2017 CTP Scheme Performance Report to 30 June 2021

Motor Accident Injuries Act 2017

July 2022

NSW Government
State Insurance Regulatory Authority

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Executive summary

1.1. Introduction

This report provides a performance update on the 2017 NSW Compulsory Third Party (CTP) insurance scheme (2017 scheme) for 2020-2021. The 2017 scheme was established under the *Motor Accident Injuries Act 2017* (2017 Act).

The performance update is from scheme commencement on 1 December 2017 to 30 June 2021. Data in this report is from information collected by SIRA and claims analysis by the scheme actuary, Ernst & Young.

A separate 2020-2021 performance update for the 1999 CTP scheme has also been prepared and is available on the SIRA website. The 1999 scheme was established under the *Motor Accidents Compensation Act 1999*. Policy sales stopped under the 1999 scheme on 1 December 2017 when the 2017 scheme commenced. SIRA is therefore reporting on matters related to the remaining open claims in the 1999 scheme.

1.2. Key performance indicators as at 30 June 2021

The average CTP premium paid by all NSW passenger vehicle owners (Class 1) at 30 June 2017 was $626[1], compared to $450 at 30 June 2021. This represents a saving of $176.

CTP premiums remain at an estimated 25 percent of average weekly earnings compared to 37 percent in June 2017. This means that CTP insurance is more affordable under the 2017 scheme[2].

Claim numbers for the first and second accident years currently reflect expected experience. COVID 19 lockdowns affected the third accident year (1 January 2020 to 31 December 2020) as claim numbers for less severe injuries reduced. Total claim numbers for the fourth accident year have only had six months of experience as at 30 June 2021.

Seventy-two percent of injured people received 'pre-claim support'[3] between 1 July 2020 and 30 June 2021, with a further 23 percent accessing treatment and care services within the first month after lodging a claim.

From 1 July 2020 to 30 June 2021, 45 percent of customers entitled to income support payments received them within the first four weeks of lodging a claim, with the remainder largely receiving income support payments between 5 and 13 weeks.

At-fault claims have significantly increased in the 2017 scheme compared with the 1999 scheme due to the 2017 scheme design which provides six months of benefits with no financial cap for at fault drivers. The 1999 scheme capped payments available to at-fault drivers at $5,000. Payments for the first accident year represent 34 percent[4] of total projected expected payments and 21 percent for the second accident year. Approximately 65 percent of the expected claims payments are for damages in both accident years. The third and fourth accident years are less developed.

Seventy-one percent of expected claims for damages have been lodged for the first accident year. These claims must be made within three years of the date of the accident.

The majority of insurer internal reviews are for 'minor injury' decisions, and 13 percent of these have the original decision overturned in favour of the injured person. Internal reviews for the amount of weekly payments have the highest proportion of decisions overturned

[1] The highest average price between 1 Dec 2016 – 30 Nov 2017

[2] Green Slip affordability is measured by comparing the average Green Slip price for all passenger vehicles (including the Fund levy but excluding GST) with the NSW average weekly earnings. The lower the ratio the more affordable the premium.

[3] This is when customers access treatment and care services after notifying the insurer, but before lodging a formal claim. See Glossary.

[4] Expected as at 1 December 2020.

(43 percent). This includes claims where further information has been received after the initial Minor Injury determination.

On 1 March 2021, dispute resolution functions transferred from SIRA's former Dispute Resolution Service to the Personal Injury Commission (the 'Commission').

1.3. Outlook

1.3.1. Reviews of the CTP Scheme

The Standing Committee on Law and Justice reviews the CTP Insurance Scheme every two years. Hearings for the latest review were undertaken in late May 2021 (delayed from 2020) with one recommendation made. The recommendation was that the three-year Statutory Review of the 2017 Act closely consider the following issues for reform:

- reducing or removing the 20-month wait before a damages claim is made
- expanding no-fault benefits to at least 52 weeks
- narrowing the minor injury definition
- improving transparency and accountability about insurer profit and premium setting
- increased provision of legal support.

The three-year Statutory Review, required under section 11.13 of the 2017 Act, commenced on 7 May 2021 and was undertaken by Clayton Utz and Deloitte. The final report was tabled in Parliament in November 2021.

The Statutory Review considered all aspects of the scheme. It found that the policy objectives of the Act remain valid, and the terms of the Act (and the regulations and guidelines under the Act) are largely appropriate for securing those objectives.

The reviewers also considered the five issues from the Standing Committee on Law and Justice recommendation.

A review of legal support for injured people in the CTP scheme commenced in late 2020. The review was undertaken by Taylor Fry. It assessed if the current legislative, regulatory and service provision of legal support is promoting the objects of the 2017 Act. This included:

- encouraging the early resolution of motor accident claims
- and the quick, cost-effective and just resolution of disputes.

In September 2021, Taylor Fry recommended eight options for potential reform. SIRA has commenced a review of the options which will align with outcomes from the three-year Statutory Review of the 2017 Act.

1.3.2. Insurer profits

The NSW Government's 2017 CTP reforms gave SIRA powers to control the level of insurer profits. This is done through the Transitional Excess Profits and Losses (TEPL) mechanism.

In November 2020, SIRA decided to defer and not proceed with applying the TEPL mechanism for the first (2018) accident year. This was because of insufficient claims experience. There was also significant uncertainty in the level of industry profitability.

In 2021 SIRA conducted the second TEPL assessment cycle for the first and second (2018 and 2019) accident years. The outcome is that SIRA will recoup $91 million in excess profit from compulsory third party (CTP) insurers which will deliver NSW motorists savings on their Green Slip price.

Background

2.1. State Insurance Regulatory Authority

SIRA is a statutory body established under the *State Insurance and Care Governance Act 2015*. It regulates the CTP insurance schemes, or Green Slip insurance, for motor vehicles registered in NSW. SIRA also regulates the NSW Workers Compensation and Home Building Insurance schemes.

Green Slip insurance covers drivers against liability for the injury or death of another person. The CTP insurer of the vehicle at-fault manages the claim.

SIRA licenses and regulates private insurers that underwrite the 1999 and 2017 schemes. These schemes provide benefits for pedestrians, passengers, cyclists, motorcyclists, drivers of other vehicles and, to a limited extent, the driver at-fault.

The 2017 scheme applies to injuries resulting from a motor vehicle accident on or after 1 December 2017. People injured in a motor vehicle accident before 1 December 2017 are covered by the provisions of the 1999 Act.

Benefits under the schemes are fully funded by premiums. The Nominal Defendant Fund covers people injured on NSW roads by an uninsured or unidentified vehicle.

SIRA also has responsibility for administration of the Fund Levy, which appears as a separate charge on the insurance premium or Green Slip. It covers initial ambulance and hospital expenses for people injured in a motor vehicle accident in NSW, regardless of fault and whether the person makes a CTP claim.

SIRA's functions in respect to stewarding the schemes are set out under section 206 of the 1999 Act, and section 10.1 of the 2017 Act.

