

AUSTRALIAN CAPITAL TERRITORY

ROAD TRANSPORT (GENERAL) ACT 1999

ROAD TRANSPORT (THIRD-PARTY INSURANCE) AMENDMENT REGULATIONS 2002

SUBORDINATE LAW No. SL 2002-12

EXPLANATORY STATEMENT

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
 - c. policies issued or effective for different periods.

The *Road Transport (Third-Party Insurance) Amendment Regulations 2002* ('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 (PWC Actuarial). The Department of Urban Services has engaged Ernst & Young ABC as an independent actuary to review the proposed premiums and to ensure that the interests of the ACT community are protected. The independent actuary has advised that the proposed premiums are adequate to fund the cost of the ACT CTP scheme while not being excessive.

In the case of a passenger vehicle, the maximum premium has increased by \$13.15 (or 3.5%), from \$377.65 in 2001/02 to \$390.80 in 2002/03. After the \$2.00 road safety contribution is incorporated, the resultant total premium for a passenger vehicle in 2001/2002 is \$392.80.

Not all premium classes have had their CTP premiums adjusted by the same percentage. Premiums have been further increased or reduced depending on each class's claims history. Comparative claims experience over the past 10 years is used to calculate relativity factors by which the passenger vehicle premium is multiplied. The \$2.00 road safety contribution is then added to the resultant figures to establish total premiums for all other premium classes.

Goods and Services Tax (GST)

The GST has increased 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), as well as 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 (after tax) earning capacity. As income tax rates were reduced from 1 July 2000, in conjunction with the introduction of the GST, this has resulted in higher CTP awards for loss of earnings.

PWC Actuarial estimates that the tax system changes associated with the introduction of the GST have had an overall – 4.88% impact on CTP premiums, before addition of the 10% GST. The net premium increase due to the GST related tax changes is 4.63%. Ernst & Young ABC considers this estimate to be reasonable based on analysis of CTP on an industry basis.

Financial Implications

The road safety contribution of \$2.00 will provide revenue of approximately \$410,000 for the NRMA – ACT Road Safety Trust. The Trust will use this revenue, which will be matched by contributions from the NRMA, to fund road safety initiatives.

The amending regulations have no other revenue implications.

Details

Regulations 1, 2 and 3 are formal provisions, specifying respectively the title of the amending regulations, their commencement date and the title of the principal regulations.

Regulation 4 inserts a transitional regulation which provides that the existing premium schedule will continue to apply to any third-party policy commencing before 1 July 2002.

Regulation 5 substitutes a new premium schedule in place of the existing schedule to the principal regulations. The table on the following page compares maximum premium rates for 2001/02 and 2002/03 in each CTP vehicle premium classification.

MAXIMUM RATES OF CTP PREMIUMS
(Including \$2.00 Road Safety Contribution)

Item	Classification	Maximum Premium	
		2001/02	2002/03
1	Ambulance	\$530.70	\$549.10
2	Breakdown vehicle.....	\$341.85	\$353.70
3	Bus or tourist vehicle		
	(a) if the vehicle has seating for not more than 16 adults (including the driver).....	\$644.00	\$666.35
	(b) if the vehicle has seating for more than 16 adults (including the driver).....	\$1,701.40	\$1,682.40
4	Drive-yourself vehicle.....	\$2,267.90	\$2,346.80
5	Firefighting vehicle.....	\$474.05	\$490.50
6	Goods vehicle		
	(a) if the unladen weight is not over 975 kg.....	\$379.65	\$392.80
	(b) if the unladen weight is over 975 kg but not over 2 t.....	\$549.55	\$568.65
	(c) if the unladen weight is over 2 t.....	\$1,361.50	\$1,408.85
7	Historic vehicle.....	\$39.75	\$41.05
8	Miscellaneous vehicle.....	\$644.00	\$627.25
9	Mobile crane.....	\$681.75	\$705.40
10	Motorcycle		
	(a) if the engine capacity is not over 300 mL.....	\$96.40	\$80.15
	(b) if the engine capacity is over 300 mL but is not over 600 mL.....	\$379.65	\$392.80
	(c) if the engine capacity is over 600 mL.....	\$304.10	\$353.70
11	Passenger vehicle.....	\$379.65	\$392.80
12	Police vehicle	\$1,059.40	\$1,096.20
13	Primary producer's goods vehicle		
	(a) if the unladen weight is not over 2 t.....	\$304.10	\$353.70
	(b) if the unladen weight is over 2 t.....	\$171.90	\$216.90
14	Primary producer's tractor.....	\$228.55	\$314.60
15	Private hire car.....	\$1,890.25	\$2,151.40
16	Taxi.....	\$6,044.40	\$6,254.80
17	Trader's Plates.....	\$58.60	\$41.05
18	Trailer.....	nil	nil
19	Undertaker's vehicle.....	\$190.80	\$275.55
20	Veteran vehicle.....	\$39.75	\$41.05
21	Vintage vehicle.....	\$39.75	\$41.05