CTP scheme performance report 2020

Motor Accident Injuries Act 2017

Issued May 2021

NSW GOVERNMENT
State Insurance Regulatory Authority

Contents

1. Executive summary

1.1. Introduction

This is the State Insurance Regulatory Authority's (SIRA) 2019-2020 performance report for the 2017 NSW Compulsory Third Party (CTP) Motor Accident ('Green Slip') established under the *Motor Accident Injuries Act 2017* (2017 Act and 2017 scheme).

This report covers the first two years and seven months of the 2017 scheme's operation: from 1 December 2017 to 30 June 2020.

The 2017 scheme replaced the previous 1999 scheme under the *Motor Accidents Compensation Act 1999* (1999 Act). The 1999 scheme stopped selling CTP policies on 30 November 2017 and is now in 'run off'[1].

The 2017 scheme is designed to maximise recovery after injury, increase benefits to seriously injured people, reduce average CTP premiums for motorists and reduce fraud.

The data in this report is based on analysis by the scheme actuary, Ernst & Young (EY), and information provided by SIRA. A separate 2019-2020 performance report has been produced for the 1999 scheme and is on the SIRA website at: https://www.sira.nsw.gov.au/corporate-information/ctp-scheme-reports.

1.2. Key performance indicators (two years and seven months of operation):

- The average CTP premium paid by all NSW passenger vehicle owners (Class 1) at 30 June 2017 was $626, compared $449 at June 2020, an overall saving of $177.
- CTP premiums are estimated to be around 24 percent of average weekly earnings compared to 37 percent in June 2017, meaning that CTP insurance is more affordable under the 2017 scheme.
- Claim numbers for the first and second accident years are tracking in line with expected experience. Total claim numbers for the third accident year have only had six months of experience: from 1 January 2020 to 30 June 2020.
- Seventy-five percent of injured people accessed treatment and care benefits prior to formally lodging a claim in 2020, with a further 20 percent accessing treatment and care services within the first month after lodging a claim.
- From 1 July 2019 to 30 June 2020, about half of customers entitled to income support payments received it within the first month of lodging a claim, with the remainder largely receiving income support payments between 5 and 13 weeks.
- At-fault claims reporting has increased in the 2017 scheme compared with the 1999 scheme.
- Payments for the first accident year represent 19 percent of total projected payments. This is expected as the material payments from the award of damages are yet to occur.
- More than 91 percent of expected claims for damages are yet to be made for the first accident year. These claims can be lodged within three years of the accident.
- Of all insurer internal reviews determined since scheme commencement, 23 percent have been decided in favour of the injured person.
- Forty-six percent of insurer internal reviews lodged since scheme commenement concern minor injury, and of those determined, 12 percent are decided in favour of the injured person.

[1] Run-off means that the insurer ceases to take on board any new business but will continue to fulfil existing claims.

- Thirty-four percent of disputes that have been received by SIRA's Dispute Resolution Service (DRS) since the scheme commenced were overturned.

1.3. Outlook

People are receiving treatment and care benefits more quickly than under the 1999 scheme, with a large proportion receiving benefits before they lodge a claim. Income support payments are also being received more quickly.

Payments for the first accident year cohort will be finalised on average in three to five years.

A key milestone of 20 months at which time people with non-minor injuries assessed as 10 percent or less permanent impairment are eligible to make a damages claim has now passed (people with whole person impairment of greater than 10 percent can lodge a damages claim at any time.) The availability of statutory benefits enables an injured person to maximise their recovery before lodging a damages claim.

The financial performance of the scheme will be better understood as the award of damages claims experience progresses and as the scheme matures.

The cost of damages settlements is expected to contribute to over 70 percent of the total scheme claims cost. Given that 98 of the 1,280 claims for damages lodged to date have been finalised, it is still too soon to comprehensively assess the performance of the 2017 Scheme.

2. 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 along with other mandatory state insurances.

CTP insurance covers drivers against liability for the injury or death of another person. Claims are managed by the CTP insurer of the vehicle at-fault.

SIRA licenses and regulates private insurers that underwrite the 1999 and 2017 schemes which 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 which occurred prior to 1 December 2017 are covered by the provisions of the 1999 Act. The 1999 scheme is in run-off.

Benefits under the schemes are fully funded by premiums. The Nominal Defendant Fund ensures that people injured on NSW roads by an uninsured or unidentified vehicle can also claim scheme benefits.

