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3 July 2019

Mr Linus Power MP
Chair
Economics and Governance Committee
Parliament House
Brisbane QLD 4000

By email: egc@parliament.qld.gov.au

Dear Mr Power,

Motor Accident Insurance and Other Legislation Amendment Bill 2019

Suncorp welcomes the Queensland Government's efforts to crack down on claim farming in the Queensland Compulsory Third Party (CTP) insurance scheme. As the largest provider of CTP insurance in Queensland, we take every opportunity to advocate for the benefit of our Queensland customers, and encourage the government to take strong action to deter claims farming activity which ultimately puts upward pressure on Queensland CTP premiums.

There are several mechanisms available to the Queensland Government to address claim farming, including through the *Motor Accident Insurance and Other Legislation Amendment Bill 2019 ('the Bill')*.

1. remove the financial incentive for claim farming by removing the need for claimants to prove fault of a third party in a motor accident
2. set a schedule of legal costs that can be claimed by a solicitor and mandate that claimants' legal fees are notified to the regulator
3. reduce the value of allowed gifts and hospitality.

Defined benefit CTP scheme in Queensland

The most effective mechanism to stop claims farming is structural scheme reform to remove the financial incentive for claim farming. That is, remove the need for claimants to prove fault of a third party and reform to the benefit structure so that the scheme does not provide lump-sum payments for small injuries. Not only would this remove the incentive for claim farming, it would direct more premium dollars back to claimants.

We attach a copy of a Suncorp discussion paper (*'Prepare for the Crunch'*) for your committee's consideration.

Recommendation 1: The Government remove the incentive for claim farming by introducing a full no-fault CTP scheme which has defined benefits for minor injuries and moderated common law.

Regulation of legal costs under the scheme

The Queensland CTP Scheme Actuary recently reported that they are unable to determine how much premium goes to claimants as compensation due to a lack of reporting on how much of the settlement is retained by lawyers as fees.

Suncorp maintains that the ability for a lawyer to take 50% of a lump sum claim settlement as fees provides the strong financial incentive to maintain claim farming and creates the foundation for the structural problems with the current scheme.

In other Australian jurisdictions, oversight of legal costs is legislatively afforded to regulators in CTP schemes through compulsory plaintiff legal cost reporting. This is a correct outcome as plaintiffs are not awarded costs from the defendant, but rather from the CTP insurance pool. Without full visibility of lawyers' adherence to the cost rule in the Bill, MAIC will have no ability to enforce.

Recommendation 2: Amend the Bill to provide a specific method for calculating the maximum legal costs payable on a claim regardless of a solicitor's state of registration and enforce a reporting mandate.

Appropriate value attributed to exempted 'consideration'

Removing monetary incentives to anyone who refers a speculative CTP claim to a law firm is an effective way to reduce instances of claim farming in Queensland. However, allowing gifts or hospitality up to the value of $200 effectively diminishes the objective of the Bill and provides scope for claim farming incentives in a new form. A limit of around $50 will ensure that good will is recognised without creating an incentive that can be exploited for commercial benefit.

Recommendation 3: Limit allowable gifts or hospitality to the value of $50 to better disincentivise claim farming

In addition to our recommendations above, we provide further feedback on the Bill is provided on an exception basis in the table below. We have highlighted several areas where the Bill ought to be strengthened.

Please do not hesitate to contact Daniel Wilkinson on [redacted] or [redacted] if you require any more information.

