Standing Committee on Public Accounts

Inquiry into Road Transport (Third-Party Insurance) Amendment Bill 2011

Responses to supplementary questions arising from public hearing 6 October 2011

PAC Supp Q # 1

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 1

The Committee - Asked the Treasurer upon Notice:

(1) Could the Treasurer please provide a justification consistent with section 28 of the *Human Rights Act 2004* for the following limitations arising from the Bill:

a. Right equality before the law section 8:

i. The Bill in section 155F limits legal rights to compensation on the basis of the level of physical impairment suffered by an injured person. This effectively discriminating against people based on their level of impairment. Section 8 of the Human Rights Act protects the right to equality before the law and particularly provides a protection against laws which discriminate on the basis of disability. The Bill creates a legal discrimination against those with a particular class of disability.

ii. The limitation created by section 155F will have a greater effect on discrete groups within the community particularly young people and the unemployed, including for example stay at home parents – mostly women, who rely more on damages for non economic loss to compensate them. The effect of the Bill will be to discriminate against these groups because they will have a proportionately greater limitation placed on their right to compensation.

iii. The Bill in section 155A proposes to increase the discount rate from the current 3% to 5%. This change will have a greater impact on the young and most seriously injured as they will receive less compensation and yet they will be the ones who rely on it most heavily. This provision effectively discriminates against these particular groups.

b. Right to a fair trial section 21:

i. The Bill in section 155J effectively provides for the determination of rights by a medical assessor as the level of impairment determined conclusively by the assessor will determine whether the injured person can access general damages. This is a limitation on the right to have a person's rights and interests "decided by a competent, independent and impartial court or tribunal after a fair and public hearing".

ii. The Bill in section 155S(3) provides that a court cannot compel evidence by the medical assessor. The fair hearing rule is of course a fundamental part of the procedural fairness rules and the right to a fair trial recognised in section 21 of the *Human Rights Act 2004*. This is a

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limitation on a person's ability to test the evidence presented against them.

Treasurer - The answer to the Committee's question is as follows:

Right to Equal Protection

The right to equal protection of the law under s8(3) of the *Human Rights Act 2004* (HRA) specifies that "everyone is equal before the law and is entitled to the equal protection of the law without discrimination. In particular, everyone has the right to equal and effective protection against discrimination on any ground."

The Committee questions whether the proposal to place restrictions on damage awards only in respect of negligence actions arising out of motor vehicle crashes directly discriminates against CTP claimants, compared to those who may be injured in other kinds of negligence claims, in contravention of section 8 of the HRA.

Section 8 is concerned with ensuring all citizens are treated equally before the law, regardless of personal attributes such as race, disability, age, gender and sexual orientation. The proposed amendment does not limit damage awards on the ground of any personal attribute and accordingly, does not appear to be directly discriminatory.

Alternatively, the Committee suggests that the proposed amendment may be indirectly discriminatory as it may have a disproportionately unfavourable effect on motor vehicle crash victims who are children and the elderly as non-economic loss makes up a greater proportion of loss for these classes. In addition, the Committee considers the proposed discount rate would have a disproportionate impact on the most severely injured as it will affect the amount of compensation available to use for a lifetime of care and support.

In response, first, the legislation does not indirectly discriminate because it applies to all persons. The legislation will affect different persons in different ways because of the extent of their injuries. This is unrelated to a personal attribute as envisaged by the HRA.

Second, even if section 8 applied on the basis that certain classes of claimants are affected, section 28 of the HRA subjects the rights contained in the HRA to reasonable limits that can be demonstrably justified in a free and democratic society. Determining whether any limitation is reasonable requires consideration of a number of factors including the nature of the right affected, the importance of the purpose of the limitation, the nature and extent of the limitation and the relationship between the limitation and its purpose.

The Bill introduces amendments to the *Road Transport (Third-Party Insurance) Act 2008* aiming to, among other things: encourage rehabilitation, encourage speedy resolution of CTP claims, keep the costs of insurance at an affordable level, and promote competition for CTP premiums.

While the proposed amendments may engage section 8, in so far as they may have different impacts on different claimants, in my view the limitation of the right is proportionate as it seeks to achieve the Bill's objectives set out above, including encouraging rehabilitation and creating a sustainable scheme of third party insurance.

Right to Fair Trial

The Committee has also questioned whether the proposal to make medical assessment certificates "conclusive proof" in a proceeding under the CTP Act breached the right to a fair trial under section 21 of the HRA.

The right to a fair trial is expressed under s21(1) as follows, "everyone has the right to have criminal charges, and rights and obligations recognised by law, decided by a competent, independent and impartial court or tribunal after a fair and public hearing."

