



# CTP: Protecting you on the road

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Canberrans pay some of the highest CTP premiums in Australia, but the level of cover doesn't match the price tag.

You expect Compulsory Third Party (CTP) insurance to provide cover if you are injured in a car accident, but this is not always the case.

CTP was originally introduced to make sure innocent people (including passengers, pedestrians and drivers of other vehicles) are legally compensated if they are injured because of someone's negligent driving.

The ACT's current CTP scheme is based on blame. If there is no insured driver at fault, no CTP insurance policy will pay out. This leaves hundreds of people injured in car accidents without cover every year.

When you're designing a CTP scheme, there are three main questions to answer:

1. **Who is covered?**
2. **What benefits are covered?**
3. **Who manages the claim?**

## **Who is covered?**

- Should CTP cover everyone injured in an accident?
- Should people deemed "at-fault" or who cannot identify an at-fault driver be excluded, or should all injured people be covered for their injuries ("no-fault")?

## **What benefits are covered?**

- How will support and compensation be provided to injured people?
- Should injured people get medical care and income support as needed, or receive compensation as a lump sum at the end of a long claims process?
- Is the court system (common law) the best place to

resolve disputes, or should you receive treatment and support as needed to help you recover as soon as possible (defined benefits)?

## **Who manages the claim?**

- Should you have the choice of who manages your policy and looks after you if you're injured in an accident?
- Should the at-fault driver's insurer manage claims (third party) or the insurer chosen by the injured person (first party)?

## **Suncorp believes a good CTP scheme should:**

- Cover everyone who is injured in an accident (a no-fault scheme).
- Provide the right support, rehabilitation and compensation for a person's injuries, with compensation focused on those with life-changing injuries (defined benefits).
- Allow people to choose which insurer will manage their policy and claim (first party).

**It's not about our profits - they are dictated by the pricing of the scheme, which is set by the regulator. We fundamentally believe everyone injured in a motor accident should receive the care and support they need to recover.**

It's possible to create a scheme that offers better cover and service, makes premiums more affordable, and provides more of every dollar in premiums back to injured road users. Now is the time for the ACT to step up and make the change.

## Mind the gap

Every year, hundreds of people (including children) are injured in accidents on ACT roads but can't make a CTP claim, even if they have done nothing wrong.

This is because of the rules defining who is labelled "at-fault" – and it isn't always who you might think.



### An "at-fault" driver may not have done anything wrong.

For the purpose of CTP insurance, a driver is "at-fault" in any situation where no other driver can be blamed, including single car accidents.

You can be legally considered "at-fault" even if you have not been driving recklessly. You might have a minor lapse in concentration or simply be a victim of circumstance. Most of the time, an accident, is just that – and that's when insurance should take care of you.

Not having cover can be devastating for injured people and their families, particularly if their injuries are severe.

Other states have, or are moving to, no-fault schemes that provide better cover. The care required following catastrophic injuries is already covered on a no-fault basis under the National Injury Insurance Scheme. It's time to bring the whole ACT scheme up to speed.

## Are you more at fault than you think?

### Accidents will happen. What if...



A kangaroo darts in front of your car when you're not doing anything wrong



Driver not covered



Passengers (including children) not covered



A driver has a heart attack and causes an accident



No injured person covered



A child steps in front of your car, but you did nothing wrong



Child is not covered



Driver is not covered



Your motorcycle hits an oil spot and has an accident, but you did nothing wrong



No injured person covered



You're involved in a rear-ender because the car in front brakes suddenly



All passengers covered



Front driver covered



Rear driver not covered



Any single-vehicle accident



Driver not covered

## The system is broken

Currently, all CTP claims in the ACT go through the legal system. The injured person effectively sues the “at-fault” driver (represented by their insurer) to seek a lump sum. Most claims are settled outside the courts, but it’s still a lengthy, complex and often adversarial process.

This is a slow and expensive way of settling claims, with high legal fees and medical costs, and longer recovery times.