Kind regards,

Matthew Kayrooz
Head of CTP
Suncorp Group

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Detailed Bill Response

Bill Clause (No.)	Proposed new section	Suncorp's response and recommendation
3(2)	3(da) (Objects)	We recommend the clause should be re-drafted to refer to encouraging all scheme participants to act in a way that supports the integrity and public confidence in the scheme.
5(2) and (7)	10(1)(ba) and (4) (Commission's functions)	As these amendments currently read, MAIC is given broad power to make and revise claims management standards in relation to any element of a claim and insurers must comply from the day of publishing those standards. We propose the following changes: 1. The power to make and revise claims management should be narrowed in scope to only include practices regarding instances of claim farming; and 2. A consultation period on any proposed standards should be provided to insurers and during this period a compliance timeframe should be agreed upon; and 3. Notice must be provided from MAIC to insurers on the publication of any new standards.
6	36A (Law practice retained by claimant before notice of claim)	We support the general requirement that law practices require the certificate prescribed within this drafted section. We do not support law firms using this as another revenue stream. Just as insurers incur compliance costs as part of their CTP operations, so too should law firms. These costs should not be passed back to the scheme. What is the expectation by MAIC on the insurer where a claimant has retained a law practice and does not provide a certificate to the insurer with notice of a claim? Is the insurer to instruct the claimant that they are eligible for a refund of their legal fees? Is the insurer to stop progress of the claim until a law practice certificate is obtained? Many claimants will be unaware of these cost consequences for their solicitor's failure to comply with these obligations. It is not in the law practice's interests to inform customers of these rights. Consideration should be given to including a mandatory requirement that law firms provide this information when they are retained to act on behalf of a claimant. Additionally, as this draft section currently reads, the resulting effect of a law practice certificate not being given would be delayed claim progress for the customer claimant. We recommend an additional paragraph be included to direct the insurer on how to proceed in such an instance to prevent prejudicing claimants as a result of the actions (or inactions) of their lawyers.

Bill Clause (No.)	Proposed new section	Suncorp's response and recommendation
6	36B (Meaning of *law practice certificate*)	The drafting of this section may not cover a situation where there has been a general understanding that a success fee will be paid at a later date in the instance of the claimant's case being 'won'. We recommend the section be amended to include the aforementioned circumstance.
6	36D (False or misleading law practice certificate)	If a law practice supervising principal provides a false or misleading law practice certificate, they are doing so through a statutory declaration. To provide a false or misleading law practice certificate would be professional misconduct in the least or a criminal act. Given the nature of such an act, the maximum number of penalty units should be higher than 300. Further, amendment is required to reflect the fact that pursuant to s 36C someone other than the supervising principal is authorised to sign the certificate.
9	37AA (Law practice certificate not given)	The cost consequence proposed in draft section 37AA(2) should be amended to read as follows: *(2) The principal:* *(a) must not charge the claimant for any fees and costs incurred by the claimant in connection with the claim; and* *(b) must refund to the claimant any fees and costs paid by the claimant in connection with the claim.* Many claimants will be unaware of these cost consequences for their solicitor's failure to comply with these obligations. It is not in the law practice's interests to inform customers of these rights. Consideration should be given to including a mandatory requirement that law firms provide this information when they are retained to act on behalf of a claimant. This section has been narrowed to include an additional requirement before the principal is required to refund any fees and costs paid by the claimant. The additional requirement is that the claimant terminates in writing the engagement of the law practice to act in relation to the claim. This prejudices claimants who now need to terminate the engagement in writing when it is lawyer's failure to comply with the law practice certificate requirements. The provision does not provide adequate protection to claimants who would not be aware of their rights and should be amended to remove this requirement.
9	37AB (Law practice engaged by claimant after notice of claim)	There are currently no cost consequences for failing to give the Certificate under draft section 37AB. There is no valid rationale why this failure should be treated any differently to the failure under draft section 37AA. An additional subsection (3) should then be included to impose a cost consequence like that set out in draft section 37AA(2). Set out below is an example of how the wording would read:

