

# **No-fault compulsory third party insurance in Western Australia**

**RAC's response to the Government's  
Green Paper**



**For the better**

# About RAC

Representing the interests of more than 800,000 Western Australian members, RAC is a leading advocate on the mobility issues and challenges facing our State. A key role for RAC has always been to act as a voice for our members and as a strong public advocate on the mobility issues which affect Western Australians. RAC collaborates with Government and other organisations to ensure safe, accessible, and sustainable mobility options are available for our members and the community.

The RAC aligns its activities with the following three themes:

- » **Safety** – A safe mobility system can be identified as a system that outperforms national and international safety benchmarks. It encompasses safer drivers in safer cars on safer roads.
- » **Accessibility** – To have a cost efficient, convenient and reliable commuter network is an essential part of personal mobility.
- » **Sustainability** – Sustainable mobility is broader than the environmental aspects of mobility; it encompasses the mobility needs of current and future generations.

We reinvest our profits for the benefit of our members, by supporting several major sponsorship programs such as RAC's Rescue helicopter as well as a number of grass roots community projects aligned to RAC's Mobility Agenda.







# Executive summary

RAC welcomes the Government's Green Paper proposing a no-fault catastrophic injury compulsory third party (CTP) insurance scheme, however, we have genuine concerns about the proposed costs identified in the paper.

Of the options presented, RAC supports Option Two of the proposal, that is, "a no-fault catastrophic CTP insurance scheme for all people catastrophically injured as a result of a motor vehicle crash". We consider this the most appropriate solution to assist and support Western Australians and their families through an unimaginably difficult time.

Although, RAC supports the introduction of a no-fault scheme, having considered expert and independent advice, we contend that the Government's proposed cost for the scheme is inflated, and requires further validation and calculation.

A no-fault scheme, under Option Two will provide ongoing financial support to families, whose loved ones have been catastrophically injured in a motor vehicle crash and ensure those individuals who are catastrophically injured receive immediate care and better access to rehabilitation.

In allowing a greater number of people to be covered when catastrophically injured through the CTP insurance scheme, the Government states Western Australians will be required to pay an additional fee annually. The Green Paper estimates that per family car, Western Australians will be required to pay an additional \$109 per year, bringing the total CTP premium to \$400 per year, from \$291 per year.

An independent research survey commissioned by the RAC found that although, the majority of respondents support a no-fault CTP scheme, the level of support is sensitive to the cost of the scheme and falls away considerably when the premium of \$109 is tested. The cost of the scheme must be accurately priced in order to garner support from the Western Australian community.

RAC's position is that the costs associated with a no-fault scheme must accurately reflect the cost of covering those who are catastrophically injured. The calculations used to cost the scheme must take a whole of Government approach, be accurate and justified, and not unnecessarily cause financial burden to the wider Western Australian community.

RAC also considers that the introduction of a no-fault CTP scheme is another opportunity for the Government to more closely align our public insurance scheme, as a provider of post-crash care, to Towards Zero, WA's Road Safety Strategy. It is evident that a preventative strategy to reduce fatal and serious injury accidents will offset the escalating social and economic costs brought on by road trauma, including the cost of CTP premiums.

**RAC calls on the Government to respond to the following key concerns prior to implementing the no-fault compulsory insurance scheme in WA:****1****Comparative cost of CTP premiums**

The proposed annual CTP fee of \$109 per vehicle per year is higher than for similar schemes in other States. Details of the CTP premium calculation should be released to justify the cost impost on Western Australian motorists.

**2****Duplication of cost to Western Australians**

The proposed annual CTP fee incorporates an element of double charging and cost shifting. The Government should transfer existing funding already allocated across the forward estimates for the treatment of those suffering 'no-fault' catastrophic injury as a result of a motor vehicle crash, to correct the estimated cost of the no-fault CTP scheme.

**3****Increasing cost of motoring for WA motorists**

The proposed annual CTP fee will add to the increasing financial burden on Western Australians. We urge the Government to consider the high cost of motoring and provide assurance that Stamp Duty or other fees will not be placed on top of any increase in CTP premiums.

**4****Alignment to Road Safety Strategy and Towards Zero**

To offset the unacceptably high social and economic costs of road trauma in Western Australia and to reduce the number of CTP claims, a whole of government approach is needed to ramp up implementation of Towards Zero, WA's Road Safety Strategy, with particular emphasis on lowering the disproportionately high rate of motorcycle crashes.