The proposed amendment may engage section 21 of the HRA to the extent that it could affect the amount and type of evidence considered by an "independent and impartial court or tribunal after a fair public hearing".

However, in my view the impact on s21 is proportionate. It is justified to achieve the Bill's objective to encourage speedy resolution of CTP claims by streamlining the process of medical assessment, with possible positive medical rehabilitation outcomes.

Importantly, the medical certificate is not determinative of a persons' ability to make a CTP claim. The Bill contains provisions which allow the Court to reject the certificate if admitting it would cause substantial injustice. While the operation of the proposed amendment is yet to be seen in the ACT, the ability of the court to reject a certificate in these circumstances would then allow the parties to tender any evidence they seek to lead, thereby satisfying the requirements in section 21 of the HRA.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr

Andrew Barr MLA
Treasurer **Date:** 9.2.12

PAC Supp Q's #2

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

RECEIVED 10 JAN 2012 ACT LA COMMITTEE OFFICE

Standing Committee on Public Accounts
Supplementary Question No 2

The Committee - Asked the Treasurer upon Notice:

Section 155A(2)(a) also delegates the ability to set a different discount rate by regulation could you please explain why this is an appropriate delegation of legislative power given the human rights issue it raises and the potential impact that this may have of injured person's lives. It appears that this is matter more appropriately dealt with by the Legislative Assembly. Could you please explain why it is appropriate to delegate this power?

Treasurer - The answer to the Committee's question is as follows:

The *Legislation Act 2001* provides for the Legislative Assembly's oversight of all regulations under Chapter 7. All regulations are presented to the Legislative Assembly and Members of the Legislative Assembly may either disallow the regulation under section 65 or make amendments to the regulation under section 68.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr

Andrew Barr MLA
Treasurer **Date:** 3.1.2012

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PAC Supp Q # 3

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TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 3

10 JAN 2012
ACT LA

The Committee - Asked the Treasurer upon Notice:

Could the Treasurer please outline what analysis was undertaken of the 15% permanent impairment threshold and how a conclusion was reached that this was the most appropriate point at which to set the threshold?

Treasurer - The answer to the Committee's question is as follows:

In the ACT, the American Medical Associations Guides to Permanent Impairment AMA 5th Edition (AMA 5) is already used for making assessments of injured people (refer to the workers compensation legislation approved medical guidelines).

In a jurisdiction as small as the ACT, it is necessary to seek synergies where possible to achieve the economies of scale that are vital to the efficient running of a scheme such as CTP. Consequently, it was decided that AMA 5 should be used instead of a threshold of greater than 10% (ie 11% or more) using AMA 4.

In using the AMA 5 guidelines, it has been necessary for the ACT to set the threshold at a level that achieves the same or similar outcomes to that in NSW, without unreasonably affecting those with severe injuries.

As AMA 5 is recognised to be more subjective in relation to the medical determination of physical impairments, the threshold is set at 15% or more in order to capture claims in relation to relatively minor injuries where early treatment results in higher rates of recovery. The scheme actuary has advised that AMA 5/15% is a similar proxy to AMA 4/greater than 10%.

The threshold applies a degree of whole person impairment test such that those with 15% permanent impairment or greater are able to access non-economic loss. The assessment is based on the AMA 5 which a recent study for workers compensation jurisdictions concludes is the most current and reliable assessment tool for permanent impairment. AMA 5 and a 15% threshold is also currently used by NSW Workcover and there are discussions regarding the adoption of this guide nationally.

By contrast, before accessing any common law damages in Victoria an injured motor crash victim must meet a threshold of 30% or more using AMA, 4th Edition, or satisfy the Transport Accident Commission that they have a serious injury.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr MLA
Treasurer

Date: 6.1.12

PAC Supp Q # 4

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 4

RECEIVED
10 JAN 2012
ACT LA
COMMITTEE OFFICE

The Committee - Asked the Treasurer upon Notice:

Could the Treasurer please explain why it is not appropriate to combine the physical and psychological permanent impairment suffered as a result of the accident in the threshold test for damages for non economic loss and could the Treasurer please provide any medical evidence considered regarding the impacts of impairment and the combined effect of both psychological and physical impairment?

Treasurer - The answer to the Committee's question is as follows:

The assessment of physical and psychological injuries are two very distinct and separate exercises. Importantly, under an objective assessment tool the assessment of one cannot simply be added to the assessment of the other. To do so would create inconsistencies and inequity in applying the whole person permanent impairment threshold.