<table>
<tr><th>Bill Clause (No.)</th><th>Proposed new section</th><th>Suncorp's response and recommendation</th></tr>
<tr><td></td><td></td><td>s 37AB(3):
"If the supervising principal of a law practice retained to act for a claimant in relation to a claim:
(a) fails to give a law practice certificate to the claimant as required under section 37AB(2); or
(b) fails to give a law practice certificate to the claimant in the time prescribed under section 37AB(2)
the principal must not charge the claimant for any fees and costs incurred by the claimant in connection with the claim and must refund to the claimant any fees and costs paid by the claimant in connection with the claim during the period of non-compliance with section 37AB(2).
Many claimants will be unaware of these cost consequences for their solicitor's failure to comply with these obligations. It is not in the law practice's interests to inform customers of these rights. Consideration should be given to including a mandatory requirement that law firms provide this information when they are retained to act on behalf of a claimant.</td></tr>
<tr><td>11</td><td>39A (Duty to give law practice certificate unaffected by waiver or presumption of compliance)</td><td>The legislation does not provide any clear direction to insurers as to whether compliance should be waived if the Certificate is not provided.
We do not consider it to be in the best interests of claimants if the claim is delayed due to the actions of the claimant's legal representatives.
We require more clarity on the expectations for insurers where a law practice certificate has not been provided at notice of a claim and waiving compliance does not affect the requirement for it.
The legislation does not address whose obligation it is to police these obligations. Will MAIC require insurers to report on claims where the Certificate has not been given? Who will advise the claimant of their rights not to pay fees for work undertaken whilst there is non-compliance with draft sections 36AA or 37AB?
Further, as currently drafted, there is no one month timeframe in section 39A(2) – it only requires the certificate to be given "as soon as practicable". This should be amended to 'one month' to be consistent with other provisions.</td></tr>
<tr><td>15</td><td>74 (Giving or receiving consideration for claim referrals)</td><td>300 penalty units is not sufficient to deter law practices from engaging in consideration for claim referral activities. We recommend increasing the penalty units and establishing professional misconduct as a consequence for those found to be engaging in claim farming activity.</td></tr>
</table>

Bill Clause (No.)	Proposed new section	Suncorp's response and recommendation
	75 (Approach of contact for the purpose of making a claim)	Additionally, we recommend that a provision is included to clarify that the maximum penalty units are applicable to each individual claim farming instance. The value for allowable consideration of up to $200 for gifts, other than money, or hospitality is too high. Amendment should be made so that an allowable gift or hospitality may only be valued up to $50. Allowing consideration up to the value of $200 does not significantly remove the incentive for claim farming and it would likely to continue in a new form. Further, we do not support s 75 allowing contact by industrial organisations and community legal services. They should not be exempt as this has the potential to still enable claim farming activity. Unions and community legal services can still assist potential claimants by suggesting that they seek legal advice without having lawyers approach them unsolicited via a referral from those organisations.
15	77 (Additional consequences for law practice)	Amendment should be made so that this section applies to a contravention of the sections mentioned and not only where there is a conviction. If this section only applies to instances of conviction, it will not act as a true deterrent to claim farming activities.
15	79 (Application of Legal Profession Act 2007, s 347 to interstate law practices for claims)	As currently drafted, the Bill imposes an obligation on interstate lawyers to follow the procedure in s 347 of the Legal Profession Act 2007 of applying to the Queensland Law Society to charge over the cap. However, oversight and enforcement of this provision would be difficult. Amendment should be made to s 426 of the Legal Profession Act 2007 to apply Chapter 4 Complaints and Disputes to contraventions of the Motor Accident Insurance Act 1994 in addition to the Personal Injuries Proceedings Act 2002 (restrictions on advertising and touting). Further, amendment to this Bill should be expanded to contain a specific method for calculating the maximum costs payable on a speculative QLD CTP claim regardless of a solicitor's state of registration. Such measures would enable the Commissioner of Insurance to determine the maximum allowable costs. This would enable improvements in the efficiency of the scheme to be passed either directly to claimants as benefits, or back to motorists as costs savings.
19	87G(1)(d) (General power to enter places)	We recommend this clause be removed. The intent of the legislation is to identify and penalise law firms and/or individuals who engage in claims farming. We are not aware of any issues involving insurers that would warrant increasing the powers that MAIC currently has to enter an insurer's premise by consent or in exercise of a warrant. MAIC has indicated that the investigation sections were copied from other pieces of legislation and while that may have assisted with the drafting of the legislation this has effectively increased MAIC's existing powers beyond what is required to regulate the CTP insurers in the scheme.
19	87RA (General powers)	We consider that the powers MAIC has to require information under draft section 87ST are sufficient to enable MAIC to exercise its functions. Accordingly, we recommend these clauses are removed.