**5****Hypothecation of CTP premiums and surpluses**

CTP premiums must be used only in relation to the payment of catastrophic injury claims. A sensible funding policy should be adopted to allow for surpluses to be returned to cover the cost of the no-fault CTP insurance scheme and to lower premiums. Surpluses should not be paid as cash dividends to Government. Equally, a long term and gradual approach should be taken to address any shortfalls.

**6****Governance of the CTP scheme**

RAC considers any future possibility of privatising the CTP scheme to have potentially negative outcomes for Western Australians, whose insurance premiums could be affected. Assurance is needed that the governance of the CTP scheme will remain publicly owned and managed through ICWA.

# Introduction

The Green Paper, “Options to add no-fault catastrophic injury cover to WA’s compulsory third party insurance scheme,” is an opportunity to consider the current CTP insurance scheme with respect to those who are catastrophically injured as a result of a motor-vehicle related crash. Specifically, it poses whether all those who are catastrophically injured should receive ongoing financial assistance, regardless of fault.

The Green Paper estimates that on average 92 Western Australians every year are catastrophically injured in a motor-vehicle related crash. Suffering a catastrophic injury is life-changing resulting in spinal cord injury, traumatic brain injury, multiple amputations, severe burns, or permanent traumatic blindness.

For almost 70 years, vehicle owners in WA have contributed an annual fee towards a public scheme called Compulsory Third Party insurance. This public insurance scheme allows those injured to receive a lump sum payment to compensate for their injuries. The current rate for a standard family vehicle is \$291 per annum and these funds are managed by the Insurance Commission of Western Australia (ICWA). Under the current scheme, only those who are able to prove that another party was at fault, or negligent, are eligible for compensation.

**“It is not comforting to know that it has to be proven that another driver is at fault in order to make a successful claim. People through no fault of their own may lose their livelihood and their independence and their friends and family may also lose theirs due to the reliance of the injured person - very few people can recover from the devastation of such an event, either physically, emotionally, mentally or financially. I don’t like the ‘at-fault’ clause.”**

RAC Survey Respondent

The Green Paper follows the release of a 2011 Inquiry Report by the Productivity Commission (PC) on “Disability Care and Support”. In it, the PC recommends a federated insurance scheme for catastrophic injury which would fall within the National Injury Insurance Scheme or NIIS. The federated scheme would replace a range of state and territory arrangements for insuring people for disability arising from accidents, including workers’ compensation schemes, as there is little rationale for the different arrangements across states and territories for dealing with catastrophic injury.<sup>1</sup>

In its Inquiry Report, the PC recommends all states and territories adopt a no-fault scheme which would ensure national coverage, avoiding the deficiencies of common law compensation systems and ultimately improve outcomes for people with catastrophic injuries.

RAC’s support for the second option presented in the Government’s Green Paper, is aligned with the PC’s recommendation, albeit limited to covering catastrophic injury as a result of a motor vehicle related crash. Option Two of the Green Paper would allow those suffering catastrophic injury from a motor-vehicle related crash to receive financial assistance in the form of regular payments, and not as a lump sum payment, as it is currently the case.

RAC’s submission in response to Option Two of the Green Paper is outlined in two main parts. The first section relates to the estimated cost of implementing a no-fault insurance scheme, which RAC contends is inflated requiring further validation and justification. Section two details the need for a more robust policy framework to support the introduction of a no-fault CTP insurance scheme.

<sup>1</sup> Productivity Commission, (2011), “Inquiry Report: Disability Care and Support Overview”, No. 54



# Cost of a no-fault insurance scheme

## a. Comparative cost of CTP premiums

RAC commissioned Finity Consulting to conduct an independent review of the costings put forward in the Government's Green Paper, specifically relating to the additional \$109 per family vehicle per year increase as outlined under Option Two. The review found that the proposed scheme premium is significantly higher for WA motorists compared to other Australian states with similar schemes.

The WA Government estimates that a no-fault compulsory scheme would cost \$370million (an average of \$4million for the 92 catastrophic claimants). Of these 92 people, 48 people are eligible for compensation under the current scheme. This means that, on average, an additional 44 people will need to be covered under a no-fault compulsory insurance scheme.

