

2000

**THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL  
TERRITORY**

**ROAD TRANSPORT (GENERAL) ACT 1999**

**ROAD TRANSPORT (THIRD-PARTY INSURANCE) REGULATIONS 2000  
AMENDMENT**

**Subordinate Law No. 25 of 2000**

**EXPLANATORY STATEMENT**

**Circulated by the Authority of Minister for Urban Services  
Brendan Smyth MLA**

## Overview of Regulations

Subsection 233 (1) of the *Road Transport (General) Act 1999* ('the Act') provides that the Executive may make regulations for the purposes of the Act.

The *Road Transport (Third-Party Insurance) Regulations 2000* ('the principal Regulations') prescribe matters necessary to give effect to Part 10 (Compulsory Vehicle Insurance) of the Act. In particular—

- subsection 214 (1) of the Act prohibits an authorised insurer from charging a higher premium for a compulsory third-party (CTP) policy than the maximum premium prescribed under the regulations for the policy; and
- subsection 214 (2) of the Act provides that the regulations may prescribe different maximum premium rates for—
  - a. different kinds of motor vehicles; or
  - b. motor vehicles—
    - i. used for different purposes; or
    - ii. mainly used (or usually garaged in different areas or circumstances); or
  - a. policies issued or effective for different periods.

The *Road Transport (Third-Party Insurance) Regulations 2000 Amendment* ('the amending Regulations') amend the principal Regulations by revising the maximum CTP premiums that can be charged for the various premium classes.

The revised CTP premium rates reflect the recommendations of NRMA Insurance Limited (the NRMA), the sole ACT CTP insurer, and its actuary, PricewaterhouseCoopers Actuarial & Superannuation Services (PWC). They have been reviewed by Ernst & Young ABC, an independent actuary engaged by the Department of Urban Services to provide independent advice regarding the premiums proposed by the NRMA and PricewaterhouseCoopers.

In the case of a passenger vehicle, the maximum premium has fallen by \$3.60 (or 0.97%), from \$372.65 in 1999/2000 to \$369.05 in 2000/2001. After the \$1.50 road safety contribution is incorporated, the resultant total premium for a passenger vehicle in 2000/2001 is \$370.55.

Not all premium classes have had their CTP premiums adjusted by the same percentage. Premiums are further increased or decreased according to the claims history of each class. Its comparative claims experience over the past 10 years is used to calculate a relativity factor by which the passenger vehicle premium is multiplied. The \$1.50 road safety contribution is then added to the resultant figures to establish total premiums for each of the other premium classes.

## Goods and Services Tax (GST)

The GST increases many of the insurer's costs of managing the CTP scheme. Costs affected by the GST include incident estimates and insurance company expenses (eg costs for investigations, expert reports, and the expenses of advisers and witnesses), domestic assistance for claimants, certain elements of ancillary costs and compensation to relatives (eg funeral expenses), and legal expenses for both claimants and the insurer.

Health services are GST-exempt. This includes the full range of medical costs arising from CTP claims (eg medical consultations, hospital accommodation, physiotherapy, chiropractic, speech and occupational therapy, optometry and pathology). This exemption extends to rehabilitation and modification costs (eg rehabilitation assessment and therapy, medical appliances and aids, and necessary modifications to motor vehicles) and attendant care, including nursing costs.

Court-awarded compensation for loss of earnings and loss of future earnings is based on the claimant's estimated net (ie after tax) earning capacity. As income tax rates are being reduced from 1 July 2000, in conjunction with the introduction of the GST, this will result in higher CTP awards for loss of earnings. This increase is estimated by the NRMA's actuaries to be 4.8%.

The NRMA's actuaries estimate that the new tax system changes will have an overall -4.60% impact on CTP premiums, before the 10% GST is added. The net effect on premiums of the tax changes, including the GST, is 4.94%. Urban Services' actuaries consider this to be reasonable based on their analysis of CTP on an industry basis.

### **Financial Implications**

Together with a matching contribution from the NRMA, the \$1.50 road safety contribution will produce annual revenue of approximately \$570,000 for the NRMA - ACT Road Safety Trust. The Trust will use this revenue to fund road safety initiatives.

The amending Regulations have no other revenue implications.

### **Details**

**Regulation 1 and 2** provide that the regulations will commence on the day they are notified in the Gazette and that the regulations amended are the *Road Transport (Third-Party Insurance) Regulations 2000*.

**Regulation 3 and 4** make a formal change to the way in which the Schedule to the Regulations is cited in regulations 10 and 11 of the principal Regulations.

**Regulation 5** amends the expiry date of regulation 14 of the principal Regulations from 1 August 2000 to 1 July 2000. As regulation 14 was a transitional provision for 1999/2000, this change is for consistency only.

**Regulation 6** inserts a new transitional regulation (regulation 15 of the principal Regulations) which provides that the existing Schedule will continue to apply to any third-party policy which is expressed to begin prior to 1 July 2000.

**Regulation 7** makes a formal change to the way in which the Schedule to the Regulations is cited in the dictionary to the principal Regulations.

**Regulation 8** substitutes a new Schedule for the existing Schedule to principal Regulations. A comparison of maximum premium rates for 1999/2000 and 2000/2001 for each CTP vehicle classification is shown in the following table.

MAXIMUM RATES OF CTP PREMIUMS

Item	Classification	Maximum Premium	
		1999/2000	2000/2001
1	Ambulance (NEW CLASSIFICATION).....	n/a	\$444.35
2	Breakdown vehicle.....	\$374.15	\$333.60
3	Bus or tourist vehicle		
	(a) if the vehicle has seating for not more than 16 adults (including the driver).....	\$560.45	\$628.85
	(b) if the vehicle has seating for more than 16 adults (including the driver).....	\$1,715.25	\$1,662.20
4	Drive-yourself vehicle.....	\$1,528.95	\$2,031.25
5	Firefighting vehicle.....	\$374.15	\$462.80
6	Goods vehicle		
	(a) if the unladen weight is not over 975 kg.....	\$374.15	\$370.55
	(b) if the unladen weight is over 975 kg but not over 2 t.....	\$541.50	\$536.60
	(c) if the unladen weight is over 2 t.....	\$1,342.60	\$1,330.05
7	Historic vehicle.....	\$38.30	\$38.40
8	Miscellaneous vehicle.....	\$597.30	\$628.85
9	Mobile crane.....	\$746.80	\$702.65
10	Motorcycle		
	(a) if the engine capacity is not over 300 mL.....	\$94.10	\$93.75
	(b) if the engine capacity is over 300 mL but is not over 600 mL.....	\$318.35	\$315.15
	(c) if the engine capacity is over 600 mL.....	\$262.55	\$259.80
11	Passenger vehicle.....	\$374.15	\$370.55
12	Police vehicle ( NEW CLASSIFICATION).....	n/a	\$1,034.80
13	Primary producer's goods vehicle		
	(a) if the unladen weight is not over 2 t.....	\$336.25	\$333.60
	(b) if the unladen weight is over 2 t.....	\$224.65	\$186.00
14	Primary producer's tractor.....	\$150.95	\$186.00
15	Private hire car.....	\$1,119.45	\$1,477.70
16	Taxi.....	\$5,216.55	\$5,906.30
17	Trader's Plates.....	\$113.05	\$75.30
18	Trailer.....	\$0.00	\$0.00
19	Undertaker's vehicle.....	\$94.10	\$112.20
20	Veteran vehicle.....	\$38.30	\$38.40
21	Vintage vehicle.....	\$38.30	\$38.40