Discussion paper – 2023 Review of Queensland's Compulsory Third Party (CTP) insurance scheme, Motor Accidents Insurance Commission

Suncorp response - April 2023

Contents

Introduction

Suncorp welcomes the opportunity to respond to the *Discussion paper – 2023 Review of Queensland's Compulsory Third Party (CTP) insurance scheme*. As Queensland's largest publicly listed company, Australia's largest privately underwritten personal injury insurer and a long-term participant in the Queensland CTP scheme, Suncorp is committed to delivering the best possible customer experience to policy holders and injured customers.

The scheme review aims to determine whether Queensland's CTP scheme is meeting its objectives or whether reforms to the scheme are required. The review paper contains several key assumptions which underpin its premise. These assumptions include:

- Queensland's CTP scheme is generally regarded as being stable, fair, and affordable. The review will not include compensation benefits as the Queensland CTP scheme is seen as operating in a fair manner. As such, no changes to existing compensation benefits are being explored.
- The average insurer profit margin over the past eight years has been 20 per cent, which is well above the 8 per cent profit margin assumed by MAIC in setting the ceiling price.
- There is no substantive evidence of any inherent issues with the premium setting process in terms of the vehicle class filing system or MAIC's role in setting premium limits on a quarterly basis.

Suncorp's view does not completely align with these assumptions.

Efficiency and fairness

The discussion paper reports the scheme is operating well and is fair. Suncorp notes a comprehensive review of the Queensland CTP scheme including claimant benefits has not occurred since 2002. Suncorp is of the view a review of compensation benefits would identify opportunities to improve the scheme's efficiency and fairness.

There is a very high rate of legal representation in the Queensland CTP scheme with claimants represented in ~80% of matters. This is the highest rate of legal representation for competitively underwritten CTP schemes nationally. Factors contributing to the high rates of legal representation are the adversarial design of the claims process and the opportunity for lawyers to consume up to 50% of a claimant's financial compensation in legal fees. Comprehensive data is not routinely collected by MAIC to track this significant component of scheme costs.

The most recent statistic published by MAIC stated only 31 cents in every dollar of premium collected remains in the hands of injured people. This indicates there is an opportunity to improve the rate of scheme efficiency and potentially injured people in the current scheme will ultimately have insufficient funds to support their ongoing needs once all legal fees have been deducted. Claimants receiving 45 cents of each premium dollar was cited as being too low and resulted in benefit reform in the NSW CTP scheme in 2017 – reform which expanded coverage for all injured people and reduced premiums.

A more holistic and comprehensive review of the Queensland CTP scheme – including claimant benefits – is required to determine whether the scheme is meeting its objectives to an optimum degree or whether reform would be beneficial. Potential focus areas could be the factors requiring a claimant to direct a relatively high proportion of their financial settlement to access compensation, and longitudinal studies to determine if claimants go on to enjoy an adequate quality of life with approximately half the funds their lawyer advised they would need during settlement negotiations.

Coverage for all injured people

Suncorp's view is CTP insurance should provide support for all people injured in motor vehicle accidents. Currently, a driver on Queensland roads who is injured due to the road surface, a kangaroo or other animal crossing the road, or extreme weather such as heavy rain, receives nothing from the CTP scheme to help them recover from their injuries. The same driver receives support to recover from their injuries in the Northern Territory, New South Wales (NSW), the Australian Capital Territory (ACT), Victoria and Tasmania.

Further, the current requirement for negligence by a driver of an insured vehicle to enable support for injured third parties' results in people injured in inevitable/blameless accidents receiving nothing from the scheme – a scheme which exists to support people injured on Queensland roads.

Insurance exists to help people when accidents occur. Accidents happen due to a combination of circumstances, many of which are beyond a driver's controls but include minor errors of judgement from the driver. Suncorp believes a modern, fair, efficient, and affordable CTP scheme provides statutory benefits on a no-fault basis. Most Australians currently enjoy these benefits. Suncorp's view is introducing coverage for all injured people would improve the fairness and efficiency of the Queensland CTP scheme.

