

# Third Party Premiums Committee

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14 August 2014

The Hon Tom Koutsantonis MP  
Minister for Finance  
GPO Box 1045  
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MINISTER'S OFFICE	
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Dear Minister

## RE: Reforms to South Australian Government Boards and Committees

I refer to the Premier's letter of 8 July 2014 regarding his decision to reform South Australian government boards and committees, provided to me via the Motor Accident Commission as Secretariat for the Third Party Premiums Committee (TPPC).

I note the Premier's vision to give a broader range of organisations and individuals more direct access to government advisory and decision making processes and reform the boards and committee model for a more contemporary approach to public policy development.

As you would be aware the TPPC is created by statute (s129 MVA 1959) and provided with all the powers of a Royal Commission in order to discharge its essential public office of inquiring into and determining third party premiums that are fair and reasonable.

The Committee comprises a Presiding Officer (a legal practitioner who has been admitted for at least ten years), three persons representing the interests of owners of motor vehicles, three persons with expertise in the insurance industry field and a person nominated by the Minister. Committee members hold office during the Governor's pleasure with the Governor additionally filling vacancies occurring on the Committee.

I was appointed Presiding Officer on 19 March 2009. In addition to establishing the agenda for and the chairing of annual TPPC meetings I prepare and provide, with TPPC member endorsement, the Determination of the Committee for its tabling in Parliament by the responsible Minister.

As Presiding Officer steering the work of the Committee's last six annual CTP premium inquiries to determine the level of CTP premiums, I have been impressed with the level of expertise and commitment of all Committee members. Each member is an expert in their own field with decades of experience representing a specific sectional interest.

The Committee relies heavily on complex and prolix actuarial reports prepared by the CTP Scheme Actuary.

The level of technical questioning / inquiry has been excellent with robust discussion at meetings, with many members holding strong opinions representing their interest groups. It has not been unusual for the Scheme Actuary to be required to undertake further work before being in a position to respond to members' inquiries.

Additionally, given the peppercorn remuneration paid to TPPC members, the members and / or their respective employers can only be seen as providing their respective time and

expertise as a service to the community of South Australia. Currently, five members of the Committee are from private / independent organisations and there exists a significant opportunity cost to either the members personally or their respective employers as a result of their involvement in the Committee.

In line with the Premier's vision to "give a broader range of organisations and individuals more direct access to government advisory and decision-making processes", I am pleased to inform you the Committee membership intentionally reflects the various broad interest groups comprising the motoring public with representation from the owners of motor vehicles are as follows:

- Mr David McGown, Group Chief Financial Officer of the S. A. Royal Automobile Association (**RAA**) which is South Australia's largest membership based organisation with an approximate 600,000 members.
- Mr Steven Shearer, who amongst other things, is the Executive Director of the S.A. Road Transport Association (Trucking Association) that has reportedly in excess of 500 members.
- Currently a representative of the authority managing the State's public transport is the third representative of owners of motor vehicles.
- In addition, and whilst appointed Presiding Officer under *S129(2)(a) MVA 1959* as a legal practitioner with more than 27 years of experience and not as a person representing the interests of owners of motor vehicles FYI, I am a member of the Board of Directors of the **RAA** (among other things).

Direct say / transparency: I have considered the relevance of establishing a dedicated website / facebook site or other that could be established with the purpose of increasing accessibility and surveying / seeking the views of owners of motor vehicles (regarding CTP premiums). Whilst the TPPC have received submissions from policy-holders overtime, these are very few in number with none being received in the past three years. The TPPC does receive copies of letters of enquiry into premiums that have been forwarded to either the responsible Minister or to MAC. On this basis three such enquiries have been made in the past three years.

I offer the following further comments on the factors to inform your decision making around abolishment or otherwise of the TPPC:

- Efficiency: is it considered cost effective to undertake functions in another way? Yes.
  - On 20 November 2008, His Excellency the Governor in Executive Council determined the rate of remuneration payable to TPPC members, except for government employees, to a fee of \$206 (up from \$160) for a four hour session and the Presiding Officer to a fee of \$258 (up from \$190).
  - I understand the total fees paid to the TPPC membership for the determination of 2014/15 CTP premiums amounted to \$464 (this amount takes into account member inability to attend and any member not seeking payment).
  - In addition to the four hour meeting session time it is estimated some eight to ten hours is undertaken by members to review the distributed TPPC papers that includes particularly detailed and prolix technical actuarial data regarding the adequacy of the scheme and the recommended price, meet to determine price amongst other things and then to review the minutes of the meeting and provide feedback on the determination for the Presiding Officer.
  - The Presiding Officer expends at least twice that amount of time taken by the general membership.

- Independence: do the functions require a level of separation from government to ensure objectivity? No.
  - This is a policy decision for Government.
  - The Government may decide to:
    - Simplify the process by *removing the TPPC* by having:
      - MAC set CTP premiums; or
      - The Minister set CTP premiums.
    - Retain the TPPC and thus maintain:
      - The community link that currently exists;
      - Value for money ( the committee that consists of representatives from the RAA, Trucking Industry, Public Transport Authority; Insurance Council of Australia and the Medical Insurance Group Australia as well as an officials from State Treasury and MAC; and
      - Some separation from price setting (and the perception of influence).
    - Remove itself completely from price setting (and all political influence). In this option the TPPC would set CTP premiums.
      - In a privately underwritten environment (such as that proposed for S.A.), it is my opinion private insurers and governments alike would benefit from an independent price setting process / entity that retains insurer and policyholder representation.
- Transparency:
  - The Determination of the TPPC is currently:
    - Tabled in Parliament; and
    - Published (gazetted and on the).

Finally, it is acknowledged that on Thursday 19<sup>th</sup> June 2014, the State Government also announced in the 2014/15 State Budget that from 1 July 2016, the Motor Accident Commission (**MAC**) will cease its role as the sole provider of CTP vehicle insurance in South Australia to open the way for provision of CTP insurance by the private sector, similar to what occurs interstate.

The framework in which private insurers may provide CTP policies from 1 July 2016 is unknown to the TPPC as is the Government's intended approach to price setting. I am unable to provide you with an informed view given the minimal information before me.

However, in isolation and response to your letter regarding *Reforms to South Australian Government Boards and Committees* I recommend the Minister for Finance support the Government retention of the Third Party Premium Committee.

Yours Sincerely,



Karen Thomas  
 Presiding Officer  
 Third Party Premium Committee

cc: The Hon Corey Wingard MP  
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