Finity Consulting identified that Western Australians are being asked to pay a higher additional fee than other jurisdictions to cover the cost of implementing no-fault compulsory insurance scheme. By deducting those already covered under the current CTP scheme from this total number, the additional cost associated with a no-fault compulsory scheme is around \$223million, which implies that the average cost a no-fault compulsory insurance scheme is around \$173 per family vehicle before existing CTP claims, equal to \$69, are deducted.<sup>2</sup>

Figure 1 shows the average cost of the no-fault compulsory insurance scheme per registered vehicle across three other jurisdictions.

State/Territory	Premium per vehicle in \$
NSW	71
ACT	34
SA	106
WA	173

**Figure 1:** State comparison of no-fault compulsory insurance scheme premiums before deducting existing CTP claims<sup>3</sup>

The independent review, provided to RAC, considered why the WA Government calculations for the no-fault compulsory insurance scheme were greater than for other jurisdictions.

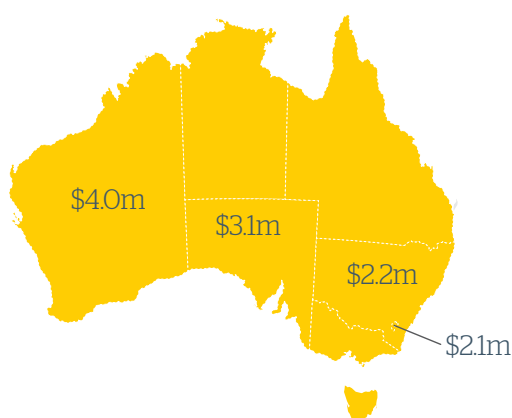
The review noted that in WA, there is a 20 per cent higher frequency of serious crashes compared to New South Wales (NSW) and a 10 per cent higher frequency than South Australian (SA).

The review also considered that motorcycle ownership is proportionately greater in WA (at 5.7 per cent of all vehicles) compared to NSW (at 4.1 per cent) and SA (3.9 per cent). The rate of crash resulting in catastrophic injury is more likely to occur for those riding motorcycles than cars. Further, the independent review, to RAC, suggests the average claim payout in WA is almost double the NSW payout and around 30 per cent higher than SA as shown in Figure 2.

Despite these possible causes for a greater increase in insurance premiums for Western Australians, the RAC agrees with the independent review findings that the difference is high. Given the large difference, RAC is calling for further details of the costings to be released to enable the difference to be accounted for.



<sup>2</sup>This figure has a difference of \$5 to the Government's calculations which can be accounted for by the number of registered vehicles used in the calculation and varying fee rates for difference classes of vehicles.  
<sup>3</sup>Finity Consulting did not include Victoria in this comparative analysis due to the nature of Victoria's scheme where the rate for no-fault insurance scheme cannot be disaggregated.



**Figure 2:** Average claim size in \$million

State/Territory	Number of catastrophic injuries p.a.	Number of vehicles in millions	Catastrophic injury frequency per million vehicles
NSW	168	5.1	33
ACT	36	0.3	16
SA	45	1.3	34
WA	92	2.1	43

**Figure 3:** Catastrophic injury frequency and average size of claim<sup>4</sup>

In the 2011, Productivity Commission Inquiry Report, the estimated cost per Australian would be around \$35. This cost, the PC said, was an estimate of a comprehensive no-fault scheme covering all catastrophic injuries from all types of accidents.

**“It is my view that a no fault (scheme) be introduced, the cost of which to be calculated and reviewed annually as cost neutral similar to the at fault scheme currently operating. Actuarial estimates are historically over inflated which I believe the \$109 to be. Find how much the scheme actually costs and amend the annual fee accordingly.”**

RAC Survey Respondent

The cost of a no-fault CTP scheme should be considered in the context of a declining number of overall claims received by ICWA. On average, the number of claims has decreased by 3.5 per cent per year in the last decade.

There is a need for the WA Government to better account for the significant increase in costs for Western Australians. It has been suggested that the rate of increase for CTP premiums in the last decade or so has been relatively minimal. This does not justify an increase which is beyond what is necessary to cover the cost of implementing a no-fault compulsory insurance scheme.

#### **Key Concern 1: Comparative cost of CTP premiums**

The proposed annual CTP fee of \$109 per family vehicle per year is higher than for similar schemes in other States. Details of the CTP premium calculation should be released to justify the cost impost on Western Australian motorists.

