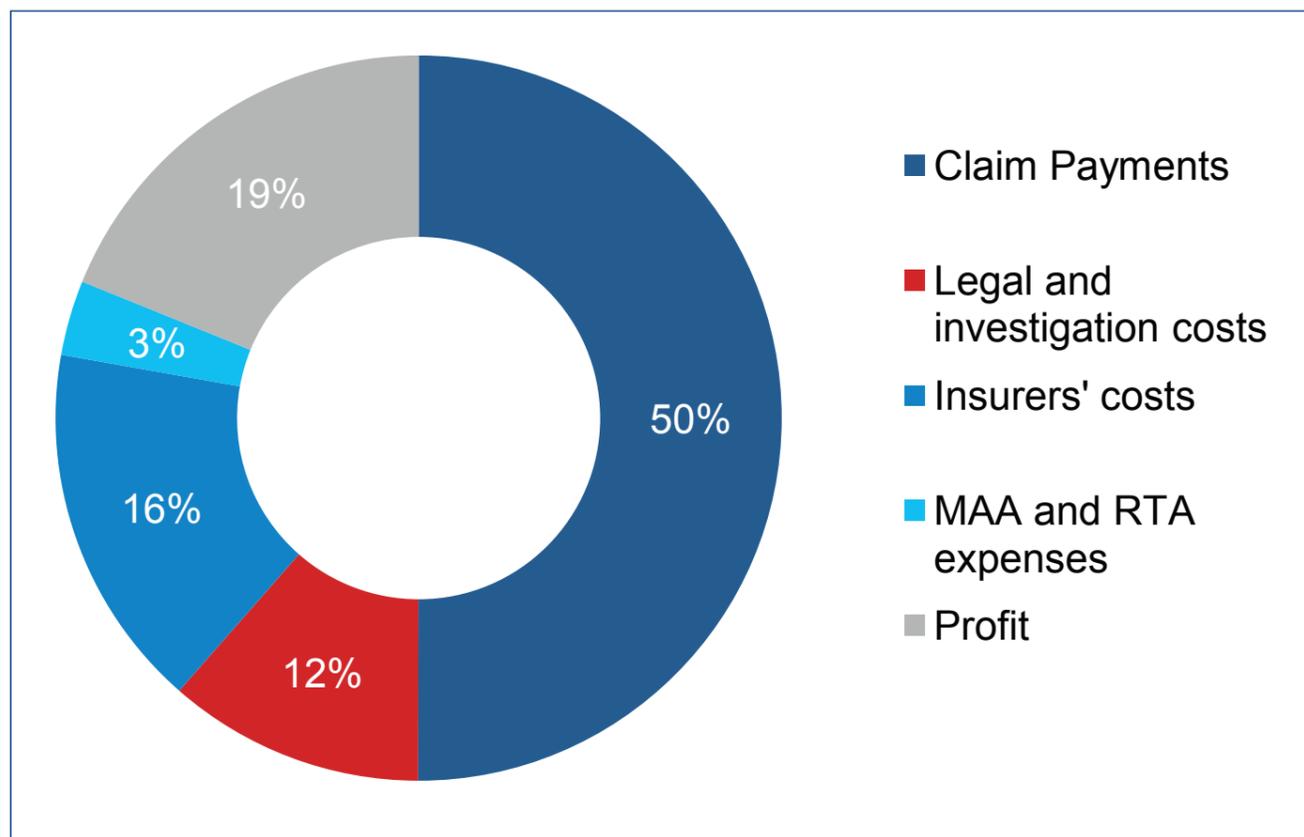
2.2 The Scheme is highly inefficient

Over the last 10 to 15 years, the Scheme is proving to be excessively expensive to operate.

Since 1999, the proportion of dollars in the CTP Scheme (excluding LTCSS) going to claimants has averaged at 50% of money collected¹ from vehicle owners. That is, **50 cents from every single dollar**

collected by CTP insurers from vehicle owners since 1999 has found its way to injured people. If additional legal costs (known as contracted out legal costs) over and above the amounts payable under regulated schedules are taken into account, the efficiency of the Scheme is even more parlous.

Average NSW CTP Scheme Efficiency 2000 to 2010



The main reasons for the inefficiencies are insurers' expenses (such as acquisition costs), higher than predicted profit margins because of the uncertain nature of the Scheme, and legal and other overhead expenses involved in negotiating and disputing settlements.