SIRA also has responsibility for administration of the Fund Levy, which appears as a separate charge on CTP Green Slips. 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 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 Act is supported by the Motor Accident Injuries Regulation 2017 (the Regulation), which contains provisions that supplement the application and operation of the Act in several key areas.

SIRA issues Motor Accident Guidelines under the 2017 Act which establish clear processes and procedures, and outline scheme objectives and compliance requirements. The Guidelines describe and clarify expectations that apply to respective stakeholders in the scheme.

A major aspect of the scheme is the focus on recovery from injury. It aims to support injured people by providing fast access to payments for treatment, care and loss of income to assist them to return to work or their other pre-injury activities.

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

- Statutory benefits (or defined) benefits include weekly income payments if the person works, 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 but these are now limited to 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.

- 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. CTP Care is separate to the Lifetime Care and Support Scheme (LTCS) which is also managed by icare. (The LTCS Scheme provides treatment, rehabilitation and care to people severely injured in motor accidents in NSW, regardless of who was at-fault. To be eligible for the LTCS Scheme, severe injury criteria must be met.)
- Funeral expenses, regardless of fault.
- Compensation to close relatives who were dependent on a person who died as a result of a motor accident in NSW in which they were 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 as the first step in resolving a dispute. An insurer internal review is required before most disputes can be lodged (with SIRA's Dispute Resolution Service prior to 1 March 2021 or with the Personal Injury Commission since 1 March 2021).

The internal review is independent of the original decision maker, allowing the injured person and insurer an opportunity to resolve the dispute early.

The objective is to provide a quicker outcome for injured people and to reduce the number of disputes lodged with SIRA's Dispute Resolution Service prior to 1 March 2021 or with the Personal Injury Commission since 1 March 2021.

2.2.2. SIRA's Dispute Resolution Service

Until 1 March 2021 SIRA operated a Dispute Resolution Service which provided an alternative to court for resolving disputes for the NSW CTP schemes. In March 2021, the Personal Injury Commission took over the dispute resolution role in the CTP claims.

SIRA's dispute resolution role was to encourage the early resolution of motor accident claims through the quick, cost effective and just resolution of disputes for injured people.

