



No-Fault Catastrophic Insurance for Regional Vehicle Motorists

Background

- The Western Australian (WA) Government announced the introduction of a no-fault catastrophic injury (motor vehicle) insurance scheme to commence on 1 July 2016.
- The scheme will provide no-fault long term care to all people catastrophically injured in motor vehicle accidents in WA. Currently, approximately 44 people each year are unable to claim compensation when catastrophically injured in an accident, either because they caused the accident or were unable to establish that another party was at fault.
- Catastrophic injuries include spinal cord injuries, traumatic brain injuries, multiple amputations, severe burns and permanent traumatic blindness.
- This Fact Sheet 5 shows changes to CTP insurance for regional motorists.

Cost of CTP insurance in WA

- WA motorists pay the lowest cost CTP insurance in Australia and have for 19 years. Since 1 July 2014, family car owners pay an annual premium of \$291, less than half the cost of some other Australian States and Territories.
- CTP premium rates are determined based on the claims experience for each vehicle class. While the number of motor vehicle accidents in WA continues to decline, the cost of claims continues to increase, including the number and cost of catastrophic injuries.
- Proportionally regional motorists lodge more personal injury motor claims than metropolitan motorists. Metropolitan motorists subsidise CTP insurance for regional motorists.
- Concessions of 50 per cent of the CTP premium exist for various vehicle classes if the vehicle is used for farming purposes. Concessions also apply for seasonal farming vehicle use.
- Independent actuaries estimate the cost of providing long term care for people catastrophically injured at about \$4 million on average per person for their lifetime. Some people may require much lower levels of care over their lifetime and others may require care exceeding \$10 million.
- To fund the cost of no-fault long term care, the actuary estimates that the no-fault premium rate of \$99 per family car will be required for the first year.
- No vehicle class will attract premiums more than \$99 in the first year of the no-fault scheme.

Changes to CTP premium rates for farming vehicles

- Approximately 2.8 million vehicles are licensed in WA, of which 511,000 are caravans and trailers. No additional premium will apply to caravans and trailers in the no-fault CTP scheme.
- Vehicle class 7b covers almost 28,000 tractors. An annual CTP premium of \$42 is currently charged. To provide no-fault insurance reflecting claims experience for this vehicle class the premium will increase by \$25.

- Vehicle class 8a covers about 50 large tractors used predominately for mining and exploration purposes and has a CTP premium of \$172. The additional premium for no-fault catastrophic insurance will be \$60.
- Vehicle class 7a includes 34 farm fire-fighting vehicles. These vehicles pay \$26 annually in CTP premium, and under the no-fault catastrophic scheme will pay an additional \$30.

Reduction in CTP premiums for business vehicles

- Since 2003, business vehicles have paid higher premium rates for CTP insurance than private vehicles in the same class, reflecting different GST inputs.
- The claims experience between business and private vehicle classes is very similar. From 1 July 2016, premium rates for business and private usage will be the same for all vehicles within a class, reducing premiums for business use vehicles and simplifying the registration process. The vehicle classes affected are:
 - i. Class 1 – Sedans and wagons to be reduced by \$14 applying to nearly 212,000 vehicles;
 - ii. Class 2 – Goods vehicles to be reduced by \$13 applying to more than 244,000 vehicles;
 - iii. Class 4 – Motorcycles to be reduced by \$8 applying to more than 8,300 motorcycles.

Many of these business purpose vehicles are registered in, or operate within, regional areas.

Timeframe

- No-fault catastrophic CTP insurance will commence on 1 July 2016. Motorists will pay the additional insurance cover once their vehicle is registered on or after that date.

Regional context

- Critical injuries in regional areas are overrepresented in accident statistics, and the number of critical injuries in WA increased from 7.6 in 2013 to 11.6 in 2014 per 100,000 population.
- Single vehicle accidents are more common in regional areas than metropolitan areas. Per 100,000 population, the metropolitan area had the lowest rate in 2013 at 27.5 accidents. Across all regional areas, the North Wheatbelt had the highest single vehicle accidents in 2013 at 160.8 per 100,000 population.
- Young male drivers in regional areas are overrepresented in accident statistics. In 2014, males represented 69 per cent (n=205) of 298 critical injuries, consistent with the five-year average.
- Proportionally more regional drivers are expected to access no-fault catastrophic CTP scheme than those from metropolitan areas.
- Not wearing a seat belt in an accident is more common in regional areas than metropolitan areas per rate of population. In over 60 per cent of regional accidents, drivers fail to wear seatbelts.
- Motorcyclists who live and/or ride in regional areas are proportionally high. Motorcyclists will likely be overrepresented in a no-fault scheme. Despite only representing 5.5 per cent of registered vehicles in WA, motorcyclists and their passengers accounted for 33 per cent of catastrophically injured claimants between 2010 and 2013.
- As the current CTP insurance scheme is fault based, these motorcycle statistics provided exclude single-vehicle motorcycle accidents and other accidents where vulnerable road users were at fault. The Office of Road Safety reports that 41 per cent of motorcyclist fatalities or critical injuries between 2003 and 2012 were single-vehicle accidents.

Data sourced from the Office of Road Safety, 2014 Summary: Preliminary fatal and critical injuries on Western Australian Roads, 2015 and Reported Road Crashes in Western Australia 2013.