



Compulsory Third Party (CTP) Insurance in Queensland

It has been asked, why can't CTP be linked to the driver? That way, I can have as many cars as I like, but only pay the one CTP amount. With thanks to the Motor Accident Insurance Commission, the following response is provided:

Queensland operates a common law 'fault' based Compulsory Third Party (CTP) scheme, which was first introduced in 1936. The scheme provides motor vehicle owners, drivers, passengers and other insured persons with an insurance policy that covers their unlimited liability for personal injury caused by, through or in connection with the use of the insured motor vehicle anywhere in Australia and in incidents to which the Motor Accident Insurance Act 1994 (MAI Act) applies.

In simpler terms, CTP insurance is a mandatory insurance product which is a condition of motor vehicle registration in Queensland. It is not to be confused with comprehensive motor vehicle insurance or third party property insurance – both of which are optional insurance products.

For the injured third party, Queensland CTP scheme provides access to common law rights, where the injured person has a right to approach a law court to seek monetary compensation from the person 'at fault' for the personal injury and other related losses. As a fault based scheme it requires proof of liability, meaning the injured party must be able to establish negligence against an owner or driver of a motor vehicle i.e. you need to show that the crash and your injuries were caused by the fault of another driver.

Inevitably, circumstances can arise where an injured person can not obtain compensation, such as when they were the driver wholly at fault in the accident because there is no negligent party against whom a claim can be made. Other situations are when no one is "at fault" e.g. where the driver experiences a "without warning" medical emergency while driving such as a heart attack, stroke or an epileptic seizure or where wildlife jumps out in front of a vehicle, neither the driver nor any passengers, nor anyone else injured in the crash, will receive any compensation.

The CTP policy of insurance has historically been linked to the motor vehicle. Queensland's current method for determining premium is based on a vehicle class filing model which utilises a community rating philosophy. With this model, motor vehicles are classified into 24 separate vehicle classes, with the owners of a particular class of vehicle all paying within the same premium range based on the collective claims experience of that class. The strength of community rating is in its design where the risks are spread across a vehicle class providing a level of premium affordability within that class.

CTP premiums are set at a level that is assessed as actuarially sufficient to meet the likely cost of claims due to injuries each year. Whether CTP is collected via registration renewals as at present or through driver license renewal would not change the overall amount of premium that needed to be collected.

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The current system of linking registration and CTP insurance ensures that a registered vehicle is insured no matter who is driving the vehicle anywhere in Australia and also provides an efficient system of premium collection so as to minimise administration costs.

There are a number of complexities and equity issues to consider if CTP premiums were linked to drivers' licences rather than motor vehicle registration. For example, while your proposal would benefit drivers who own multiple vehicles, the costs for families sharing a single vehicle would significantly increase should all potential drivers be required to pay a separate and individual payment for CTP coverage. Conversely, an individual with a licence but no access to a motor vehicle may be required to pay a CTP premium but never create a risk for the underwriting insurer.

A further consideration is that as outlined above, under the current Queensland CTP scheme, vehicles are grouped into 24 classes based on their type and purpose of use. Premiums for all classes are determined based on actuarial analysis to ensure they are sufficient to meet the likely cost of claims due to injuries from motor vehicle accidents each year. All owners of a particular vehicle class pay within the same premium range based on the collective claims experience of the class. This ensures that risks are spread across a vehicle class, providing a level of premium affordability within that class. On the other hand, linking CTP claims experience to an individual licence holder would be a more complex and costly scheme to administer and could lead to significant price variations between motorists. To ensure that CTP insurance remains affordable for all motorists, Queensland has a rating system based on vehicle class in preference to one based on individual risk. It is also important to note that under the current model, Queensland's CTP premiums for an average family car are the second lowest in Australia.

Ultimately, given CTP insurance is aligned to motor vehicles in all other states and territories, a change to Queensland's driver's licence system and CTP scheme, without nation-wide reform, could potentially leave interstate or overseas visitors who do not have a Queensland driver's licence uninsured in the event that they caused injury to a third party.

Since 1999 there have been two reviews of the Queensland CTP scheme including examination of the arrangements for risk rating and premium collection. Retention of the existing vehicle class filing arrangement with CTP premium collection efficiently coupled with motor vehicle registration was recommended as the most effective and practical method in both reviews.

See <http://www.maic.qld.gov.au/about-maic/index.shtml> for more information about the scheme, its features and administration.



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