Government response to the Fifth Report of the Legislative Council Standing Committee on Law and Justice on the exercise of the functions of the Motor Accidents Authority and the Motor Accidents Council

Recommendation 1:

The Committee recommends that if, as a result of the MAA's examination of the issue of claims against the Nominal Defendant for unregistered and unregisterable vehicles, the MAA determines that the operation of the legislation does have the effect described by APLA and the Bar Association (outlined in paragraph 2.23-2-26 of this report), the Minister for Commerce should seek to amend the *Motor Accidents Compensation Act* 1999 accordingly.

Response:

The Committee's recommendation is under consideration.

Recommendation 2:

The Committee recommends that the MAA consider implementing an additional discount beyond the current rating factors for a safe driving record.

Response:

Following consideration of the recommendation by a tripartite working party comprising representatives of the MAA, the Roads and Traffic Authority and Compulsory Third Party insurers it is not considered feasible to introduce a rating factor linked to the provision of a safe driving certificate. A background paper summarising the issues identified by the working party is attached (Appendix 1).

Recommendation 3:

The Committee recommends that the Minister for Commerce consider whether the cost of claims involving four-wheel drive vehicles is higher than other sedans and whether a premium adjustment in this regard is necessary.

Response:

The MAA is undertaking a review of four-wheel drive claims experience which is anticipated to be completed by the end of the first quarter of 2005. The MAA will be in a position to provide advice to the Minister for Commerce following the completion of this review.

Recommendation 4:

The Committee recommends that the MAA examine the risk rating system, including rating based on gender, with a view to encouraging CTP insurers to implement additional risk rating factors.

Response:

The MAA regularly reviews rating factors. The application of risk rating factors is, however, a matter for individual CTP insurers.

Recommendation 5:

The Committee recommends that, in fulfilling its statutory obligation under section 28 of the *Motor Accidents Compensation Act* 1999, the MAA present a separate and specific report on insurer profits annually to the Committee.

Response:

The Government response to the recommendations in the Fourth Report of the Legislative Council Standing Committee on Law and Justice, tabled on 16 September 2003, indicated that the MAA will include its statutory report on insurer profit in future annual reports, commencing with the 2002-2003 annual report.

Recommendation 6:

The Committee recommends that the MAA continue to include a copy of the insurer profit report it presents to the Committee, or a summary of it, in the Annual Report to enable wider public access to the information.

Response:

See response to Recommendation 5.

Recommendation 7:

The Committee recommends that the insurer profit report should contain detail including:

- the MAA's assessment of the profit margins and the actuarial basis for its calculation in relation to each of the licensed insurers, and
- the data provided to the MAA by the insurers pursuant to section 28 that forms the basis of their assessment.

Response:

Section 28(1) of the Act requires a licensed insurer to disclose to the MAA *'the profit margin on which a premium is based'* and *'the actuarial basis for calculating that profit margin'*. Section 28(2) requires the MAA to report annually to the Committee on its assessment of the profit margin on which a premium is based and the actuarial basis for its calculation, as provided to it by a licensed insurer.

The MAA receives a premium filing from each insurer at least annually and has regard to all of the factors that go into calculating the proposed premiums. The MAA may reject a premium if it will not fully fund the liabilities or if it is excessive. In relation to profit the Act provides that a premium will fully fund the liabilities if the premium is sufficient to *'provide a profit margin in excess of all claims costs and expenses that represents an*

adequate return on capital invested and compensation for the risk taken' (section 27(8)(c)).

The MAA must therefore not reject a premium on the basis of the level of the profit so long as the level is within the range that it ensures an adequate return on capital but is not excessive. The MAA has put considerable work into ensuring that the profit component of the premium is assessed against objective criteria. In May 2000 the MAA initiated a consultative process to develop suitable methodologies with the distribution of an MAA Issues Paper on *Capital & Profit in CTP Insurance.* In July 2000 the MAA convened a forum including representatives of the insurance industry, the actuarial profession and APRA to discuss the proposals. Following that process the MAA has adopted a methodology, prepared by Taylor Fry Actuaries, which looks at three issues:

1. a suitable method for estimating the rates of return to be used in discounting different types of cash flow
2. the quantum of capital allocated by insurers to CTP business
3. a methodology for deriving a profit margin from 1 and 2.