2.2. The 2017 scheme

The 2017 scheme was established under the *Motor Accident Injuries Act 2017*. The Motor Accident Injuries Regulation 2017 contains provisions that supplement the application and operation of the Act.

SIRA issues Motor Accident Guidelines (Guidelines) under the 2017 Act. The Guidelines establish clear processes and procedures, and outline scheme objectives and compliance requirements. The Guidelines also clarify expectations for other stakeholders in the scheme such as health practitioners and legal representatives.

The 2017 scheme has been designed to support recovery from injury by providing fast access to payments for treatment, care and loss of income to assist people to return to work or their other pre-injury activities.

The scheme provides eligible injured people with access to statutory benefits and common law for an award of damages:

- Statutory benefits include weekly income payments (if the person is an earner and has lost time from work due to the accident), treatment costs and commercial attendant care.
- People with 'minor injuries' as defined in the Act (that is, soft tissue and/or minor psychological or psychiatric injuries) or those who were wholly or mostly at-fault in the accident are limited to 26 weeks of weekly payments of statutory benefits.
- The maximum weekly payment period for injured people whose injury is not minor and who were not the person mostly at-fault in the accident, is up to 104 weeks unless the injured person has a pending damages claim.
- A claim may be made for damages for economic and non-economic loss. No damages may be awarded to an injured person if the person's injuries resulting from the motor accident were minor injuries. Permanent impairment thresholds must be met to be eligible for non-economic loss.

- An injured person who has a pending claim for damages may claim statutory benefits for loss of earnings or earning capacity for up to:
  - 156 weeks if the degree of permanent impairment as a result of the injury is not greater than 10 percent, and
  - 260 weeks if the degree of permanent impairment as a result of the injury is greater than 10 percent.
- After five years from the date of the accident, icare's CTP Care will become responsible for paying for reasonable and necessary treatment and care instead of the CTP insurer.
- Reasonable funeral expenses, regardlesss of fault.
- Compensation to close relatives who were dependent on a person who died as a result of a motor accident in NSW and was not at-fault.

2.2.1. Insurer internal review 2017 scheme

An injured person can request an internal review of a decision by an insurer. This is the first step in resolving most disputes. The review is independent of the original decision maker. This provides an opportunity to resolve the dispute early, without the need to progress to the Commission.

Dispute resolution services are delivered without charge to injured people and insurers. Services are funded through a levy on premiums.

2.2.2. SIRA's Dispute Resolution Service

Until 28 February 2021, SIRA's Dispute Resolution Service provided for the quick, cost effective and just resolution of disputes for the NSW CTP schemes. From 1 March 2021, the Commission was established as an independent statutory tribunal responsible for resolving disputes between injured persons and insurers.

Market Share

3.1. Background

The Green Slip market is privately underwritten by six licensed insurers operated by five parent entities: AAI Limited (AAMI and GIO), Allianz Australia Insurance Limited (Allianz), Insurance Australia Limited (NRMA), QBE Insurance Australia (QBE) and Youi Pty Ltd (Youi).

From 15 January 2019, CIC Allianz ceased issuing Green Slip policies following the consolidation of the Allianz and CIC Allianz licenses with Allianz taking over the CIC Allianz Green Slip business.

3.2. Key facts as at 30 June 2021

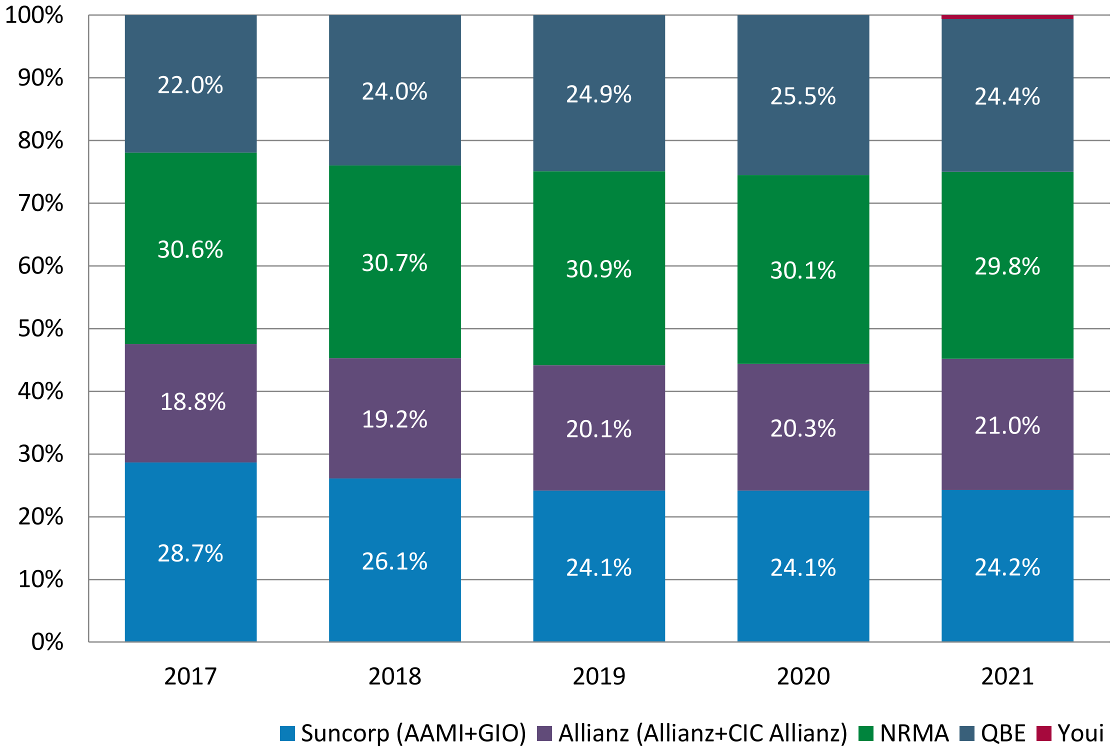
The retail market (including internet sales) is the largest segment of the NSW CTP market. The commercial vehicle market is a more concentrated niche segment which generally uses brokers and agents.

AAMI, NRMA and Youi compete mainly in the retail market, dealing directly with individual customers.

QBE, GIO and Allianz operate in both the retail and intermediated markets.

CTP insurers have adapted well to major premium system changes including the Risk Equalisation Mechanism[5] and continue to evolve their distribution strategies.

Insurer premium market share



Note: from 2019 SIRA reports percentage market share to the first decimal point. Figures were rounded from 2016-2018.

Since commencement of the 2017 scheme in December 2017, premium market share has decreased for NRMA by 0.8 basis points and the Suncorp brands by 4.5 basis points. The offset gains have been for Allianz of 2.2 basis points and QBE of 2.4 basis points. These are material variations for these insurers when considered as a proportion of total premium income.

Over the 12 months to 30 June 2021, the greatest movement in market share has been a reduction for QBE of 1.1 and NRMA of 0.3 basis points. There have been increases in the market shares of Allianz of 0.7, Youi of 0.6 and Suncorp of 0.1 basis points.

