

Private sector provision for CTP Insurance

Questions and Answers

Changes to CTP Insurance

What has the Government announced about 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 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 Compulsory Third Party (CTP) insurance.
- The government considers that CTP insurance is better managed by the private sector with the government focusing on upgrading and maintaining safe roads.

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

- The private sector model includes:
 - A multi-provider market with a set number of eligible insurers for the first three years.
 - 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.
 - A Regulator responsible for setting and controlling CTP premiums and ensuring premiums remain reasonably priced.
 - 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.

Benefits of the private sector provision of CTP Insurance

What are the aims of the private sector provision of CTP insurance?

- The aims of the 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 transparent and equitable CTP insurance premium setting and review process.
 - Minimise any residual risk and liabilities to the South Australian Government and optimise the value realised.

What is the budget impact?

- MAC has already paid \$852.9 million in 2014-15 from its surplus assets into the Highway's Fund.
- This has enabled investments in improving the safety of roads in South Australia.
- All of the CTP Fund's surplus assets returned to the government resulting from this initiative will be paid into the Highways Fund to invest in improving South Australian roads for the benefit of vehicle owners.
- A further contribution by MAC to the Highway's Fund of \$300 million is predicted for 2016-17 following the transition to the new CTP arrangements.

How is the Government going to ensure that South Australians benefit from this change to CTP Insurance?

- The surplus assets in the CTP Fund will be transferred to the Highways Fund and invested in key road improvements across the state which will benefit all South Australians.
- The advantage for the South Australian government is that the model adopted will be 'best practice' based on the experience of the other states that have privatised CTP insurance.
- The transition will remain seamless to motorists with current CTP payment processes remaining the same with the Department of Planning, Transport and Infrastructure continuing to issue CTP insurance renewal notices, and provide premium collection services as part of the vehicle registration process.

Motor Accident Commission

Is the Government selling the Motor Accident Commission (MAC)?

- No, the government is not selling MAC.
- The government will transfer surplus assets from MAC's CTP fund that are excess to its claims liabilities and, from 1 July 2016, MAC will no longer be a provider of CTP insurance.

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.
- MAC will continue its role of the 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.
- MAC will continue to manage the run-off for all CTP insurance claims up to 30 June 2016 through its claims manager, Allianz..

Will my legal rights change?

- No. There are no intended changes to the legal rights of motorists.
- MAC is the 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.

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.

- MAC will continue in its role of Nominal Defendant to act as 'insurer of last resort', to ensure people injured in accidents by unregistered/uninsured or unidentified motor vehicles have access to compensation.

Engagement

What engagement will occur through the process?

- The government will engage widely with key stakeholders including: the motoring public, insurers, lawyers, community and business leaders and representative bodies throughout the process.
- Motorists will be kept informed of ongoing developments in the transition to private sector CTP insurers through media campaigns, focus groups and a dedicated webpage.

Next Steps

Since the 2014-15 State Budget announcement, what progress has been made for CTP insurance to transition to the private sector?

- Lead commercial adviser, PricewaterhouseCoopers, has undertaken a broad range of analysis and has provided advice to the State Government in opening the way for CTP vehicle insurance by the private sector in South Australia.
- Market sounding and engagement with key stakeholders will commence shortly.
- The next steps are to first conduct market soundings and then undertake an Expression of Interest and a Request for Tender process. This will then be followed by a licensing process to appoint the new private CTP insurance providers and prepare them to service motorists from 1 July 2016.

Other States

Have the premium prices in other states increased due to the private sector provision of their CTP insurance?

- There are currently three privatised CTP insurance schemes in operation in other states, Queensland (QLD), New South Wales (NSW) and Australian Capital Territory (ACT) that have been in place for a long time, however, they vary in terms of their regulatory models and price setting mechanisms.
- The government has learned that other State Governments have managed to sustain a private sector environment over the last 20 years while maintaining the availability of cover to all and keep premiums within target ranges of Average Weekly Earnings.
- The government will adopt a 'best practice' model based on the experience of the other privatised states.

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 this road safety component collected.
- 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 by Government.

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.
- The government has committed to maintaining the current level of this road safety component collected.

Lifetime Support Scheme

Will this have any impact on the Lifetime Support Scheme?

- No. The private sector provision for CTP insurance will not affect the Lifetime Support Scheme. They are separate government policies and are not connected.
- The Lifetime Support Scheme is funded separately to provide lifetime treatment, care and support to all motorists catastrophically injured in a road accident, regardless of fault.