The MAA tabled the Issues Paper before the Standing Committee on Law and Justice and has consistently reported to the Committee on the adopted methodology for assessing profit in premiums as well as the results of that assessment. This is incorporated in the MAA Premium Determination Guidelines (made pursuant to section 24 of the Act), which prescribe the manner for calculating estimated profit.

The Premium Determination Guidelines provide for a detailed report to be provided to the MAA indicating the manner in which the premium was determined by the insurer and the factors and assumptions taken into account in the determination of the premium. This includes (in relation to profit) the proposed profit margin and the actuarial basis for its calculation by reference to the percentage of gross premiums intended to be retained as profit, before tax, in order to provide a reasonable rate of return on capital supporting the business.

The Guidelines require that the following information be included:

- the insurer's actual or notional capital allocation and how it is determined, including treatment of risk margins included in provisions for outstanding claims liabilities and unexpired risk liabilities;
- the insurer's target rate of return on capital and how it is determined;
- the insurer's actual investment policy and the rates on investment return assumed; and
- the method used to calculate the proposed profit margin from the capital allocation, target rate of return on capital and investment return assumed.

The Guidelines require appropriate justification for these items.

The MAA's assessment of profit is based on the analysis of the premium filings as against a 'representative' insurer and involves three components:

1. the determination of a suitable quantum of total capital (net assets) for a representative insurer
2. the determination of a suitable allocation of insurer capital to NSW CTP
3. calculating a profit loading to service the allocated capital at a fair rate of return.

The representative insurer is based on the MAA's assessment of the needs of an insurance company writing CTP business in NSW. Taylor Fry calculations are based on a representative insurer holding capital equal to 58% of CTP technical provisions, which is approximately equal to 66% of outstanding claims provision (OCP) for NSW CTP. The insurer also holds additional (implicit) capital as a prudential margin within the provision for outstanding claims. The Taylor Fry methodology for allocating capital to the CTP line of business is consistent with APRA's new prudential regime.

There are wide variations between individual insurers with respect to capitalisation. The allocation of capital by the representative insurer used in the derivation of the profit margin is slightly higher than the highest notional capital allocation reported by an individual CTP insurer.

The indicative range resulting from Taylor Fry's calculations is 4.5%-6% of gross premium for the representative insurer. As the range of profit margins relates to a representative insurer, they are illustrative only. It is fully expected that profit margins filed by individual insurers may vary from them, reflecting the insurers' own business structures.

The MAA accepts that the level derived by the Taylor Fry methodology sets the minimum level of profit to ensure an adequate return on capital and that actual profit levels will be within a range above this so long as the level is justified by the insurer and not regarded by the MAA as excessive. Over the last five years profit margins have ranged from 6% to 10%, with a weighted average of 8%. The MAA considers this range of profit margins to be reasonable although the MAA has on-going discussions with the CTP insurers who believe that the level of profit derived from the Taylor Fry methodology is not adequate.

In addition the MAA also has on-going discussions with the CTP insurers and APRA concerning the level of capital that the insurer allocates to the business. The MAA believes the risk of writing business in the NSW CTP scheme is less than for other long tail business because of the changes to promote scheme stability and the existence of a regulator to closely monitor scheme performance. The MAA believes APRA should develop line of business standards that, in the MAA's view, would reduce capital allocation for CTP and thus permit a reduced profit level as a percentage of gross premium to still provide a reasonable return on capital.

It is important to note that the MAA's review of premium filings requires the MAA to consider the proposed profit that the insurer intends to make from that premium if all of the assumptions that underpin the premium are met. That is, it represents a best estimate at the time of the filing and can be significantly affected by developments in the scheme and in particular changes to estimated incurred claims costs from changes to frequency of claims or average claims size.