Insurer Profit Margin

In section 4.2 of the discussion paper, reference is made to the average insurer profit margin being 20% over the past eight years. This assessment does not highlight the fact insurer profitability has decreased precipitously in the past eight years and the profit margin is based on a 0% rate of super-imposed inflation. The below figures are the most recent provided by the scheme actuary, Taylor Fry, and expose an unsustainable downward trend in scheme profit (*Retrospective profit study of Queensland CTP premiums as at 31 December 2021 – Taylor Fry, p.18).*

Table 5.1 – Scheme profit margins (0.0% p.a. superimposed inflation)

	Insurer average	Ceiling	Floor
Most recent 1 years	4%	4%	-6%
Most recent 3 years	9%	9%	1%
Most recent 5 years	13%	13%	4%
Most recent 8 years	20%	20%	11%

MAIC's premium setting minutes routinely state the premium floor is set to produce positive insurer profit. However, if insurers had priced at the floor, profitability for the past five years would be 4%, for the past three years 1% and for the past year -6%.

The current level and trajectory of insurer profit are a direct result of MAIC's premium setting approach which, in Suncorp's view, has the effect of removing the opportunity for price competition between insurers.

Premium Setting Process

Taylor Fry are skilled actuaries with a very good understanding of scheme trends, and their models and approach to scheme analysis has proven the test of time. Over the last several years, MAIC have not always followed this actuarial advice in full but have instead used its own unpublished analysis to select a lower insurer premium. Suncorp's view is this premium setting strategy may result in unsustainable insurer financial outcomes.

Reinsurance

The discussion paper states the insurer's premium includes a cost allowance to cover the cost of reinsurance. Suncorp notes MAIC reduced the reinsurance allowance to nil in September 2021 (*Retrospective profit study of Queensland CTP premiums as at 31 December 2021 – Taylor Fry, p.12*).

As has been widely reported, global reinsurance rates are rapidly increasing due to the increasing incidence of catastrophic natural disasters. While CTP is largely immune from weather-related catastrophes, the broader reinsurance market has undergone a shift in pricing.

The Queensland CTP scheme requires insurers to accept unlimited financial liability, making reinsurance a necessity which insurers are currently required to fund out of their profit margin due to the removal of it from expense allowances.

Claims management competition

With respect to the references to competition in the discussion paper, Suncorp notes – notwithstanding the current lack of price competition – substantial competition currently exists in the scheme around claims management.

Claims managers across the various insurers compete to generate efficiencies in their operations and to control claims costs. This requires high degrees of expertise and investment and is pursued by claims managers, cognisant of the fact a failure to adequately control costs and generate efficiencies will result in the business being commercially unviable.

Customer service and reputation are an important focus for claims managers because poor customer service can result in reputational damage, which can adversely impact their brand and have a material financial impact on the business. These implications extend beyond the CTP business to the entire corporate entity.

These strong competitive dynamics in the management of claims have generated efficiencies, precipitated innovation, and contributed to the affordability of CTP insurance for Queensland motorists. The positive impact of this competition should not be underestimated.

Summary of response to scenarios

Scenario 1 – Status quo

Suncorp does not support the position of no change to the current scheme. The status quo has resulted in the current concern regarding the viability of insurer participation, features levels of efficiency which could be improved and does not provide support for injured people who cannot attribute blame to the driver of an insured vehicle.

The opportunity exists to undertake legislative reform which, as demonstrated in other jurisdictions including NSW and the ACT, can move the scheme from an adversarial model focused on financial compensation to one focused on claims managers providing support to help injured people recover and achieve the best possible health outcomes as quickly as possible.

