NSW Motor Accidents CTP Scheme

2015 Scheme Performance Report

Better Regulation.

NSW GOVERNMENT
State Insurance Regulatory Authority

INDEX

1. INTRODUCTION

1.1 Executive summary

This report outlines the State Insurance Regulatory Authority's (SIRA) analysis of the NSW Motor Accidents Compulsory Third Party (CTP) Scheme (the Scheme) up to 30 June 2015 and provides an overview of initiatives up to April 2016 including developments in CTP Scheme Reform. The data contained in this report is based on analysis of key metrics of the Scheme undertaken by the Scheme actuary, Ernest & Young. For more detailed discussion of the data please refer to the Ernst & Young report *Review of Selected Performance Indicators of the NSW CTP Scheme 2015.*

This report is comprised of six chapters:

1. Introduction: scope of the report, an overview of SIRA and the Scheme
2. Market: changes to insurer market share in the 2015 accident year
3. Premiums: Green Slip premium prices and affordability
4. Analysis of cost drivers in the scheme
5. Sustainability: financial sustainability, insurer profit and efficiency
6. Claims and Disputes: a look at claims duration and profiles, Nominal Defendant claims, Claims Assessment and Resolution Service (CARS) and Medical Assessment Service (MAS) disputes volumes and outcomes

Key performance indicators up to June 2015:

- Green Slip premiums increased from an average of $537 in 2014 to $542 in 2015 for all passenger vehicles in NSW. This is largely due to the increase in frequency of claims from 21.3 claims per 10,000 vehicles in June 2014 to 25 claims per 10,000 vehicles in June 2015.
- The number of legally represented minor injury claims has increased by 148 per cent since 2008, and by 27 per cent in 2015, making up 50 per cent of claim numbers in 2015.
- The number of Accident Notification Form (ANF) claims have been increasing, making up 22 per cent of total claim numbers in 2015.
- The number of CARS applications for general assessment rose significantly by 19 per cent in 2014/15, while other dispute types remained relatively stable.
- MAS applications seeking an assessment rose 3.4 per cent (150) in 2015, part of a 19 per cent increase over the past three years at an average rate of 6.3 per cent a year.

Outlook

While this report is largely focused on trends observed in the Scheme over 2014/15, it should be noted that some of the more concerning trends have since continued to deteriorate. This report will include observations around the more worrying trends in claims, such as claim frequency (including fraudulent and exaggerated claims), Green Slip prices, insurer profit and efficiency which, since 2014/15, demonstrate a continued deterioration in the performance of the Scheme.

Since June 2015 claims frequency has increased by a further 8% driven mainly by minor severity legally represented claims. There is, typically, a delay of at least 9 months before such increases would be reflected in Green Slip premiums. Average prices have already increased by 7 per cent (or $43) for a Sydney passenger vehicle since 30 June 2015 and further price rises to take effect by 1 July 2016 are expected to increase these prices to 11.3 per cent (or close to $70) above prices as at 30

June 2015. If current trends continue the Scheme actuary advises that further price increases could occur.

While we have applied improvements to our risk-based regulatory approach to supervising the market over the past two years in response to these challenges, including a number of non-legislative improvements to the Scheme, as outlined in this report and last year's report, the Scheme continues to be challenged. There are, however, limits to the improvements that can be made within the current legislative framework.

Scheme enhancement program

We continued with the Scheme enhancement program in 2015, adopting a new regulatory framework which involved a review of all regulatory instruments, with particular focus on key areas of risk for policy holders and injured people.

Improvements were made to ensure better customer outcomes by improving the accountability, transparency and consistency of insurer decision-making in premium setting and claims management.

Market and premium changes and initiatives

Since the 2014 Scheme Performance Report, no new licences have been issued. In early 2016 Zurich announced its withdrawal from the CTP market, leaving six licensed insurers.

Following the introduction of new mandatory Guidelines in the area of insurer market practices and premium pricing in 2014, we have continued with a number of initiatives to investigate and address concerns about insurer profit and competition in the Scheme and the appropriateness of the current premium system.

The revised *Premiums Determination Guidelines* have led to increased scrutiny by SIRA. We now hold pre-filing meetings with insurers where they are given the opportunity to present their views on key assumptions. We also give insurers a quarterly briefing on our view of the Scheme which provides stronger guidance on scheme performance and filing expectations.

Insurers are now required to file using a central estimate rather than conservative assumptions. Insurers are routinely challenged to amend filings where filing assumptions are inconsistent with the regulator's view. As a result, the insurer filing process has improved substantially. This was confirmed in the review of insurer profit which is detailed in the next section of this report.

Review of insurer profit within the NSW CTP Scheme

In the 2014 Scheme Performance Report we identified continued concerns about the high level of insurer profits in the Scheme.

An independent review of insurer profit and competition within the NSW CTP Scheme was undertaken in mid-2015. The review included an examination of premium system design and competition issues, as well as opportunities for improving the regulation of the Scheme.

The final report on the review was released on 11 March 2016. The report makes a number of recommendations for scheme enhancements to strengthen the regulatory framework and improve transparency and market competition.

The recommendations outline mechanisms that can be put in place to better manage risks, potentially limit future premium growth and remove barriers to competition. These include approaches to applying risk rating factors, relaxing or removing some regulations or restrictions on aspects of insurer price setting and reviewing the role of the regulator in price setting.

While action has commenced on addressing the regulatory and administrative recommendations made in the report, the remaining recommendations are being considered as part of a broader review of the Scheme which commenced in 2016.

Premium system review

The Scheme has cross-subsidies in place to ensure that CTP premiums are affordable for all vehicle owners. However, the increasing amount of cross-subsidisation within the Scheme is having the effect of stifling competition amongst existing insurers and discouraging new entrants.

We are currently reviewing the components of the premium framework, including insurer profits, vehicle classification and the operation of current approaches to cross-subsidisation to promote competition between insurers.

The review will incorporate consideration of the recommendations from the independent review of insurer profit and competition around changes to the premium rating system.

Claims initiatives and improved customer outcomes

In the 2014 Scheme Performance Report, we highlighted concerns regarding the time it takes to finalise claims. Claims typically take between 1.5 to 5 years from the time they are lodged to finalise. Larger claims for more serious injuries take longer to finalise, with only 50 per cent of total claim payments being made by the end of the fourth year.

In 2015 we continued our review of the *Claims Handling Guidelines* which are currently being finalised. The new Guidelines emphasise the obligations on insurers to resolve claims justly and expeditiously, keep the injured person informed at all stages of the process and act to optimise their recovery. The new Guidelines will help to ensure greater transparency and consistency of insurer decision-making.

Our Claims Advisory Service adopted a new protocol to facilitate early claims notification and accelerate access to treatment and rehabilitation to reduce the claim timeframe for people with minor injuries. This initiative has achieved positive results and received positive feedback from customers.

Motor Accidents Compensation Regulation 2015

A new *Motor Accidents Compensation Regulation 2015* commenced on 1 April 2015. The Regulation fixes the maximum recoverable costs for legal, medical treatment and medico-legal services provided in relation to motor accident claims to ensure that they do not unreasonably contribute to the cost of Green Slips.

An important change to the Regulation is a new provision that requires plaintiff legal practitioners to disclose information to SIRA about all costs and the amounts paid to claimants on all finalised claims. This information provides us with the ability to monitor legal and other costs and gain a better understanding of the overall efficiency of the Scheme.

Claims integrity

In 2014/15 we identified a disproportionate and unusual increase in claims lodgement especially in legally represented minor injury claims. The cost of these claims has been reflected in premium increases. In 2015 the number of legally represented minor injury claims increased by 27 per cent and was the highest contributor to average claims costs per policy.

We analysed the increase in legally represented minor injury claims and have noted some atypical patterns suggestive of exaggerated and unmeritorious claims. We have developed a claims integrity strategy to further investigate and address this emerging trend. The NSW Government has also established a CTP Fraud Taskforce and a hotline to tackle fraud.

Sustainability

Despite improving affordability since 2013, the premium price outlook is still poor due to the deterioration in yield rates and a marked increase in claims frequency. We anticipate that without reform premiums will continue to increase by more than the inflation rate each year. The average premium for passenger vehicles in the Sydney metropolitan region increased by $16 (2.7 per cent) between June 2014 and June 2015.

Since 30 June 2015 average prices have already increased by 7 per cent, or $43, for a passenger vehicle in the Sydney metropolitan region. Further price rises (to take effect by 1 July 2016) are expected to increase these prices to 11.3 per cent, or about $70, above prices as at 30 June 2015.

2016 NSW Motor Accidents CTP Scheme review

To address current concerns of affordability, efficiency, timeliness and sustainability, the NSW Government announced a review of the Scheme in 2016. The review is currently underway and aims to achieve four key objectives:

- Increasing the proportion of benefits provided to the most seriously injured road users
- Reducing the time it takes to resolve a claim
- Reducing opportunities for claim fraud and exaggeration
- Reducing the cost of Green Slip premiums

It is anticipated that the outcome of the review will be announced in the second half of 2016.

1.2 Overview of NSW Motor Accidents CTP Scheme

The NSW Motor Accidents Compulsory Third Party (CTP) Scheme (the Scheme) provides compensation for people injured in motor vehicle accidents that are the fault of another vehicle owner or driver. In some cases the person at fault may also be eligible for some scheme benefits. Compensation benefits under the scheme are fully funded from Green Slip premiums. The Scheme is privately underwritten by CTP Green Slip insurers who are licensed to sell Green Slips and overseen by SIRA. Green Slip insurance is compulsory for all vehicle owners in NSW.

Green Slip prices vary between insurers. SIRA offers complimentary price comparison services to motorists, such as the web-based Green Slip Calculator.

Benefits for claimants are determined under a modified common law scheme, which allows for negotiation as to the amount payable and settlement in a single lump sum. Once the lump sum has been paid no further claim can be made on the insurer. Expenses for medical, rehabilitation and treatment services and domestic assistance are paid as incurred. Payment for future treatment, rehabilitation and care, past and future economic losses and for those who exceed an impairment threshold, damages for non-economic loss or pain and suffering, are paid in a lump sum at the finalisation of the claim.

Irrespective of fault, everyone can access early payments for medical and treatment expenses and lost earnings up to $5,000 using the Accident Notification Form (ANF). The ANF allows for early notification and quick payment of treatment expenses and lost income incurred within the first six months of an accident. In addition, everyone injured in a motor accident in NSW can access public health and ambulance services free of charge. These services are paid for by a levy on each Green Slip.

Those injured by uninsured or unidentified vehicles can also claim the same benefits under the Nominal Defendant Fund.

Claims are managed by the CTP insurers. Compensation entitlements and duties of the insurer are set out in the *Motor Accidents Compensation Act NSW 1999* (the MAC Act).

1.3 State Insurance Regulatory Authority

The State Insurance Regulatory Authority (SIRA) is a statutory body established by Parliament on 1 September 2015 under the *State Insurance and Care Governance Act 2015.*

SIRA brings together the regulatory functions of the WorkCover Authority and the Motor Accidents Authority (MAA), both of which were abolished in 2015. SIRA continues to perform the functions of the former MAA, including monitoring and regulating the CTP Green Slip insurers.