Therefore while not addressed by this recommendation it is noted that the MAA also includes in its Annual Report information on the estimated profit arising from each year of the new scheme. This is addressed further in recommendation 8.

Recommendation 8:

The Committee recommends that the MAA examine the trends under the Motor Accidents Scheme since the 1999 amendments to the Scheme in relation to insurer profits, and include that information in its annual insurer profit report to the Committee.

Response:

As noted in the answer to recommendation 7, the actual profit that an insurer obtains from CTP will be affected significantly by any changes to the underlying assumptions in the premium filing and in particular to the assumed level of claim liabilities. For example if claim frequency changes or if average cost of claims changes then the estimate of overall costs may change delivering either additional profit to the insurer if these drop or the possibility of an underwriting loss if they increase.

Section 5(2)(d) of the Act provides that insurers, as receivers of public money that is compulsorily levied, should account for their profit margins. The MAA through its Issues Paper on *Capital & Profit in CTP Insurance* has indicated to the Law and Justice Committee that this will be done through two measures;

1. percentage that insurer profit represents of the total premium written
2. estimate of insurers' after tax return on capital.

Up to June 2003 no insurer had taken a profit from the new scheme by way of release of capital. As the scheme develops this will occur and will be included in the MAA Report on profit. However to supplement this information the MAA is obtaining reports from individual insurers that will allow an estimate of what profit may eventually be taken by each insurer for each accident year. This will be presented to the Law and Justice Committee as part of its consideration of the Scheme in relation to the MAA Annual Report for 2003-04. It must be noted that this will represent an estimate only and assumes that the claim costs will develop in accordance with current trends. Any changes to that will impact on ultimate claim costs and the level of profit which may be taken.

Historically CTP has been very volatile with insurers' profit under the Motor Accidents Act 1988 from 1991 to 1999 varying from an estimated 34% loss in 1994 to an estimated 24% profit in 1996. The average profit for this period is estimated to be 8% of premiums. The second measure of retrospective profit, the annual after tax return on capital (ROC), during the period 1991-1999 ranged from 5% (in 1999) to 19% (in 1996). The overall average ROC during this period was estimated at 11%.

Recommendation 9:

The Committee recommends that the Minister for Commerce consider the circumstances where accidents arising out of the use or operation of a vehicle fall outside the scope of the *Motor Accidents Compensation Act* 1999 and review:

- the significance and likelihood of such circumstances occurring;
- whether or not members of the public may perceive that their CTP Green Slip insurance provides full cover in these circumstances and
- mechanisms to cover the gap between CTP Green Slip and public liability insurance.

Response:

The MAA is obtaining legal advice as to which kinds of motor vehicle accidents do not give rise to a claim against a CTP insurer or the Nominal Defendant. The recommendation will be considered further in the light of that advice.

Recommendation 10:

The Committee recommends that the MAA undertake a survey and analysis to determine the level of awareness of, and access to, its forms and guidelines in country areas in New South Wales.

Response:

The MAA has implemented ongoing strategies to monitor levels of awareness of and access to its forms and guidelines. Areas identified as showing lower levels of Accident Notification Form (ANF) uptake but a higher ratio of full claims lodgement have been identified for follow-up contact with General Practitioners in those areas, to promote the ANF. The MAA is continuing to monitor ANF usage and implement remedial action as appropriate.

The MAA also monitors levels of awareness of and access to its forms and guidelines in responding to requests for the ANF and other materials. On average, approximately 1000 ANFs are despatched each month following requests from medical practitioners, claimants, insurers and legal practitioners.

The MAA takes a proactive role in relation to raising awareness of its publications by targeting specific health services providers, for example general practitioners, physiotherapists and chiropractors, for receipt of material on issues including anxiety, whiplash, musculoskeletal injuries and spinal cord injuries. MAA publications are also promoted at conferences and information is included in professional journals and bulletins.