Bill Clause (No.)	Proposed new section	Suncorp's response and recommendation
	87RB (Power to require reasonable help) 87RC (Offence to contravene help requirement)	We acknowledge that the powers conferred by ss87SB, 87C and 87D may be necessary to enable MAIC to investigate breaches of legislation by law firms, we consider that the power to require information pursuant to draft s 87ST sufficiently enables the regulator to exercise its functions regarding licensed insurers.
19	87RL (Return of seized thing)	The requirements under the current s 87O (Return of seized thing) should be maintained. The draft s 87SM provides for unnecessary administrative costs in applying for the return of a seized thing.
19	87RS (Power to require information) 87RT (Offence to contravene information requirement)	These draft provisions and their application to licensed insurers would drive unnecessary inefficiency and costs. We recommend the clause be amended to allow information to be provided electronically.
19	Part 5A, Division 4A (Review and appeals about particular decisions)	We request more information on the framework that will be implemented for this internal review system.
25	Part 5B Special investigations	The amendments to the original draft Bill have removed the reference to an '*associate of a law practice or lawyer'* and the investigative powers relate only to a *'law practice'* or '*lawyer'*. This may impact MAIC's powers to investigate individuals who are not lawyers but who engage in these practices.
24	87ZD(4) (Powers of investigators)	This draft provision and their application to licensed insurers would drive unnecessary inefficiency and costs. We recommend the clause be amended to allow information to be provided electronically.

Prepare for the crunch

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Current challenges facing the Queensland CTP insurance scheme

MARCH 2018

Chris McHugh
Executive General Manager
Personal Injury Portfolio & Products
Suncorp

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QUEENSLAND CTP INSURANCE

Reform or pay the price

Compulsory Third Party (CTP) insurance, which covers people for injuries sustained in motor vehicle accidents, is a vital safety net for Queenslanders.

However, the scheme needs reform to ensure it continues to meet community expectations and provide the right outcomes for Queensland motorists, today and in the future.

A failure to reform is leaving Queensland with arguably the worst CTP insurance scheme in Australia and while today's CTP prices remain relatively low, this hides serious and growing problems.

Most people don't realise that CTP insurance in Queensland does not cover everyone.

Under the Queensland scheme, injured people are unable to claim if fault for the accident cannot be established and another driver cannot be held responsible.

Currently, thousands of people who are injured on Queensland roads – including children – are left exposed.

There is also financial risk. Over the past two years, the number of claims in Queensland has spiked. Widespread encouragement for anyone involved in even a minor motor vehicle collision to lodge a CTP claim is resulting in a greater number of exaggerated claims.

Despite this, CTP prices have been forced down by the regulator.

This is unsustainable and likely to lead to a future correction that means vehicle registration costs could suddenly increase.

The Queensland CTP scheme is also one of the most inefficient in the country, with only about 40 cents in the dollar going to injured motorists. The rest is eaten up by costs, driven out of the adversarial legal process.

As more money is directed to those with minor injuries and their lawyers, people with serious injuries are receiving a declining proportion of every dollar in premium.

With more than four million CTP policies sold every year in Queensland, this issue impacts the whole community.

Simple, well-proven reforms would solve these problems and should be considered by the government and regulator.

The status quo is protecting the lucrative business model available to lawyers that allows them to legally take 50 per cent of an injured person's payout, in addition to their regulated fees.