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

3. Market share

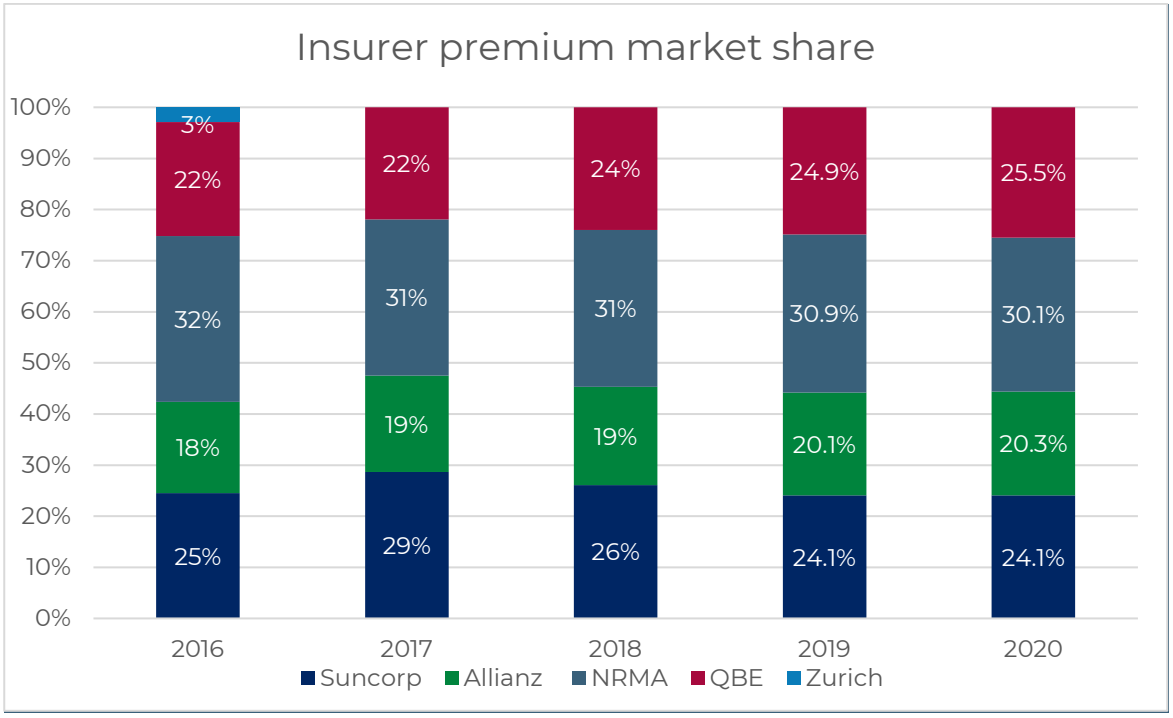
3.1. Background

In the period covered by this report, the CTP Green Slip market was privately underwritten by five licensed insurers operated by four parent entities: AAI Limited (AAMI and GIO), Allianz Australia Insurance Limited (Allianz), Insurance Australia Limited (NRMA) and QBE Insurance Australia (QBE).

From 15 January 2019, CIC Allianz ceased issuing CTP Green Slip policies following the consolidation of the Allianz and CIC Allianz licenses with Allianz taking over the CIC Allianz Green Slip business. CIC Allianz was in the commercial vehicle market.

3.2. Key facts as at 30 June 2020

- Internet sales for all insurers have accelerated by CTP point of sale technology advances enabling real time transactions.
- 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, GIO and NRMA compete mainly in the retail market, dealing directly with non-commercial customers.
- QBE and Allianz operate in both the retail and brokerage markets.
- CTP insurers have adapted well to major premium system changes including the Risk Equalisation Mechanism[2] and continue to evolve their distribution strategies.



Note: from 2019 SIRA reports percentage market share to the first decimal point. Figures were rounded from 2016-2018. Zurich stopped issuing Green Slip policies to the public on 1 March 2016 under the 1999 scheme.

Since commencement of the 2017 scheme in December 2017, premium market share has decreased for NRMA by 0.6 percent and the Suncorp brands by 2 percent. The offset gains have been for QBE of 1.5 percent and Allianz of 1.1 percent. These are material variations for these insurers when considered as a proportion of total premium income.

Over the 12 months to 30 June 2020 the greatest movement in market share has been a reduction for NRMA of 0.8 percent, offset by an increase in QBE of 0.6 percent and Allianz of 0.2 percent. Suncorp has remained steady.

Market shares for the 12-month period ending June 2020 were: NRMA 30.1 percent; QBE 25.5 percent; Suncorp 24.1 percent and Allianz 20.3 percent.

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

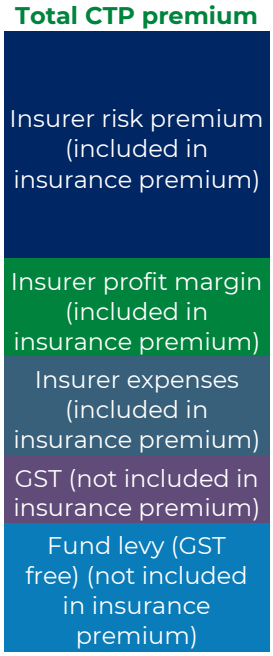
3.3. Outlook

The insurer premium market share remains fluid indicating increased competitiveness. During 2020/2021, it is expected that insurers will continue to react to their competitor's prices by reducing their prices to protect their market share. Competition may increase further given that Youi was been licensed to enter the NSW CTP market effective 1 Dec 2020.

4. 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 $137.99[3] is for a policy on a car garaged in Sydney at 30 June 2020. 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.