The MAA is currently engaged in a project in conjunction with the Central Coast Division of General Practitioners to promote the use of the Accident Notification Form and the MAA whiplash and anxiety guidelines.

Recommendation 11:

The Committee recommends that the MAA give consideration to making Accident Notification Forms and any other pertinent documents available to all accident and emergency departments of New South Wales hospitals, particularly in country areas.

Response:

The MAA has consulted with the NSW Health Department in regard to the Committee's recommendation. The Department has indicated that there is no objection to Accident Notification Forms (ANF) being placed in Emergency Departments. The MAA has sent packages of ANFs to all Area Health Services and will continue to do so on a regular basis.

Recommendation 12:

The Committee recommends that the MAA work with the licensed CTP insurers to examine the experiences of casual workers in making claims, in order to identify whether they face any difficulties in establishing loss of income for claims purposes.

Response:

The MAA has requested the Motor Accidents Insurers Standing Committee to report on the issues raised by the Committee in regard to claims by casual workers. It anticipates that the insurers' report will be available for the Committee's next public hearing.

Recommendation 13:

The Committee recommends that the MAA examine whether or not the Principal Claims Assessor has permitted any insurers an extension of time to make a decision on liability. The MAA should provide the Committee with relevant information, including data on when decisions on liability have been made, to substantiate its findings.

Response:

The Principal Claims Assessor has no power to extend time under section 81 of the *Motor Accidents Compensation Act* 1999, which imposes the statutory obligations on a CTP insurer regarding decisions on liability for a claim.

81 ***Duty of insurer with respect to admission or denial of liability***

(1) It is the duty of an insurer to give written notice to the claimant as expeditiously as possible whether the insurer admits or denies liability for the claim, but in any event within 3 months after the claimant gave notice of the claim under section 72.

(2) If the insurer admits liability for only part of the claim, the notice is to include details sufficient to ascertain the extent to which liability is admitted.

(3) If the insurer fails to comply with this section, the insurer is taken to have given notice to the claimant wholly denying liability for the claim.

(4) Nothing in this section prevents an insurer from admitting liability after having given notice denying liability or after having failed to comply with this section.

(5) It is a condition of an insurer's licence under Part 7.1 that the insurer must comply with this section.

Section 81 requires an insurer to provide the claimant with written notice of its liability decision within 3-month of a claim being lodged. An insurer who fails to provide the claimant with written notice of its liability decision within the prescribed 3-month period is taken to have denied liability (ss.81(3)). Section 81 also specifically provides however that the insurer may at any subsequent time admit liability for the claim having previously either, denied liability, or, been deemed to have denied liability for the claim (ss.81(4)).

The practical effect of ss.81(4)) is that there is no impediment preventing an insurer, during its preparation for an exemption assessment by the Claims Assessment and Resolution Service, from exercising its statutory right to now admit liability having previously either denied liability or been deemed to have denied liability for the claim.

The Principal Claims Assessor, in undertaking an exemption assessment, must determine whether the prerequisite circumstances exist to grant the exemption, based on the submissions provided by each party. It is those circumstances that are in existence at the time the exemption assessment is being undertaken that are the relevant consideration.

Where at the time an exemption assessment is being determined, the insurer has, pursuant to ss.81(4)), admitted liability, having previously denied liability, it is that admission of liability that will now be a relevant matter for the Principal Claims Assessor to take into consideration, not the earlier denial/deemed denial.

While it is not addressed by this recommendation it should be noted that the MAA as part of its compliance program audits the insurers in relation to compliance with a range of statutory duties and the requirements of the MAA Claims Handling Guidelines. In relation to this particular matter the MAA has closely examined circumstances where insurers have made late changes to liability decisions where the late change may have prejudiced the claimant. A report on the compliance audit program is included in the MAA Annual Report.