<sup>4</sup>Finity Consulting did not include Victoria in this comparative analysis



## b. Duplication of funding

RAC has received confirmation that the \$109 increase per family vehicle per year has not been costed based on a whole of Government approach. The WA public health system is funded by the Federal Government as well as the State Government through the State departments, WA Health and the Disability Services Commission (DSC) which provide services in public hospitals and community health services. Funding which is already set aside to provide medical care to those who currently fall outside the criteria to receive catastrophic injury compensation has not been recognised or accounted for in the costing of the proposed premium, resulting in a much higher than necessary estimate of \$109 per family vehicle per year.

The 2014/2015 State Budget calculates the net cost of providing continuing care (including Home and Community Care, chronic illness support and non-government continuing care programs under WA Health) was around \$239million for 2013/2014. This net figure accounts for Western Australians receiving services and care under the Continuing Care category without necessarily having suffered a catastrophic injury as a motor-vehicle related crash. In addition, the DSC in 2013/2014 received around \$790million to cover the cost of providing services. It is necessary for Government to account for the current expenditure under the public health system, for those people suffering from catastrophic injury as a result of a motor-vehicle related crash who have not been able to receive a compensatory payment from the CTP scheme.

RAC's position is that existing funding provided by Western Australian taxpayers for the care of catastrophically injured must be recognised as part of a no-fault CTP scheme. The Government needs to transfer the estimated cost of providing continuing care towards lowering the insurance premium estimate of \$109 per family vehicle per year. Such an increase without consideration for whole of government spending provides the potential for 'double-dipping' from WA motorists and tax payers.

### Key Concern 2: Duplication of cost to Western Australians

The proposed annual CTP fee incorporates an element of double charging and cost shifting. The Government should transfer existing funding already allocated across the forward estimates for the treatment of those suffering 'no-fault' catastrophic injury as a result of a motor vehicle crash, to correct the estimated cost of the no-fault CTP scheme.

## c. Increasing cost of motoring

In addition to other transport modes, motoring is integral to the mobility of Western Australians and not surprisingly, the cost of motoring is an important issue for RAC's 800,000 members. Overall, taking into account costs including depreciation, licensing, vehicle registration and insurance, fuel and servicing costs, an average medium sized car, such as a Toyota Camry, cost consumers \$11,314 per year to run in 2014. This is an increase of \$241 compared to the same vehicle in 2013. Increases in the cost of motoring add significant pressure to household budgets which are already under strain from the high cost of living.

**"The cost of motor vehicle registration in my opinion is high enough as it is at present without adding anymore to it."**

RAC Survey Respondent

State Budget papers outline an increase in annual Government revenue from motor vehicle licence fees from \$680million in 2013/14, to \$788million in 2014/15, and increasing to \$923million in 2017/18. WA motorists have already been dealt a costly blow with a recent increase of 24.7 per cent for vehicle licence charge.



**In principle, 82 per cent of RAC Survey respondents support the no-fault compulsory insurance scheme. However, Survey respondents are less supportive if an additional fee of \$109 per family vehicle per year is imposed.**

RAC commissioned Painted Dog Research to conduct an independent survey of 853 Western Australians in addition to RAC's survey of 980 members and found that although the majority of respondents (82 per cent) support the CTP scheme, the additional cost of \$109 per year was a significant cause for reticence to support the no-fault scheme. This potentially reflects the reality that as many as one in two households own two or more vehicles.

### Key Concern 3: Increasing cost of motoring for WA motorists

The proposed annual CTP fee will add to the increasing financial burden on Western Australians. We urge the Government to consider the high cost of motoring and provide assurance that Stamp Duty or other fees will not be placed on top of any increase in CTP premiums.

# Development of a more robust policy framework

## a. Alignment to Road Safety Strategy

WA has moved from having the lowest fatality record of any Australian State in 1990, to one of the highest. To date, in 2014, WA has recorded 28 more deaths than in 2013, this time last year, bringing the total number of deaths to 183 people.<sup>5</sup> Based on 2013 figures, at least 30 additional lives would need to be saved each year for WA to come into line with the national road fatality rate. WA's annual fatality rate at the end of September was 6.5 fatalities per 100,000 persons. This is above the national rate of 5.0 and well above Victoria's national leading rate of 4.3.

WA's road toll is unacceptable and we need to ensure we do everything we can to bring WA's road fatality and seriously injured rate down. There must be a renewed and improved commitment to reducing the number of Western Australians killed and seriously injured on our roads. It is evident that to meet the challenges ahead, and to offset the escalating social and economic costs brought on by road trauma, we must step-up our investment in infrastructure and initiatives to promote safe road use.