When NSW CTP insurers lodge their prices with the MAA they estimate that if the current Scheme operated at full efficiency, there would only be about 58 cents in the dollar for injured people. Even this current estimate of the NSW CTP Scheme efficiency is still low compared to other accident compensation schemes which typically return at least 65 cents in the dollar to injured people and often even more.²

Smaller claims whose total value is less than \$50,000, particularly those with legal representation, are the least efficient. The proportion paid to the injured person in such cases, based on previous surveys, could possibly be less than 30% for legally represented claims under \$50,000, if all legal costs are taken into account.³ The actual cash in hand retained by the injured person is not known because these arrangements are a private matter between the claimant and lawyer.

Legally represented smaller claims have been responsible for most of the increase in claims frequency in recent years. The number of CTP claims for minor severity injuries that involve legal representation have increased by about 40% since 2008.

^{1,2,3} Ernst & Young, NSW CTP Scheme Performance Update, 2012

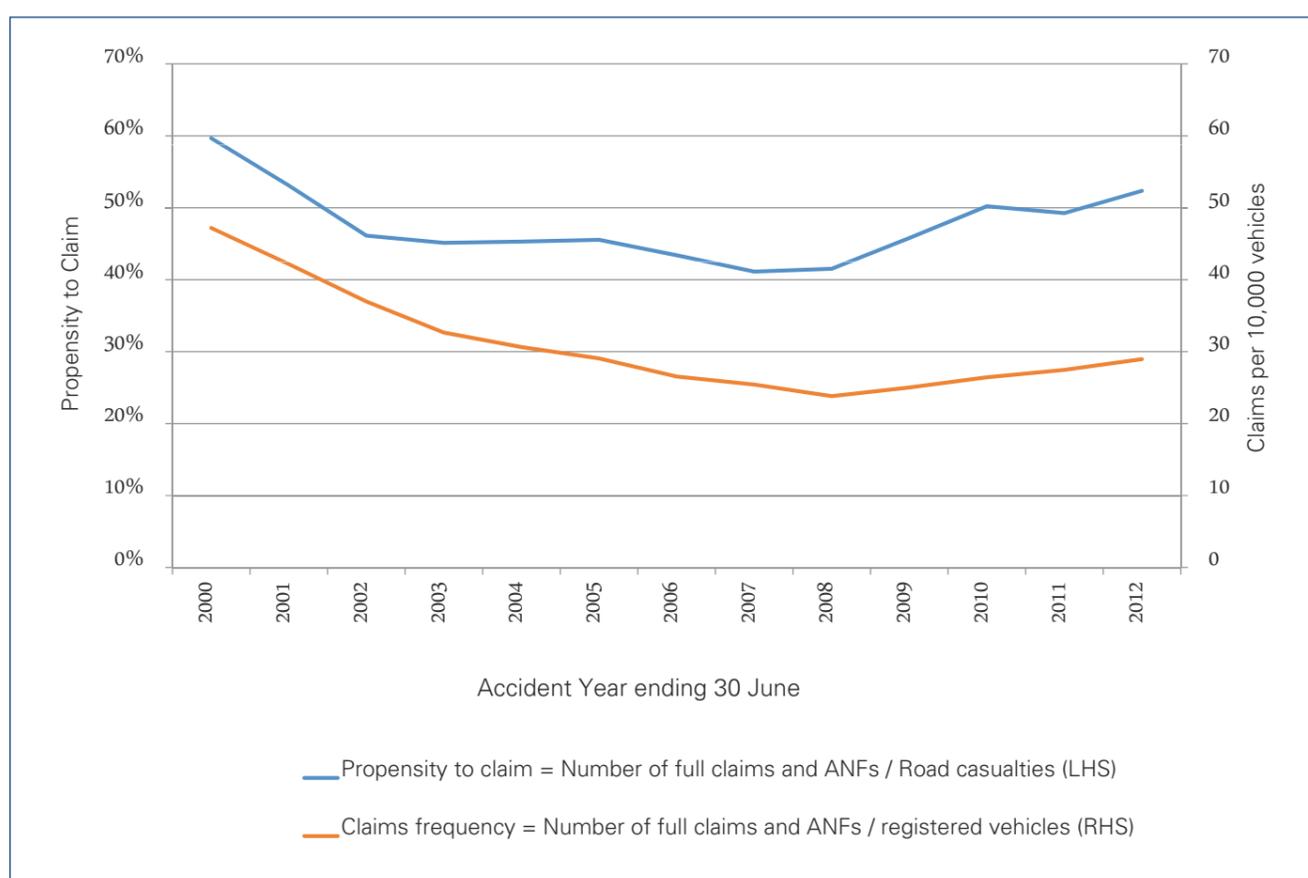
2.3 Claim frequency and propensity are increasing