3.3. Outlook

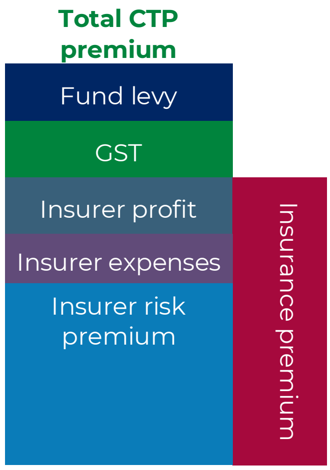
Insurer premium market share remains fluid indicating increased competitiveness. There was increased competition during 2020/2021 with Youi entering the NSW CTP market effective 1 December 2020. SIRA expects that insurers will continue to react to their competitor's prices by reducing their prices to protect their market share during 2021/2022.

[5] The Risk Equalisation Mechanism redistributes premiums between insurers to minimise risk avoidance strategies.

Premiums

4.1. Background

Premiums paid by motorists cover the cost of claims, insurers' administration and claims management costs, insurers' profit, GST and a levy, which appears as a separate charge on Green Slips.



Insurer risk premium

An insurer-specific amount based on claims experience, assumptions, profit margins and operating expenses.

Fund levy

The levy amount of $144.40 is for a policy on a car garaged in Sydney on 30 June 2021. The Fund Levy covers the following funds:

Motor Accidents Operational Fund (MAOF)

Ambulance and hospital expenses for people injured in a motor vehicle accident, bulk-billed medical care, road safety research and SIRA's operations and services.

Motor Accident Injuries Treatment & Care Benefits Fund (MAITC)

Future treatment and care expenses of injured people with ongoing medical needs beyond five years and who were not at-fault.

Lifetime Care and Support (LTCS) Fund

Long-term support for people severely injured in a motor vehicle accident. This includes payments for treatment and care from five years after an accident.

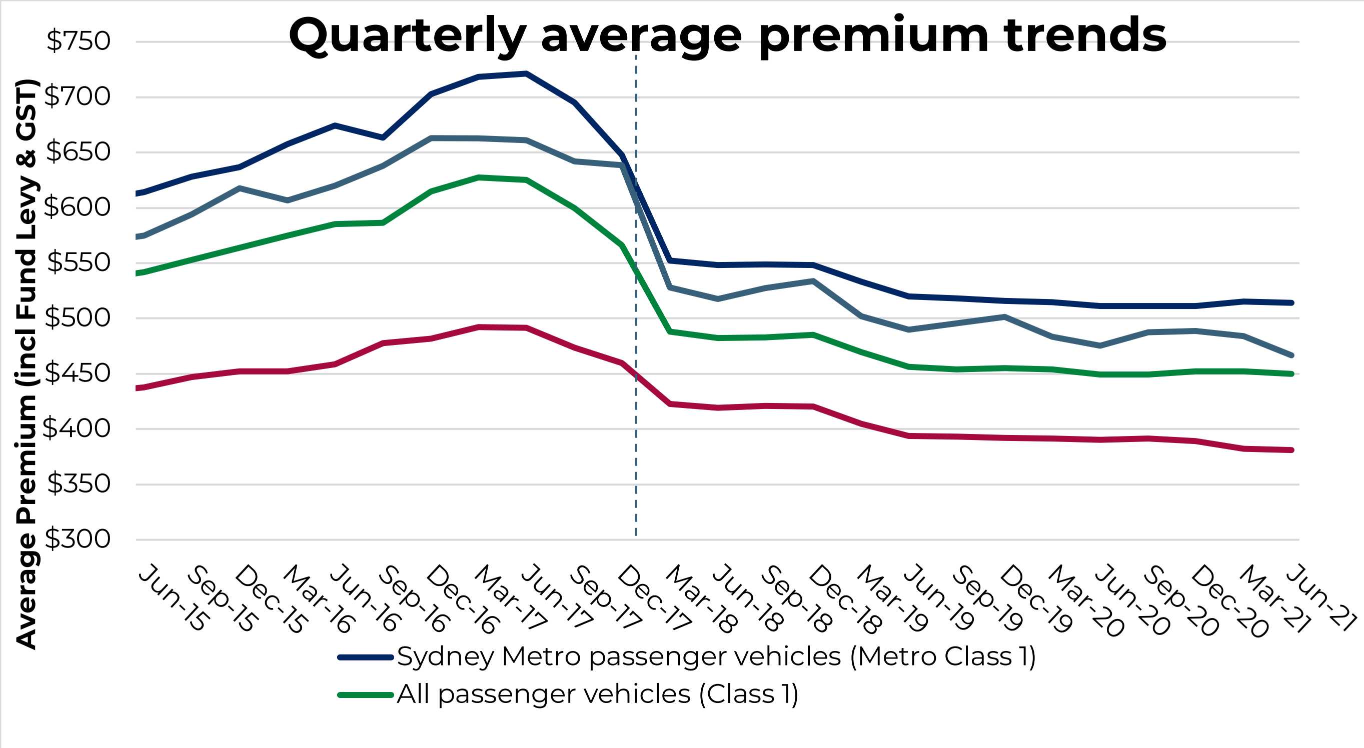
The Fund Levy is a fixed dollar amount, based on vehicle type and garaging location.

To promote competition and innovation by insurers, SIRA allows risk-based pricing, within limits, to keep premiums affordable. The premium framework blends risk-based and community-based approaches to ensure social equity in a compulsory system.

Generally, Green Slip premiums reflect the underlying risk plus or minus a cross-subsidy, therefore good risks may subsidise poor risks within imposed limits. Without this cross-subsidy, CTP Green Slips for some motorists (such as drivers under 25 or motorcycles owners) would be unaffordable and the community would be exposed to the risk of these motorists driving uninsured and unregistered.

4.2. Premium trends

Average premiums have been driven down by insurer competition since the start of the new scheme to late 2017. However, this downwards trend seems to have been stabilised in the financial year 2020-2021, as insurers gain more experience of the new scheme.



The next table compares the Sydney best Green Slip prices[6] for passenger motor vehicles on 30 June 2021 with prices at the start of the 2017 scheme on 1 December 2017 and for the preceding three years, and with prices under the 1999 scheme.

Sydney passenger vehicle best Green Slip price by insurer (includes levies and GST)

Insurer	30 June 2017	30 Nov 2017	1 Dec 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
AAMI	$622	$595	$475	$475	$446	$433	$435
GIO	$606	$590	$475	$471	$444	$432	$435
Allianz	$623	$611	$488	$478	$440	$430	$427
CIC Allianz	$673	$654	$454	$467	n/a	n/a	n/a
NRMA	$640	$594	$468	$468	$448	$438	$434
QBE	$613	$587	$470	$470	$448	$431	$437
Youi	n/a	n/a	n/a	n/a	n/a	n/a	$433

Note: CIC Allianz stopped issuing Green Slip policies on 15 January 2019.