Psychological injuries are taken into account in all cases when handling a claim in the context of identified risk factors that may inhibit or accelerate recovery. However, the assessment of psychological impairment is qualitatively different to the assessment of physical impairment. The AMA guides cannot be used to determine the degree of a person's psychological impairment. It is therefore intended to assess psychological impairment using a separate guideline, the NSW WorkCover Guides for the Evaluation of Permanent Impairment, 3rd Edition, chapter 11 (section 155P of the Bill refers). A further consideration is that it is very difficult to prove that a psychological impairment was caused by a discrete event such as a motor crash rather than in relation to a pre-existing or underlying psychological illness. Accordingly, it is inappropriate to combine physical and psychological impairment assessments.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr

Andrew Barr MLA
Treasurer **Date:**..21.12.11..........

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PAC Supp Q # 5

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

RECEIVED
10 JAN 2012
ACT LA
COMMITTEE OFFICE

Standing Committee on Public Accounts
Supplementary Question No 5

The Committee - Asked the Treasurer upon Notice:

The former Treasurer informed the Assembly (31 March 2011, pp. 1173–1174) that she had been seeking to provide Members with an appropriate level of information on this matter. Can you please provide an update on the status of the provision of this information to Members?

Treasurer - The answer to the Committee's question is as follows:

This question was taken on notice during the Committee hearing on 6 October 2011. Accordingly, the Committee is referred to the answer provided to that same question.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr MLA
Treasurer

Date: 3.1.2012

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31.1.12

PAC Supp Q # 6

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 6

RECEIVED 10 JAN 2012 ACT LA

The Committee - Asked the Treasurer upon Notice:

The *Road Transport (Third-Party Insurance) Act 2008* provides that a review commence after 30 September 2011:

- Has the review commenced?
- When is the review expected to report? When will the review be provided to the Assembly in accordance with the Act?
- Will the review be subject to the Cabinet process?
- How will the findings and recommendations of the review be incorporated into the proposed Bill and any future amendments?

Treasurer - The answer to the Committee's question is as follows:

The three year legislative review commenced on 6 October 2011.

The Act stipulates that within 3 months of the review having commenced the report is to be presented to the Assembly. As the three month period ends on 6 January 2011, the report is expected to be presented to the Legislative Assembly in the first sitting week for 2012.

The Government will consider the review before deciding on future actions regarding the ACT's CTP scheme.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr MLA
Treasurer

Date: 3.1.2012

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PAC Supp Q # 7

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

RECEIVED
1 FEB 2012
ACT LA
COMMITTEE OFFICE

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 7

The Committee - Asked the Treasurer upon Notice:

Viability of the current scheme—is there any evidence to suggest that the current scheme will not be financially viable in the long term?

Treasurer - The answer to the Committee's question is as follows:

Scheme viability needs to be considered in the context of the scheme's structure, including the insurer's costs and obligations and motorists ability to pay.

Premiums are regulated to ensure they are sufficient to cover reasonable costs. So long as these costs are reflected in premiums, the scheme will remain viable to the insurer. Competition amongst CTP insurers would assist in this area by placing market pressure on costs and encouraging additional administrative efficiency.

However, the rising cost of CTP insurance has a significant impact on the cost of living which is of concern both the community and to the Government. High premiums charged in the ACT impact disproportionately on those on low or fixed incomes such as the old age pension. For a person receiving a single pension rate of $689 per fortnight, CTP premiums make up over 150% of their weekly income.

CTP premiums keep rising on average around 8% each year and there is still only one insurer. With only one insurer operating in the market, there is no incentive for innovative design and better management practices and no downward pressure on premiums.

There has long been anecdotal evidence that some vehicle owners (both private motorists and businesses) have chosen to register vehicles normally garaged in the ACT at addresses across the NSW border. There is also empirical evidence available to support this. A number of motorists have written to the Government suggesting that this jurisdiction shopping behaviour is justifiable.

In 2010-11 ACT Policing detected 780 vehicles without CTP insurance using the RAPID numberplate scanning technology. Increasing numbers of uninsured vehicles in the ACT expose the ACT Nominal Defendant to a higher risk of claims. The cost of Nominal Defendant claims are levied on the CTP insurer and passed onto other motorists through even higher premiums.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr

Andrew Barr MLA
Treasurer **Date:** 31.1.2012

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PAC Supp Q # 8

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

RECEIVED
23 DEC 2011
ACT LA
COMMITTEE OFFICE

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 8

The Committee - Asked the Treasurer upon Notice:

Viability of the current scheme —from whose point should the viability of the Scheme be assessed? What sort of viability are we looking for?