Our functions are set out under Section 206 of the MAC Act and include:

- to monitor the operation of the motor accident scheme and in particular to conduct (or arrange for other persons to conduct) research into and to collect statistics or other information on the level of damages awarded by the courts, the handling of claims by insurers and other matters relating to the scheme;
- to advise the Minister as to the administration, efficiency and effectiveness of the scheme;
- to publicise and disseminate information concerning the scheme;
- to issue and keep under review relevant guidelines under the MAC Act;
- to provide an advisory service to assist claimants in connection with the claims assessment procedure under the MAC Act;
- to provide funding for measures for preventing or minimising injuries from motor accidents and safety education; and
- to monitor services that provide acute treatment, rehabilitation, long-term support and other services for persons injured in motor vehicle accidents, provide support and funding for programs that assist in injury management including research and education.

We set statutory guidelines for which compliance is a condition of the insurer's licence. We monitor compliance, investigate complaints about insurer behaviour, and take regulatory action in respect of breaches of obligations.

We operate an independent assessment and dispute resolution service as a free alternative to the court system for medical and claims disputes between injured people and insurers. This process is administered by the Dispute Services Division and includes the Medical Assessment Service (MAS) and the Claims Assessment and Resolution Service (CARS).

2. MARKET

2.1 Background

The scheme is underwritten by private insurance companies licensed by SIRA to sell Green Slip insurance. During the reporting period, there were seven licences operated by five insurance companies – NRMA, QBE, GIO, Zurich, Allianz, CIC-Allianz and AAMI.

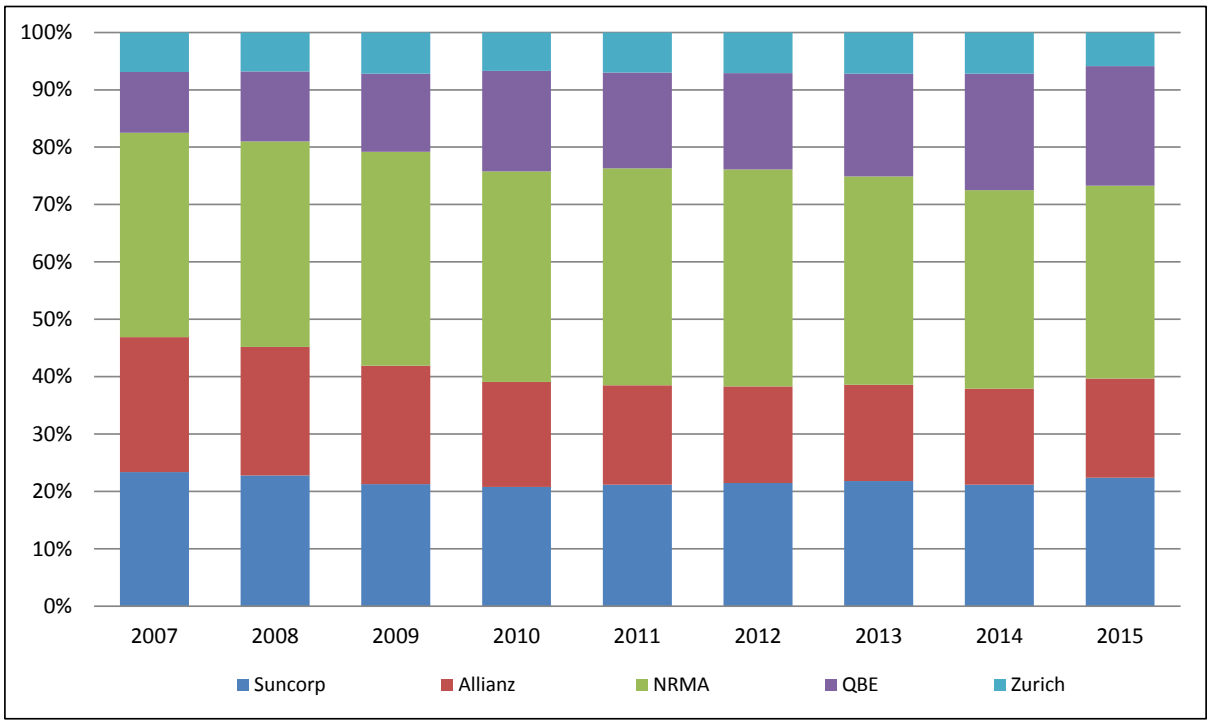
No new licences to sell CTP insurance have been issued since 2001.

The below graph shows the movements in insurer market share by premium between 2007 and 2015. Over the past eight years, QBE and GIO have gained significant market shares of 10.2 per cent and 4.8 per cent, respectively.

2.2 Key facts as of June 2015

- Seven licences held by five insurance companies - NRMA, QBE, Allianz (holds the Allianz and CIC-Allianz licences), Zurich and Suncorp (AAMI and GIO licences)
- AAMI, GIO, and NRMA compete mainly in the retail segment
- Zurich - before its exit - and CIC-Allianz competed in the non-retail commercial vehicle market
- QBE and Allianz operate in both segments of the market
- AAMI, Allianz and CIC-Allianz lost substantial market share from 2007 to 2015
- NRMA has lost 4.2 per cent in market share since 2011, a significant amount in a relatively short period of time.

Insurer market share (by premium)



2.3 Withdrawal of insurer from the CTP market

Zurich ceased to sell Green Slips as of March 2016 as a strategic move to use its capital strength to focus on other business lines. Zurich continues to manage existing and new claims from current policies and their exit from the market will not impact claimants' access to benefits. Zurich's exit is not expected to impact on competition in a significant manner, given their comparatively small market share and focus on the non-retail commercial segment. However, Zurich's exit will impact in some smaller market segments where we will maintain a vigilant approach to ensure pricing remains fair and reasonable despite reduced competition.

2.4 Outlook

At the time of writing we were not processing any licence applications, nor were we aware of any pending applications.

Barriers for new entrants to the Scheme include: costs of a long tail scheme, investment in specialist staff and risks of quickly building a balanced portfolio.

We are currently considering, as part of the CTP Scheme Review, recommendations from the independent review of insurer profit and competition in the NSW CTP Scheme around scheme enhancements to strengthen the regulatory framework and improve transparency and market competition.

3. PREMIUMS

3.1 Background

The Government does not set or approve Green Slip premiums. Green Slip premiums are set and sold in a competitive market by licensed CTP insurers, in compliance with the MAC Act, business rules and guidelines developed by SIRA, and approved by the SIRA Board. They are based on the actual and forecast claims experience of an insurer's expected portfolio mix of vehicles and rating districts for the filing period. Insurers may use any relevant objective risk factor in differentiating premiums, within specific limits prescribed by the *Premiums Determination Guidelines*.

The MAC Act requires insurers to file proposed Green Slip premiums with SIRA at least once a year (or a longer approved period). The MAC Act provides SIRA with limited power to reject a premium based on whether we are of the opinion that the premium:

- will not fully fund the present and likely future claims liability;
- is excessive;
- does not conform to *Premiums Determination Guidelines*; or
- is calculated in contravention of the maximum commission allowed to be paid to insurer' agents.

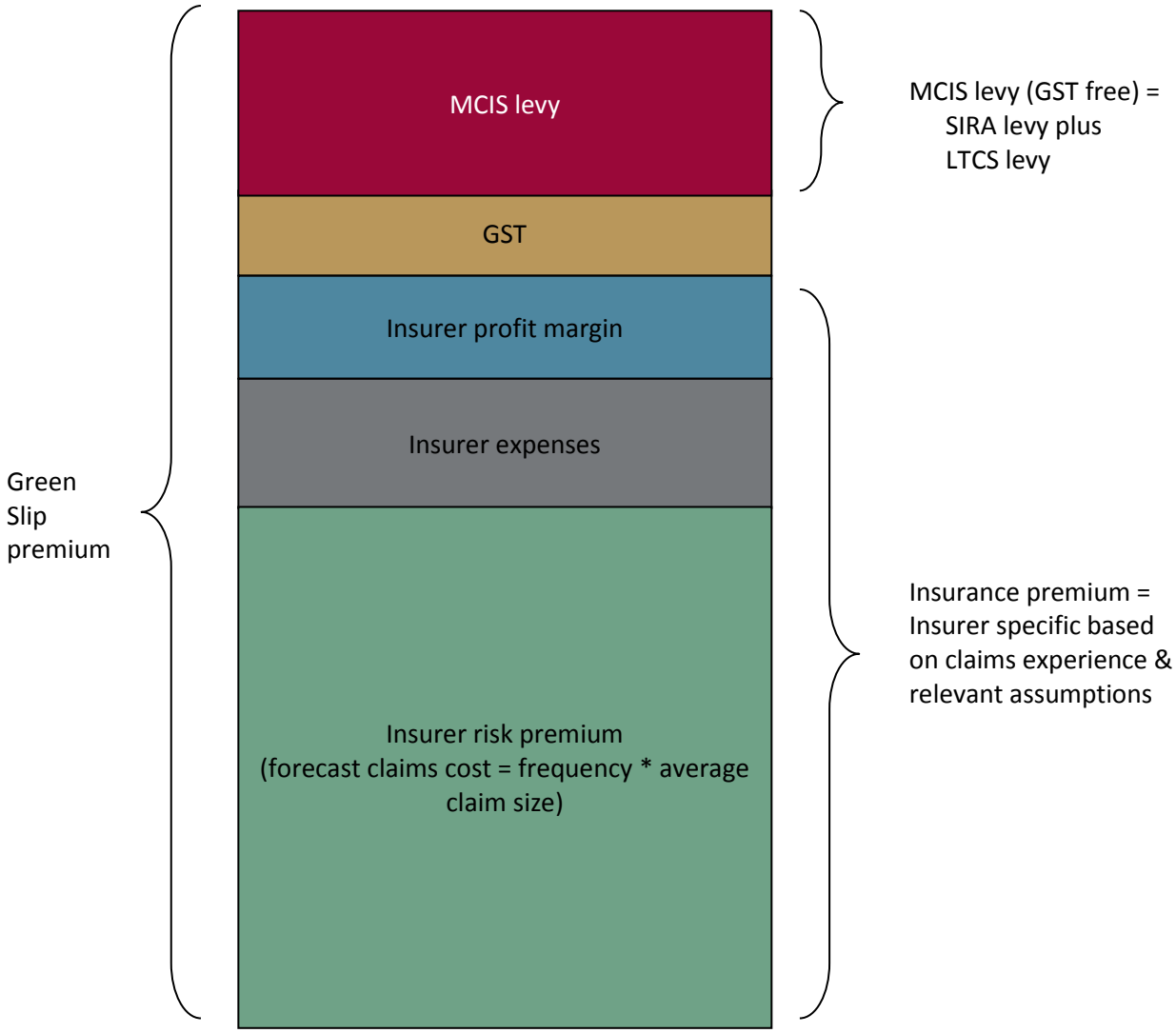
We engage an independent actuary (currently Ernst & Young) to review each insurer filing and provide actuarial advice to assist in decision making.

Apart from covering the cost of claims, the premium paid by motorists also provides for the cost of insurers' claims management and administration of insurance policies, profit, GST and the Medical Care and Injury Services (MCIS) levy.

The MCIS levy is used to fund:

- public hospital and ambulance costs of all road accident victims,
- all catastrophic Lifetime Care claims, and
- the operation of SIRA and its services

The following diagram illustrates the components of a Green Slip.