Under the 1999 scheme, the lowest best Green Slip price[7] as at 30 June 2017 was with GIO at $606 (levy and GST inclusive). This compares with the lowest best price of $427 as at 30 June 2021 for Allianz, which translates to a $179 reduction in best price.

[6] The best price is the lowest CTP premium price (including levies and GST) offered by each insurer to a new customer, aged 30 to 54, for a private use passenger vehicle garaged in Sydney. Best prices are sourced from insurer filings effective during the relevant quarter.
[7] ibid

When the best Green Slip prices[8] as of 30 June 2021 (Allianz at $427) is compared with NRMA's best price of $468 (excluding CIC-Allianz which was in the commercial vehicle market) as of 1 December 2017, a $41 reduction in best price has occurred since the scheme commenced.

The next table summarises the savings from reform: on average all vehicles in NSW received a 29 percent reduction in premiums. SIRA is guiding insurer premiums during the transition period and aims to maintain or improve the savings delivered to NSW motor vehicle owners.

Average premium comparison June 2017 to June 2021 (includes levies & GST)

Average premium	June 2017	June 2021	Savings	% savings
Sydney passenger vehicles (Class 1)	$721	$513	$208	29% reduction
All NSW passenger vehicles (Class 1)	$626	$449	$177	28% reduction
Country passenger vehicles (Class 1)	$491	$381	$110	22% reduction
All vehicles in NSW	$661	$483	$178	27% reduction

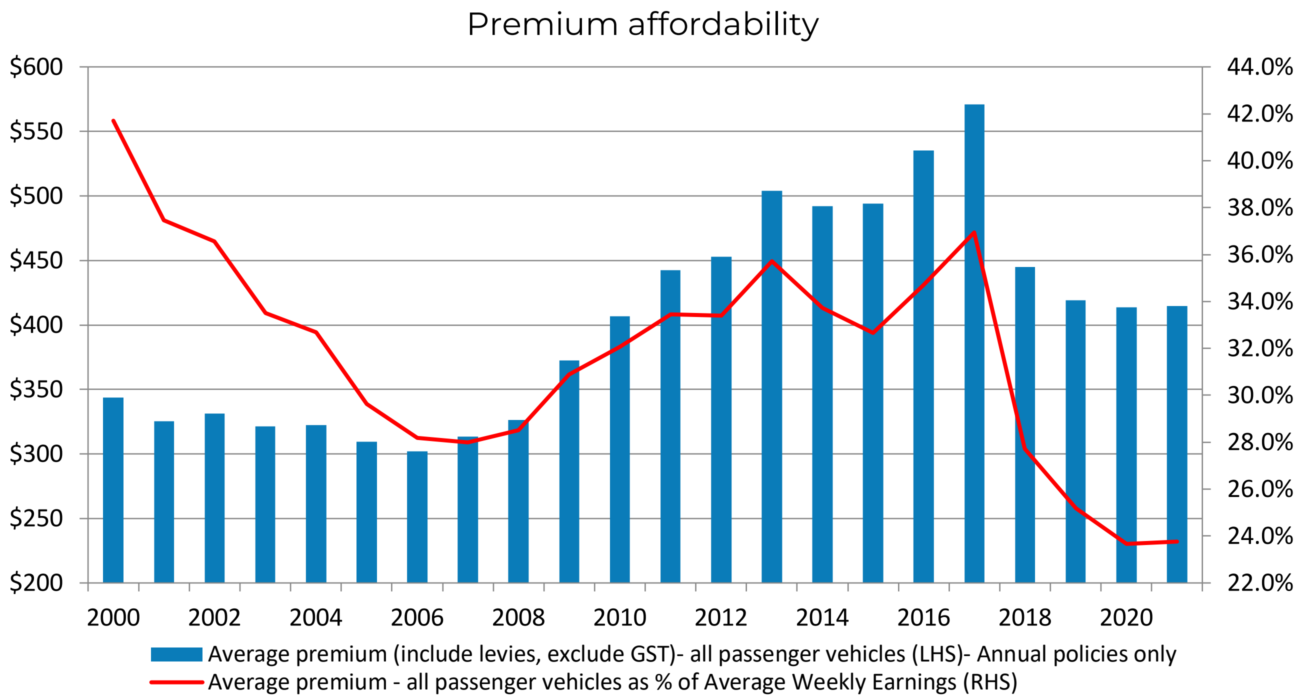
4.3. Premium affordability

An objective of the 2017 scheme is premium affordability. SIRA's benchmark for affordability is based on the average premium for all passenger vehicles (Class 1), excluding GST.

Average premiums have reduced substantially for most motorists in NSW since the introduction of the 2017 CTP Scheme. Affordability[9] for the new scheme as of 30 June 2021 is around 24 percent (under the previous 1999 scheme affordability was 37 percent in 2017).

[8] ibid

[9] The lower the percentage/ratio the more affordable the premium



Premium affordability: Average premium – all passenger vehicles (shown on left of graph) as a percentage of average weekly earnings (AWE shown on right of graph).

4.4. Outlook

SIRA is continuing to exercise powers under the 2017 Act to regulate CTP pricing through the filing process prescribed in the Motor Accident Guidelines. It is a condition of each insurer's licence to file with SIRA the premium it intends to charge customers. SIRA has the authority to reject a filed premium if it is of the opinion that the premium is excessive or inadequate or does not conform to the relevant provisions of the Guidelines.

SIRA has determined that insurers continue to file premiums that do not exceed an eight percent assumed profit margin on a prospective basis. This has ensured that customers will continue to benefit from the significantly reduced premiums that have resulted from the introduction of the 2017 CTP scheme.

SIRA is actively monitoring claims data, traffic volumes, accident rates and any potential impacts of the COVID-19 pandemic on the CTP scheme. As the scheme matures, SIRA will have a better understanding of scheme behaviour based on claims experience, actuarial assessments, and insurer market practices and competition in premium setting.

In the 2017 scheme, SIRA also has the power to retrospectively assess the premiums earned by insurers and recoup excessive insurer profits with the Transitional Excess Profits and Losses (TEPL) mechanism.

Claims

5.1. Background

As of 30 June 2021, claim experience for the first accident year of the 2017 Scheme (i.e., accidents occurring between 1 Dec 2017 to 31 Dec 2018 - 13 months) is continuing to progress as legislative milestones are being met.

- For the First Accident Year an estimated 99.9 percent of expected statutory benefit claims have been lodged.
- For the Second Accident Year (1 January 2019 to 31 December 2019), an estimated 99.1 percent of expected statutory benefit claims have been lodged.

- For the Third Accident Year (1 January 2020 to 31 December 2020), an estimated 97.3 percent of expected statutory benefit claims have been lodged.
- For the Fourth Accident year (January 2021 to 30 June 2021: 6 months); an estimated 39.7 percent of expected statutory benefit claims have been lodged.

There is some allowance for late claims in the above estimates.