Scenario 2 – Scheme design changes

Premium Equalisation Mechanism

The introduction of an insurer Premium Equalisation Mechanism (PEM) which accurately projects the profitability of each cohort based on risk factors within a vehicle class will add significant complexity and may be both difficult and costly to implement in the current scheme.

A PEM would not improve price competition in the scheme and may result in insurers with poorer claims management practices effectively being rewarded for poor performance at the expense of better performing insurers. It is also possible a PEM designed to offset a single insurer's poor risk profile may simply transfer the issue of insufficient risk premium and consequent financial sustainability challenges to another insurer which currently has a superior risk profile.

Suncorp does not recommend implementing a PEM to rectify a point-in-time issue generated by a single insurer's failed strategy of deliberately attracting and retaining older vehicles and young drivers. An alternative approach for redistributing risk may be to allow an insurer to exit the scheme and for the failed insurer's customers to be randomly allocated to the remaining insurers.

Random allocation model for new vehicles

Suncorp supports the introduction of a random allocation model for new vehicles based on market share. This would encourage competition because, as market share grows, an insurer is allocated more new vehicles which are better quality risks. In growing market share, the insurer would also underwrite more older vehicles.

Suncorp does not support a random allocation on an equal basis (25% each) as this would be detrimental to insurers with a larger portfolio, disproportionately favour smaller insurers, and discourage competition for market share and new vehicles.

If a random allocation model were implemented in conjunction with a PEM, the positive impacts of random allocation of new vehicles on competition would be greatly reduced.

Active Choice

An active choice model would not benefit customers if introduced to the current scheme in isolation. Active decision making in other CTP schemes in Australia has resulted in strong price competition, benefiting policy holders. However, these schemes operate in a significantly different manner to the Queensland CTP scheme, specifically with respect to the regulated premium band setting and the price filing mechanism.

The introduction of active decision making could result in some customers inadvertently losing eligibility for additional benefits when they switch CTP insurer. It may also amplify the issues for an insurer who, due to the nature of their brand, attracts poorer risks as the process of changing CTP insurer becomes easier and more frequent.

If an active choice model is implemented in the Queensland CTP scheme, Suncorp recommends:

- separating the registration from the CTP to demonstrate to motorists they are purchasing a CTP insurance policy from an insurer, and they have a choice of CTP insurer
- introducing a Claimant Service Rating (which has positively impacted competition and customer service in the South Australian CTP scheme) which is generated by direct claimants only (excludes legally represented claims)
- publication on the MAIC website of standard rates and cost agreements for legal, medical and rehabilitation services to provide claimants with information which will enable them to choose the most cost-effective provider.

Scenario 3 – Public underwriting

Suncorp's view is, when compared with a publicly underwritten monopoly, customers and the scheme benefit from a competitively underwritten model due to competition providing choice and driving innovation – including innovative claims management practices.

Transferring the scheme to a publicly underwritten monopoly would generate substantial operational impacts, resulting in increased costs which would need to be borne by Queensland motorists. There is no conclusive evidence moving to public underwriting would generate enduring efficiencies or result in customer benefits. Suncorp's appetite for providing claims management services within a publicly underwritten CTP scheme would depend on the remuneration model offered.

Response to discussion paper questions

Scenario 1 – Status quo

How important is price competition to you or your organisation?

Price competition is an important dynamic which drives customer value and operational efficiency in open markets. Price is often the primary consideration for customers when selecting an insurance policy. While price will always be a substantial consideration for customers, Suncorp's view is focusing exclusively on price can result in a 'race to the bottom', where insurers degrade cover and service to enable price reductions.

This can result in unsustainable pricing and poor customer outcomes, as demonstrated by the experience in other insurance markets such as the United Kingdom. Therefore, it is important customers can easily assess non-price value when selecting an insurance policy.

Suncorp notes research previously commissioned by MAIC asked respondents to choose between affordability and competition. The result was 75% of respondents preferred affordability (*General Motorist and New Car Buyer Research 2020, Market & Communications Research, p.6*).