To promote competition and innovation by insurers, we allow risk-based pricing within certain limits to keep premiums affordable. The premium framework blends both risk-based and community-rated approaches. Generally, Green Slip premiums reflect the underlying risk plus or minus a subsidy so good risks subsidise the poor risks within imposed limits. If the cross-subsidy was not included, the cost of CTP Green Slips for some motorists (e.g. under 25 year old drivers) would be unaffordable and the community would run the risk of these motorists driving their vehicles uninsured and unregistered.

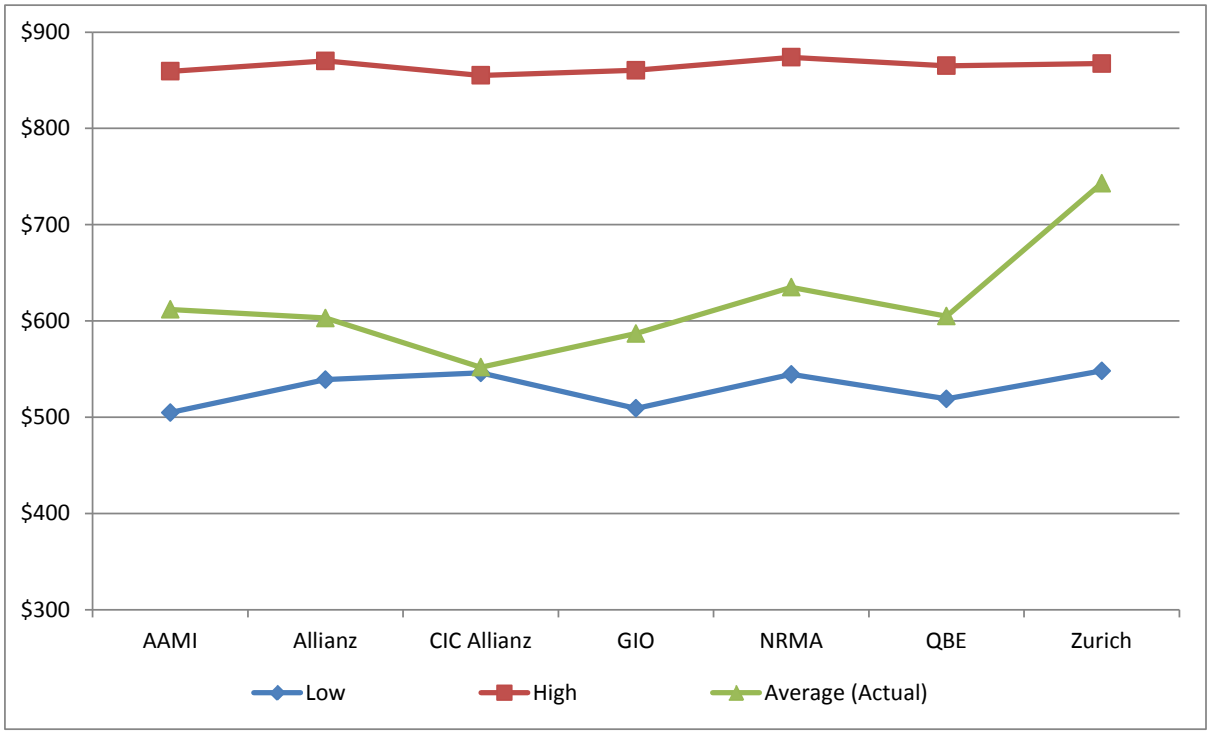
Prices are calculated for each region and vehicle class. There are five regions in NSW and 33 vehicle classes. Just over 41 per cent of the total vehicle fleet are 'Class 1' passenger vehicles in the Sydney metropolitan region.

On top of these prices, an insurer can offer a discount or impose a loading on a Green Slip premium. Insurers may take into account any objective risk rating factor (except postcode, gender, race, policy duration or GST status). Insurers use the age of the owner/ driver as the primary rating factor. Secondary rating factors include age of the vehicle and driver record, for example, number of at-fault accidents, number of traffic offences, comprehensive insurance history and level of no claims bonus and demerit points.

We specify the overall range of discounts and loadings that insurers can apply. Currently the maximum bonus or discount is 15 per cent, except for drivers over 55 where it is 25 per cent. The maximum loading varies by insurer using a formula set by SIRA and currently is around 43 per cent on average. The extent to which insurers are able to risk rate individual policies within the Scheme determines the extent of cross subsidies.

The graph below illustrates the premiums charged by insurers (GST & MCIS levy inclusive) for a passenger vehicle garaged in the Sydney area. The maximum premium that a high risk (e.g. 17 year old) would pay is $874. Low risks will pay between $505 and $548 depending on the insurer.

Green Slip pricing spread for a Sydney passenger vehicle[1] as at 30 June 2015



The use of the discount and loadings structure promotes competition between insurers as they apply risk factors differently based on their experience. For this reason, we encourage motorists to shop around and compare the prices available in the market using the free price comparison calculator on our website.

[1] Based on private use with the youngest driver aged 30 to 54.

3.2 Key facts

- Overall, the average premium increased by $3 as at June 2015 compared to June 2014.

Average premium including MCIS levy and GST	June 2014 ($)	June 2015 ($)	Difference ($)	Difference (%)
Sydney car owners	598	614	$16	2.7% increase
All NSW passenger vehicles	537	542	$5	0.9% increase
All vehicles in NSW	572	575	$3	0.5% increase

- Despite the increase in prices, it pays to shop around. The best Green Slip price for the owner of a Sydney metropolitan passenger vehicle aged between 30 and 54 was with QBE at $509 (levy and GST inclusive) as at 30 June 2015 compared with AAMI's best price of $505 (levy and GST inclusive) as at 30 June 2015. A saving of $4 if the policy holder changed insurers.

Sydney passenger vehicle headline price[2] by insurer

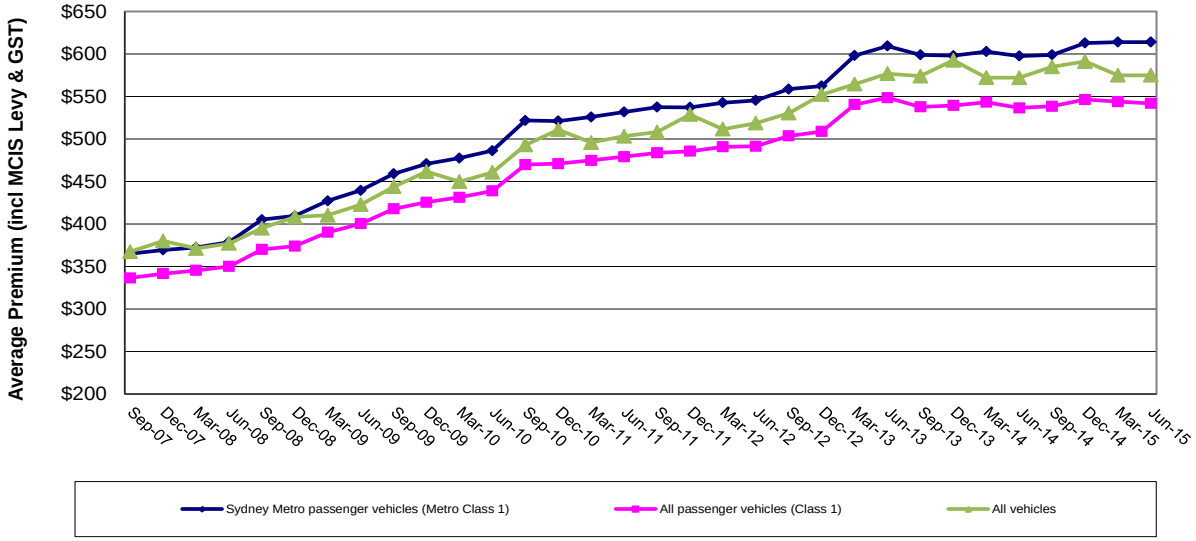
Insurer	30 June 2013 ($)	30 June 2014 ($)	30 June 2015 ($)
AAMI	546	524	505
GIO	533	519	509
Allianz	542	542	539
CIC Allianz	538	565	546
NRMA	546	532	545
QBE	505	509	519
Zurich	558	547	548

Note: these premiums include MCIS Levies and GST

- The long term trend shows Green Slip prices increasing, but the rate of growth has stabilised in recent years in part because of increased competition among insurers and the introduction of tighter premium regulation. Filings made subsequent to 30 June 2015 indicate further increases as a result of underlying claims trends.

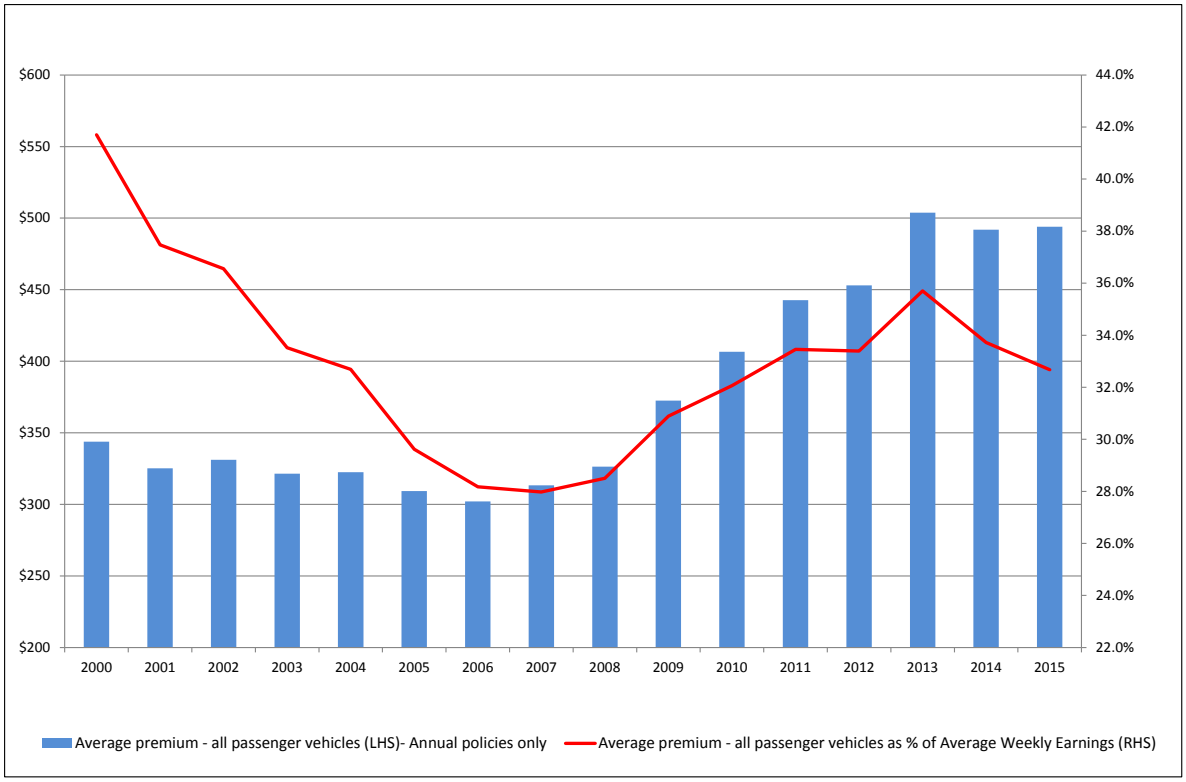
[2] Headline price is the best price offered for a new customer private use Sydney passenger vehicle, youngest driver aged 30 to 54.

