SIRA

1999 CTP Scheme Performance Report to June 2022

State Insurance
Regulatory Authority

NSW
GOVERNMENT

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Introduction

This report provides an overview of scheme performance from July 2021 to June 2022 for the NSW CTP scheme established under the *Motor Accidents Compensation Act 1999* (1999 Act).

The 1999 scheme was established on 5 October 1999 under the 1999 Act and is a modified common law scheme where lump sum payments are received by not-at-fault injured road users once their injuries have sufficiently recovered.

This report concerns policies sold prior to 1 December 2017 under the 1999 Act. From 1 December 2017 policies have been sold under the '2017 scheme', established under the *Motor Accident Injuries Act 2017* (MAI Act). SIRA regulates both schemes.

The regular lodgement of claims for people in the 1999 scheme ended on 31 May 2018, six months after the last accident. The 1999 scheme will continue to operate until all claims for accidents before 1 December 2017 are finalised.

The purpose of this report is to report on matters related to the remaining open claims in the 1999 Scheme as it continues in run-off. This includes for example, finalisation rates and average claim size

About SIRA

SIRA is a statutory body established under the State Insurance and Care Governance Act 2015. It regulates the CTP insurance scheme, or Green Slip insurance, for motor vehicles registered in NSW along with other mandatory state insurances including the workers and home building compensation schemes.

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

SIRA's functions with respect to stewarding the scheme are set out under section 206 of the 1999 Act, and section 10.1 of the *MAI Act.*

SIRA continues to monitor the 1999 scheme to ensure injured people are treated fairly in accordance with the legislation and are assisted through the claims process.

SIRA's support and information service, CTP Assist, will continue to answer telephone and digital inquiries from injured people and other stakeholders in both the 1999 and 2017 schemes.

Claim numbers, payments and scheme efficiency

As the 1999 scheme continues in run-off, SIRA is reporting on metrics related to the remaining open claims in the scheme. These matters are listed in the table below.

SIRA expects that the average claim size in each payment year will increase as more complex and higher cost claims usually settle later. Predicting claim numbers and payments will become more uncertain as the scheme proceeds further into run-off.

Topic	Metric
New (ANFs and full claims)	64 injury notifications (ANFs and full claims) in 2021-2022 compared to 123 in 2020-2021.
Open claims	There are 2,869 open claims (including ANFs, full claims and workers compensation recovery claims under section 151z of the Workers Compensation Act 1987) as at 30 June 2022.
Finalised claims	There were 1,721 finalised full claims in financial year 2021-2022.

Finalisation rates all claims	Finalisation rates were 11 percent lower than expected over the year. The average payment per finalised claim was 5 percent higher than expected across all claim types.
Legally represented minor severity claims	The total payments for legally represented minor severity claims were 9 percent lower than expected.
Nominal defendant	8 new nominal defendant claims received compared to 18 claims during 2020-21.
Actual payments	Claim payments for financial year 2021-22 were 5 percent (or $25 million) lower than expected. Of this amount, $21 million represented lower than expected payments for minor severity claims (both legally represented and not legally represented) and $8 million represented the lower-than-expected payments for moderate severity claims. There were also lower than expected payments for serious severity claims.
Benefits paid	The Scheme paid $480 million in benefits in financial payment year 2021-2022This compares with a total of $812 million in benefits paid in financial year 2020-2021.
Average payment – full claims	The average payment on all claims finalised in financial year 2021-2022 was $279,111. This is an increase in average payment of about 21 percent compared to the financial year 2020-2021.
Outstanding estimates	As at 30 June 2022, the outstanding claims estimate is $943 million.
Legal costs per policy	Plaintiff legal (including contracting out) costs are 20 percent of claim costs since scheme commencement or 22 percent since 2014, with approximately half of this relating to contracting out legal costs.
Insurer investigations costs per policy	Investigations costs, as a percentage of claims costs are 8 percent since scheme commencement or 9% since 2014.
Superimposed inflation	At a scheme level, superimposed inflation has been relatively benign since the 2010 payment year and generally negative. However, the result at a scheme level should be considered with caution, as it masks the impact of changes in the claims mix that have occurred over this time. Superimposed inflation increased artificially for the 2020 and 2021 payment year. The increase is due to the changing mix of claims finalising as the scheme develops further in the run-off phase. Superimposed inflation at a more granular level indicates that it may still be prevalent in the scheme.

Scheme efficiency	Projected average scheme efficiency for the latest five accident years to 2018, as well as over the lifetime of the scheme, is estimated to be 44 percent. Non-legally represented claims have approximately 55 percent efficiency across all claim sizes, while efficiency for legally represented claims ranges from 33 percent (<$50k) to 48 percent (>$700k). Legally represented claims consistently have lower efficiency than non-legally represented claims.
Insurer profit	Since the commencement of the MACA scheme, the estimated average insurer profit margin is estimated to be 24% with nearly all accident years achieving a profit margin of at least 19%. The high profit margin is a result of lodged claims and/or the cost of claims being much lower than expected in premium filings.

Glossary

Item	Description
Accident Notification Form (ANFs)	This form provides for the early payment of reasonable and necessary medical expenses and/or lost earnings up to 6 months after an accident and a maximum of $5,000. ANFs can be lodged by at-fault and not-at-fault injured parties up to 28 days after the date of accident.
Accident year	The year in which the motor vehicle accident giving rise to the claim occurred.
Claims (including full claims)	The claims in the NSW CTP 1999 scheme are split into full claims, ANFs and workers compensation recovery claims.
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).
Contracted out legal costs	Costs payable to the legal practitioner representing the claimant, by the claimant, under an agreed private arrangement i.e. those costs in excess of those specified in the SIRA Cost Regulation. These costs are not transparent to the insurer or in the data they submit to SIRA. Information on these costs are directly submitted by legal practitioners to SIRA's claims costs disclosure database.
Full claims	See Claims above.
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.
Run-off	Run-off means that the insurer ceases to take on board any new business but will continue to fulfil (payout) existing claims.
Scheme efficiency	Scheme efficiency, measures how much of the premium dollar goes to claimants as benefits.

Underwrite	The process of assessing risk and ensuring the cost and conditions of the cover consider the risks faced by the individual concerned and accepting liability under (an insurance policy),thus guaranteeing payment in case loss or damage occurs.
Superimposed inflation	Superimposed inflation is the increase in claim costs over time, over and above wage inflation. It is a regular feature of compensation schemes and is usually caused by a combination of legal, judicial, social, medical and other external factors. Superimposed inflation tends to be volatile over time.
Workers compensation recovery claims	Section 151Z of the Workers Compensation Act 1987 enables an employer or insurer who has paid compensation to take action to recover the compensation payments from negligent third parties.

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. 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.

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