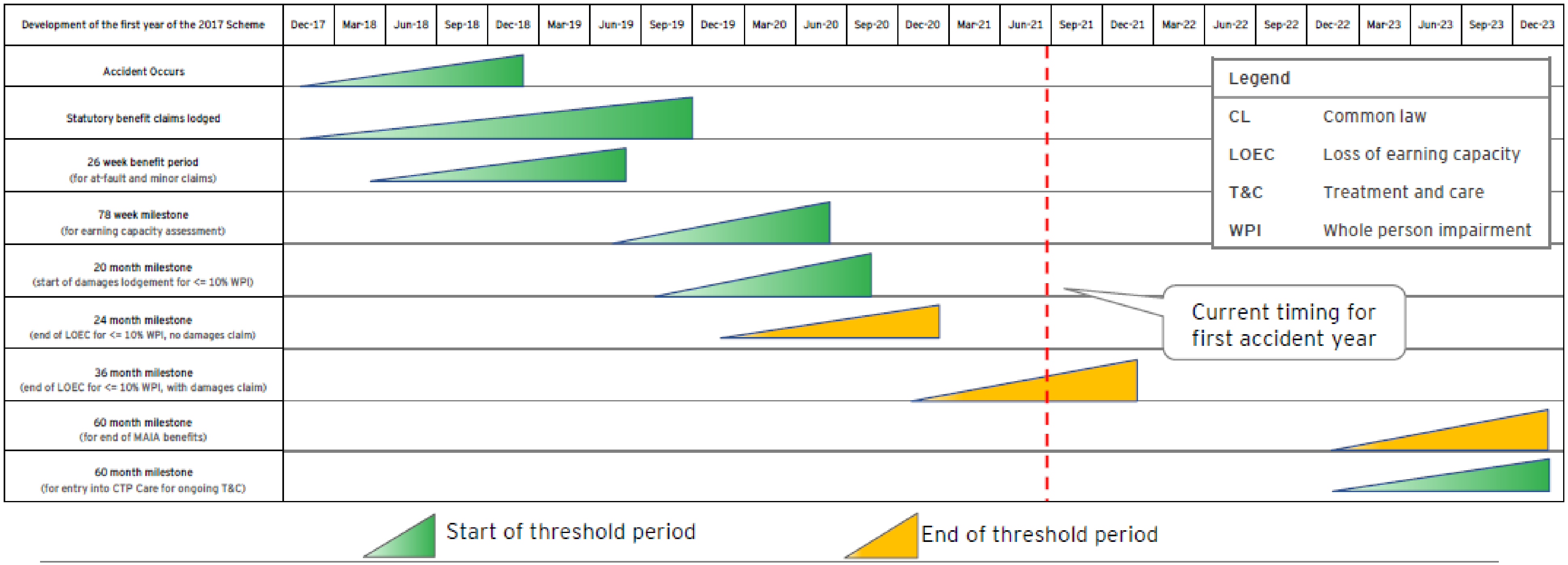
Key legislative milestones first accident year (also see diagram over page)

Development of the first year of 2017 Scheme	Threshold period
Accident Occurs	Dec-17 to Dec-18
Statutory benefit claims lodged	Dec-17 to Sep-19
26-week benefit period (for at-fault and minor claims)	Jun-18 to Jun-19
78-week milestone (for earning capacity assessment)	Jun-19 to Jun-20
20-month milestone (start common law lodgement for <= 10% PI)	Sep-19 to Sep-20
24-month milestone (end of LOEC for <=10% PI who don't lodge damages)	Dec-19 to Dec-20
36-month milestone (end of LOEC for <=10% PI who lodge damages)	Dec-20 to Dec-21
60-month milestone (for end of MAIA benefits)	Dec-22 to Dec-23
60-month milestone (for entry into CTP Care for ongoing T&C)	Dec-22 to Dec-23

- *PI refers to Permanent Impairment.*
- *LOEC refers to Loss of Earning Capacity.*
- *MAIA refers to the Motor Accident Injuries Act 2017.*
- *T&C refers to Treatment and Care.*

Diagram: development of the first year of the 2017 scheme

For the first accident year the scheme still has key milestones to be met.



Note: MAIA refers to the Motor Accident Injuries Act 2017.

5.2. Claim numbers and mix of claims

Claim numbers for the first (2017/2018) and second (2019) accident years reflect expected experience. COVID 19 lockdowns affected the third accident year (2020). Traffic volumes were lower than historic levels from March 2020 to June 2020. There was some residual effect in months after. Claim numbers for less severe injuries reduced rather than for more severe injuries. Total claim numbers for the fourth accident year (2021) have only had six months of experience as at 30 June 2021.

The table below shows the number of claims as at 30 June 2021 split by claim type. Most claims have a statutory benefit component (90.6 percent). Of these, 4,006 (9.6 percent of claims) have also lodged a claim for damages. Payments for statutory benefits total $530 million (51.8 percent of payments). Of this amount, $246 million relates to damages payments.

Early notification claims are matters where the injured person accesses pre-claim support without making a formal claim. These make up 3.4 percent of claims (1,425 people).

Compensation to relatives and funeral benefits represent 1.9 percent of claims reported and 2.6 percent of payments.

Number of claims reported by claim type to 30 June 2021[10]

Claim type	Number of claims	% of total by claim type	Payments as at 30 June 2021	% total payments by claim type
Statutory benefits	33,806	81%	$412,901,459	40.4%
Statutory benefits with award of damages	4,006	9.6%	$529,957,201	51.8%
Early notifications	1,425	3.4%	$95,033	0.0%
Interstate	1,208	2.9%	$42,900,796	4.2%
Compensation to relatives and funeral	807	1.9%	$26,086,088	2.6%
Workers compensation	461	1.1%	$8,005,570	0.8%
Interstate/workers compensation	48	0.1%	$2,242,464	0.2%
Overall	**41,761**	**100%**	**$1,022,188,610**	**100%[11]**