Average Green Slip price (MCIS levy and GST inclusive)



- The average Green Slip premium for all passenger vehicles as a percentage of average weekly earnings (AWE) has reduced slightly from approximately 34 per cent in 2014 to 33 per cent in 2015.[3]

Premium as a proportion of NSW Average Weekly Earnings



Note : These premiums are as at 30th June for annual polices and exclude GST

[3] The affordability of a Green Slip is measured by comparing the average Green Slip price for all passenger vehicles (including the MCIS levy but excluding GST) with the NSW Average Weekly Earnings (AWE). The lower the ratio the more affordable premiums are considered to be.

In 2000 the cost of a Green Slip represented 42 per cent of Average Weekly Earnings. Between 2000 and 2008 affordability of Green Slips improved dramatically due to the average premium declining slightly during this period. Since 2008 the affordability has deteriorated from 28 per cent of AWE to a high of 36 per cent of AWE in 2013. The cost of a Green Slip has improved in real terms to 33 per cent of AWE due to increased competition and premium regulation changes that we have introduced. Price increases since 30 June 2015, however, indicate that this trend is now reversing.

3.3 Outlook

Based on recent claims trends and costs, which are not yet reflected in current prices paid by all NSW motorists, long term price rises are expected and are forecast to be as much as 20 per cent or around $100 in the coming year. Average prices have already increased by 7 per cent (or $43) for a Sydney passenger vehicle since 30 June 2015 and further price rises to take effect by 1 July 2016 are expected to increase these prices to 11.3 per cent (or close to $70) above prices as at 30 June 2015.

4. ANALYSIS OF COST DRIVERS IN THE SCHEME

4.1 Background

Factors underpinning the increase in Green Slip prices include:

1. Claims frequency and propensity to claim
2. Legally represented minor injury claims
3. Claims costs
4. ANF benefits

In addition, the impact of the cost drivers are more prominent due to the insurers' declining investment returns as a result of the decline in Commonwealth Government Bond yields and inflation.

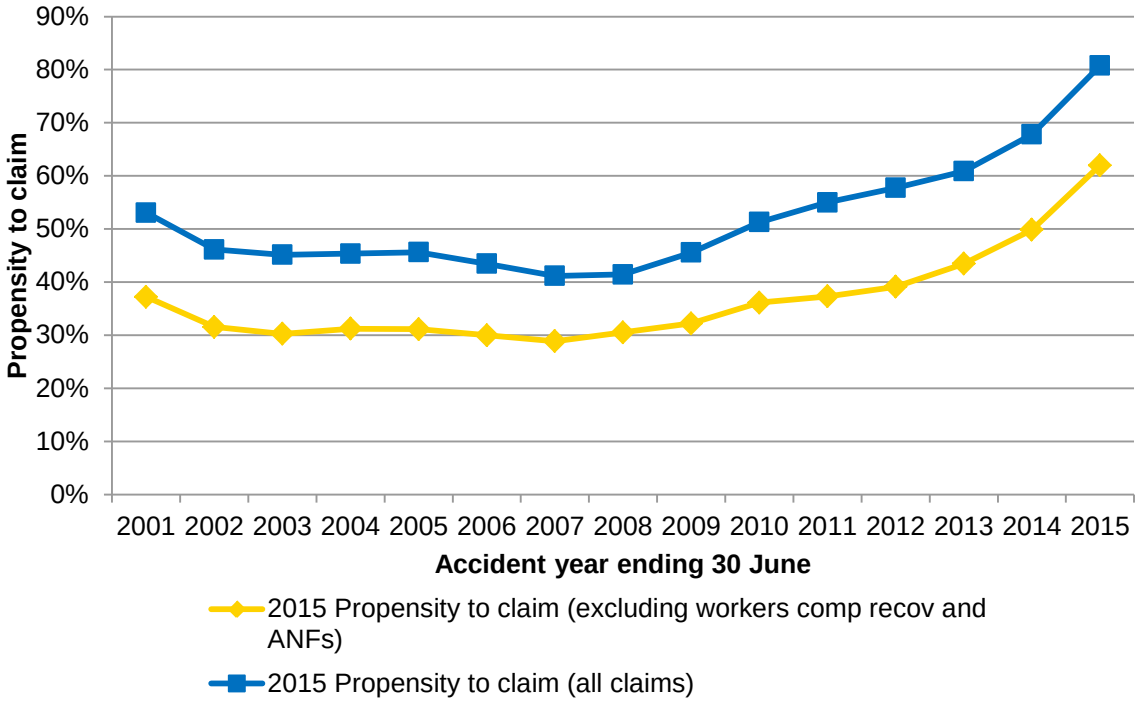
4.2 Cost drivers

Propensity to claim and claim frequency

Based on decreasing casualty numbers since 2001, the increase in claim frequency is due to increasing propensity to claim. In 2015 the propensity to claim was 81 per cent, compared to 68 per cent in 2014. This is based on the number of full claims lodged (excluding workers compensation recovery claims) compared to the casualty numbers.

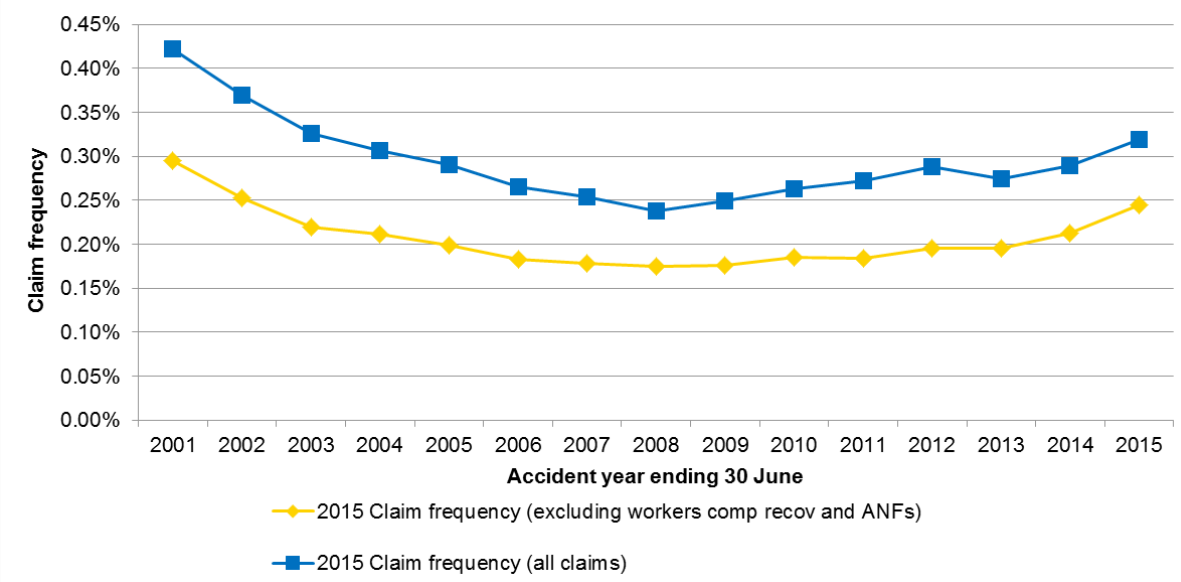
Between 2008 and 2015 the average increase of propensity to claim per year equates to 5 per cent, compared to the average increase of 4 per cent between 2008 and 2014.

Propensity to claim by accident year



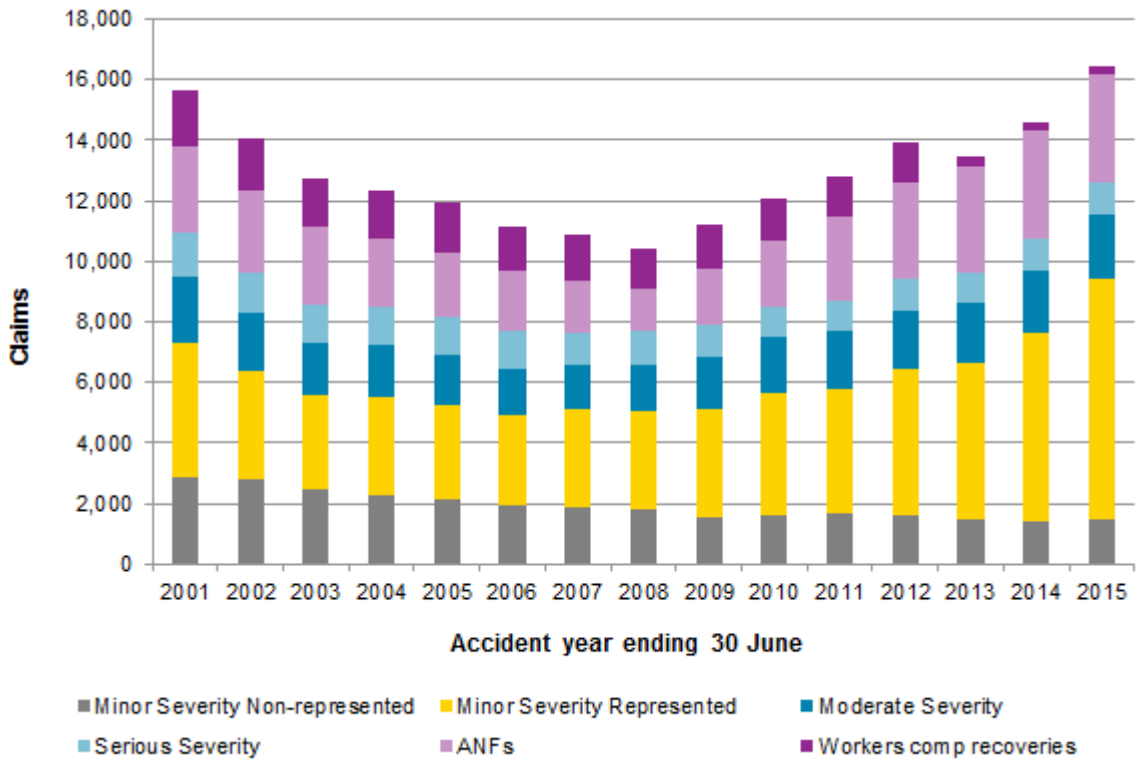
Claims frequency for full claims (excluding workers compensation recovery claims) has increased from 18 claims per 10,000 vehicles in 2008 to 21.3 claims per 10,000 vehicles in 2014. In 2015 frequency markedly increased to 25 claims per 10,000 vehicles.