Recommendation 14:

The Committee recommends that the Minister for Commerce seek to amend the *Motor Accidents Compensation Act* 1999 to ensure that matters which will inevitably be exempt from the Claims Assessment Service pursuant to sections 91 and 92 be deemed exempted at the earliest point in time.

Response:

The Committee's recommendation is under consideration.

Recommendation 15:

The Committee recommends that the Minister for Commerce examine the proposal to provide wider access to non-economic loss by deeming certain injuries as being over the Whole Person Impairment threshold. The Minister should evaluate in context of the injuries identified by the Australian Plaintiff Lawyers Association in paragraph 5.6 of this report.

Response:

The 1999 reforms to the motor accidents scheme introduced a permanent impairment threshold for access to non-economic loss (NEL) which requires that the injured person suffer a more than 10% whole person permanent impairment to be entitled to an NEL award. Those reforms also provided for disputes about entitlement to NEL to be resolved by a medical evaluation of the injured person, based on the clinical findings of an independent medical specialist.

The MAA advises that some injuries listed in the Australian Plaintiff Lawyers Association (APLA) submission to the Committee could clearly be identified as exceeding the permanent impairment threshold:

- Quadriplegia;
- Paraplegia;
- amputations of feet, legs, hands, arms or thumbs;
- combined total loss of the senses of taste and smell;
- total loss of hearing;
- loss of sight in one eye, and
- multiple spinal fractures.

In relation to these matters the MAA expects the insurers to accept that the injury exceeded the threshold and is not aware of any circumstances where insurers have disputed such injuries. There is in relation to these matters practical acceptance of the level of impairment being above the threshold.

The MAA does not accept, however, that other injuries listed by APLA would in every instance exceed the threshold. Assessment of impairment is a matter of degree in individual cases. For example, a fracture of the hip or pelvis may result in impairment in a range from very mild to severe. Deeming such injuries to exceed the impairment threshold is not consistent with the independent medical assessment process, adopted as part of the scheme reforms, for determining the extent of permanent impairment.

Recommendation 16:

The Committee recommends that the Minister for Commerce and the Attorney General consider amending the *Supreme Court Act* 1970 and the *District Court Act* 1973 to allow awards of interim damages in motor accident cases.

Response:

The Committee's recommendation is under consideration.

Recommendation 17:

The Committee recommends that the MAA implement the collection of comprehensive statistics on the level of damages awarded by the New South Wales courts in relation to personal injury suffered as a result of motor vehicle accidents since the 1999 amendments to the Motor Accident Scheme. The MAA should undertake an analysis of the damages awarded and the emerging trends. Once collected this information should be publicly accessible and updated annually.

Response:

The MAA has consulted with the Honourable Justice RO Blanch AM, Chief Judge of the District Court as to the feasibility of the Court providing the MAA with copies of all judgments in motor accident cases brought under the *Motor Accidents Compensation Act* 1999. The Chief Judge has advised that it is not possible for the Court to provide information about the damages awarded under the Act as the Court does not separately record Motor Accident cases and, further, that few of the judgments of the Court are electronically recorded or available in hard copy.

The MAA claims data base enables trends in claims payments and administration costs, for example legal costs and investigation costs, to be closely monitored for all CTP claims.

APPENDIX 1

Motor Accidents Authority Background Paper

A safe driver rating factor for CTP Green Slip insurers

A tripartite working party comprising representatives of the MAA, the Roads and Traffic Authority (RTA) and Compulsory Third Party (CTP) insurers has examined the feasibility of providing eligible New South Wales motorists with a safe driving certificate for use in accessing a Green Slip premium discount.

What RTA data should be used to indicate a safe driver?

Consideration was given to the most appropriate indicator of a safe driving record based on information maintained by the RTA.

With regard to demerit points, the RTA records for each NSW licensed driver the number of demerit points accrued and the offence giving rise to the demerit points. This is recorded as soon as the RTA receives notice from the Infringement Processing Bureau that a fine has been paid. In addition to moving offences, demerit points may also accrue in relation to some parking offences following a review currently underway.