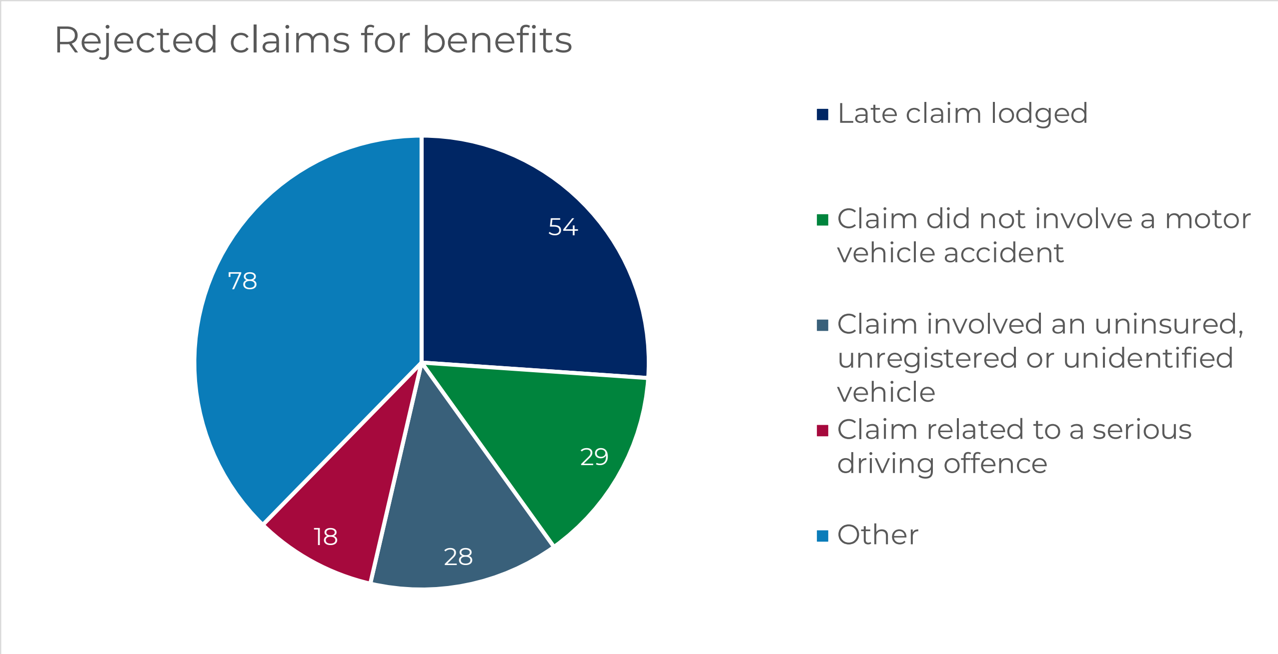
Two percent of statutory benefits claims were declined by insurers compared with 1.3 percent in the 2020 year. There were 10,728 total claims accepted in the 2021 year, up from 10,361 in the 2020 year.

The most common reasons for claim denial included:

- late claim lodgement (more than 90 days after their accident),
- the claim did not involve a motor vehicle accident.

the claim involved an uninsured or unidentified vehicle.

[10] Point in time data
[11] Rounding.



1 July 2020 to 30 June 2021

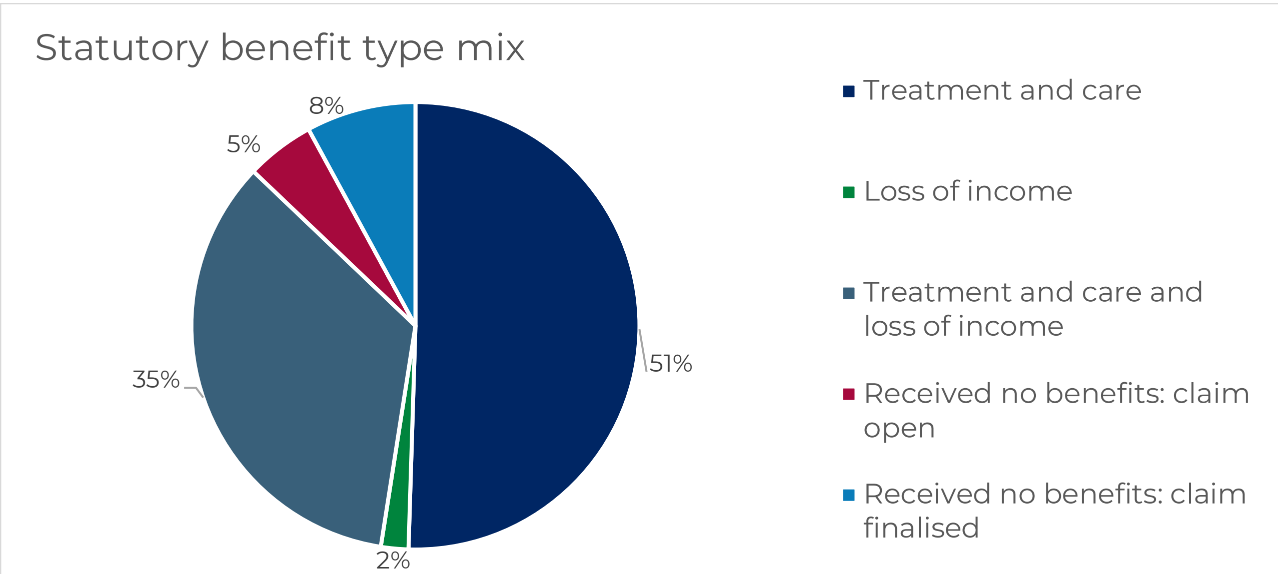
Note:

** Excludes claims which were declined because customers were covered by other scheme/insurance*

*** Includes: injury non-existent, or not covered under the legislation.*

Of all reported statutory benefit claims across all accident periods:

- 51 percent have received only treatment and care benefits.
- 2 percent have received only weekly benefits.
- 35 percent have received treatment and care and weekly benefits.
- 5 percent of claims have received no benefits. Of these claims, eight percent remain open, however a proportion of these are claims not duly made and may be accepted once further information is obtained by the insurer.



1 December 2017 to 30 June 2021

Statistical benefit type mix

Benefit type	Proportion %	Number
Treatment and care	51%	19,126
Loss of income	2%	580
Treatment and care and loss of income	35%	13,044
Received no benefits: claim open	5%	1,969
Received no benefits: claim finalised	8%	3,053
Total	**100%**[1]	**37,772**

1 December 2017 to 30 June 2021

5.3. Claims by fault status

5.3.1. At-fault claims

The 2017 CTP scheme has significantly increased the value of benefits paid to at-fault drivers compared the 1999 scheme.

Between 1,800 to over 2,000 at fault claims have been reported for each of the first three accident years. This compares with 981 at-fault Accident Notification Forms lodged between 1 December 2016 and 30 November 2017 under the 1999 scheme (for medical expenses and loss of earnings up to $5,000).

As at 30 June 2021, 6,368 at-fault injured people have been provided with up to six months of benefits for medical expenses and income cover. The average amount paid for at-fault claims is $18,457 per claim.

The highest at-fault claim frequency (i.e., general number of at-fault claims as a proportion of vehicles) is reported for motorcycles, taxis and buses.

5.3.2. Not-at-fault claims

Since 1 December 2017, 31,439 not at-fault statutory benefit claims have been reported as at June 2021, with 19,040 assessed as minor, and 11,362 assessed as non-minor and 1,037 with severity yet to be determined.

5.4. Claim payments as at 30 June 2021

5.4.1. First Accident Year (2017-2018)

There have been $252.3 million in statutory benefit payments, $202.3 million in damages payments and $46.3 million in non-statutory benefit payments.

Total payments account for 34 percent of total expected payments[12].

Approximately 65 percent of the expected[13] claims costs are for damages claims.

5.4.2. Second Accident Year (2019)

There have been $238.3 million in statutory benefit payments, $43.7 million in damages payments and $25.8 million in non-statutory benefit payments.

Total payments to date account for 21 percent of total expected[13] payments.

Approximately 61 percent of the expected[13] claims costs are for damages claims.

[12] Based on annual actuarial estimates as at December 2020.