Claim frequency by accident year



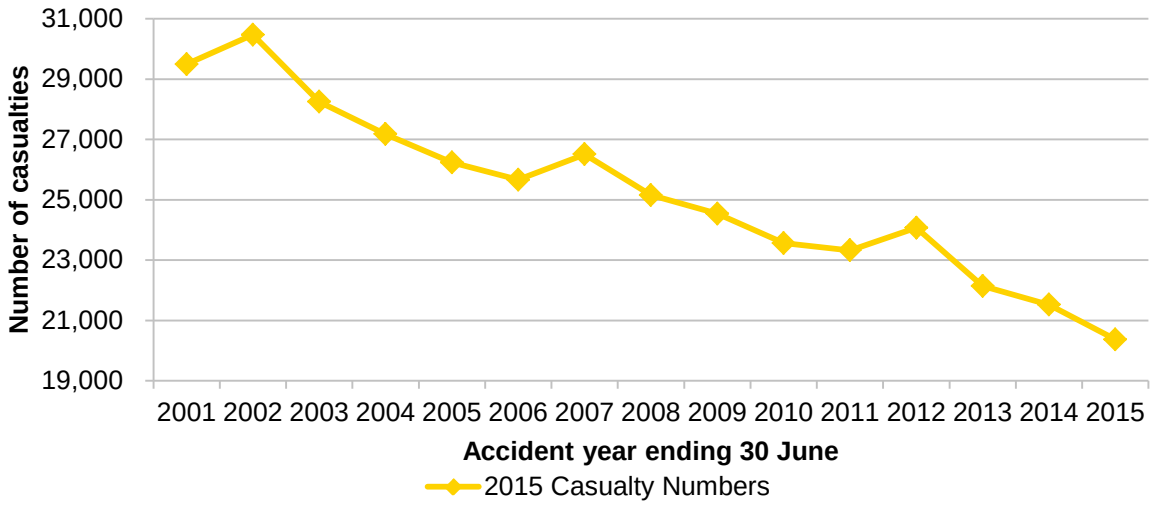
The number of CTP claims (excluding workers compensation recoveries and ANFs) has increased by 67 per cent between 2008 and 2015, despite an 18 per cent decrease in road casualties over the same period. From 2014 to 2015, the number of claims increased by 18 per cent.

Ultimate number of full claims and Accident Notification Forms



The number of not-at-fault Accident Notification Forms (ANFs) has increased significantly since 2008, rising by 79 per cent overall between 2008 and 2015, following the increase in the ANF threshold. The proportion of ANFs has also been increasing, making up 22 per cent of total claim numbers in 2015.

Casualty numbers



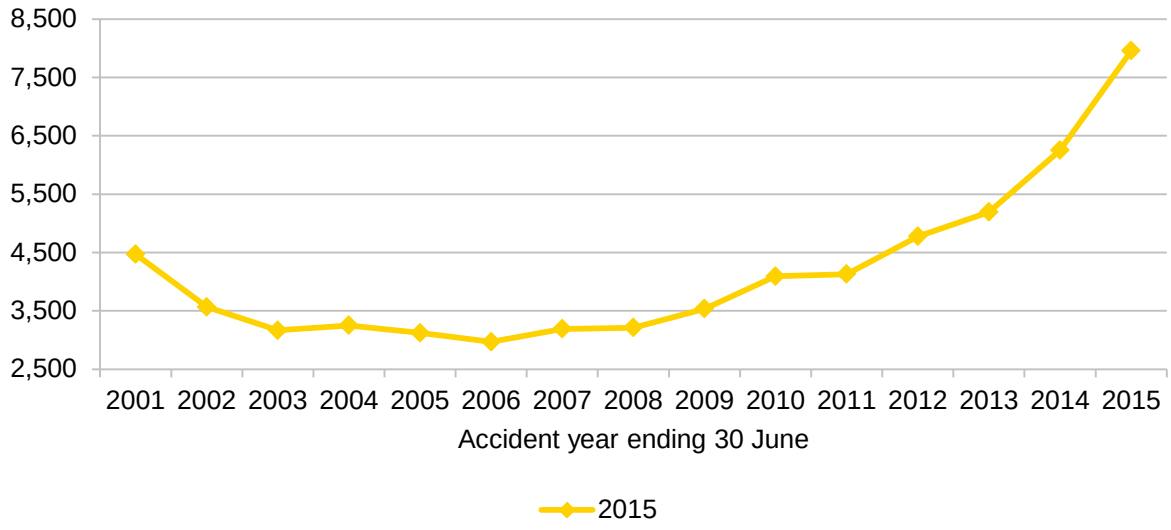
Casualty numbers have generally been decreasing since 2001 at a rate of around 2.6 per cent, however there have been some years which have observed spikes in the casualty numbers such as 2002, 2007 and 2012.

The increase in claim numbers coincides with the increasing number of legally represented minor injury claims. Between 2014 and 2015, the number of legally represented minor injury claims increased by 27 per cent, or 1,705 additional claims. The overall increase amounts to 148 per cent between 2008 and 2015.

Claims for minor severity injuries with legal representation

Since 2008, the number of minor claims that are legally represented has increased from 64 per cent in 2008 to 84 per cent in 2015. While some claimants seek legal representation at the start of a claim, others may retain legal representation at some later point during the life of a claim. The number of full claims lodged with legal representation in the first year since the accident was reported increased from 37 per cent in 2008 to 56 per cent in 2015.

Ultimate number of claims for legally represented minor severity injuries



Claim frequency for legally represented minor severity injuries has increased by 111 per cent overall between 2008 and 2015. The increase in frequency was particularly significant in 2014 (18 per cent) and 2015 (24 per cent).

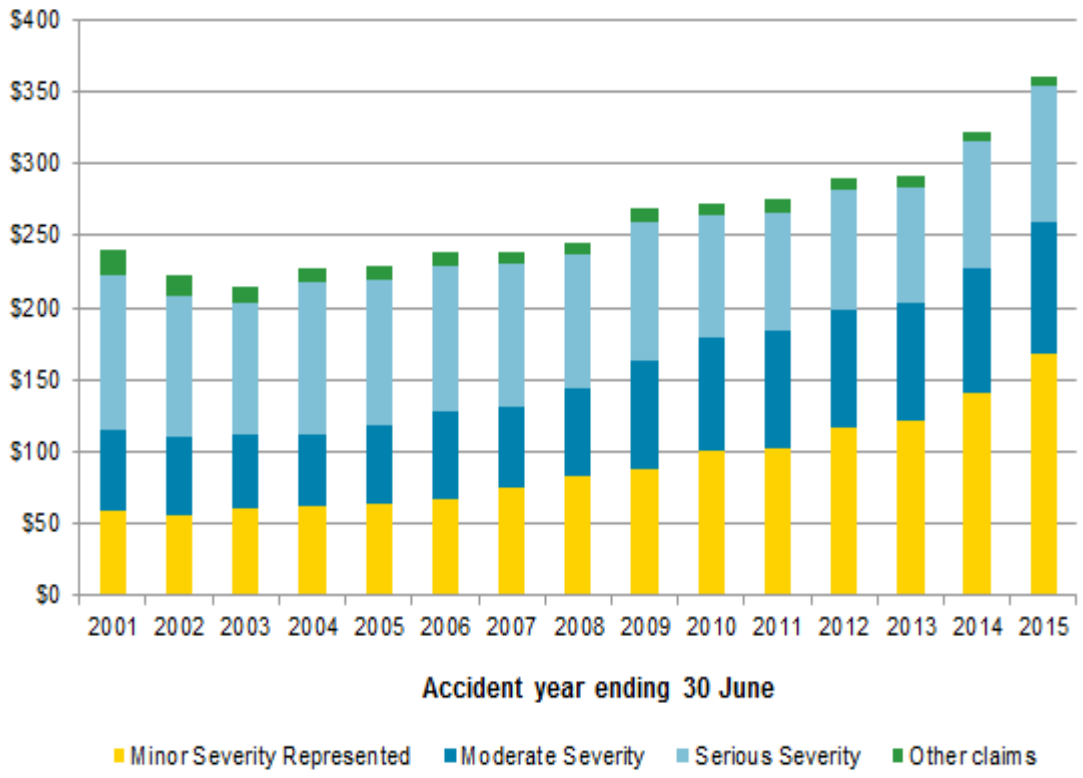
The increase in minor severity injury claims with legal representation has led to a corresponding increase in insurer claims handling expenses, which are a component of the premiums charged by each insurer. Claims handling expenses have increased from $58 million in 2008 to $88 million in 2015 and represent 4 per cent of the average premium.

Claims costs

The overall claims cost per policy has increased significantly since 2008. As the following graph shows, the cost per policy in 2015 is projected to be $360, compared to $245 in 2008. Of the $360, the highest contributor is legally represented minor severity injury claims ($168 or 47 per cent of the total), followed by serious severity injury claims ($94 or 26 per cent of the total) and moderate severity injury claims ($91 or 25 per cent of the total).

By comparison, in 2014, claims cost per policy was $322. Of the $322, legally represented minor severity injury claims contributed to 43 per cent or $140 of the total cost per policy. Projections are for a marked increase in claims cost per policy.

Cost per policy for all claims and Accident Notification Forms



Other claims include non-legally represented minor injury severity claims, ANFs and workers compensation recovery claims.

The main driver of the increase since 2008 is therefore a higher frequency of claims from injured people with minor severity injuries who are legally represented and serious severity injuries. The claims cost from moderate severity injuries is also high. Other claims (workers compensation recovery claims, non-legally represented minor injury severity claims and ANFs) represent less than 5 per cent of claims cost.

Accident Notification Forms

On 1 October 2008, the maximum benefit available under the Accident Notification Form (ANF) was increased from $500 to $5,000. The ANF was extended to all injured road users, regardless of fault, on 1 April 2010.

Analysis of the ANF shows that there has been a significant change in claims behaviour in the Scheme immediately from 1 October 2008. As noted above, the number of ANFs being made has increased significantly since 2008, and in 2015, ANFs made up 22 per cent of total claim numbers. Most of these are not-at-fault ANFs.

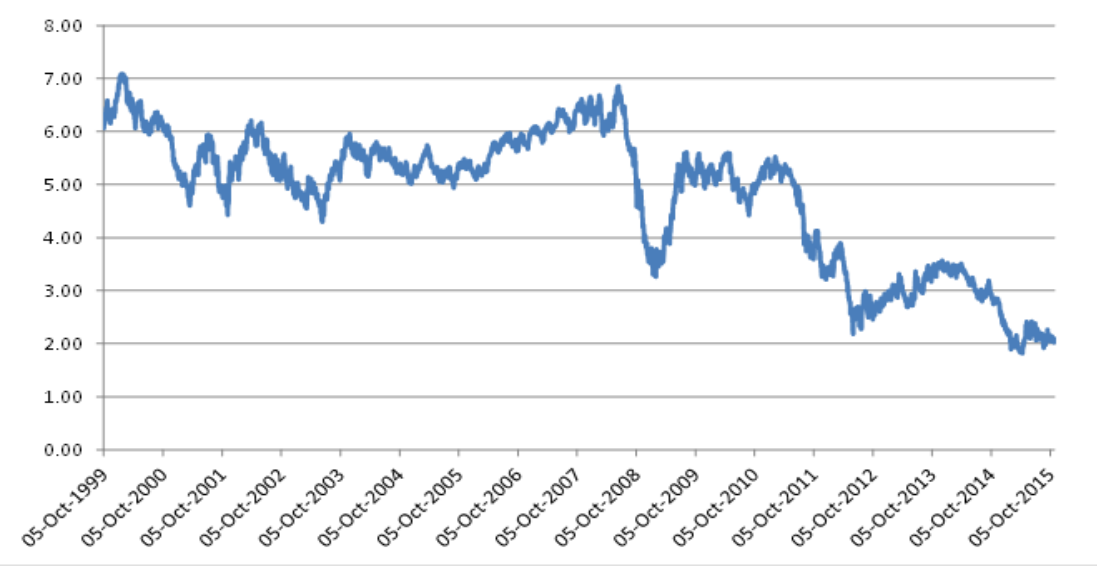
The ultimate number of not-at-fault ANFs increased by 79 per cent between 2008 and 2015, although the rate of increase has slowed markedly in the last three years. The ultimate number of at-fault ANFs has been increasing since they were introduced in 2010.

