

News Release Treasurer Tom Koutsantonis

Minister for Finance
Minister for State Development
Minister for Mineral Resources and Energy
Minister for Small Business

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Four private sector insurance companies to provide CTP

The State Government has announced that a list of four well-known and established insurers will provide Compulsory Third Party (CTP) insurance from 1 July 2016, as part of the transition to a fully competitive CTP market.

Treasurer Tom Koutsantonis said more than one million South Australian motorists will be allocated to one of the four private CTP providers - QBE Insurance (Australia) Limited, AAMI, SGIC and Allianz Australia Insurance Limited.

Mr Koutsantonis said motorists should expect no changes to the way they pay for their CTP insurance.

“Importantly, this model provides a seamless transition for South Australian motorists,” Mr Koutsantonis said.

“Under the market-based model, for the first three years CTP prices will be fixed to CPI-like increases (about three per cent on average, each year).

“The Department of Planning, Transport and Infrastructure will continue to issue CTP insurance renewal notices as part of the vehicle registration process.

“Current payment methods will also remain including the EzyReg website and app and direct debit.

“All motorists will have to do is receive their registration notice in the mail and pay how they normally would.

“South Australian motorists will also benefit by an industry-specific CTP Regulator who will ensure fair and affordable CTP insurance and protection for motorists,” he said.

Mr Koutsantonis said in the fourth year, CTP provision will move to a fully competitive market with other approved insurers able to enter the market.

“In the fourth year motorists will be able to remain with their allocated CTP insurer, or choose to shop around for potential better offers.

“For example, insurers may offer the option to ‘bundle’ CTP insurance with other products such as home and contents or life insurance to provide motorists with even better value for money.”

Mr Koutsantonis said a significant amount of work has been undertaken to ensure a “best-practice” model is implemented.

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“The State Government commissioned PricewaterhouseCoopers as lead commercial adviser to undertake a broad range of analysis on how to successfully transition to private sector provision of CTP insurance,” he said.

“All four private insurers have entered into an undertaking and agreement in which they have accepted the duties and obligations of the private provision of CTP. These are designed to protect motorists and ensure fair and affordable CTP insurance premiums.”

Mr Koutsantonis said the agreement will deliver a number of additional benefits for South Australians.

“As part of negotiations with the endorsed CTP insurers, an extra \$1.55 million in private funding has been secured to deliver road safety initiatives over the initial three-year transitional period,” he said.

“There will also be employment opportunities for South Australians and the insurers have committed to supporting local graduate programs, training and education opportunities.

“In addition, they will contribute to community and charitable programs in South Australia and will look to host, as well as sponsor, major conferences and events in the State.”

In the 2014-15 State Budget the State Government announced that the Motor Accident Commission (MAC) would cease its role as the sole provider of CTP insurance in favour of private sector provision of CTP insurance.

As a result of the reforms, an initial payment of \$852.9 million was made in December 2014.

From the identification of significant liability releases by the CTP Funds actuary and stronger investment returns, another \$448.5 million is available to be paid in 2015-16 from surplus assets into the State Government's Highways Fund, to improve the safety of roads in South Australia.

A further contribution of \$300 million is predicted for 2016-17 following the transition to the new CTP arrangements, which includes an initial market share allocation licence fee of approximately \$260 million from the approved CTP insurance providers.

MAC will continue both its award-winning work promoting road safety awareness in South Australia and its role of Nominal Defendant, in which it acts as “insurer of last resort”, to ensure people injured in accidents by unregistered/uninsured or unidentified motor vehicles have access to compensation.