5.4.3. Third Accident Year (2020)

There have been $171.9 million in statutory benefit payments, $2.5 million in damages settlements and $6.3 million in non-statutory benefit payments.

Total payments account for 12.2 percent of total expected[13] payments.

Approximately 62 percent of the expected claims costs are for damages, which are only expected to start emerging with any significance after December 2021.

5.4.4. Fourth Accident year (2021)

Total payments account for about four percent of total expected[13] payments.

There have been about $30,000 in damages settlements.

5.4.5. Time to payment

Seventy-two percent of injured people received 'pre-claim support' in the 12 months to 30 June 2021. A further 23 percent accessed treatment and care services within four weeks of lodging a claim. Four percent are receiving treatment and care between 5 and 13 weeks.

Forty-five percent of eligible people received income payments within four weeks of lodging a claim, with most receiving income support payments within 13 weeks. Of the total 10,739 accepted statutory benefit claims in the 2021 year (1 July 2020 to 30 June 2021) 3,618 had payments for loss of income.

Payments by payment type

Payment Type	$ Amount	% of total payments
Treatment expenses	$352,155,073	34.5%
Weekly payments	$305,212,810	29.9%
Insurer investigation[13]	$34,915,472	3.4%
Non-economic loss	$124,513,999	12.2%
Future economic loss	$107,751,486	10.5%
Care	$19,075,327	1.9%
Funeral expenses	$10,470,758	1.0%
Claimant legal	$26,207,635	2.8%
Past economic loss	$28,406,945	2.8%
Insurer medico-legal	$12,611,611	1.2%
Insurer legal	$16,960,304	1.7%
Funds management[14]	$804,096	0.1%
Other	-$62,319	0.0%

[13] Includes factual investigations, treating medical reports and surveillance investigations.
[14] A small proportion of payments relate to 'funds management', which refers to payments for the management of trusts for injured persons aged under 18 and others with legal incapacities.

Payment Type	$ Amount	% of total payments
CTP Care	$143,579	0.0%
Total before recoveries	$1,039,166,773	101.7%
Recoveries	-16,978,163	-1.7%
Total	**$1,022,188,610**[15]	**100%**

1 December 2017 to 30 June 2021

The majority of payments to 30 June 2021 are for treatment and care (34.5 percent) followed by loss of income/weekly payments (29.9 percent). Future economic loss and non-economic loss payments have experienced a sizeable increase since March 2021 due to the growing emergence of damages claims and settlements.

5.4.6. Damages

There have been 4,408 damages claims lodged to 30 June 2021. For the first accident year 71 percent of expected claims for damages have been lodged. The 20-month legislative milestone has passed for accidents occurring between 1 December 2017 and 31 October 2019. At this point non-minor claims with permanent impairment of 10 percent or less are eligible to lodge a claim for damages.

The estimated average payment for a claim for damages when the injured person has a permanent impairment of 10 percent or less is $110,000. This compares with $485,000 for those with a permanent impairment of greater than 10 percent (see 5.4.1 to 5.4.4 for damages payments by accident year to date).

5.4.7. Minor injuries

As at 30 June 2021, there were 16,262 assessed not at-fault minor injury claims since scheme commencement. For the first and second accident years, some current not at-fault minor claims are expected to transition to not-at-fault non-minor following the completion of dispute processes.

Average minor injury claim payments have increased to $6903 (from 1 Dec 17 to 30 June 2021), which is tracking at the expected $6900 forecast. This has increased from an average of $5447 for minor injury claims between 1 December 2017 to 30 June 2020.

5.4.8. Minor injury claims: benefits paid after 26 weeks

Treatment and care benefits can continue beyond 26 weeks for minor injury claims if further treatment will improve recovery or improve their return to work or usual activities. This applies to those at fault and not-at fault (section 3.28(3) of the 2017 Act and clause 5.16 (h) of the Motor Accident Guidelines).

The following table outlines the number of minor injury claims receiving loss of income benefits and treatment and care payments after 26 weeks. It compares minor injury claims with at fault claims.

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[15] Rounding

Post 26-week payments for minor injury and at-fault claims

Claims type	Total Claims reached 26 weeks	Claims with loss of income payments			Claims with treatment and care payments		
		No claims	%	Total payments	No claims	%	Total payments
Not at-fault Minor Injury	15,183	98	0.6%	$2.6m	4,588	30.2%	$14.9m
At-fault and mostly at fault	5,783	109	1.9%	$3.8m	1,284	22.2%	$10.5m
All claims	31,215	3,047	9.8%	$362.5m	13,017	41.7%	$500.8m

1 December 2017 and 30 June 2021

Thirty percent of minor injury claims are receiving treatment and care benefits more than 26 weeks after the accident. Claims which have yet to reach the end of their 26-week benefit entitlement period are not included in this calculation as they would distort the results.

5.5. Legal representation

For the period January 2020 to June 2021 legal representation is around 25-28 percent for statutory benefits. This is based on the more mature months. The legal representation rates for damages claims is approximately 90 percent for the same period.

In October 2020, SIRA commission Taylor Fry to undertake an independent Review of Legal Support for Injured People in the NSW CTP Scheme. Consultation was open until December 2020. Eight options were identified by Taylor Fry in September 2021 report. These options are not mutually exclusive.

5.6. Insurer internal review

Number of internal review claims and their status

Internal review Status	Count
In progress	633
Declined	1,059
Determined	12,223
Withdrawn	1,061
No decision	40
Total	**15,016**

1 July 2020 to 30 June 2021

There have been 15,016 insurer internal reviews lodged since scheme commencement. Of these 81 percent have a determined outcome.

Determined internal reviews from commencement of the scheme

Internal review type	Decision upheld	Decision overturned in favour of customer	Decision overturned in favour of insurer	Total
Minor injury	3,635 (87%)	520 (13%)	0 (0%)	4, 155
Is treatment and care reasonably necessary	2,409 (71%)	940(28%)	38 (1%)	3,387
Is the injured person mostly at fault?	655 (77%)	191 (23%)	0 (0%)	846
Permanent impairment	930 (95%)	45 (5%)	0 (0%)	975
Treatment improving recovery	566 (74%)	187 (24%)	16 (2%)	769
Amount of weekly payments	288 (43%)	325 (49%)	56 (8%)	669
Treatment & care related to injury from accident	238 (80%)	56 (19%)	2 (1%)	296
Statutory benefits claim time limits	118 (63%)	68 (37%)	0 (0%)	186
Other	609 (65%)	316 (34%)	15 (2%)	940
Total	**9,448 (77%)**	**2,648 (22%)**	**127(1%)**	**12,223**

The main review type across the industry relates to the minor injury assessment. Of determined minor injury internal reviews, 87 percent have the original decision upheld (same outcome for customer) with 13 percent decided in favour of the injured person (better outcome for customer).

Of the 2,409 internal reviews concerning whether treatment and care is reasonable and necessary, 71 percent have the original decision upheld, 28 percent are overturned in favour of the injured person and one percent overturned in favour of the insurer.