Treasurer - The answer to the Committee's question is as follows:

Viability of the scheme needs to be considered from the perspective of its stakeholders. There are three stakeholders in this system of compulsory statutory insurance:

1. those who must pay premiums;
2. those who are injured in a motor crash; and
3. those who insure/underwrite the cost of insurance.

These interests must be balanced in the context of the objectives of the CTP Act. If the interests of any one category were to get overlooked, the scheme would not be sustainable over the long term.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr MLA
Treasurer

Date: 21.12.11

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31.1.12

PAC Supp Q # 9

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 9

RECEIVED 10 JAN 2012 ACT LA COMMITTEE OFFICE

The Committee - Asked the Treasurer upon Notice:

Has a public cost benefit analysis of the current scheme—examining all payments, drawings and withholdings from the premium pool over recent years been undertaken?

Treasurer - The answer to the Committee's question is as follows:

The ACT's CTP scheme is constantly under review. Since October 2008, when the CTP regulator was established, there have been four premium approvals, six associated reviews by the scheme actuary and an interim scheme review by the scheme actuary.

As part of these processes, all information is available to the CTP regulator regarding scheme costs, breakdowns by category and trends from the premium pool.

Specifically, the level of premiums is not a decision that is made by the Government. The procedure is set out in Part 2.6 of the CTP Act and requires a licensed CTP insurer to submit the premiums it proposes to charge to the CTP regulator at least once a year (unless the regulator requires otherwise).

The CTP regulator may reject premiums if they will not fund the insurer's present and likely future liabilities under the Act or if, having regard to actuarial advice and other financial information available to the regulator, the premiums are excessive.

To fund an insurer's present and future liabilities, premiums must:

- pay all acquisition and policy administration expenses;
- provide an amount of money that together with anticipated investment income is equal to the best estimate of the cost of motor accident claims plus motor accident claim settlement expenses (in inflated dollars) at the assumed date of settlement;
- provide a profit margin in excess of all motor accident claims, costs and expenses that represents an adequate return on capital invested and compensation for the risk taken; and
- provide for other matters that a prudent insurer should, in all the circumstances, make provision for.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr MLA
Treasurer

Date: 3.1.12

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PAc Supp Q # 10

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 10

The Committee - Asked the Treasurer upon Notice:

It appears that the proposed amendments, will limit or restrict a person injured through no fault of their own, to access compensation through common law—is this not contradictory to the role of the State? Is it not morally right to provide proper compensatory rights to a third party who is injured through no fault of their own?

Treasurer - The answer to the Committee's question is as follows:

All persons injured in a motor crash will continue to have access to the common law. The proposed amendments do not put a bar on any claimant's access to compensation under the CTP Act if they are injured in a motor crash. Moreover, the amendments will not affect a claimant's ability to take their claim to court.

What these proposed amendments do is facilitate the objectives of the CTP Act by improving the scheme through:

- facilitating the speedy resolution of relatively minor personal injury claims;
- encouraging the rehabilitation of all claimants; and
- the affordability of premiums and competition in the ACT CTP market.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr MLA
Treasurer

Date: 6.1.12

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31.1.12

PAC Supp Q #11

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

RECEIVED 14 FEB 2012 ACT LA COMMITTEE OFFICE

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 11

The Committee - Asked the Treasurer upon Notice:

Don't we want the best scheme in the ACT not the cheapest? The cheapest scheme only benefits those who are not injured in an accident—why do we want to introduce reforms that are proposed to reduce premiums by trading off proper compensation rights for third parties injured as a result of an accident that is not their fault? Is this not morally wrong?

Treasurer - The answer to the Committee's question is as follows:

The ACT community deserves a scheme that:

- provides incentives for better health and rehabilitation outcomes for the injured, including the speedy resolution of claims;
- puts downwards pressure on premiums and encourages competition; and
- is sustainable.

The current lump sum arrangements do not allow for this and are neither efficient nor effective. They should be changed.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr MLA
Treasurer **Date:** 9.2.12

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27.2.12

PAC Supp Q # 12

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 12

The Committee - Asked the Treasurer upon Notice:

Are there not other ways of reducing premiums than limiting access to common law to a specific threshold?

Treasurer - The answer to the Committee's question is as follows:

The Committee is referred to the answer to supplementary question no 13.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr MLA
Treasurer **Date:** 6.1.12

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31.1.12

PAC Supp Q # 13

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 13

The Committee - Asked the Treasurer upon Notice:

Are there not more equitable ways of ensuring the long-term viability of the Scheme in the ACT?

Treasurer - The answer to the Committee's question is as follows:

There are a number of different options for scheme design, premiums and procedures evident from the varying CTP schemes across Australia.