Should promoting price competition remain a valid objective? Why or why not?

Yes. As stated above, price competition can create value for customers but if excessive focus is placed on price as the driver of value, this can result in adverse impacts. The core component of insurance value is delivered via the claims service. A customer understanding of the claims service and additional elements of the customer value proposition offered by each insurer enables genuine price competition, by empowering customers to accurately assess what they are purchasing.

Do you support retaining the existing scheme with no reforms? Why or why not?

No. As detailed in public policy documents and communication with MAIC over an extended period, Suncorp's view is there is an opportunity to expand CTP insurance to cover all people injured on Queensland roads and improve the efficiency of the scheme by introducing no-fault defined benefits.

These reforms have been successfully introduced in NSW and the ACT, resulting in lower premiums, support for all people injured in motor vehicle accidents and a focus on health and recovery rather than financial compensation through an adversarial process with substantial legal fees.

Suncorp's view is the assertion in the discussion paper – the claims management process is working well – should be tested. The omission of coverage and claims management from this review is a missed opportunity to assess the impacts of the current scheme design on injured people and the value the scheme is providing to motorists.

What, if any, impact would there be on you or your organisation (if applicable) if the CTP scheme remained as is?

The current regulated premium setting philosophy has driven below target returns for insurers. Assuming regulated premium setting is adjusted to enable adequate profitability, there are no significant barriers to Suncorp remaining in the scheme. However, as noted above, there are opportunities to improve efficiency and fill the current gap in cover for at-fault drivers.

What material opportunities, risks, or considerations, if any, do you believe need to be considered in the review of this scenario?

The current regulated premium setting generates the risk of insurers being unable to maintain adequate financial buffers to ensure the scheme remains sustainable, as required by APRA regulation. As stated above, there is a missed opportunity to expand cover, improve scheme efficiency and deliver better value and health outcome to Queenslanders.

When assessing scenario 1 – status quo, it is necessary to consider the substantial benefits currently being delivered through competition in the scheme which are driving claims management efficiency and innovation, which supports affordability. The current competitively underwritten model generates diverse expertise across the scheme, enabling early identification of emerging issues such as the increase in psychological injury claims. Reforms which disrupt this model constitute a potential risk.

Scenario 2 – Retain the existing privately underwritten model with scheme design changes

Premium Equalisation Mechanism

Do you support adoption of an insurer premium equalisation mechanism in the scheme? Why or why not?

The introduction of an insurer Premium Equalisation Mechanism (PEM) into a personal injury scheme has potential benefits if it is implemented with an adequate degree of sophistication and accuracy. However, implementing a mechanism which accurately projects the profitability of each cohort based on risk factors within a vehicle class is difficult and costly.

Introducing a PEM would add significant complexity and cost to the scheme for both MAIC and insurers in the analysis and management of the mechanism.

It is important to note the PEM which operates in NSW does so within a significantly different scheme design, featuring a hybrid pricing model allowing insurers to adjust prices to account for the PEM. Further, CTP policies are sold by insurers directly to customers and insurers can lodge price filings to the regulator at any time.

Do you believe that the introduction of a premium equalisation mechanism would improve insurer price competition in the scheme?

As a stand-alone reform the introduction of a PEM would not improve insurer price competition. If implemented in conjunction with other reforms, it may contribute to price competition. However, it is not apparent a PEM introduced without other reforms would have any significant impact on price competition.