Increases in Green Slip prices have been put under further pressure by claim frequency which has increased every year since 2008, after many years of falling frequency. The increase in full claim numbers (excluding not at fault claims up to \$5,000) over four years has exceeded NSW road casualties by 13%. The increase in claim numbers disproportionately relates to minor injuries.⁴

Small claims are costing the Scheme proportionally more than they do in other state schemes, with resulting upward pressure on premium prices. Part of the problem is that the complex system of claiming and negotiations is the same irrespective of the size of the final payment to the individual.

An increasing number of people with small claims are receiving payment for care and domestic assistance. The proportion of claim costs directed to care is now almost as large as medical and related costs – growing from 5% to 13% of claims payments over the last 11 years. This is also putting increasing pressure on Green Slip prices.⁵

Given these trends, there is a real risk that the Scheme will become unsustainably expensive and fail to deliver a competitive and reasonable price. Furthermore, the poor efficiency and increasing cost of minor injury claims calls into question the extent to which the Scheme is delivering effective support and care to those who need it most.



CASE STUDY:

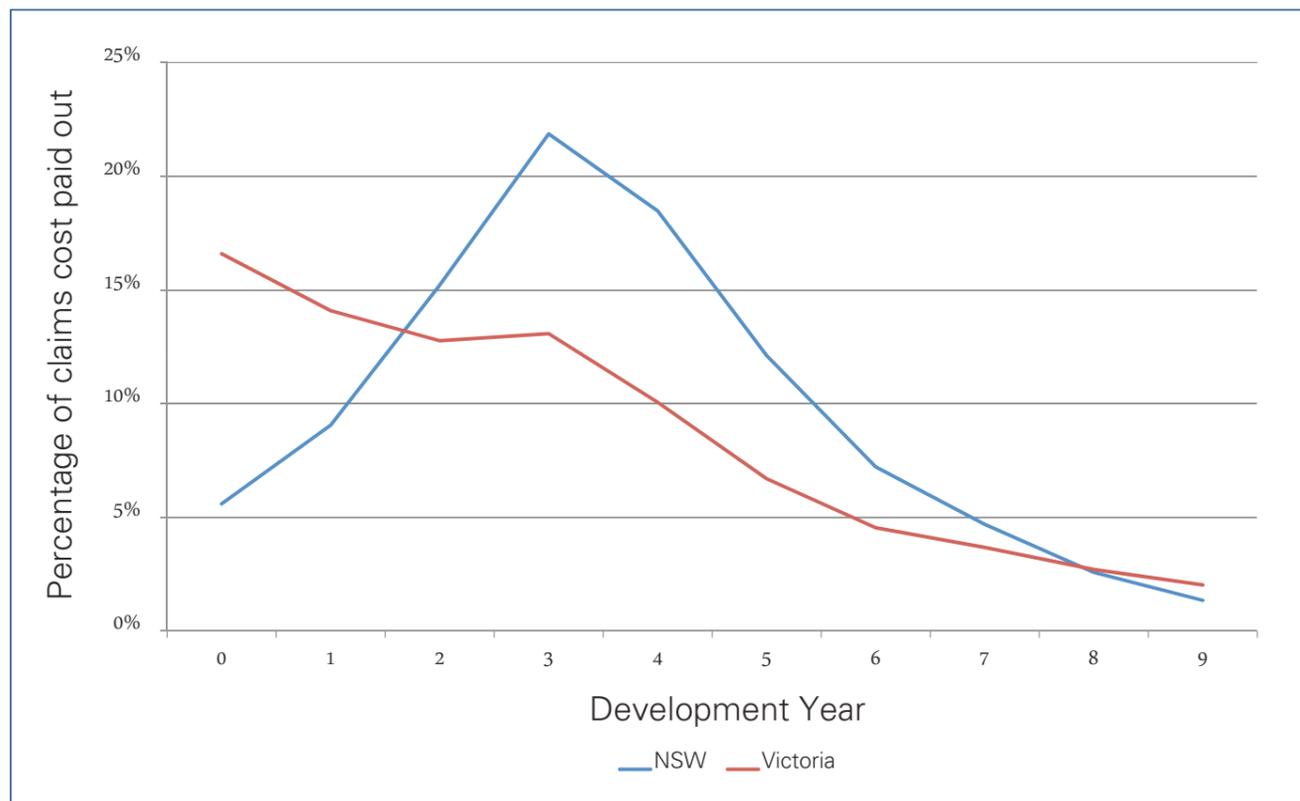
A pedestrian was knocked down while walking on the footpath. The claim took more than five years and numerous doctors' appointments before it was resolved. The total damages awarded were \$6,000 for past treatment. Legal and investigation costs amounted to about \$50,000 during the course of the protracted claim. Further costs of almost \$10,000 were incurred by the MAA for multiple assessments and settlement conferences. On top of the \$60,000 in costs to the Scheme, the claimant would also have paid their own legal costs for just \$6,000 to recoup medical expenses.