Safe Road Use, Safe Roads and Roadsides, Safe Speeds and Safer Vehicles are the four cornerstones of the Safe Systems approach to road safety. Safe Systems is the foundation of Towards Zero, WA's Road Safety Strategy, which has been adopted by successive WA State Governments, and to which RAC is a signatory.

The introduction of a no-fault CTP scheme is an opportunity to more closely align our public insurance scheme, as a provider of post-crash care, to road safety strategies aimed at reducing road trauma. The Office of Road Safety reported 191 critical injuries in 2013, which is a 34 per cent reduction when compared to the preceding five-year average of 290 critical injuries. There appears to be a direct link between a reduction road trauma and a reduction in claims costs and there is benefit in accelerating this decline.

The State Government recently released, for public comment, a Review of Road Safety Governance in WA (Browne Review). RAC's response to the Browne Review refers to our 2012 Road Safety Reform Discussion Paper which questioned the relevance, efficiency, and effectiveness of WA's road safety governance structure.

The Browne Review identifies that in the majority of jurisdictions across Australia, the insuring body sits on a high level road safety governance body. ICWA is the relevant body in WA. However, Victoria's Transport Accident Commission is called out as having the highest level of influence, for which the Browne Review stated, "TAC plays a powerful role in promoting road safety."

The TAC manages and operates Victoria's a 'no-fault' insurance scheme including payment for treatment of people injured in transport crashes. However, it is also heavily involved in promoting road safety and in improving Victoria's trauma system.

TAC has committed \$100million per year to road safety improvements linked to the Victorian Government's ten-year Road Safety Strategy. TAC also runs a Community Road Safety Small Grants Program which offers grants of up to \$25,000 for projects targeting local issues<sup>6</sup>. In comparison, ICWA spent \$3.5million on road safety programs in partnership with the Office of Road Safety.

RAC continues to be concerned about the growing rate of fatalities and serious injuries for motorcycles. Injuries as a result of a motorcycle crash can be more severe than those involved in a standard car. This can be attributed to the level of protection that is offered to the rider on a motorcycle compared to a driver in a standard vehicle.

So far this year, motorcycle riders have accounted for 24 per cent of all fatalities in WA. The rate of fatality or serious injury as a result of a motorcycle crash in 2012 was 432 compared to 1,267 drivers in a car-related crash. Given the rate of ownership of motorcycles is around 5 percent of all registered vehicles, there is undoubtedly an increased risk of a crash resulting in fatality or serious injury for motorcycle riders.

RAC's independent review found that when using the number of fatalities as a proxy for catastrophic injury, the likelihood of being catastrophically injured is 4.5 to five times more likely for motorcycles than with cars. This is comparable to statistics from the 'NSW Lifetime Care and Support Scheme' which show that motorcycle riders make up 23 per cent of the claimants, despite only being 4.1 per cent of registered vehicles, a ratio of around 5.5 times.

<sup>5</sup>The number of fatalities in WA was counted as at 24th of December, 2014

<sup>6</sup>P. Browne, (2014), 'A Review of Road Safety Governance in WA'

	NSW	SA	ACT	WA
Small metro motorcycle	103	93	118	165
Large Metro motorcycle	425	259	530	165

**Figure 3:** CTP premiums for selected vehicle classes in dollars

Figure 3 shows the difference in CTP premium rates for small and large metropolitan motorcycles across three other jurisdictions. It shows that in WA both small and large metropolitan motorcycles pay \$165 (including GST and Stamp Duty) whereas other jurisdictions charge a significantly greater amount for large metro motorcycles as well as differentiating between small and large metro motorcycles.

Despite the increased risk for motorcycles, the insurance fee for motorcycles is \$159.28 (excluding GST and Stamp Duty) compared to \$264.49 (excluding GST and Stamp Duty) for a standard motor vehicle.

#### Key Concern 4: Alignment to Road Safety Strategy and Towards Zero

To offset the unacceptably high social and economic costs of road trauma in Western Australia and to reduce the number of CTP claims, a whole of government approach is needed to ramp up implementation of Towards Zero, WA's Road Safety Strategy, with particular emphasis on lowering the disproportionately high rate of motorcycle crashes.