If the government were to introduce a premium equalisation mechanism in the Queensland CTP scheme, what would this look like? In particular:

> *Which vehicle classes should the mechanism apply to?*
>
> The vehicles classes which are deemed to be the source of the issue, as identified by the discussion paper, should be subject to the mechanism.
>
> *What mechanisms would need to be established for funding deficits and returning surpluses?*
>
> The mechanisms required would depend on the PEM design adopted. A PEM could be extremely complex, which would require extensive and potentially costly mechanisms to enable a redistribution of premium.
>
> *A potential model for passing the funds would be to use a clearing house. Do you agree with this model and if so, should it be revenue neutral?*
>
> If a PEM is introduced, Suncorp's preferred model is for the Department of Transport and Main Roads (DTMR) to distribute the adjusted premium directly to insurers. The definition of "revenue neutral" in the question is unclear.
>
> Assuming "revenue neutral" refers to the mechanism neither extracting nor contributing to the premium pool over time, Suncorp agrees it should be revenue neutral. If the mechanism is not revenue neutral, the scheme could be overfunded or underfunded if the risk dynamics change.
>
> *Which available rating factors should the mechanism apply across?*
>
> The rating factors deemed to be responsible for the issues identified in the discussion paper should apply to the mechanism. Regardless of which rating factors are used, it is essential all insurers have access to the source data used to calculate the PEM. For example, if driver age is used as a rating factor, insurers will require this data for each policy.
>
> *What definitions of risk factors should be used?*
>
> It is unclear what "definitions of risk factors" refers to in this question.

What rules should be implemented to govern the timing of data submissions and contributions / withdrawals from the clearing house?

If the process of distributing premium post-PEM calculations was governed by DTMR, this would reduce complexity and allow premium to be distributed on a weekly basis to insurers. This is Suncorp's preferred model if a PEM is introduced.

What, if any, impact would there be on you or your organisation (if applicable) if the government were to introduce a premium equalisation mechanism?

The introduction of a PEM would add complexity and cost to Suncorp's CTP business. As an APRA and ASIC regulated entity, there are several processes Suncorp is required to undertake to have a detailed understanding of business performance as policies are sold. A PEM design is unlikely to perfectly redistribute premium in accordance with risk. The introduction of a PEM may generate additional uncertainty for insurers as it could add complexity to the process of determining the adequacy of reserves to meet future claims liabilities.

An additional potential impact is a PEM results in an insurer with poor claims management and a portfolio of relatively poor risks being effectively subsidised by better-performing insurers through the mechanism. This reduces the incentive for poor performers to improve or innovate their claims management practices. As an insurer which manages claims better than the scheme average, Suncorp can expect to be negatively impacted by this dynamic.

What measures could you or your organisation adopt to offset any negative impacts?

A potential measure Suncorp could take to offset a component of the negative impacts generated by the introduction of a PEM is to cease additional benefits provided to safer drivers and redirect these cost savings to the additional costs incurred due to the introduction of the PEM. The result would be a reduction or removal of benefits currently provided to customers (including private, commercial and government customers) who are safer drivers.

Does this scenario carry any broader implications for insurer competition and innovation?

As noted above, a PEM has the potential to reduce the incentive for insurers to address poor claims management and invest in innovative claims management practices.

What material opportunities, risks, or considerations, if any, do you believe need to be considered in the review of this scenario?

As noted above, a PEM may result in the customer benefits currently offered to safer drivers being removed for personal, commercial and government customers. The additional costs of implementing a PEM will have to be borne by the scheme, which is ultimately funded by motorists.

Random allocation

Do you support mandating a random allocation of CTP insurer in the scheme? Why or why not?

Yes. Suncorp suggested random allocation of new vehicles in August 2017 (*Suncorp Response to Queensland CTP Limited Risk Rating Discussion Paper, p.13*). Subsequently, random allocation of new vehicles was successfully implemented in the South Australian (SA) CTP scheme.

Do you believe that the introduction of random allocation would improve insurer price competition in the scheme?

Yes, provided the random allocation was based on market share as insurers are then incentivised to grow market share to increase their allocation of new vehicles. However, if implemented in conjunction with a PEM, the positive impacts of random allocation of new vehicles on competition would be significantly reduced.

What, if any, impact would there be on you or your organisation (if applicable) if the government were to introduce random allocation?