^{4,5} Ernst & Young, NSW CTP Scheme Performance Update, 2012

2.4 Delayed payment of benefits

The NSW CTP Scheme typically makes the majority of payments three to five years after the injury, which is significantly later than other schemes. The following graph compares the cash flow profile between the NSW CTP Scheme and Victorian Scheme in a given accident year.

In the Victorian Transport Accident Scheme, significantly more is paid out within the first two years (approximately 30% of all claims payments occur in the first two years post-injury) than the NSW CTP Scheme. In NSW the majority of benefits (approximately 52%) are paid between three to five years after the accident.



CASE STUDY:

A claim involving moderately severe injuries has been running for more than a decade and has involved almost 30 conferences, medical assessments and reviews as most decisions have been challenged, despite the findings of whole person impairment of between zero and 5%. The insurer has spent \$130,000 to date and the MAA has spent more than \$12,500 on assessments. The injured person has also spent an unknown amount on legal expenses.

2.5 NSW compared with other states

Because some jurisdictions have much lower benefits, it is likely that some states will always be more affordable than NSW. The objective for reform does not involve NSW reducing its benefits to the lowest common denominator.

The experience in other states shows that it is possible to operate no fault schemes much more effectively and efficiently.

The development of a National Injury Insurance Scheme shows that the national trend is towards no fault type schemes, and the Productivity Commission has concluded that no fault schemes are overall superior to fault-based schemes.

“Overall, no fault systems are likely to produce generally superior outcomes compared with fault-based systems. This assessment is consistent with the findings and recommendations of past official inquiries and reports that have investigated the matter.”⁶

CASE STUDY:

The Transport Accident Scheme in Victoria has operated since 1974 and has been managed by the Transport Accident Commission (TAC) since 1986. The Victorian scheme is essentially a no fault scheme. This means that medical and non-medical expenses are paid to all those injured in a motor vehicle accident - regardless of who caused the accident. For those who are more seriously injured, access to the common law is available. Lost income payments are made fortnightly and other expenses are paid as they are incurred.

The *Victorian Transport Accident Act 1986* guides the TAC in the types of benefits it can pay and any conditions that apply.

⁶ Productivity Commission Disability Support and Care Report, 2011 p. 849

3. Moving to a better Scheme

After considering the deterioration in performance of the NSW Green Slip Scheme, the NSW Government has decided to implement a fairer, yet more affordable system.

The reformed Green Slip Scheme will provide defined statutory

benefits for anyone injured in a motor accident, irrespective of fault, similar to the Victorian approach. The Government will retain common law for injured people whose whole person impairment is greater than 10%.

3.1 Principles for reform

The principles for reform are:

✓ Health outcomes are optimised when injured people are assisted as soon as possible.
✓ A simpler and less adversarial claiming process that encourages early resolution and reduces Scheme costs particularly the need for legal expenses.
✓ Faster resolution of claims leads to reduced risk for insurers, enabling lower prices, lower and more certain profit margins with fewer opportunities for super-profit.
✓ Improving the predictability of benefits assists claimants and insurers.
✓ Lower overheads for insurers and better competition in the Green Slip market will deliver price reductions.
✓ Consistency of administration, benefits and dispute resolution mechanisms across NSW compensation Schemes is desirable.
✓ Comparability with motor accident compensation schemes in Australia and particularly with these schemes in eastern seaboard states is desirable.
✓ Consistency of administration, benefits and dispute resolution with the National Disability Insurance Scheme is desirable.