Investment income

Premiums are affected by investment returns by insurers. CTP insurance is unlike many other insurance products in that it is a 'long-tail' insurance product. This means that it may be many years after a claim is lodged before the entitlements are paid. While some claim payments are made early in the life of a claim (such as treatment expenses), the lump sum payment of entitlements is not made until negotiations are complete and the claim is finalised. This is in contrast to 'short tail' insurance products, such as motor vehicle property damage or home and contents insurance, where the majority of claims are made and paid in the same year as the premiums are collected. It is also in contrast to 'statutory benefit' personal injury schemes like WorkCover, where economic losses are paid as incurred and most claims do not receive a lump sum payment.

Insurers invest a large portion of the premium collected to provide for future claim payments. These amounts are typically invested in three to ten year bonds and insurers rely on the combined investment income and the amounts invested to have sufficient funds to pay their future claim liabilities. Any movements in bond yields will impact the amount of premium the insurer needs to charge. In the years since the start of the Global Financial Crisis, Commonwealth Government Bond yields have varied from around 7 per cent down to as low as the current 2.25 per cent. Due to the long duration of claim payments, a 1 per cent decrease in yields would result in around a 4 per cent increase to Green Slip prices, to offset the reduction in investment income.

Trends in 5 year Commonwealth bond yields



The impact of the interest rate reductions between June 2014 and June 2015 is a 4.6 per cent or $19 increase in the average Green Slip premium (excluding GST and MCIS levy), while the impact of the increase in wage inflation expectation was a 3.7 per cent or $15 increase. It is anticipated that if interest rates fall by another 1 per cent, the average premium will increase by 3.7 per cent or about $16 (based on an average insurer premium of $419 excluding GST and MCIS levy).

One of the consequences of the Global Financial Crisis has been a long term reduction in investment income for CTP insurers, which subsequently increases the premium they must collect to ensure they have the funds to pay all future claims.

4.3 Outlook

Significant price pressure has been building on the Scheme due to increasing claims frequency and associated claims handling expenses, ongoing low investment returns and relatively stable premium prices over the past two years. These factors are placing upward pressure on prices that is likely to be reflected in future premium filings.

The number of legally represented claims has increased significantly since 2008, and particularly in the last 12 months, which continues to contribute to an increase in overall scheme claims costs and, ultimately, Green Slip premiums.

We have identified a disproportionate and unusual increase in claims lodgement, especially in these legally represented minor injury claims. Investigations suggest that the aberrant claiming patterns may be associated with groups of service providers (both legal and medical) involving unmeritorious claims and associated behaviours (such as exaggeration), and increasing claims costs.

In accordance with our statutory obligation to deter fraud within the Scheme, a strategy has been developed to investigate and address CTP claims fraud. In particular, we have developed a number of initiatives to highlight questionable claims and increase public awareness about the impacts and penalties associated with claims fraud. The strategy focuses on both initiatives to curtail or remove systemic incentives to engage in fraudulent behaviour, as well as measures addressing the problem at source.

A key initiative has been the establishment, in early 2016, of the NSW CTP Fraud Taskforce to address claims fraud perpetrated by claimants, vehicle owners and/ or service providers. The Taskforce is chaired by the Chief Executive of SIRA and includes representatives from NSW Police and peak legal and medical bodies. It is expected that the Taskforce will have a strong deterrent effect on perpetrators of claims fraud.

We are also developing tactical initiatives to respond to unusual patterns of behaviour involving claimants and networks of legal and medical providers. The program of work being undertaken includes direct engagement with insurers and other regulators as well as targeted communications, ongoing regulatory responses including data monitoring and commissioning of full time resources. We are working closely with insurers, the Office of the Legal Services Commissioner and the Health Care Complaints Commission on this project.

In addition, the NSW Government has commenced a comprehensive review of the Scheme aimed at creating a fairer and more affordable system for road users. The CTP Scheme Reform process is providing an opportunity to consider structural changes to benefits and service fees, which may reduce incentives to make small, unmeritorious claims.

5. SUSTAINABILITY

5.1 Insurer profit

5.1.1 Background

Section 28(1) of the *Motor Accidents Compensation Act 1999* (the MAC Act) provides that a licensed CTP insurer is required to disclose to the Authority the profit margin on which a premium is based and the actuarial basis for calculating that profit margin. The Authority may reject a premium if it will not fund the liabilities or if it is excessive. In relation to profit, the MAC Act provides that a premium will fully fund the liabilities if the premium is sufficient to "provide a profit margin in excess of all claims, costs and expenses that represents an adequate return on capital invested and compensation for the risk taken" (section 27(8)(c)).The Authority ensures that the profit component of a premium is assessed against objective criteria and has adopted a methodology prepared by Taylor Fry Actuaries.

Section 5(2)(d) of the MAC Act provides that insurers, as receivers of public money that is compulsorily levied, should account for their actual profit margins. The Authority's assessment of realised profit requires a review of the development of the underwriting year from the time of the premium filing. The premium filing includes the insurers' prospective estimates of the profit margin, but the actual profit or loss that an insurer may ultimately make will depend on the extent to which the other assumptions, such as estimated claims costs, in the premium filing prove to be correct. There is considerable uncertainty in predicting the likely number and cost of claims that are yet to be made against policies sold in a given year. Estimates are based on past history and where claim costs and the propensity to claim are both rising, insurers must necessarily make conservative estimates to ensure that future liabilities will be covered.

The Authority assesses an insurer's estimated future profit by accounting for the actual payments made to date and current estimates of the liabilities for each underwriting year. These estimates do not represent actual profit but a current indication of the profit that may be realised once all claims are paid if the current liability valuations prove correct. They are therefore heavily qualified by the fact that they will change as the scheme develops further and more claims are paid. This is not a deficiency in analysis but a natural by-product of an insurance underwriting practice in a long-tail common law scheme where claims may not be settled for years after the accident occurs.

The extent to which projected profit margins align with the actual profits made by insurers depends on the extent to which the assumptions in insurers' premium filings are realised. It is typically four to six years before the bulk of claim payments are made for a given accident year and therefore actual profits cannot be determined before this with any accuracy.

In this section the scheme actuary has provided the analysis in relation to insurer profit, superimposed inflation and scheme efficiency.

5.1.2 Key facts

Comparison of profit by accident year (ending 30 June)

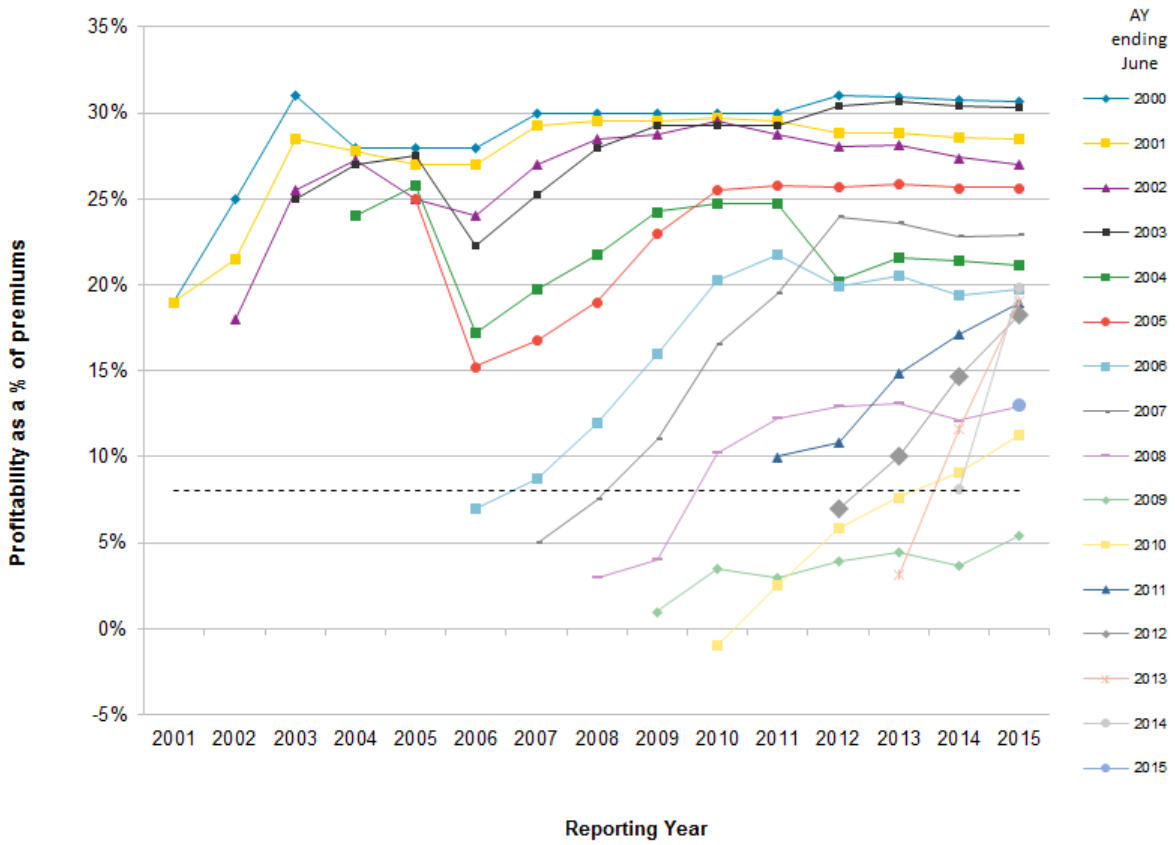
Accident year	Profit by accident year using June 2014 data		Profit by accident year using June 2015 data	
	Profit	Profit margin	Profit	Profit margin
	($m)	(%)	($m)	(%)
2000	461	31	459	31
2001	378	29	376	28
2002	362	27	357	27
2003	412	30	411	30
2004	305	21	301	21
2005	378	26	378	26
2006	281	19	286	20
2007	316	23	317	23
2008	144	12	154	13
2009	44	4	66	5
2010	125	9	156	11
2011	269	17	298	19
2012	253	15	314	18
2013	214	12	351	19
2014	166	8	408	20
2015			281	13
Total	**4,108**	**19**	**4,911**	**20**
Total excluding 2015	**4,108**	**19**	**4,630**	**21**

Insurer profits increased notably in accident years 2010 to 2014 mainly due to the absence of superimposed inflation in the scheme in these years (compared to the long term average of approximately 3 per cent).

Insurer profits in other years remain largely unchanged. Profit margins for the most recent accident years are lower, however with the exception of 2009, they are still on average significantly higher than the average filed profit margin on 8 per cent.

The benign level of actual superimposed inflation in the last five years is the main contributor to the higher than anticipated insurer profits. Each year of superimposed inflation experience that was less than what was assumed increased the estimated insurer profit. A detailed discussion of superimposed inflation in the scheme is set out below.

