

Barton Deakin Brief: New South Wales Green Slip CTP reform

7 March 2017

Today the Premier, the Hon Gladys Berejiklian MP and the Minister for Finance, Services and Property, the Hon Victor Dominello MP announced Green Slip CTP reforms to reduce the average price of Green Slips across New South Wales. A Bill will be introduced to Parliament this week and, subject to approval, a new Green Slip scheme is likely to commence in December 2017.

This Barton Deakin Brief outlines the Green Slip CTP reform.

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Background

Over the last decade, Green Slip prices have increased by 85 per cent in Sydney – Sydney motorists are paying the highest CTP premiums in Australia. This high premium is due to an increase in minor injury claims and related costs, insurer profits and insurance claim fraud.

State of play:

- The average Sydney motorist pays \$703 for Green Slips
- The average country motorist pays \$482 for Green Slips
- A person injured in a motor vehicle accident often waits between 3-5 years to receive compensation for loss of income
- 45 cents* in every CTP dollar collected by insurers goes to injured people as benefits – the rest goes in scheme costs, insurer profit and legal costs
- Fraudulent claims are estimated to add up to \$74 to the cost of each Green Slip

* excluding GST and Lifetime Care and Support Levy



Objectives for reform

The Government’s objectives for reform dictate the new CTP Green Slip scheme. The key objectives are to:

- Reduce the time it takes to resolve a claim;
- Increase the proportion of benefits provided to the most seriously injured road users;
- Reduce the cost of Green Slip premiums; and
- Reduce the opportunities for claims fraud and exaggeration.

A faster claims process

Currently, the same claims process applies regardless of whether a person has a minor, moderate or serious injury. Under the new scheme, the claims process will be streamlined thereby paying benefits to injured people sooner. Those with minor injuries will no longer be required to go through a lengthy and complex common law claims process.

Under the current scheme, only 6 per cent of claims are paid in the first year after an accident. Under the new scheme, more than 27 per cent of claims would be paid in this time. The Government will attempt to shift from an adversarial scheme where insurers and lawyers debate the amount of compensation to be awarded, to a scheme where insurers are required by law to provide certain benefits to the injured.

Benefits for injured people

All injured people, regardless of fault, will be entitled to up to six months of:

- Weekly income payments (if time off work is required to cover);
- Medical and treatment expenses; and/or
- Commercial attendant care (for help needed around the home).

Around seven thousand people a year are considered to be at-fault in the accident and currently can only claim a maximum of \$5,000 for combined medical expenses and loss of income.

Example scenario: Kerry, an at-fault driver

Kerry, a casual hairdresser, was driving home from work. Momentarily distracted by a dog running across the road, she failed to stop at an intersection and was hit side on by an oncoming car. She was therefore at-fault in the accident.

She broke her shoulder and arm and was unable to work for three months.

	Current Green Slip scheme	Proposed Green Slip scheme
Income	Kerry is only eligible for up to \$5,000 of combined medical and treatment expenses and loss of income.	Kerry will receive weekly income payments (95% - 80% of her pre-injury income) for the 3 months she requires off work.
Medical and treatment costs	At a time when she needs to focus on her recovery, she is worrying about how she will pay her rent, loan repayments and day to day living expenses.	Kerry’s medical and treatment expenses* will be covered for up to 6 months. This includes her specialist appointments, x-rays and physiotherapy.

*reasonable and necessary



Benefits after six months

Benefits set by law will continue to be available beyond six months for people who have not caused the accident.

Also, their injury cannot be a minor injury (e.g. soft tissue or minor psychological injury).

The amount of extra time benefits continue for then depends on the extent of injury which is measured by a 'whole person impairment' (WPI) assessment and whether the person makes a common law claim.

Moderate injuries

A person who has been assessed with 10 per cent or less whole person impairment can initially receive up to two years of weekly income benefits, and up to three if they make a common law claim.

Towards the end of two years, if they still require ongoing support for loss of earnings, they can make a common law claim for past and future economic loss.

Their weekly income benefits will then continue for up to a further year (three years in total if required) allowing time for their common law claim to settle.

Once the common law claim has settled there are no further weekly income payments.

Reasonable medical and treatment benefits and commercial attendant care are provided on ongoing basis as needed.

Serious injuries

People who are more seriously injured, with a whole person impairment of more than 10% are eligible for up to two years of weekly income payments, and up to five years if they lodge a common law claim and are waiting for it to be finalised.

A claim for common law damages can include compensation for:

- Past and future economic loss
- Non-economic loss (pain and suffering).

The person will continue to receive reasonable medical and treatment benefits and commercial attendant care on an ongoing basis, for life if required.

Note: A levy in the CTP scheme goes towards another scheme called Lifetime Care and Support. This is a no-fault scheme for people catastrophically injured in a road accident. This scheme is not part of this review.

Death benefits

All reasonable funeral costs for someone who dies in a motor vehicle accident will be met by the insurer.



How prices will be reduced

The Government has announced that under a reformed CTP scheme the average price of a Green Slip will be reduced by more than \$100.

In the current Green Slip scheme, the level of uncertainty is high and payment periods are lengthy meaning higher premiums.

Fraudulent behaviour and exaggeration of claims are also estimated to add up to \$75 to the cost of every Green Slip premium.

Reform

Providing benefits set by law for minor injuries instead of lump sum compensation payments aim to reduce the cost of Green Slips. Over recent years, legally represented claims for minor injuries (e.g. a soft tissue injury) have more than doubled. This has led to higher Green Slip prices. Currently, claims for minor injuries can take at least 18 months to be resolved and this creates uncertainty for insurers when assessing risk and setting premiums. It also ties up valuable scheme funds in administration costs such as medical investigations, insurer and legal costs. This is particularly the case when investigating who was at fault in the accident.

How reforms will reduce fraud

Fraudulent and exaggerated claims cost NSW motorists approximately \$400 million per year. This is estimated to add around \$75 to the cost of each Green Slip. The current Green Slip scheme, which is largely based on common law to award lump sum payments of compensation, is vulnerable to fraudulent behaviours and the risk of exaggerated claims.

Under the reforms, a defined benefit scheme for minor injuries such as soft tissue and minor psychological injuries aims to reduce the opportunity and incentives to abuse the system thereby reducing Green Slip costs for all vehicle owners. The Government also aims to increase powers for fraud investigation and prosecution, with enhanced penalties for people lodging fraudulent exaggerated claims.

What reforms means for taxis and ride sharing

The Government aims for a level playing field for taxis, hire cars and ride sharing vehicles. Taxi premiums aim to be reduced by up to 40 per cent under the new scheme. Upon public consultation, premiums paid by point-to-point transport vehicle owners, such as taxis, hire cars and ride sharing vehicles, will be based on usage. Taxis currently pay higher CTP premiums than other point-to-point services. Under the reforms, taxi CTP premiums aim to be reduced by up to 40 per cent.

Further Information

Minister media release, [here](#).

For more information, please contact [Anthony Bensch](#) on +61 438 439 431 or [Jessica Yu](#) on +61 2 9191 7888.

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