



# Private sector provision for CTP Insurance

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## Questions and Answers

December 2015

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### *Changes to CTP Insurance*

#### ***What has the Government previously announced about changes to CTP insurance?***

- In the 2014-15 State Budget, the government announced that, from 1 July 2016, the Motor Accident Commission (MAC) will cease its role as the sole provider of Compulsory Third Party (CTP) vehicle insurance in South Australia to open the way for provision of CTP insurance by the private sector, similar to what occurs interstate.
- In May 2015, the Treasurer announced that the State Government has now endorsed a market based model for the private sector provision of CTP insurance.

#### ***How has the government progressed this initiative?***

- The relevant Minister has now approved a list of approved insurers for the new market-based model, as part of the private sector provision of CTP insurance.
- Motorists will be insured by one of four well-known and established CTP providers, with proven track records, which are AAMI, Allianz, QBE, and SGIC.

#### ***What does the private sector model for CTP insurance look like?***

- The private sector model includes:
  - Premium prices will remain fixed for the first three years with CPI-like increases to ensure a smooth transition for both insurers and motorists.
  - Transition to a fully contestable market from year four.

- An industry-specific CTP Regulator who will ensure fair and affordable CTP insurance premiums and protection for motorists.
- The Department of Planning, Transport and Infrastructure will continue to issue CTP insurance renewal notices, and provide premium collection services as part of the vehicle registration process. Motorists should experience minimal change in the way they register their vehicles.

***Are the insurers paying to enter the South Australian CTP insurance market?***

- The insurers are paying an initial market share allocation fee for the opportunity to enter a competitive market.

***How can insurers afford to pay that value for the opportunity to enter the market?***

- This private sector CTP insurance model is about creating a competitive and sustainable market. Insurers have recognised the competitive tension and have paid an initial market share allocation accordingly.
- The outcome is a win-win for South Australians. The insurers have contractually committed to pay an upfront fee which will go into the Highways fund for future road infrastructure, and contractually committed to CPI-like premium increases locked in for the first three years. From year four, a fully contestable market will apply with consumers enjoying the benefits of full competition from CTP insurers.

***How will potential conflicts of interest be managed with the current claims manager, Allianz, also being appointed as an approved insurer?***

- Current contractual arrangements specifically have terms and conditions that require Allianz to manage the back book, i.e. claims, accordingly.
- Separate to this arrangement, specific contractual arrangements have been put in place to manage any potential conflicts of interest to ensure a level playing field for all insurers.

***Benefits of the private sector provision of CTP insurance***

***How will motorists benefit with the private sector model?***

The aims of the new private sector CTP insurance market model are to:

- Continue to meet the needs of motorists and persons injured in motor vehicle accidents (including service quality and accessibility).
- Contribute to an efficient, competitive and viable CTP insurance industry in South Australia.
- Ensure a fair, equitable and transparent licensing process.
- Maintain a transparent and equitable CTP insurance premium setting and review process.

- The private sector model includes:
  - A multi-provider market with four eligible insurers for the first three years.
  - Premium prices will remain fixed for the first three years with CPI-like increases.
  - Transition to a fully contestable market from year four.
  - Prudential CTP insurance regulation remains with the Australian Prudential Regulation Authority (APRA).
  - An industry specific CTP Regulator for setting and controlling CTP premiums and ensuring premiums remain reasonably priced.
  - No immediate changes to vehicle classes, or vehicle class relativities.

***How will South Australia benefit from private sector provision by these four approved CTP insurers?***

- All South Australian motorists will benefit from their proven CTP experience, value add services and funding.
- Further employment opportunities in the state and a commitment to support local graduate programs, training and education opportunities.
- South Australian motorists will also benefit from an injection of an additional \$1.55 million in private funding to deliver road safety initiatives over the initial three year transitional period.
- Sponsorship opportunities for conference events encouraging interstate and international visitors into the state.
- The approved insurers will also contribute to community and charitable programs in South Australia.
- The community will have opportunities to participate in research centre forums and access to reporting on global road safety trends and issues.

## ***Motorists***

### ***Will the premiums go up?***

- Premium prices will remain fixed for the first three years with CPI-like increases (around three percent on average, each year) to ensure a smooth transition for both insurers and motorists.

### ***Will there be any changes to the registration renewal process?***

- For registration and CTP insurance renewal, there will be a seamless transition of the existing process.
- There will be minimal change to the vehicle registration and CTP insurance premium notices issued by DPTI.
- Metropolitan and regional motorists will continue to access current channels and processes for payment of vehicle registration and CTP insurance premiums.

### ***Will there be changes to the Motor Vehicles Act and Regulations?***

- Private sector approved insurers will provide the same level of CTP insurance coverage as currently detailed in the legislation.

### ***Will my legal rights change?***

- No. There are no intended changes to the legal rights of motorists.
- MAC is the current provider of the CTP insurance policy to all registered vehicles in South Australia.
- From 1 July 2016, MAC will cease its role as the sole provider of CTP vehicle insurance in South Australia.
- Private providers will provide the same level of CTP insurance coverage as currently detailed in the legislation.

### ***Can I still insure my CTP with MAC?***

- No. From 1 July 2016 MAC will cease to provide CTP insurance to members of the motoring public.

### ***What if I don't have CTP insurance?***

- CTP insurance is compulsory and is paid with your motor vehicle registration.
- If an accident occurs involving a vehicle that is unregistered, the vehicle will also not be covered by CTP insurance and the driver and owner may ultimately be financially liable for the damages paid to the injured person. In addition, owners and drivers of unregistered vehicles face hefty fines.

## ***CTP Regulator***

### **How will the government ensure consumer protection?**

- An independent Regulator will be responsible for setting and controlling CTP insurance premiums and ensuring that premiums remain reasonably priced.

### ***Can I select my preferred CTP insurer?***

- During the first three years this is not actively encouraged, but if there are serious concerns and legitimate reasons for renewing a CTP Insurance policy with another of the approved insurers, the CTP Regulator will be able to assist this process.

## ***Next Steps***

### ***What are the next steps?***

- Motorist don't need to doing anything other than renew their registration and CTP in the normal way. From 1 July 2016, motorists will be allocated to an approved insurer rather than MAC.

## ***Motor Accident Commission***

### ***What happens to MAC and MAC employees?***

- MAC will cease its statutory role as the sole provider of CTP vehicle insurance in South Australia on 30 June 2016.
- MAC will continue operating its non-commercial community programs, including sponsorship of road safety research and communications aimed at safe road user behaviour and its role of the Nominal Defendant.

## ***Road Safety***

### ***Will MAC continue to protect the Community through road safety initiatives?***

- Yes, MAC will continue operating its non-commercial community programs, including sponsorship of road safety research and communications aimed at safer road user behaviour.
- The government has committed to maintaining the current level of funding for the road safety component.
- Funding for emergency services, road safety programs and the role of the Nominal Defendant currently provided by MAC from CTP premiums will continue to be provided.

### ***How will road safety campaigns be funded?***

- Under current arrangements, the CTP premium amount paid by motorists upon renewal or new registration of a vehicle includes a component that provides for the MAC's road safety initiatives.
- This will continue under the new private sector CTP arrangements.

## ***Lifetime Support Scheme***

### ***Will the private sector provision of CTP insurance have any impact on the Lifetime Support Scheme?***

- This new CTP insurance market model will not affect the coverage for catastrophic injury, which will continue to sit alongside the transition towards private sector provision of CTP insurance by approved insurers, and will be funded separately.