Given this opportunity, it is unsurprising that lawyers build a business around encouraging anyone who has been in a collision – no matter how minor – to lodge a CTP claim.

Queensland's current CTP legislation is inviting an influx of New South Wales (NSW) lawyers who have seen their business model disrupted by recent NSW Government reform that removes lump sum payouts for those with minor injuries.

As CTP claims in Queensland increase, so will premiums.

STRUCTURAL PROBLEMS WITH QUEENSLAND'S AT-FAULT, COMMON LAW CTP SCHEME DESIGN

- Only about 40 cents in the dollar goes to injured people, making Queensland's CTP scheme potentially the most inefficient in Australia. A large, but unquantified, amount goes to lawyers.
- Lump sum payments for minor injuries encourage exaggeration and even fraud, and create a lucrative business model for lawyers, which is driving up claim numbers.
- Perverse incentives are created for claimants to delay their recovery and not return to work, as this will increase their lump sum payout.
- At-fault design means no coverage for people injured when a driver cannot legally be held responsible, including injured children who are the victims of road accidents.
- Large gaps exist in the cover of injured drivers, which particularly disadvantages people in regional areas where there are more single-vehicle accidents.
- A common law compensation design means future claims costs are volatile, which increases uncertainty, raises prices, and can result in insurer profits deviating significantly from expectations.

CURRENT ISSUES

- Claims frequency is rising, despite fewer accidents due to improving car and road safety. CTP claim frequency is up 12 per cent in the two years from 2015 to 2017, reversing the previous trend where claims dropped by five per cent over the two years from 2012 to 2014 (see graph over page).
- There has been a surge in legally-represented claims for minor injuries (such as whiplash). These have risen 16 per cent in the two years from 2015 to 2017, reversing the previous trend where these claims dropped by three per cent over the two years from 2012 to 2014 (see over page).
- The scheme has experienced increased levels of exaggeration (even fraud) and claims-farming activity.
- The costs of defending the scheme from exaggerated claims are increasing, which is ultimately borne by Queensland motorists through their premiums.
- A declining proportion of claim costs is going to those with more serious injuries.
- There is a growing influx of NSW-based lawyers, because their business model has been disrupted by the recent NSW CTP reforms.
- CTP prices have been forced down by the regulator by over 10 per cent in the past year (despite rising claim frequency), deferring the costs to future years.

Left unaddressed, these issues represent a time bomb for Queenslanders that could explode in the next two to five years, hurting motorists and impacting the government of the day.

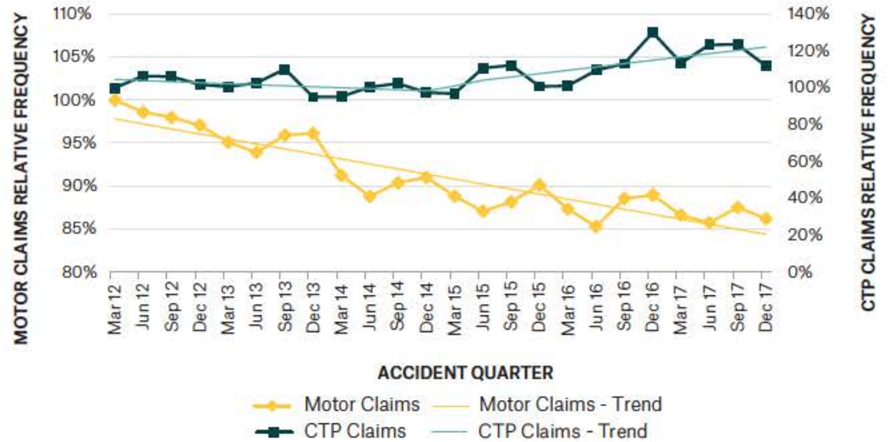
The solution is proven reform that increases coverage, reduces legal fees, increases certainty of projected insurer profits, focuses on the seriously injured and puts more of every dollar in the pocket of those injured.

