



THE LAW SOCIETY
OF NEW SOUTH WALES

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2 August 2013

Mr Andrew Constance MP
Minister for Finance and Services
Parliament of NSW
Macquarie Street
Sydney NSW 2000

By email: office@constance.minister.nsw.gov.au

Dear Minister

Costings for proposed CTP green slip reforms

Thank you for meeting with me and the Chief Executive Officer Michael Tidball on 29 July 2013 and for providing the costings for the government's proposed CTP green slip reforms which have since been published. As you will be aware, the Law Society of NSW has been calling for this information to be released for several months now. We therefore welcome the commitment to transparency you have brought to this consultation, albeit late in the process. We also appreciate your willingness to meet with us again, and are keen to schedule a time in the week commencing 5 August 2013 if possible. I will be working abroad for most of the week, so the Law Society will be represented by Michael Tidball and Terry Stern, Chair of the Injury Compensation Committee.

The key issue which arises from the actuarial reports is the uncertainty of both the costs and savings which may result from the proposed scheme. It is clear from the Ernst & Young reports and the Taylor Fry peer review that it is impossible to predict with certainty the cost per policy of the government's proposed scheme. The Ernst & Young report *Estimated cost per policy of the proposed NSW Green Slip Scheme* is careful to list in detail the reasons why there is "significant additional uncertainty and limitations associated with our costing results and projection of the affordability of the proposed scheme" (paragraph 5.2.2). Significant reasons include:

- the lack of detail available about the proposed scheme, including the content of regulations or guidelines;
- the likelihood that claims would be handled less effectively than in Victoria;
- the instruction to cost based on a "mature scheme environment", thereby disregarding the substantial costs associated with implementation and transition; and
- the inability to predict how the legislation would be interpreted and implemented or the impact of behavioural changes that may result.

Taylor Fry confirms (at paragraph 4.9) that “the extent of uncertainty inherent in estimates of future average costs is substantially greater for the proposed NSW CTP scheme than for the current scheme”. In particular, Taylor Fry notes (at paragraph 5.3) that:

Because of the uncertainty inherent in estimates of claims costs under the proposed scheme, with the benefit of hindsight actual claim costs may turn out to differ considerably from the estimates described in the EY Costing Report.

In these circumstances, and given our continuing conviction that the system does not need and would not benefit from extensive reform, we find it difficult to understand the government’s ongoing pursuit of a radical overhaul. This seems to ignore the proposition that there are changes which could be made to the current scheme which would result in much more certain reductions in green slip prices.

The no-fault coverage of the scheme could also be substantially expanded, by increasing the amount which can be claimed under the Accident Notification Form process to \$20,000. We have already proposed that for settlements and awards under \$20,000, party/party legal costs could be removed and solicitor/client legal fees and disbursements could be restricted to \$2000. The government would thereby be delivering increased no-fault coverage with decreased legal costs, and it could be done immediately, without the need for a complicated and expensive transition.

We look forward to continuing our discussions with you and to the release of Paul McClintock’s report on the roundtable. Should you need any further information, please do not hesitate to contact me (9926 0216) or Michael Tidball (9926 0215).

Yours sincerely



John Dobson
President

cc The Hon Barry O’Farrell MP, Premier of NSW