### By the numbers



**20-35%**

Average amount of lump sum taken up by legal fees



**Less than 50c**

Amount of every dollar in ACT CTP premiums that is returned to injured people



**\$120**

Average annual saving for NSW motorists following recent CTP reforms

In theory a common law process provides each individual claimant with the amount of money that matches their individual circumstances. At best, it encourages people to delay recovery to increase their payout. At worst, it creates an incentive for some people to embellish, exaggerate or even fabricate injuries to maximise their payout.

We’ve seen this kind of CTP exaggeration increase, particularly for minor injuries like whiplash and other soft tissue injuries that can generate contradictory medical reports.

## Defined benefits – putting you on the road to recovery



There is a proven way to get better outcomes for injured road users while reducing CTP premiums. It’s called a “defined benefits” model, because it gives you certainty that you will get exactly the benefits you need to manage, and recover from, an injury.

This model replaces lump sum compensation with the right to have your medical and care expenses paid for, as well as being reimbursed for any lost income on a needs basis.

If you make a claim, your costs are paid as you go – you don’t have to wait months (or even years) to be paid a lump sum for the wages you’re losing right now, and rehabilitation support is maximised immediately after your injury.

Payments for ‘pain and suffering’ are standardised so everyone with the same kind of injury knows exactly what they will receive.

We know that shifting the focus away from adversarial battles between lawyers and insurers and toward care and rehabilitation leads to better health outcomes.

As an insurer, we’d rather spend time and resources getting you back to your life and work as quickly as possible. It’s better for you, your family, your employer, and the economy. It’s also cheaper in the long run, which helps keep premiums down even if cover is expanded.

## Scheme efficiency – where do your premiums go?

Right now, less than half of every dollar you pay in CTP premiums ends up being paid in claims. The rest pays for legal fees, scheme administration and insurer profits.

However, we don't know exactly how much of the money paid in claims actually ends up in the pocket of people injured in accidents.

This is because lawyers will often take a significant portion of someone's lump sum, on top of the legal fees paid as part of the claim settlement.

Officially, insurers pay 24.3% of each claim in legal costs. However, solicitor-client fees are then taken

from the injured person's payout – and this can be up to 35% of their compensation amount. When you add these fees together, lawyers can end up earning close to half the final payout amount.

Once the cost of managing claims and insurer profits are factored in, less than 50% of premiums end up in the pockets of injured people.

We know it's possible to do better. Before recent scheme changes, the NSW CTP scheme was returning just 45% of premiums to people injured in accidents. This is expected to increase to 60% once no-fault cover is expanded and defined benefits are introduced.

## From third party to first party – who manages your claim?

Currently, you can choose which insurer you buy your CTP policy from. If you are injured in an accident, though, you have no choice about who manages your claim.

For all CTP claims, the insurer of the "at-fault" driver manages all claims from people involved in the accident.

This reform process provides an opportunity to change the way we think about managing claims. Under a first-party system, the insurer you choose to buy CTP from is guaranteed to manage your claim.

This means you can choose the insurer you trust to look after you if you or your family are injured on the road, just like you choose a car or home insurer knowing they will manage your claims.

It also removes the need to establish fault before a claim can be processed. This can add weeks or even months to a claim under the current system, delaying compensation and treatment for injuries.

We know that early intervention speeds up recovery time and improves overall outcomes for people injured in accidents. A first party scheme helps insurers focus on getting treatment for their customers, rather than fighting legal battles.

## The opportunity – Making a difference for ACT road users

Everyone involved in this process has the opportunity to make a difference for people injured on ACT roads.

Accidents happen, and you should have confidence that you and your family are covered every time you get into the car.

Suncorp has been a vocal advocate for CTP changes that benefit the community. A no-fault scheme with clearly defined benefits will provide more cover and better service at a more affordable price.

We look forward to working with the ACT community to build a CTP scheme we can all be proud of.