## b. Hypothecation of premiums to catastrophic injury claims

In ICWA's most recent Annual Report, it reported that their assets under management are now in excess of \$4.2billion, an increase of 8.7 per cent from 2013. ICWA has been able to deliver a total investment return for 2014 of \$434.1million.

Due to the investment returns, ICWA was able to absorb underwriting losses of \$228.8million from CTP claims. In 2014, ICWA paid out \$493.8million in CTP claims, the highest amount recorded and \$52.2million over budget. Although, the introduction of a no-fault scheme will increase the amount of claims, lump-sum payments will no longer be paid if a full no-fault scheme, or Option Two of the Green Paper, is adopted.

It is likely a no-fault compulsory insurance scheme will build up large liabilities and assets over time where there is significant uncertainty around ultimate costs and where large surpluses and deficits are possible. The small number of claimants and lifetime nature of payments means there is considerable uncertainty around estimating future cost, misestimating future costs or changes in assumptions which could potentially lead to substantial funding deficits.

Western Australians expect and should be able to rely on a certain level of constancy and certainty in regard to insurance premiums. This can be ultimately achieved by having a suitable funding policy which firstly, does not lead to steep increases in the premium if the scheme is in deficit, and has the potential to return surpluses through lower premiums.



**RAC contends that drawing from surpluses in the scheme in the form of dividends or government payments, is effectively a hidden tax on vehicle owners.**

This is supported by RAC's independent review which notes the importance of Government policy to fund any shortfall of the no-fault compulsory insurance scheme in such a way, so that it does not materially impact annual premiums paid by motorists. It was recommended, by Finity Consulting, that Government adopt a funding policy which takes a long term and gradual approach to addressing any shortfalls and refrains from 'knee-jerk' reactions to scheme deficits.

Of notable concern, is the passing of the 2013 ICWA Amendment Bill which for the first time allows the Government to receive dividends from ICWA as of August last year. So far,



the Government has received dividends of \$64million (\$46.8million for 2013, and an interim payment of \$19million for 2014). In the 2014/2015 State Budget forward estimates, the Government intends to collect a further \$37.183million in 2015/2016 and \$38.901million in 2016/2017.

Increases in CTP premiums should not be used as an additional funding source for Government. Large surpluses in the scheme which may be drawn by Government in the form of dividends is a hidden tax on vehicle owners, who would be left to cover the cost of additional deficiencies within the CTP fund.

#### **Key Concern 5: Hypothecation of CTP premiums and surpluses**

CTP premiums must be used only in relation to the payment of catastrophic injury claims. A sensible funding policy should be adopted to allow for surpluses to be returned to cover the cost of the no-fault CTP insurance scheme and to lower premiums. Surpluses should not be paid as cash dividends to Government. Equally, a long term and gradual approach should be taken to address any shortfalls.

### **c. Governance of the CTP scheme**

The current CTP scheme exhibits many of the advantages of a publicly administered scheme. By remaining a public scheme, WA has had the lowest CTP premiums in Australia with relatively low administrative costs. Further, as a public entity, ICWA has greater flexibility in its investment strategy, delivering higher investment returns in the long term that can offset underwriting losses, as evident in the ICWA 2014 Annual Report.

RAC outlines this section in support of keeping CTP a public scheme managed by ICWA as a public agency. There is potential for Government to opt to privatise the CTP scheme as some other states have. RAC considers the possibility of privatising CTP to have potentially negative outcomes for Western Australians, whose insurance premiums could be affected by higher administration costs, including legal costs, notwithstanding the fact that private insurers also require significant profit margins in order to ensure the shareholder participation was viable.

RAC commissioned Quantum Consulting to independently compare jurisdictional differences. Each state and territory in Australia has personal injury schemes for both CTP insurance and Workers' Compensation (WC) where the underwriting of the schemes range from full public underwriting and administration to fully privatised schemes with multiple insurers. In WA, the CTP scheme is fully public, whereas WC is fully privatised.





Across Australia, SA and the Australian Capital Territory (ACT) introduced a no-fault catastrophic injury scheme as a result of the PC Inquiry mentioned earlier in this submission. Recently, the SA Government announced plans that the state's CTP scheme would be privatised potentially taking effect from July 2016. In the Northern Territory, private insurance company, Allianz has purchased the government-owned insurer, TIO, excluding the CTP scheme, though Allianz will manage the scheme from 2015.