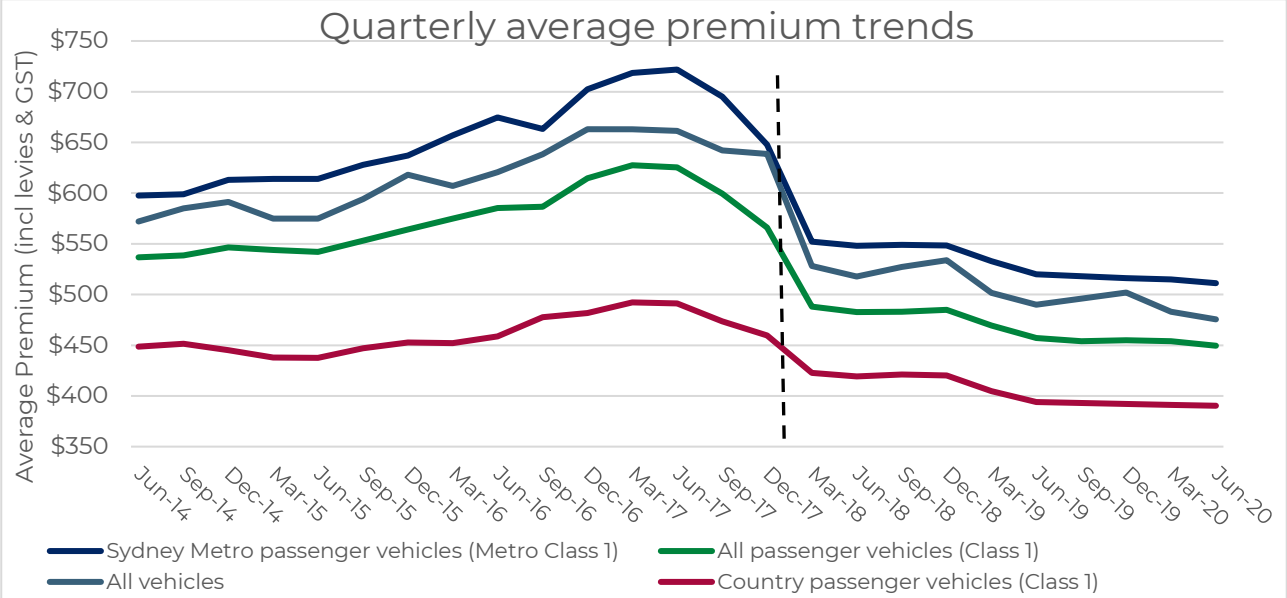
Generally, CTP Green Slip premiums reflect the underlying risk plus or minus a cross-subsidy, therefore good risks subsidise poor risks within imposed limits. Without this cross-subsidy, CTP Green Slips for some motorists (such as drivers under 25 or motorcycles owners) would be unaffordable and the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

4.2. Premium trends

The 'quarterly average premium trends' graph (over page) shows a steady rise in premiums in the old 1999 scheme, from the June 2015 quarter to June 2017 quarter. Premiums rose significantly between the September 2016 to June 2017 quarters. The graph shows reductions in premiums before the commencement of the 2017 scheme, with further reductions from 1 December 2017.

[3] $137.99 as at 30 June 2020. The levies became effective as follows: MAOF on 1 Jul 2019, LTCS and MAITCB on 15 Jan 2020.

Premium reductions before the commencement of the 2017 scheme were due to changes to the Motor Accidents Compensation Regulation 2015 which capped legal costs for smaller settlements from 1 November 2016 and the impact of strategies to address CTP fraud which were introduced in August 2016.



The next table compares the Sydney best CTP Green Slip prices[4] for passenger motor vehicles on 30 June 2020 with prices at the start of the 2017 scheme on 1 December 2017 and the prices under the 1999 scheme for the preceding two years.

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

Table 1: Sydney passenger vehicle best Green Slip price by insurer (includes levies and GST) Note: CIC Allianz stopped issuing Green Slip policies on 15 January 2019.

Under the 1999 scheme, the lowest best CTP Green Slip price as at 30 June 2017 for the owner of a Sydney metropolitan passenger vehicle, aged between 30 and 54, was with GIO at $606 (levy and GST inclusive). This compares with the lowest best price of $430 at 30 June 2020 for Allianz, which translates to a $176 reduction in best price.

The best CTP Green Slip price as at 30 June 2019 for the owner of a Sydney metropolitan passenger vehicle, aged between 30 and 54, was with Allianz at $430 (including levy and

[4] 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.

GST) compared with NRMA's best price of $468 (ex CIC-Allianz) at 1 December 2017, a $38 reduction in best price.

The next table summarises the savings from reform: on average all vehicles in NSW received a 28 percent reduction in premiums.