3.2 Universal cover

A no fault Scheme will deliver better support for injured people, through a fundamental shift away from an adversarial system to one focused more on recovery outcomes for all those injured on our roads. Universal cover means more than 7,000 additional people are eligible to access benefits. This will be offset by a considerable reduction in technical legal disputes over fault, liability and contributory negligence that add to cost and denial of benefits (even in instances of a momentary lapse of concentration or technical error on the road).

By extending benefits regardless of who was at fault, the costs borne by the community of supporting at fault drivers will be met by the Scheme, without removing the capacity for them to be punished through the normal police and judicial systems.

Consistent with most no fault schemes, in serious cases of negligence, criminal activity, intoxication or self-harm, access to benefits would still not be permitted.

3.3 First party cover

At present, a not at fault claimant needs to claim against the vehicle at fault. This means dealing with someone else's insurer who may not be motivated to look after the claimant as they would their own customer – indeed, in the adversarial system, they are actually representing the at fault driver, not the claimant. As the injured person is generally not the insurer's customer, there is little incentive for the insurer to perform well on claims and resolve them in the interests of the claimant.

Under the new Scheme, those injured will bring their claim to their insurer – just like comprehensive motor insurance – without the complication of needing to work out who the liable insurer is.

This will improve an insurer's focus on customer service and means that the insurance company the claimant chooses is no longer a matter of luck, enhancing competitiveness among insurers. Insurers will share costs in a shared clearing house so the vehicle at fault still pays – again just like comprehensive insurance.

Only in cases where someone is injured outside of a vehicle, such as a pedestrian or cyclist, or where they are eligible to make a common law claim, will they continue to claim against the at fault vehicle.

3.4 Payments made sooner, based on need

Insurers will be able to settle claims quickly once all the facts and benefits are agreed. Using defined benefits, insurers will pay claimants their lost earnings or other expenses on a fortnightly benefit system, so the funds are received when they are needed – for example, to pay the rent or mortgage, and maintain basic living standards – with a capacity to convert the claim once the injured person's injuries are stabilised.

Where applicable, payments will mirror NSW workers compensation provisions for lost earnings, including capped lost earnings thresholds, meaning that injured people will be paid close to their pre-injury earnings in the first few months after their accident.

The new Scheme will borrow design elements from both the NSW Workers Compensation System, and from the Transport Accident Commission (TAC) model in Victoria. Both schemes make payments to injured people within weeks although capped so that very high income earners are not being subsidised by the rest of the community. Care payments will be based on need and provided commercially.

Taking this approach will move NSW closer to a model in which people are being treated according to their need, rather than how and where they acquired their injury.

3.5 Simpler claims system

A simpler claims process will be introduced. Injured people will only need to make a simple notification of the accident to get into the system, just like the NSW Workers Compensation Scheme and the TAC. The current distinction between an early accident notification and a full claim will be removed. Insurers will simply gather information from injured people when they need it, and only what they need, instead of using a complex, one-size-fits-all claim form.

Insurers will be encouraged to adopt a streaming approach to claims management, with proactive support given to people with claims for lost and future earnings to help them rehabilitate to the workforce, just like TAC in Victoria.

This approach means that a worker injured on our roads will gain assistance to return to the workforce. Although employers don't have the same duty of care to employees injured in a motor vehicle accident as they would if the person is injured in the workplace, the experience in Victoria shows that a win:win outcome can be achieved for employers and employees by taking a more proactive approach to rehabilitation and return to work.

People outside of the workforce, or with no real prospect of returning to work, will be looked after by specialist teams who will help with recovery and rehabilitation pathways to maximise quality of life for these people, similar to the Victorian model.

3.6 Common law will be retained for some

Limited common law rights will be retained for those with injuries which meet the current greater than 10% whole person impairment threshold. Retention of common law for these people maintains the principles of compensation for those who genuinely have the remainder of their life affected through no fault of their own.