As to scheme design, the ACT could move to an entirely no-fault scheme which would enable compensation for care and treatment for everyone over their life time. Alternatively the ACT could move to a hybrid scheme, for example, Victoria, Tasmania and New South Wales. Finally, more restrictions could be applied to common law damages such as caps on different heads of damages.

A no-fault scheme will necessarily either repeal common law compensation altogether (for example the Northern Territory) or allow common law access on a limited and structured basis (for example, Victoria uses thresholds, Tasmania applies strict timeframes and NSW offers no fault coverage only to those catastrophically injured).

There is no current model of sustainable CTP insurance that allows full access to common law damages. Evidence and experience indicates competition will not enter the ACT until the volatility of the scheme is reduced, in other words the focus is on health outcomes rather than maximising compensation.

In terms of premiums, risk rated premiums may create a disincentive to those more at risk of accidents and lower premiums for some. However, to change the premium structure in this manner before stabilising the market and may result in unreasonable premium increases for those who can least afford it.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr MLA
Treasurer **Date:** 6.1.12

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31.1.12

PAC Supp Q# 14

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 14

The Committee - Asked the Treasurer upon Notice:

Feedback on the current scheme—are people complaining about the Scheme's current level of third party insurance?

Has the Government received positive or negative feedback about the operation of the *Road Transport (Third-Party Insurance) Act 2008*—please elaborate.

If negative feedback has been received—is it sufficient grounds to warrant amendment to the Act as proposed?

Treasurer - The answer to the Committee's question is as follows:

The Government is regularly receiving phone calls, inquiries and correspondence overwhelmingly in favour of reducing premium levels and attracting competition into the ACT CTP insurer market.

In addition, there has long been anecdotal evidence that some vehicle owners (both private motorists and businesses) have chosen to register vehicles normally garaged in the ACT at addresses across the NSW border to take advantage of lower CTP premiums (premiums in country NSW for most motorists are 24%, or $110 to $120 cheaper than in Sydney and up to $175 cheaper than in the ACT).

Empirical evidence of a systemic problem has been provided following the adoption by the NSW Electoral Commission of automatic updating of electoral enrolment using a range of data sources including the NSW Roads and Traffic Authority database of vehicle registration changes. The NSW Electoral Commission gives voters the right to object to the new address. The registration of vehicles in NSW (Queanbeyan or other surrounding areas as far afield as the South Coast) by ACT residents was the biggest category of valid objections to the new address received by the Commission.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr

Andrew Barr MLA
Treasurer

Date: 6.1.12

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31.1.12

PAC Supp Q # 15

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

Standing Committee on Public Accounts
Supplementary Question No 15

The Committee - Asked the Treasurer upon Notice:

The CTP scheme in the ACT has 'community rated' risk premiums. This means that 'good risks' provide a cross subsidy for so called 'bad risks'. It is recognised that some level of cross-subsidisation is necessary to ensure that CTP premiums are affordable for all motorists, however, allowing a price signal for lower risk profiles may serve to encourage lower risk behaviours.

Has a risk rating for the CTP insurance policy been considered?

Treasurer - The answer to the Committee's question is as follows:

Risk rated premiums, as exist under the NSW scheme, were considered during the development of the 2008 reforms. The Government concluded that it would be premature to introduce risk rating of premiums in the absence of competition, since such a system could be gamed by an incumbent insurer to entrench itself against any competitors that might be attempting to enter the market. This is because the incumbent insurer necessarily has a much more detailed understanding of the risk profile of its existing portfolio than a potential market entrant.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr MLA
Treasurer

Date: 3.1.12

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PAC Supp Q # 16

TREASURER FOR THE AUSTRALIAN CAPITAL TERRITORY
LEGISLATIVE ASSEMBLY QUESTION

Inquiry into the Road Transport Amendment Bill 2011

RECEIVED
10 JAN 2012
ACT LA

Standing Committee on Public Accounts
Supplementary Question No 16

The Committee - Asked the Treasurer upon Notice:

Discount rate justification—where can you invest money at very low risk for a continuing return of 5% after tax and inflation?

Treasurer - The answer to the Committee's question is as follows:

It would be impossible for any single discount rate to reflect the exact financing and risk characteristics of any market or individual circumstances across a long timeframe into the future.

Discount rates across Australia range between 5-7%. The Government has decided that a 5% discount rate is appropriate and consistent with the NSW scheme.

Approved for circulation to the Member and incorporation into Hansard.

Andrew Barr

Andrew Barr MLA
Treasurer **Date:** 3.1.2012

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