Demerit points do not accrue for indictable offences such as driving under the influence and dangerous driving, but proven offences are included on an individual's traffic record. Alcohol related offences do not attract demerit points but Police have the power to suspend drivers' licences at the roadside for high and mid level blood alcohol concentrations. RTA records include reference to these events.

It is no longer appropriate to use a Gold Licence as an indicator of a safe driving record. In 1998 the RTA adopted national licensing laws and as a result, licences are no longer cancelled, they are only suspended. This means that at the end of a period of suspension, the individual does not need to apply for a new licence but can carry on with their Gold Licence.

Recent RTA statistics show that 75% of NSW licence holders had accumulated zero demerit points over a period of three years.

Given such considerations a safe driver might be defined as:

- Licence current and usable
- Demerit points value = 0
- No other enforcement action
- No other proven indictable offences
- No suspensions and cancellation in the last three years.

The safe driver certificate

The MAA's original suggestion was that individuals obtain a copy of their driving record from the RTA and present the certificate to insurers at the time of purchase of their Green Slip. This approach could be implemented by those insurers with a branch network although significant system changes would be required in addition to re-training of counter staff and call centre staff to incorporate a manual over-ride in the determination of a premium which is currently automatic and electronic. The approach would be very difficult to implement effectively in the case of insurers who operate through agents.

Furthermore, such a procedure would disrupt the continuously increasing use of e-Green Slip processing. Currently, customers are able to renew their CTP insurance and vehicle registration entirely over the internet, by phone or mail without the need to attend either an RTA registry or an insurer's branch office or agency.

Taking account of these two important considerations, it would be preferable to implement a safe driver reward system electronically. In such a system, the RTA would provide insurers with a safe driver flag (yes/no) on each registered operator, in relation to an insurer's existing customers, six weeks or so before the registration due dates. The insurer would then rate accordingly and include the appropriate premium on the Green Slip renewal notice sent to the customer.

A significant limitation of this approach is that it only covers Green Slip renewals for an insurer's existing business. People buying new vehicles or people who wished to change their Green Slip insurer could not be offered a safe driver discount as insurers would not have access to their driving records because of privacy considerations. This would be inequitable. It would also be anti-competitive as there would be no reason for individuals to shop and change insurer. At the present time, approximately 25% of vehicle owners change insurer each year.

There are additional fundamental problems with applying a safe driver discount to CTP policies using data on individual licence holders held by the RTA, quite apart from any privacy considerations that would have to be addressed. The RTA maintains a record of demerit points, proven traffic offences, enforcement actions, criminal penalties and suspension/cancellation of licences for each NSW licence holder. However, CTP insurance is attached to a vehicle not a person. CTP risk rating factors relate to the vehicle and the owners/drivers of that vehicle. On its registrations database, the RTA maintains a record for each registered vehicle including the name of the person/entity registering the vehicle.

The RTA's registrations database and its licensing database are separate, stand-alone databases and there is not a 1:1 / direct relationship between vehicle registrations and people with drivers licences. In particular:

- The person/entity in whose name the vehicle is registered does not have to be a licensed driver.
- Where there is more than one registered operator e.g. husband and wife, the RTA will record two operators - the primary and secondary operators. However, most insurers only access information on the primary operator for CTP purposes. Therefore only the driving record of the primary operator

would be taken into account in considering a safe driver discount. It is also likely that if the safe driver reward program was introduced, secondary operators would switch to primary operators if their driving record is better, in order to benefit from the discount.

- Where a vehicle is registered in a business name there are no nominated operators included as part of the RTA vehicle record. This means that a safe driver discount could not be offered on Green Slips for vehicles registered in a business name. In particular small businesses such as local tradespeople would miss out.
- It would not be possible for the RTA to identify the driving record of drivers other than the registered operators, and information on their driving record would therefore not be included in an insurer's pricing of a Green Slip. This would be particularly relevant in the case of young drivers who may not register a vehicle but drive vehicles registered by their parents.