Suncorp is currently the only insurer where the proportion of new vehicles is significantly lower than our total market share. If new vehicles were allocated equally to each insurer (25% per insurer), Suncorp would be the only insurer which would receive significantly less new vehicles than our market share.

Allocation based on market share ensures new vehicles are distributed to each insurer in proportion with portfolio size, contributing to a balance of ‘good’ and ‘poor’ risks across each insurer’s portfolio and therefore mitigating significant inequality in insurer profit.

Since 2018, Suncorp has directed over $1.5m to 106 charities which support the Queensland community through a program for customers who choose Suncorp when they register a new vehicle. This support to charities would cease if random vehicle allocation for new vehicles was implemented.

What measures could you or your organisation adopt to offset any negative impacts?

The specifics of the model are required to determine what measures could be taken.

Does this scenario carry any broader implications for insurer competition and innovation?

If a random allocation is distributed equally (25% per insurer) and not connected to other competitive measures, it is likely to decrease competition because insurers would not compete for new vehicles and there would be no incentive for insurers to increase market share to increase their proportion of new vehicles.

What material opportunities, risks, or considerations, if any, do you believe need to be considered in the review of this scenario?

The cost of implementation for insurers and Queensland Government departments is a material consideration.

Multiple licences

Do you support the introduction of multiple licences for CTP insurers? Why or why not?

Yes. If implemented with an appropriate model, the introduction of multiple licences can increase competition and consumer choice, as well as enable customer benefits such as multi-policy discounts.

Do you believe that the introduction of multiple licences for CTP insurers would improve insurer price competition in the scheme?

Multiple licences may have some positive impact on price competition if the scheme were reformed to enable active price competition. The current combination of the scheme design and the positioning of the regulated ceiling price do not enable active price competition.

What, if any, impact would there be on you or your organisation (if applicable) if the government were to introduce multiple licences for CTP insurers?

A likely impact would be some increase in marketing costs to promote multiple brands and some increase in internal operational costs to manage multiple brands. Operational costs may include performance monitoring, training, and compliance.

What measures could you or your organisation adopt to offset any negative impacts?

A measure Suncorp could take to offset cost impacts is to ensure our backend systems are brand agnostic to allow the same platform to be used for multiple brands with minimal additional cost.

Does this scenario carry any broader implications for insurer competition and innovation?

The opportunity to have multiple brands may increase innovation by allowing insurers to engage in 'test and learn' activities, including pricing, on a portion of their portfolio without the risk of failure impacting the entire portfolio.

What material opportunities, risks, or considerations, if any, do you believe need to be considered in the review of this scenario?

It is necessary to consider the potential competition and customer benefits of multiple licences with the additional compliance costs which would be incurred by the scheme. A cost-benefit analysis is required.

If a PEM was introduced, an increased number of brands in the scheme may increase complexity in the administration of the PEM.

Active decision-making

Do you support the introduction of active decision-making of CTP insurer by motorists? Why or why not?

Active decision-making in other CTP schemes in Australia has resulted in strong price competition, benefiting policy holders. However, these schemes operate in a significantly different manner to the Queensland CTP scheme, specifically with respect to the regulated premium band setting and the price filing mechanism.

In the ACT and NSW there is no regulated floor or ceiling price. In SA, the ceiling price is set at a level which allows active price competition between insurers, resulting in insurers generally pricing closer to the regulated floor price than the ceiling price. In NSW, SA and the ACT, insurers may submit a price filing at any time, allowing insurers to respond quickly to price changes from competitors, thereby enabling active price competition.

Noting the current regulated ceiling price is generating a ~4% margin for insurers pricing at the ceiling for the 2021 accident year (*Retrospective profit study of Queensland CTP premiums as at 31 December 2021 – Taylor Fly, p.5*), in the absence of any other reform, the introduction of active choice in the Queensland CTP scheme would not generate price competition because all insurers can be expected to continue pricing at the ceiling.