123•CTP

CTP CLAIMS RISING WHILE ACCIDENTS AND MOTOR INSURANCE CLAIMS FALL

As illustrated below, in the past two years (2015 to 2017) CTP claim frequency has surged by 12 per cent despite accidents resulting in motor insurance claims having declined by two per cent over this period. Over the past eleven quarters (March 2015 to December 2017) CTP claim frequency has risen by 16 per cent.

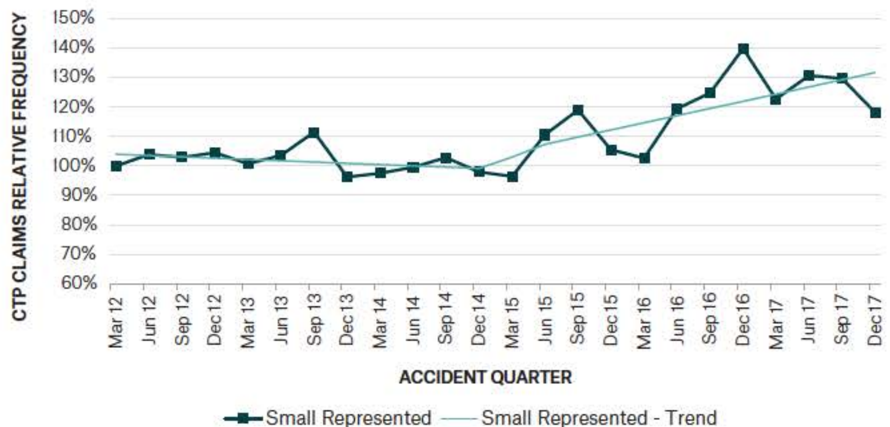
QLD CTP VS MOTOR CLAIMS RELATIVE FREQUENCY



The cause of this increase in CTP claims is a boom in the number of claims for minor injuries that are represented by lawyers, as illustrated below. The frequency of these claims has risen 16 per cent in two years (2015 to 2017), reversing the previous downward trend.

Over the past eleven quarters (March 2015 to December 2017) frequency of legally represented minor-injury claims has risen by 23 per cent.

QLD SMALL REPRESENTED CTP CLAIMS RELATIVE FREQUENCY



WHY ARE LEGALLY REPRESENTED CLAIMS FOR MINOR INJURIES BOOMING?

A flawed structural design has combined with recent events to make Queensland a growing market for personal injury lawyers.

In Queensland, injured claimants are paid lump sum financial compensation, rather than having their medical costs and lost wages paid as they are incurred.

Lump sums create an incentive for anyone involved in a motor vehicle accident to make a claim for minor injuries, and to exaggerate or fabricate these claims. It generates a lucrative business model for lawyers to encourage more claims to be made.

Motorists are being 'cold called' by claims farmers and encouraged to pursue compensation for inflated injuries.

LEGAL FIRM BUSINESS MODEL

Any time the Government tightens up compensation schemes it forces (lawyers and claimants) to look elsewhere.

ADAM TAYLER, BRISBANE SOLICITOR[1]

Lawyers in Queensland are legally permitted to take as much as 50 per cent of the lump sums paid to claimants for their injuries, in addition to the substantial legal fees they are paid by insurers.

This business model has underpinned the growth in advertising by law firms, including high-profile sponsorships.

It also supports the claims farming business model, as claims farmers can sell their product to law firms. Claims farming is well established in Britain and has expanded into Australia's common law personal injury insurance market.

As reforms are implemented in other Australian states removing lump sums for claimants with minor injuries, legal practitioners can be expected to look for customers in other jurisdictions to take advantage of lump sum payouts.

"Any time the Government tightens up compensation schemes it forces (lawyers and claimants) to look elsewhere."

ADAM TAYLER, BRISBANE SOLICITOR [2]

The recently reported strategy of high profile legal firm Slater & Gordon is to "grow its personal injury practices in Queensland" and other states in order to improve profitability.[2]

EFFICIENCY: HOW MUCH ACTUALLY GOES TO THE INJURED PERSON?