5.7. Outlook

SIRA will continue to monitor the scheme and claims experience for injured people.

Fraud deterrence

6.1. Background

Powers under the 2017 Act have strengthened SIRA's ability to investigate and prosecute people engaging in fraudulent activity within the system.

SIRA has been working collaboratively with the NSW Police Force and other peak investigative bodies to deter, detect and prosecute fraudulent claims and suspected unlawful activity involving the CTP scheme.

SIRA has engaged with the Insurance Council of Australia about the role of the Insurance Fraud Bureau of Australia (IFBA) to identify the most efficient way of accessing additional information and data to detect fraud within the CTP scheme.

6.2. Outlook

SIRA will continue its relationship with the NSW Police as part of its ongoing fraud detection and prevention strategies. SIRA also collaborates with other government departments, scheme insurers and regulators to develop mitigating strategies to prevent fraud and leakage within our schemes.

Insurer profit and scheme efficiency

7.1. Background

SIRA assesses an insurer's estimated future profit by accounting for the actual payments made to date and current estimates of the liabilities for each accident year. This represents the total claims cost that may be realised once all claims are paid if the current liability assumptions prove correct. As the scheme develops and more claims are paid the liability estimates will change until all claims are paid for a specific accident year and the total actual cost of claims is known for that accident year.

7.2. Profit normalisation

An objective of the 2017 scheme is to ensure insurer profits are enough to underwrite the risk but are not excessive. To meet this, SIRA has developed a transitional excess profit and loss (TEPL) mechanism for the 2017 scheme.

The operation of the TEPL mechanism is based on an assessment of insurers' profit on an aggregate industry basis against SIRA's determined reasonable profit range. SIRA has determined the reasonable range to be between three percent and ten percent profit, with an eight percent target profit margin.

Under the TEPL mechanism, where the collective profit of the insurers is deemed to be excessive (i.e. above ten percent), SIRA will recoup excess profit from those insurers who are above the target profit margin of eight percent. Conversely, where insurer losses are excessive, (collective profit below three percent), SIRA will reimburse an insurer a component of their losses by way of a future levy adjustment.

In November 2020, SIRA decided to defer and not proceed with applying the TEPL mechanism for the first (2018) accident year. This was because of insufficient claims experience and significant uncertainty in the level of industry profitability.

In 2021, SIRA conducted the second TEPL assessment cycle for the first and second (2018 and 2019) accident years.

In October 2021, SIRA's Chief Executive determined to recoup almost $91 million dollars in excess profits from insurers through the TEPL mechanism for the 2017-2018 and 2019 accident years (1 December 2017 to 31 December 2019).

The excess profit recovered by SIRA from insurers through TEPL will see motorists save an average of $19.00 per vehicle in Motor Accident Operating Fund levies in 2022.

The third assessment cycle of TEPL has commenced and will examine the 2018, 2019 and 2020 accident years.

7.3. Scheme efficiency

It is too early for scheme efficiency to be assessed with a high degree of certainty. Payments for the first accident year cohort will be finalised on average in three to five years. For complex and severe injuries, this can be more than 10 years.

The current scheme efficiency estimate as at 15 January 2021 is 59 percent. This will be revised annually as the scheme experience is assessed and included in the updated premium guidance provided to insurers.

Under the 1999 scheme, estimated average efficiency over the lifetime of the scheme is 44 percent.

7.4. Outlook

SIRA commissions the Scheme Actuary to conduct a Preliminary Industry Profit Margin assessment for each accident year.

SIRA's application of the TEPL mechanism in 2021 showcases how the super profits seen under the 1999 scheme will remain a thing of the past, improving scheme efficiency.

Glossary

Item	Description
Accident year	The year in which the motor vehicle accident giving rise to the claim occurred. Accident years generally run from 1 January to 31 December.
Affordability	Green Slip affordability is measured by comparing the average Green Slip price for all passenger vehicles (including the Fund levy but excluding GST) with the NSW average weekly earnings. The lower the ratio the more affordable the premium.
Best price	The best price is the lowest CTP premium price (including levies and GST) offered by each insurer to a new customer, aged 30 to 54, for a private use passenger vehicle garaged in Sydney.
Bulk billing	Under the Bulk Billing Agreement, an amount is collected as part of the Fund levy and paid to the Ministry of Health and the Ambulance Service of NSW for public hospital and public road ambulance services.
Class 1 vehicle	Motor car, station wagon and 4WD used for movement of passengers, with 9 or less seats (including the driver). Excludes 4WD vehicles designed for the movement of goods.
Compulsory third party (CTP) insurance	CTP insurance protects a person (the first party) who buys the policy from an insurer (the second party) against claims made by someone they injure (the third party).
Fund levy	A levy that's part of CTP insurance premiums which funds the Lifetime Care and Support Scheme. Part of the Fund levy is also used to fund SIRA and Bulk Billing arrangements for ambulance and hospital services.
Green Slip	Another name for a CTP policy that dates to the start of the NSW CTP scheme in 1989 when the CTP insurance invoice was a green piece of paper.
Non-economic loss	Non-economic loss is defined in the 2017 Act to include pain and suffering, loss of amenities of life, loss of expectation of life, and disfigurement.

Item	Description
Pre-claim support	The provision of access to treatment before a claim is made but after notification of injury has been given. This is at the insurer's discretion. Any such treatment will only be approved within the first 28 days from the date of the motor accident. However, if further treatment is required after 28 days, a claim for statutory benefits must be made by the injured person.
Run-off	Run-off means that the insurer ceases to take on board any new business but will continue to fulfil existing claims.
Scheme efficiency	Measures how much of the premium dollar goes to claimants as benefits. The higher the proportion, the greater the efficiency of the scheme.
Transitional excess profit and loss (TEPL) mechanism	A mechanism to assess insurers' profit on an aggregate industry basis against SIRA's determined reasonable profit range in the early years of the scheme. The TEPL mechanism is outlined in the 'Motor Accident Guidelines Transitional excess profits and transitional excess losses'.
Underwrite	The process of assessing risk and ensuring the cost and conditions of the cover are proportionate to the risk faced by the individual concerned.
Permanent impairment (PI)	This is an assessment of the degree of permanent impairment arising from an injury or injuries caused by a motor accident. It is based on standard guidelines that assign values to the permanent impairment of one or more body parts, systems or functions, expressed as a percentage.

Disclaimer

This publication may contain information that relates to the regulation of workers compensation insurance, motor accident compulsory third party (CTP) insurance and home building compensation in NSW. It may include details of some of your obligations under the various schemes that the State Insurance Regulatory Authority (SIRA) administers.

However to ensure you comply with your legal obligations you must refer to the appropriate legislation as currently in force. Up to date legislation can be found at the NSW Legislation website legislation.nsw.gov.au

This publication does not represent a comprehensive statement of the law as it applies to particular problems or to individuals, or as a substitute for legal advice. You should seek independent legal advice if you need assistance on the application of the law to your situation.

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