While this retains some level of dispute cost within the Scheme, those who receive these types of injuries should be, within the limits of what the Scheme can afford, compensated for their permanent loss. For people with less serious injuries, the argument is less compelling since they will usually have every prospect of a return to health and/or a return to work, and their injuries are better dealt with in a simple and less adversarial claims system.

3.7 A simpler Scheme with fewer disputes

A no fault, statutory defined benefits Scheme will be easier for injured people to use and will reduce the need for disputes about entitlements.

Fewer disputes will mean less delay, and less need for injured people to seek legal assistance.

A better dispute resolution system will be adopted. Injured parties will be encouraged to resolve disputes with the insurer in the first instance.

Disputes that cannot be resolved may need to go through formal review. Where possible, most disputes will be resolved by an independent review processes.

It will be a streamlined system with the following safeguards:

- The role of the MAA will be strengthened by giving it new powers to set guidelines, and to monitor and take action against insurers failing to comply.
- Insurers will have their licence conditions linked to their performance in managing claims effectively and insurers and lawyers will be subject to a Code of Conduct that will reinforce model principles of behaviour.
- The MAA will continue to provide a claims assistance service for claimants.
- As an incentive to manage claims adequately, insurers will not be permitted to charge vehicle owners in their premiums for the cost of disputes where the claimant is successful – these will need to be funded from their own profit.
- As a further safeguard, claims assessors will be required to approve all offers of settlements or commutations made to unrepresented claimants.
- An independent review officer role will be established, similar to that operating in the Workers Compensation System.

3.8 Some reform to premiums needed

Moving to a no fault Scheme will require a review of the premium system, to ensure that affordability and equity are maintained. This is because in a no fault Scheme risk exposure is different to the risk profile within an at fault Scheme, and there would need to be adjustments to the cross subsidisation between groups of vehicle owners.

The powers of the MAA will be strengthened to ensure premiums remain efficiently priced.

The Government will also take the opportunity to look at how to streamline the premium system and improve purchasing processes (for example, by integrating better with the registration process). Market reforms to enhance competition with insurers will also be pursued.

The Government also recognises that the MCIS levy is an important part of the Green Slip premium and will be reviewing the administrative costs and funding model of the MAA and LTCSA under the levy.

3.9 Lower Green Slip premiums and better outcomes

The proposed reforms are expected to result in:

- Significant premium reductions on 2013 prices, although actual savings for individuals will vary by vehicle class and risk factor, and could be more for some people. Special legislative provisions will be adopted to ensure insurers deliver on the price savings in the short term.
- Premiums becoming more affordable as a percentage of average weekly earnings.
- A significantly greater proportion of funds being paid to injured people earlier instead of going to legal and investigation costs, insurer overheads and excess profits.
- Improved experience by injured people and a focus on better health outcomes.
- All injured road users being covered including those who might be at fault.
- A considerable stabilisation in future price increases:
 - o Future expenses being more predictable, meaning less need for insurers to estimate conservatively.
 - o Less risk, meaning lower profit margins for insurers to reflect this risk when they lodge their prices with the MAA.
 - o Reduced uncertainty, which will help reduce the risk of insurer profit windfalls caused by unpredictability of claims payouts and the need for insurers to price prudently.
 - o Reduced size and length of time for funds to be reserved by insurers, which will lessen the impact of interest rates on premiums.

4. Who will benefit from the changes?

4.1 Injured people with greater than 10% whole person impairment

All persons who currently exceed the 10% whole person impairment threshold can still access common law rights, if not at fault, and will see better outcomes than at present.

One difference will be that future economic loss caps will mirror NSW workers compensation caps, but this restriction will only really be felt by high income earners who would reasonably be expected to have other sources of protection such as income protection insurance and disability insurance.

In addition, seriously injured people at fault will now access benefits for the first time. This will overcome the anomaly, for example, that people in Lifetime Care and Support Scheme who are not at fault can claim for benefits under CTP not available to other participants who are at fault.

4.2 Other injured persons

All other injured people will access benefits sooner, when they need it. The system will be less adversarial and provide assistance to return to work and/or health, while their interests are safeguarded by a range of measures.

The need to engage lawyers that can impact on a proportion of the final payment is removed but with clearer entitlements and safeguards to protect their interests. Benefits will flow quickly and the person with minor injuries can get back to enjoying their life as soon as safely possible.