The benchmark for the efficiency of a CTP insurance scheme is how much of every dollar in premium goes into the pocket of the injured person.

A principal motivation for the recent reform of the NSW CTP scheme was that injured people were only getting 45 cents in every dollar of premium.

It is impossible to determine the actual efficiency of the Queensland CTP scheme because no data is collected regarding how much of a claimant's lump sum is taken by lawyers. These arrangements are confidential.

As a result, the official figure of 58.3[3] cents in the dollar is misleading because it omits legal fees, including the amount lawyers take from an injured person's settlement (known as 'contracting out' or 'solicitor-client costs').

This lack of transparency regarding the full amount that lawyers extract from the Queensland CTP scheme is in contrast with other scheme costs (including insurer profit), which are publicly reported by the regulator.

Lawyers are estimated to take 30 to 40 per cent of lump sum payouts on average, meaning the actual figure that injured people receive is only around 40 cents in the dollar.

This leaves Queensland with potentially the most inefficient CTP scheme in Australia. It is failing to adequately perform its core task of helping injured people recover.

The proposed sampling of solicitor-client costs recommended by the recent review of the scheme is inadequate and unlikely to expose the truth of how much is being taken by personal injury lawyers in Queensland.

1 *"Lawyers seek fresh pastures as government turns off insurance claims tap", Michael Roddan, The Australian, 26 April 2017*

2 *"Hedge funds to take control of Slater & Gordon", Adele Ferguson, Sydney Morning Herald, 31 August 2017*

3 *Motor Accident Insurance Commission Annual Report 2016-17, Claimant benefits (most recent 3 years), p.22*

THE BLAME GAME: RISKS AND INEQUITIES OF QUEENSLAND'S AT-FAULT CTP SCHEME

Queensland has an 'at-fault' CTP scheme. This is historical, based on the origins of CTP insurance that was designed to ensure that people injured by a negligent driver could access financial compensation.

The principal shortcomings of at-fault CTP schemes are:

- the driver has no cover from their vehicle's CTP policy for their injuries
- third parties injured in an accident (including children) are not covered unless a driver can be found to be legally responsible for causing the accident.

The implications of these shortcomings are profound.

CTP insurance does not cover any driver who is injured in a single-vehicle accident.

This means if someone in Queensland hits a kangaroo, swerves to avoid a dog or a child on the road, hits an oil slick or loose surface, they may have to rely on Medicare and Centrelink for support.[4]

A driver who runs into the back of someone who brakes heavily, makes a minor error of judgement or is simply in the wrong place at the wrong time, will not be covered.

In simple terms, if someone has an accident and cannot blame another driver with CTP insurance, they are on their own. It has been estimated that approximately 6,700 such drivers are injured in Queensland every year.[5]

Equally, for passengers and pedestrians, if they are injured but the driver cannot be held responsible from a legal perspective, the CTP insurance policy will not pay out.

This means a child in Queensland who runs out in front of a car and is hit will not be covered by the CTP scheme unless the driver can be found to have been legally negligent (they were speeding, drunk, not paying attention or otherwise doing something wrong). Children in most other states and territories are protected.

CTP insurance is poorly understood by the community and its design shortcomings are rarely reported.

Every year, thousands of Queenslanders are the victims of these shortcomings. Many are shocked and dismayed when they realise the devastating impact for themselves and their families.

If Queenslanders fully understood the gaps in cover they would be demanding a fairer and more equitable system.

INEFFICIENCY, VOLATILITY AND INSURER PROFITS

Around 90% of CTP claims in Queensland have legal representation

Paying lump-sum compensation through an adversarial common-law process based on negligence involves high levels of legal representation. Around 90 per cent of CTP claims in Queensland have legal representation, even for very minor injuries.