In NSW, the CTP scheme is privatised. The independent review found the NSW's scheme to be less efficient<sup>7</sup> than similar schemes around Australia, with around half of each dollar of collected premium used to pay benefits to claimants over the last decade. Comparatively in 2012, the public scheme in Victoria paid a significantly higher benefit in proportion to the premium at 80 per cent, than the NSW scheme, currently at around 60 per cent.

The CTP scheme in Victoria is publicly underwritten by the TAC. By remaining a public scheme, the independent scheme found that TAC has been able to pursue a client focussed strategy through a number of initiatives relating to health and road safety, longitudinal research studies, and individualised funding models including access to independent living.

The Government may be considering the sale of State assets. RAC considers any intent towards privatising the CTP scheme and ICWA to be an option with negative implications for WA motorists. CTP premiums should not be affected by higher premiums in order for private insurers to meet a profit margin to ensure a reasonable return to their shareholders on their capital.

#### Key Concern 6: Governance of the CTP scheme

RAC considers any future possibility of privatising the CTP scheme to have potentially negative outcomes for Western Australians, whose insurance premiums could be affected. Assurance is needed that the governance of the CTP scheme will remain publicly owned and managed through ICWA.

## d. Exclusions

In addition to the consideration of the three options presented in the Green Paper, the Government has indicated when, under a no-fault scheme, a person may not be eligible for recompense on account of their behaviour at the time of the crash resulting in a catastrophic injury.

Due to ambiguity relating to the calculation of CTP scheme costs, the extent to which exclusions of this sort will impact on the overall cost of the scheme is not clear. However, exclusions do have a significant impact on public sentiment regarding personal responsibility of the driver involved in a crash, particularly, if fault is attributable.

**"I am having trouble with the at-fault persons - they need to accept responsibility for their actions but then again they can't be left in a situation where they cannot support themselves."**

RAC Survey Respondent

It is easier to support a full no-fault insurance scheme when a driver who is catastrophically injured as a result of a crash involving a large kangaroo which unexpectedly jumps in front of their car. It is perhaps less easier to support in principle, a full no-fault insurance scheme if the driver is catastrophically injured as a result of being heavily intoxicated at the time of the crash.

The current exclusions in the CTP scheme, where fault must be attributed include:

- › Driving without a driver's licence or the right class of licence,
- › Driving an unregistered/uninsured or unsafe vehicle,
- › Driving a vehicle under the influence of alcohol, and
- › Allowing an unlicensed driver to drive your vehicle.

The consideration for keeping or expanding the current list of exclusions in the CTP scheme is an issue which the Government must give due and serious consideration. To an extent, potential changes to the issue of exclusions hinge on the consensus of the community. As part of the formulation of a no-fault CTP insurance scheme, extensive consultation with the community and stakeholders will be required on the details of exclusions put forward and once formulated, there will be a requirement to revisit these periodically to maintain social relevance.

<sup>7</sup>Efficiency is defined as the proportion of premiums paid out as benefits to those injured in motor vehicle accidents.

# Conclusion

The introduction of a no-fault scheme has the potential to remove the barrier that prevents Western Australians from receiving adequate and timely medical care in a most unfortunate situation, that is, suffering from a catastrophic injury as a result of a motor-vehicle related crash.

By adopting a no-fault system for catastrophic injuries, Western Australians will no longer be forced to attribute fault to another party or go without financial support in the absence of finding fault against another party.

RAC agrees and asks the Government to adopt and implement a full no-fault compulsory insurance scheme for catastrophic injuries as a result of a motor vehicle related crash.

RAC calls on the WA Government to respond to the points outlined in this submission in relation to the proposed cost of an additional \$109 per vehicle per year, bringing the total CTP premium to \$400 per vehicle per year.

RAC believes further validation and calculation is required to justify the cost of the scheme which:

- › Is comparatively higher than the premium paid in other jurisdictions,

- › Does not account for existing funding sources, and
- › Significantly increases pressure on household budgets.

Further, introduction of a no-fault CTP scheme is an opportunity to:

- › Take a whole of government approach to ramp up implementation of WA's Road Safety Strategy,
- › Hypothecate premiums to the payment of catastrophic injury claims,
- › Provide assurance that the CTP scheme will be publicly owned and managed by ICWA, and
- › Further consider, and consult on, exclusions.

We trust that this information will inform the Government and extend our thanks for the opportunity to make this submission.



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