History of CTP Green Slip insurer profit for each accident year



There are a number of reasons for the high profits in the Scheme since 2000 as shown in the above graph. This includes:

- historically greater than anticipated reduction in claims frequency prior to 2008;
- benign levels of superimposed inflation in the scheme and the innately conservative estimation of future liabilities by insurers, who consider long term trends and are slow to react to recent low rates of superimposed inflation;
- assumptions adopted in insurer premium rate filings – higher anticipated compared to actual experience.

5.1.3 Comment

In accordance with recommendation five of the twelfth review of the former MAA by the Standing Committee on Law and Justice, we commissioned an independent review of insurer profits in the Scheme. The final report on the review was released on 11 March 2016.

In summary, the report found that there were two main sources of above-normal profits. The first source is the uncertainties arising in the current Scheme, in particular the absence of super-imposed inflation in recent years, and the challenges of setting premiums where experience is low but where costs are high and variable. The second source is the ability of some insurers to gain a mix of business weighted towards good risks, thus enabling them to extract profits from the cross-subsidy inherent in good risk policies.

The report makes a number of recommendations for mechanisms that can be put in place to better manage risks, potentially limit future premium growth and remove barriers to competition, as well as specific recommendations to address the premium framework including risk pooling and improvements to premium guidelines.

While action has commenced on addressing the regulatory and administrative recommendations made in the report, the remaining recommendations are being considered as part of the broader review of the Scheme which commenced in 2016.

5.2 Superimposed inflation

5.2.1 Background

Superimposed inflation (i.e. increases in claims costs over and above normal inflation) is a regular feature of compensation type schemes. Superimposed inflation is usually caused by a combination of legal, judicial, social, medical and other external factors. Superimposed inflation tends to be volatile over time. Analysis shows that the New South Wales CTP and workers compensation schemes have experienced very high levels of superimposed inflation for a number of years and also periods of benign or negative superimposed inflation.

The long-term superimposed inflation average of the current Scheme (1999 – present) is around 3 per cent. However in recent years, unusually, there has been no superimposed inflation.

While an absence of superimposed inflation is usually a sign of scheme stability, insurers have nonetheless reasonably anticipated some degree of superimposed inflation in their liability estimates. Therefore insurers have made higher than expected profits in the years where superimposed inflation has been lower than anticipated.

The profit margins of insurers is highly sensitive to different superimposed inflation scenarios. Realised profit margins will vary by 4 per cent for every 1.75 per cent variation in superimposed inflation.

5.2.2 Key facts

Analysis indicates that:

- Under the previous scheme, for accidents up to September 1999, the average superimposed inflation from 1992 to 1996 was approximately 14 per cent per annum and around 3 per cent from 1997 to 2003.

- For the current Scheme the average superimposed inflation was around 6 per cent from 2004 to 2008 based on assessment made by various actuaries. Ernst & Young's analysis shows it has been benign since then and approximately zero or negative since 2008.

- Due to changes in the mix of claims in the scheme and the increasing number of claims involving minor injuries with legal representation, the average size of claims settled has been reducing by around 2 per cent each year since 2008.

- If the mix of claims in the Scheme continues to change in future consistent with trends over the past seven years, then superimposed inflation will continue to be negative even if superimposed inflation within each injury severity level continues to be close to zero.

5.3.3 Comment

We responded to the benign levels of superimposed inflation in the scheme by driving down the allowable estimates of superimposed inflation in premiums filings and introducing revised *Premiums Determination Guidelines*.

The need to allow for superimposed inflation in insurer premium filings may be overcome by a regular process of addressing its underlying causes. The twelfth review of the former MAA by the Standing Committee recommended that the MAA (now SIRA) report on any emerging issues driving superimposed inflation.

We recognise that superimposed inflation (or its absence) is a factor that has contributed to higher than anticipated insurer profits in the Scheme and at times has been the significant driver of increases in claims costs and premiums. There is merit in proactively considering any potential sources of superimposed inflation as and when they become apparent. We have consulted with CTP Green Slip insurers and legal professionals about superimposed inflation and the 2014-15 Annual Report contains an analysis of superimposed inflation.

5.3 Efficiency

5.3.1 Background

The efficiency of the Scheme is a key measure that illustrates how much of the premium dollar finds its way to claimants as benefits and how much is spent to run the Scheme.

Although falling outside of the reporting period, data collected since October 2015 provides SIRA with a much clearer perspective on the costs of the system as a whole.

5.3.2 Key facts

Injured people are receiving 45 per cent of CTP scheme premiums collected by insurers. This does not include GST or the Lifetime Care and Support levy. The remainder of funds go towards insurer expenses (15 per cent), insurer profit (19 per cent), legal and investigation expenses (18 per cent inclusive of funds paid by claimants from their settlement to their lawyer) and other expenses involved in administering the scheme (3 per cent)

Assuming the Lifetime Care and Support levy was added to benefits paid to claimants, the proportion of the Green Slip dollar paid to injured people is around 50 per cent. This cannot be adopted as a combined efficiency ratio for the CTP and Lifetime Care and Support schemes as they are fundamentally different in structure, cash flows and operation.

5.2.3 Comment

The relatively poor efficiency ratio is a key focus area for the Government's review of the Scheme. The NSW Government's options paper states (page 6):

"The relatively low proportion of scheme funds that go towards helping injured people is largely a result of scheme design. The NSW CTP scheme operates on a common law fault-based basis. The need to establish fault, including the extent to which various parties may have caused an accident, often requires a detailed investigation.

Those claiming benefits, the insurer and other parties will usually require the assistance of legal professionals in contesting the claimant's entitlements and negotiating all aspects of the claim. This sometimes also requires the involvement of SIRA's assessment services and/or the courts before settlement can be reached. While the assessment and dispute resolution services are designed to enable injured people to seek the maximum benefits according to their stated needs, it is often an expensive and time consuming process.

In addition to incurring significant costs, this process can generate uncertainty for insurers as payments for comparative like-for-like injuries are often different and made many years after the premium is calculated and collected. As a result, insurers factor in the risk of uncertainty when setting premiums which is leading to higher prices in the short term and higher levels of profits when claims are finally settled. This has led to the present situation where 19% of a CTP premium is on average a profit for the insurance company."

6. CLAIMS AND DISPUTES

6.1 Background

A person injured, but not at fault, in a motor vehicle accident in NSW can make a claim for a range of benefits under the CTP scheme including past and future medical and related costs, care costs and economic losses as well as payments for pain and suffering for those who exceed an impairment threshold.

The Scheme also provides some benefits irrespective of fault – it covers the first $5,000 of treatment costs and lost income incurred in the first six months after an accident, and provides access to the Lifetime Care and Support scheme for the catastrophically injured. The Lifetime Care and Support scheme is funded from a levy on CTP premiums and administered by Insurance and Care NSW, which is the subject of a separate review by the Law and Justice Committee.

SIRA is also the Nominal Defendant for claims arising from motor accidents in NSW involving uninsured or unidentified motor vehicles. We stand in for the at-fault driver and provide a safety net for the injured person, giving them a defendant from whom they can seek compensation. We allocate Nominal Defendant claims to CTP insurers in proportion to their market share and the insurer then manages the claim as they would any other.

We issue Guidelines outlining the practices required of insurers in managing claims (the *Claims Handling Guidelines* – compliance with which is a condition of an insurer's licence, and the *Treatment, Rehabilitation and Care Guidelines*). We monitor insurer compliance with these Guidelines, investigate complaints about insurer behaviour and take regulatory action in respect of breaches.

We also provide alternative to court dispute resolution services for medical and claims disputes.

The Medical Assessment Service (MAS) provides independent, binding expert assessment of medical disputes about treatment and permanent impairment. The purpose of MAS is to ensure medical disputes are determined efficiently and effectively by independent medical experts as early in the lifecycle of a claim as possible, facilitating early access to treatment and rehabilitation and the early clarification of entitlements, so a claim can be resolved as early as possible and avoid the need to proceed to court.

The Claims Assessment and Resolution Service (CARS) provides a simpler, more accessible and faster way of assessing claims for compensation and resolving disputes between an injured person and an insurer in connection with a motor accident claim, outside the court system. All disputes about claims must go to CARS to either be assessed or exempted from assessment before proceeding to court.

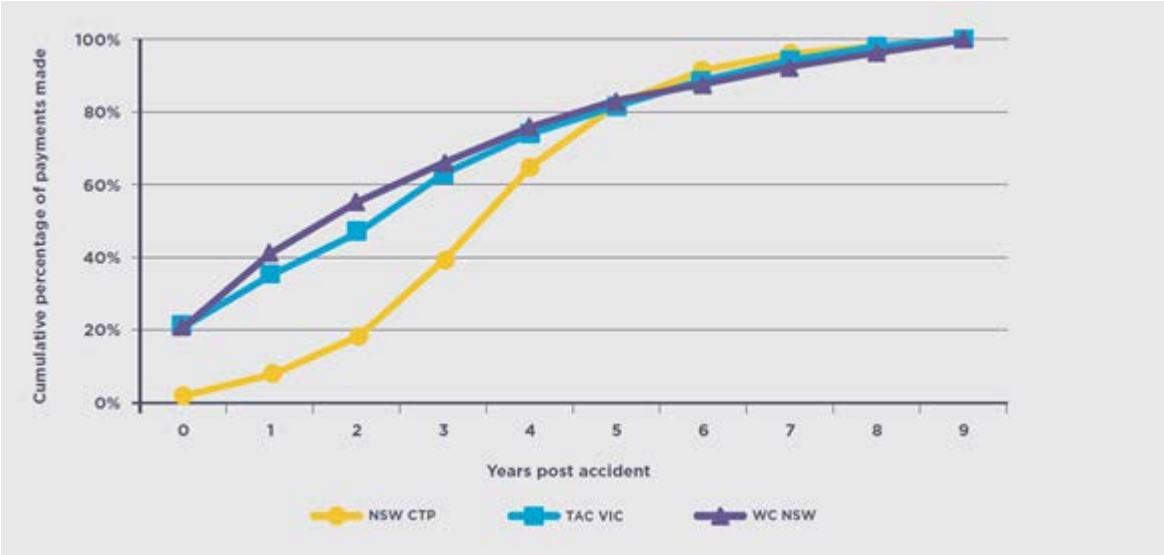
A party to a motor accident claim is not entitled to commence court proceedings in respect of a claim unless the claim has been exempted from general assessment by the Principal Claims Assessor or assessed by a Claims Assessor. Legal costs are regulated in the Scheme but these regulations do not apply to exempted matters.

6.2 Key facts

Claims

- The majority of payments in the Scheme are made between three and five years after the accident. This is much longer than statutory benefit schemes such as the Victorian Transport Accident scheme and NSW workers compensation scheme, where payments start almost immediately after a claim is made.