CTP insurance is referred to as 'long tail' because it takes many years before a claim is finalised and the total cost is known.

Injuries must stabilise before the long-term impact on the injured person can be assessed, which is often one to three years after the accident. It can take three to five years to finalise a claim.

When setting the price of a CTP policy sold today, the insurer must predict several factors for the next three to five years.

These include not only how many accidents will occur and the severity of the injuries, but also how much they will cost. Factors such as wages growth, medical-expense inflation and interest rates are relevant when calculating these costs.

When claim costs are based on common-law payouts with high levels of legal representation, this adds significantly to the uncertainty. A legal precedent can be set, or a loophole found, meaning costs can easily blowout.

The incentive this system creates for claimants to exaggerate their injuries, or lodge spurious claims, amplifies the uncertainty.

These dynamics add significant risk and insurers must price for this risk by increasing premiums. This also means that insurer profits can vary significantly from what was originally predicted when the price was set and the policy sold.

Insurers have benefited from this volatility over the past decade, with profits ultimately proving to be significantly higher than predicted.

However, this past performance is no guarantee of what will happen in future.

4 Since 1 July 2016 in Queensland, those with catastrophic injuries will have care provided on a no-fault basis through the National Injury Insurance Scheme, but this does not include income support.

5 "Indicative costing for no fault defined benefit scheme for Queensland CTP", Finity Actuarial and Insurance Consultants, November 2016.

PREPARE FOR THE CRUNCH

Despite clear evidence of concerning trends within the CTP scheme, the regulator has been reducing CTP prices.

From 1 January 2017 to 1 January 2018, the regulated ceiling price for passenger vehicles (Class 1) decreased by $27 to $233, a fall of more than 10 per cent.[6]

Vehicle registration costs have increased, but this increase has been offset by the regulated decrease in the price of CTP premiums, which is paid at the same time as vehicle registration fees.

For scheme sustainability, it is essential that the insurance premium reflects the risk. To reduce the price ceiling despite rising claim frequency and without embarking on meaningful benefit reform, risks the scheme becoming unsustainable. The result could be a spike in premiums for motorists or losses for insurers.

If the scheme were to fail, the Government would become responsible for the costs. Such an outcome could have significant employment impacts, and would transfer risk away from the private sector and onto the Government's balance sheet.

THE SOLUTION: NO-FAULT DEFINED BENEFITS

Suncorp has long advocated for reform of the Queensland CTP scheme to make it cheaper, more efficient, and able to cover everyone who is injured on our roads.

A simple solution does exist — one that has worked effectively in other jurisdictions.

No-fault cover means that everyone who is injured, including the driver, will be looked after.

Defined benefits mean that people who are injured have their medical expenses and lost income covered. They would not be paid the lumps sums that incentivise fraud and exaggeration, and create the lucrative business model for law firms.

This reform would return the focus of the CTP scheme to ensuring the seriously injured are provided with the care, treatment and financial resources they need to recover and get back on their feet.

Defined benefits also reduce uncertainty and the volatility in claim costs that result, meaning insurer profits are much more predictable.

Crucially, defined benefits would greatly increase the proportion of every dollar in premium that ends up in the pocket of injured people. Reform could increase this figure from around 40 cents to over 60 cents in the dollar.

By reducing legal costs and increasing the certainty of projected insurer profit, cover can be expanded to include all drivers (no-fault) and the increasing pressure on premiums can be relieved.

Reform could also allow greater price reductions for those with newer vehicles or good driving records.

This would make the system fairer, more efficient and more affordable for Queensland motorists.

Reform could increase the amount going to injured people from around ***40 cents to over 60 cents*** *in the dollar.*

6 This price decrease follows on from an earlier reduction in insurer premium of $30 from 1 October 2016 following the introduction of the National Injury Insurance Scheme (NIIS). This $30 was directed to the scheme to provide care on a no-fault basis for people with catastrophic injuries.

To see more, go online
suncorpgroup.com.au

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