The working party considered that the significant limitations on motorist coverage and the logistical difficulties of matching data from the RTA's registrations database and its licensing database, would not make it feasible to introduce a rating factor linked to a safe driving certificate.

Correlation between driving record and CTP experience

In 1997 Monash University Accident Research Centre published a report on the relationship between demerit points and crash involvement in Victoria. The study found that there was an association between being involved in a bodily injury accident (not necessarily causing it) and

- Being a young driver aged 18-25
- Being male
- Having prior traffic convictions
- Having demerit points
- Having been involved in a previous casualty crash, and
- Having been seriously injured in a previous crash.

As part of the Ministerial Taskforce on Road Safety convened by the RTA in January 2001, the MAA carried out an analysis based on MAA claims data matched with RTA data on drivers' history of traffic offences. Twenty percent of drivers at fault in an accident giving rise to CTP claims had an offence record. Offender drivers gave rise to more CTP claims on average (1.31) than drivers without an offence history (1.25 claims). Claim costs were significantly higher where the at fault driver had been charged with causing injury/death or dangerous driving, or had been previously gaoled or sentenced to community service. Claim costs were not significantly greater for those at fault drivers whose offences were limited to speeding offences.

Insurers already reward safe drivers

It is probable that insurers are already offering the lowest rates to the safest drivers. About 70% of policies issued for class 1 vehicles, that is ordinary passenger vehicles, are sold at either the maximum (15%) discount for people aged under 55, the maximum (25%) discount for people over 55 or a discount between 15% and 25%.

This proportion is very similar to the 75% of licensed drivers with zero demerit points.

The rating of Green Slips implicitly rewards safe drivers or good risks. There are also particular rating factors that explicitly identify safe drivers.

Implicit rewards for safe drivers in current NSW discount/loading structure

Currently, the maximum discount for policyholders/drivers under 55 is 15%. An extended discount of up to 25% is available for policyholders/drivers aged 55 and over for passenger vehicles, light goods vehicles and motorbikes. The current maximum loading is approximately 50%.

The current discount/loading structure is a significant change from the 15% discount / 15% loading allowed by the MAA before the Motor Accidents Compensation Act 1999. It provides ample opportunity for safe drivers to be rewarded. The best risks in the Sydney metropolitan area currently pay $299 (+GST) or even less for over 55s - $264 (+GST). The maximum rate is $521 (+GST).

The best rate for over 55s is almost 50% less than the maximum rate. The best rate for under 55s is 43% less than the maximum rate.

Discount/loading distribution for 12 months ending 30 September 2001

	Class 1 (passenger vehicles)	**Class 3c** (light goods vehicles)
25% discount	17%	7%
16-24% discount	9%	8%
15% discount	42%	42%
11-14% discount	4%	4%
10% discount	6%	7%
1-9% discount	1%	3%
Base	1%	1%
1-9% loading	1%	1%
10-30% loading	6%	11%
10-max loading	13%	15%
Max loading	-	1%
Total	100%	100%

Explicit rating factors linked to driving experience

Over the last few years, insurers have increased the number and type of rating factors. In particular, rating factors have been introduced that explicitly identify the actual experience of individual drivers in relation to traffic offences and claims history, for example:

- a no-claims discount on comprehensive motor vehicle insurance with the current CTP insurer;
- a no-claims discount on comprehensive motor vehicle insurance with another insurer;
- the number of (at fault) collision claims made against the motorist's comprehensive/third party insurance in recent few years; and

- the number of moving traffic offences[1] committed in the recent past. (Two insurers apply this rating factor without reference to comprehensive/third party insurance history).

Insurers are only able to validate information on these factors in relation to their own customers. From an insurer's perspective, good risks are most reliably identified by reference to their own customer's track record on comprehensive/third party property insurance.

[1] Traffic offences include speeding, not wearing a seat belt, not stopping at a red light, drink driving, and negligent driving.