Percentage of claims paid post-accident date



- The average time taken to lodge a full claim is 5.5 months from the date of accident.
- 22 per cent of full claims are lodged after the six month time limit. Of these, 30 per cent are lodged within one month of the six month time limit.
- The average time to lodge an Accident Notification Form (ANF) is 27 days after the accident.
- 20 per cent of not-at-fault ANFs were lodged after the 28 day time limit and 29 per cent of at-fault ANFs were lodged after 28 days. Of these, 44 per cent were lodged within one week of the 28 day time limit.
- Claims take on average between 1.5 – 5 years to settle. Typically, claims for minor injuries settle in a relatively short time for below average cost and severe claims take longer to settle at higher cost.
- In terms of total claim payments, only 50 per cent of payments have been made by the end of the fourth year.
- The Scheme received 15,822 injury notifications during 2014/15. 15,643 claims were finalised.
- $1.41 billion in benefits were paid out by the Scheme in 2014-2015, mainly for claims made in previous years. This compares with a total of $1.42 billion in benefits paid in 2013/14.

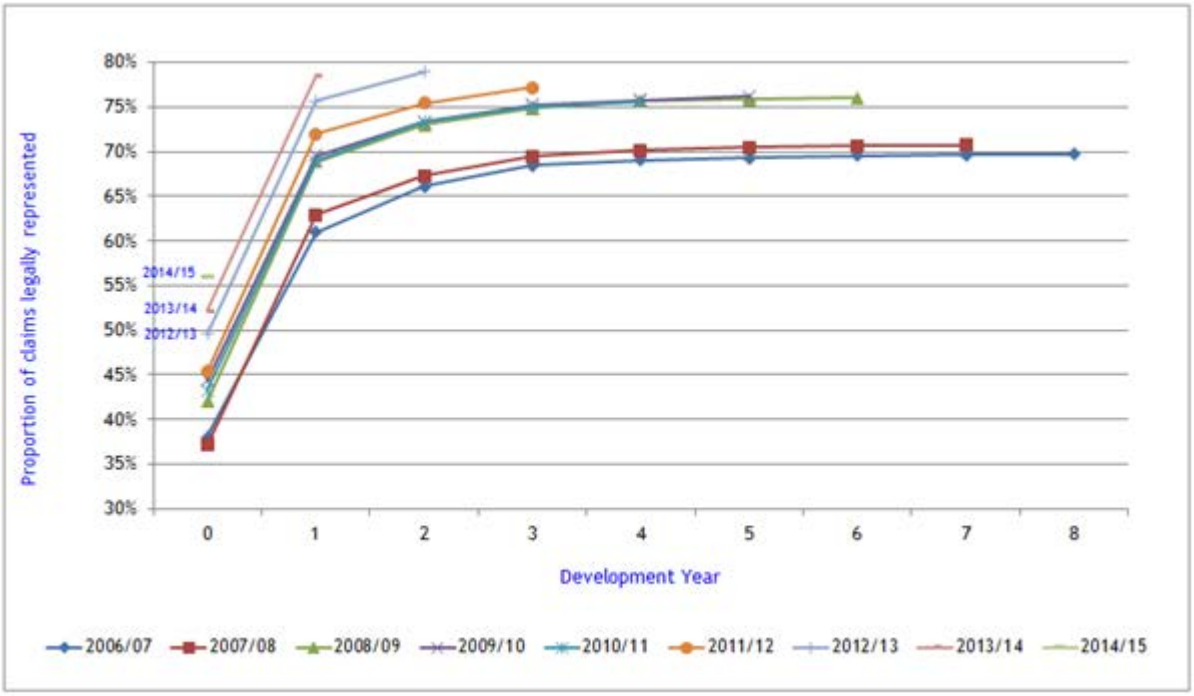
- The average payment on full claims finalised in 2014/15 was $136,280.

- For accident years 2009/10 to 2014/15, the current estimates of the proportion of full claims with legal representation is higher than in prior accident years and also exceeds the ultimate proportion of legal representation in prior accident years where the claims experience has stabilised.

- As the graph below shows, 67 per cent of full claims arising from accident year 1999/00 at development year four had legal representation. This compares to 76 per cent of full claims arising from 2009/10 at a similar stage of development. The 2014/15 accident year has 56 per cent of ultimate projected full claims already legally represented, which is considerably higher than prior accident years at the same stage of development.

- Legal representation is occurring earlier in the life of a claim and it is also increasing as a proportion of all claims.

Proportion of claims that are legally represented by development year



- In NSW, males currently make up 49.6 per cent of the population and 51.3 per cent of licence holders but cause 62.2 per cent of crashes that result in injuries. In contrast, females cause only 35.6 per cent of injury crashes and in the remainder of cases the gender of the at-fault drivers is unknown.

- Persons aged between 17 and 25 years currently make up 12.3 per cent of the population and 13.9 per cent of licence holders but cause 25 per cent of all injury crashes, which account for 16.2 per cent of all claims costs. Persons in the 50-69 year old category make up 21.4 per cent of the population and 31.2 per cent of licence holders but cause 22 per cent of injury crashes, their crashes accounting for 29.1 per cent of all claims costs.

- Claims made by pillion passengers, motorcycle riders and pedestrians account for small numbers of claims but disproportionately high average claim costs. Claims from pillion passengers make up only 0.5 per cent of claims but 1.0 per cent of overall claims costs with an average incurred cost per claim of $236,100. In contrast, drivers make up about half of all claims and have an average cost per claim of $105,400.

- We received 773 claims as Nominal Defendant during 2014/15 compared to 680 in 2013/14, an increase of 14 per cent. Nominal Defendant claims represented approximately 4.2 per cent of all claims and 5.3 per cent of incurred costs, since the Scheme was established in 1999.

Medical Assessment Service

Medical Assessment Service (MAS) applications seeking an assessment rose 3.4 per cent (150) this year, part of a 19 per cent increase over the past three years at an average increase of 6.3 per cent a year. Lodgements of medical disputes continue to rise in direct proportion to trends of increasing claims lodgements in earlier years and the trend of lodgements is expected to continue going forward. There were 4818 applications lodged and 4540 finalised.

- Applications for permanent impairment disputes (6 per cent), treatment (10 per cent), and further assessment (7 per cent) increased in 2014/15.

- Applications for review of a medical assessment fell by 8 per cent.

- Permanent impairment disputes averaged 103 working days to resolve, which is stable compared to 2013/14. 23 per cent of permanent impairment disputes were assessed at greater than 10 per cent permanent impairment.

- Treatment disputes average 117 working days to resolve, down 6 per cent on 2013/14. 35 per cent of all treatment disputes resulted in all treatment being allowed. A further 21 per cent of treatment disputes resulted in partial treatment allowance.

- Further medical assessments averaged 119 working days to resolve, 1 per cent improvement from 2013/14.

- Of the 4,540 applications finalised by MAS in 2014/15, 250 applications for review of a medical assessment were accepted and review panels changed the outcome in 89 cases. Obvious errors were corrected in 72 certificates. Administrative challenges resulted in 20 decisions set aside and remitted for a fresh decision to be made.

Claims Assessment and Resolution Service

Claims Assessment and Resolution Service (CARS) lodgements decreased slightly by 3 per cent in 2014/15 and mainly reflect the reduced number of applications seeking exemption from CARS general assessment. Changes were made to our *Claims Assessment Guidelines* in May 2014 to narrow the scope for mandatory exemptions from assessment. The number of CARS applications for general assessment rose significantly by 19 per cent in 2014/15, while other dispute types remained relatively stable. There were 3,471 CARS applications lodged, and 3,311 matters were finalised.

- 28 per cent of CARS applications proceeded to assessment in 2014/15, compared to 24 per cent in 2013/14.
- Exemption applications were resolved on average within 16 working days.
- General Assessments were resolved, on average, within 157 working days, a 10 per cent improvement from 2013/14 (173 working days).
- Resolution of Special Assessments averaged 68 working days, an 8 per cent improvement from 2013/14 (74 working days).
- Of the 3,331 applications finalised by CARS in 2014/15, obvious errors were corrected in 12 certificates. Administrative challenges resulted in 6 decisions set aside by the court and remitted for a fresh decision to be made.

6.3 Comment

We continue to work towards improving the experience for claimants, enhancing the information, support and advice available, and requiring insurers to comply with claims handling principles. However, the nature of the adversarial system imposes limitations on efficiency and increases stress for injured people.

In comparison to other Australian accident compensation schemes, such as TAC in Victoria, the number of MAS and CARS applications lodged is a lot higher. Protocols were implemented in Victoria in 2005 in collaboration with legal stakeholders to provide an alternative to the formal dispute resolution process at the Victorian Civil and Administrative Tribunal.

6.4 Outlook

Overall the increasing lodgement numbers at MAS and CARS in relation to impairment and general assessments are expected to continue in line with the increasing claims lodgements.

The adversarial approach is well entrenched in the Scheme and changing the behaviours of insurers and legal practitioners will take time within the current framework. The aim of the new *Claims Handling Guidelines* is to facilitate just and expeditious resolution of claims, without increasing the average claims costs and therefore maintaining premium affordability.

In order to achieve a material and sustained reduction in claim duration, claims costs and greater certainty with respect to entitlements for claimants, structural and procedural changes to the current system are needed.

7. GLOSSARY

Accident Notification Forms (ANFs)	The form provides for the early payment of reasonable and necessary medical expenses and/or lost earnings up to a maximum of $5,000. ANFs can be lodged by at-fault and not at-fault injured parties.
Accident year	Denotes the year in which the vehicle accident giving rise to the claim occurred. Accident years generally run from 1 July to 30 June.
Affordability	Average premium (including levies but excluding GST) charged in the quarter divided by average weekly earnings in the quarter. The higher this ratio the less affordable the premium.
Agents' commission	Refers to payments made to agents/brokers by insurers for writing CTP insurance on behalf of the insurer. The maximum commission payable for CTP insurance is 5 %of the insurance premium.
Bulk-Billing	Under the Bulk Billing Agreement, an amount is collected as part of the MCIS levy and paid to NSW Health and the Ambulance Service of NSW for public hospital and public road ambulance services.
Casualty	Any person killed or injured as a result of an accident attributable to the movement of a road vehicle on a road, as recorded by Roads and Maritime Services.
Claim frequency	Ultimate number of claims divided by the number of vehicles.
Claims handling expenses	Refers to expenses related to managing and administering CTP claims. These expenses include costs of claims staff managing claims, rehabilitation staff, managers and support staff.
Claims	The claims in the NSW CTP scheme are split into full claims, ANFs and workers compensation recovery claims.
Contracted-out legal costs	Costs payable to the legal practitioner representing the claimant, directly by the claimant, under an agreed private arrangement. These costs are not transparent in the insurer or Scheme data held by the Authority.
Cost per policy	Total cost of claims divided by the number of insured motor vehicles in NSW.
Green Slip	This is also known as a CTP policy. The term 'Green Slip' dates back to the start of the NSW CTP scheme in 1989 where the CTP insurance invoice was a detachable green coloured slip.
Incurred claims cost	Claim payments to date plus case estimates.
Medical Care and Injury Services (MCIS) levy	Refers to a levy applied to the CTP insurance premium to fund the cover provided by the Lifetime Care and Support scheme. Part of the MCIS levy is also used to fund the Authority and Bulk Billing arrangements for ambulance and hospital services.
Profit margin	Refers to the proportion of premium in excess of all insurer claims and expenses. Levies and GST are excluded from assessing the profit margin.
Propensity to claim	Ultimate number of claims divided by the number of road casualties.
Scheme efficiency	The amount of each premium dollar that is returned to injured people.
Superimposed inflation	The increase in claim costs over time, over and above wage inflation.
Underwriting year	The year the CTP policy was sold.

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