In addition, injured people at fault will now access benefits above \$5,000 for the first time.

4.3 Vehicle owners

The vehicle owners of NSW should expect that the Scheme they fund will aim to benefit the maximum number of people to the maximum extent possible, without excessive overheads, and with more affordable premiums that are competitive with premiums in other states.

5. Next steps

These reforms are significant, and the MAA will need to consult with stakeholders to guide the final shape of legislation, regulations and guidelines.

The exact timetable for reform will be determined in consultation with insurers, recognising the considerable operational changes that will be involved.

Claims under the current Scheme will continue to be dealt with under the current arrangements, though the transitional provisions of the legislation will enable conversion to the new Scheme.

Refer to the Motor Accidents Authority website www.maa.nsw.gov.au for further information.

6. Summary of proposed reform

Reform Area	Current Scheme	Proposed Reform	New Scheme Experience
Scheme inefficient and adversarial Long time to pay benefits	Common law benefits for all injuries sustained by not at fault claimants	<p>Statutory defined benefits for all injuries.</p> <p>Access to common law retained for serious injuries (greater than 10% whole person impairment).</p>	<p>Appropriate cost-efficient benefits design and delivery for different injury types and severities.</p> <p>A measurably higher efficiency ratio.</p>
	Single lump sum payment covering all past and future loss at settlement (but medical paid as incurred to this point)	<p>Regular payments to cover medical, rehabilitation and related costs, and reasonable (non-gratuitous) care payments (converted to a lump sum after stabilisation) for those with ongoing treatment and support requirements.</p> <p>Lost income according to work capacity and functional assessment capped as in NSW workers compensation and converted to a lump sum for those with ongoing incapacity.</p> <p>Lump sum payment for permanent impairment (on a sliding scale and based on an impairment threshold).</p>	<p>Expeditious and health outcome oriented Scheme that delivers optimal benefits and is focused on assisting injured people to achieve the best possible recovery from their injuries.</p> <p>Consistent and equitable benefits provided to injured people with similar injury types and severity levels.</p> <p>Benefits design sufficiently flexible to provide for the spectrum of needs of people with minor to severe injuries.</p>
	Complex and protracted procedure for injured people to lodge a claim for which they frequently engage a lawyer	<p>Measures to streamline the experience for claimants including less complex system entry procedures and improved support mechanisms for claimants.</p> <p>Simpler and more accessible alternative-to-court dispute resolution services.</p>	<p>The system is 'easy to navigate' and user-friendly, reducing the incentive for injured people to obtain legal advice.</p>

<p>Need to establish fault</p>	<p>Benefits coverage focused mainly on injured people not at fault and need to establish fault and contributory negligence</p>	<p>Statutory defined benefits extended to all injured persons regardless of fault (except in serious cases of negligence or self-harm).</p>	<p>No need to establish fault before benefits are paid; the community is assured that the needs of those who are injured on the roads are met.</p>
	<p>All benefits reduced by degree of blame attributed to claimant by assessor / judge</p>	<p>Only common law lump sum payments affected by degree of fault, which will be set by schedule to remove disputes. Provision of clearer definitions around what is classified as contributing to fault.</p>	<p>Appropriate benefits for different injury types and severities with maximum flexibility for those with the more severe injuries, without having to wait several years for benefits to be paid.</p>
<p>Cumbersome market practice and premium regulation</p>	<p>Significant insurer costs</p>	<p>Measures to reduce overhead costs, streamline purchasing and reduce red tape in the Scheme, including:</p> <ul style="list-style-type: none"> • increased flexibility around pricing for insurers • simplified premium setting regulations • capacity for single transaction for purchase of registration and Green Slip • improved electronic transactions • allow sub-licences for niche markets • addressing acquisition activities • reviewing administrative costs and funding model of the MAA and LTCSA under the MCIS levy. 	<p>Lower overheads passed onto vehicle owners in lower Green Slip prices, with fewer opportunities for excessive profits.</p> <p>Greater choice in Green Slip pricing for motorists in certain markets</p> <p>Easier registration and Green Slip transaction.</p> <p>Increased flexibility for insurers to write risk in selected markets</p> <p>Some vehicle owners' groups may get better deals more suited to their risk.</p>

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