Introducing active choice at the point of registration renewal without other reforms would generate additional cost for DTMR and potentially inconvenience consumers by requiring a choice to be made between insurers of equivalent price each time a vehicle registration is renewed. This would result in additional cost without generating a customer benefit.

Do you believe that the introduction of active decision-making of CTP insurer by motorists would improve price competition in the scheme?

As above, if implemented in the absence of other reforms it would not improve price competition in the current scheme.

What, if any, impact would there be on you or your organisation (if applicable) if the government were to introduce active decision-making of CTP insurer by motorists?

Potentially an active choice model would produce a higher churn rate of CTP customers, which would add complexity for insurers when seeking to accurately determine eligibility for incentives such as multi-policy discounts or tenure reward and recognition programs. This impact would not be limited to Suncorp and could be expected to impact other insurers.

What measures could you or your organisation adopt to offset any negative impacts?

To offset the negative impact of the issues created by a higher customer churn rate, Suncorp could engage in system upgrades. However, this may be prohibitively expensive. An alternative mitigation would be to limit customer benefit eligibility to longer insurance terms (12 months) or remove CTP customers from all eligibility for incentives.

Does this scenario carry any broader implications for insurer competition and innovation?

Active choice in other Australian CTP schemes has been shown to favour well-known brands. This may result in an insurer acquiring more market share than they prefer. If a brand has a natural affinity to a ‘poorer’ risk segment (such as older vehicles), active choice may increase share in the risk segment.

Furthermore, active choice has resulted in very large and rapid swings in market share in other Australian CTP schemes. This can create issues for claims management as it is very difficult to quickly adjust resourcing levels by recruiting or making redundant highly skilled CTP claims managers to match volatile claims volumes. This would be a particular concern in a large CTP scheme, as exists in Queensland.

The relative lack of flexibility in the current Queensland CTP price filing mechanism – which includes a ‘blind’ filing process – means an insurer may find themselves in an unfavorable price position relative to their preferred market share and risk-mix, without the ability to quickly respond and rectify this undesirable underwriting position.

What material opportunities, risks, or considerations, if any, do you believe need to be considered in the review of this scenario?

The introduction of active decision making could result in some customers inadvertently losing eligibility to additional benefits when they switch CTP insurer. In some cases, the lost benefit may be substantially larger than the saving made by selecting a lower CTP premium with another insurer.

Other/Combination of scenarios

Are there any other scenarios, or a combination of these scenarios, that you believe would increase competition in the scheme? Please outline what this is/these are, including the benefits you believe would be achieved.

CTP Cost Clarity

Separating the registration from the CTP would highlight the fact a motorist is purchasing a CTP insurance policy from an insurer, and they have choice. It would also inform customers of price differences between insurers in proportion to the CTP premium, rather than in proportion to the total cost of vehicle registration. This may increase price competition.

Claimant Service Rating

The claimant service rating (CSR) in the SA CTP scheme has been shown to drive customer behavior when selecting an insurer by introducing information regarding non-price value. However, it should be noted the SA CTP scheme has far lower legal representation than in Queensland.

Around two-thirds of claimants in SA deal with the insurer directly, whereas only around 20% of Queensland claimants are direct. The CSR in SA is predominantly a reflection of the claims experience an injured person has with the insurer, generating a strong connection between the CSR and the value a customer assigns to an insurer who provides claimants with a positive customer experience.

The Queensland scheme is adversarial by design, meaning strong claims management by an insurer may not be deemed a positive outcome by a plaintiff lawyer. Therefore, the rating provided by a plaintiff lawyer in a CSR survey may not be particularly relevant to a customer purchasing CTP.

Publishing standard rates

Publication by MAIC of standard rates for costs and outlays for legal providers has the potential to increase competition in the scheme by informing injured people how the fees charged by their lawyer compare to industry standards. This transparency may increase competition between legal providers and return a greater proportion of claims settlements to injured people. The proportion paid to injured people was last reported by MAIC as 31 cents in every dollar of premium.

The publishing by MAIC of standard rates for health providers also has the potential to increase competition in the scheme. WorkCover Queensland currently publish rates for the Queensland workers compensation insurance scheme.

Scenario 3: A public underwriting model

Do you support a transition to public underwriting for the scheme? Why or why not?

Suncorp is not aware of any conclusive evidence of a benefit to either claimants or motorists being delivered by transitioning a CTP scheme to public underwriting. Motorists and claimants in Queensland are currently benefiting from the competitive dynamics between multiple corporate entities which have driven continuous improvement in claims management – and by extension lower prices – and created the country's most affordable CTP scheme.

What, if any, impact would there be on you or your organisation (if applicable) if the scheme were to move to a public underwriting model?

The impact on Suncorp of a move to public underwriting would include a significant loss of revenue, the loss of a substantial number of Queensland-based jobs, and a notable reduction in the cost efficiency generated by scale in Suncorp's Queensland-based business. This may adversely impact the delivery and affordability of Home, Motor and Commercial insurance in Queensland. There would also be a substantial reduction in Suncorp community support and sponsorship programs, which are currently extensive.

Are there any significant economic, social, or environmental impacts for your organisation in moving to a public underwriting scheme?

As noted above, there would be material adverse impacts which can be expected to have negative repercussions for the Queensland economy and community.

If the scheme were to move to a public underwriting model, do you consider that there would be any implementation issues or risks for your organisation that need to be considered in the review of this scenario?

Implementing a transition to public underwriting would carry considerable expense and have an operational impact, which would potentially adversely affect Suncorp's operations in the delivery of other classes of insurance provided to Queenslanders.

If the scheme were to move to a public underwriting model, to what extent do you believe there needs to be private sector service delivery?

Suncorp's view is private sector service deliver can generate greater efficiency and innovation by leveraging competitive dynamics, when compared to a publicly underwritten scheme which does not utilise the private sector to any degree.

What are your views on the claims management functions for minor claims being performed by external claims management providers?

Active competition between claims management providers in publicly underwritten personal injury schemes has the potential to generate a degree of innovation and efficiency. However, Suncorp is of the view privately underwritten schemes generate a significantly greater degree of innovation and efficiency through competitive dynamics which are directly connected to underwriting profitability.

What are your views on the claims management functions for complex claims being performed by external claims management providers?

Active competition between claims management providers in publicly underwritten personal injury schemes has the potential to generate a degree of innovation and efficiency. However, Suncorp is of the view privately underwritten schemes generate a significantly greater degree of innovation and efficiency through competitive dynamics which are directly connected to underwriting profitability.

What opportunities are there in an external claims management arrangement to pursue positive incentives for good claims management outcomes?

Remuneration incentives for external claims managers are routinely utilised in personal injury schemes to incentivise good claims management outcomes. The design of remuneration incentives for claims management providers can result in perverse outcomes or inefficient resource allocation as providers attempt to ‘game’ the remuneration metrics to maximise revenue, which may not be in the best interests of injured people or the underwriter.

Private underwriters are financially incentivised to ensure claims are managed holistically at the whole-of-portfolio level to preserve the premium pool collected, as opposed to a fee-for-service model which can encourage a focus on aspects of claims management which do not generate optimum claims outcomes.

What compliance costs would be involved for your organisation?

Significant compliance costs are incurred by publicly underwritten schemes which engage multiple external claims management providers. These compliance costs are incurred by the providers and the underwriter in the process of reporting on and assessing performance, maintaining, and upgrading systems, managing a pipeline of innovation development and delivery, responding to complaints, and managing risks which may impact the scheme.

If the scheme does move to public underwriting with external claims management, would your organisation be interested in being a claims management service provider? Why or why not?

Suncorp's appetite for providing claims management services to a publicly underwritten CTP scheme would depend on the remuneration model offered.