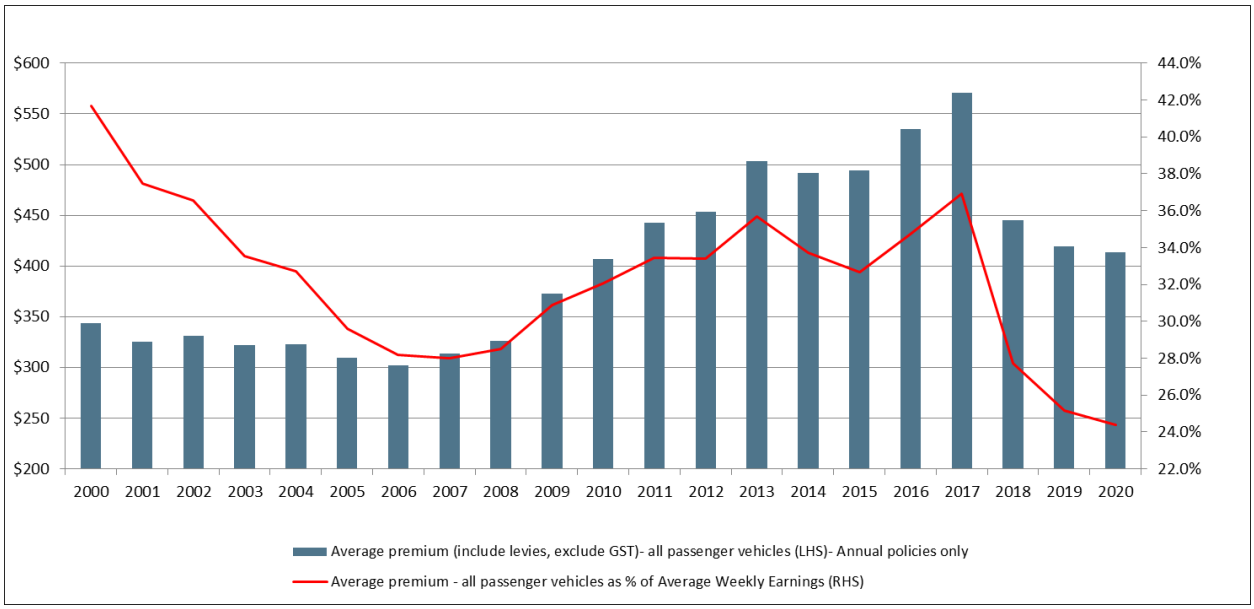
Average premium	June 2017	June 2020	Savings	% savings
Sydney passenger vehicles (Class 1)	$721	$511	$210	29% reduction
All NSW passenger vehicles (Class 1)	$626	$449	$177	28% reduction
Country passenger vehicles (Class 1)	$491	$390	$101	21% reduction
All vehicles in NSW	$661	$476	$185	28% reduction

Average premium comparison June 2017 to June 2019 (includes levies & GST)

4.3. Premium affordability

An objective of the 2017 scheme is 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[5] for the new scheme as at 30 June 2020 is around 24 percent, delivering on an intended scheme outcome for NSW motor vehicle owners (under the previous 1999 scheme affordability was 37 percent in 2017).



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

Under the 2017 Act, SIRA continues to guide premiums during the transitional period until enough claims information is available for each insurer to determine their own claims experience. Insurers continue to file new rates in response to competitive pressure thereby driving prices down. These activities are expected to continue during the transitional period.

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

SIRA is actively monitoring claims data, traffic volumes, accident rates and any potential impacts of the COVID-19 pandemic on the CTP scheme. Preliminary data is indicating that, while there was reduced road traffic between March and June 2020, people experienced more severe injuries in motor vehicle accidents during this time. The volume of claims for more severe injuries, which drive most of the costs, has largely not been impacted.

As the scheme matures, SIRA has a better understanding of scheme behaviour based on claims experience, actuarial assessments, and insurer market practices and competition in premium setting.

5. Claims and disputes 2017 scheme

5.1. Background

The next table and graph show the claims experience for the first accident year of the scheme (13 months: accidents occurring between 1 December 2017 and 31 December 2018) as at 30 June 2020. Key observations include:

- Over 99 percent of expected statutory benefit claims have been lodged.
- The 26-week benefit entitlement period for at-fault and not at-fault minor injury claims has ended for all claims in the first accident year.
- More than 91 percent of expected claims for damages are yet to be made. These claims account for approximately 70 percent of total expected claim costs.
- The key milestone of 20 months at which time non-minor claims with WPI of 10 percent or less are eligible to make a damages claim has now passed. (This milestone is from 1 August 2019 for people who lodged a claim on the first day of the scheme. For those who lodged on 31 December 2018 the date after which they can lodge is 1 September 2020.)

The financial performance of the scheme will be better understood as the award of damages claims experience progresses and as the scheme matures.

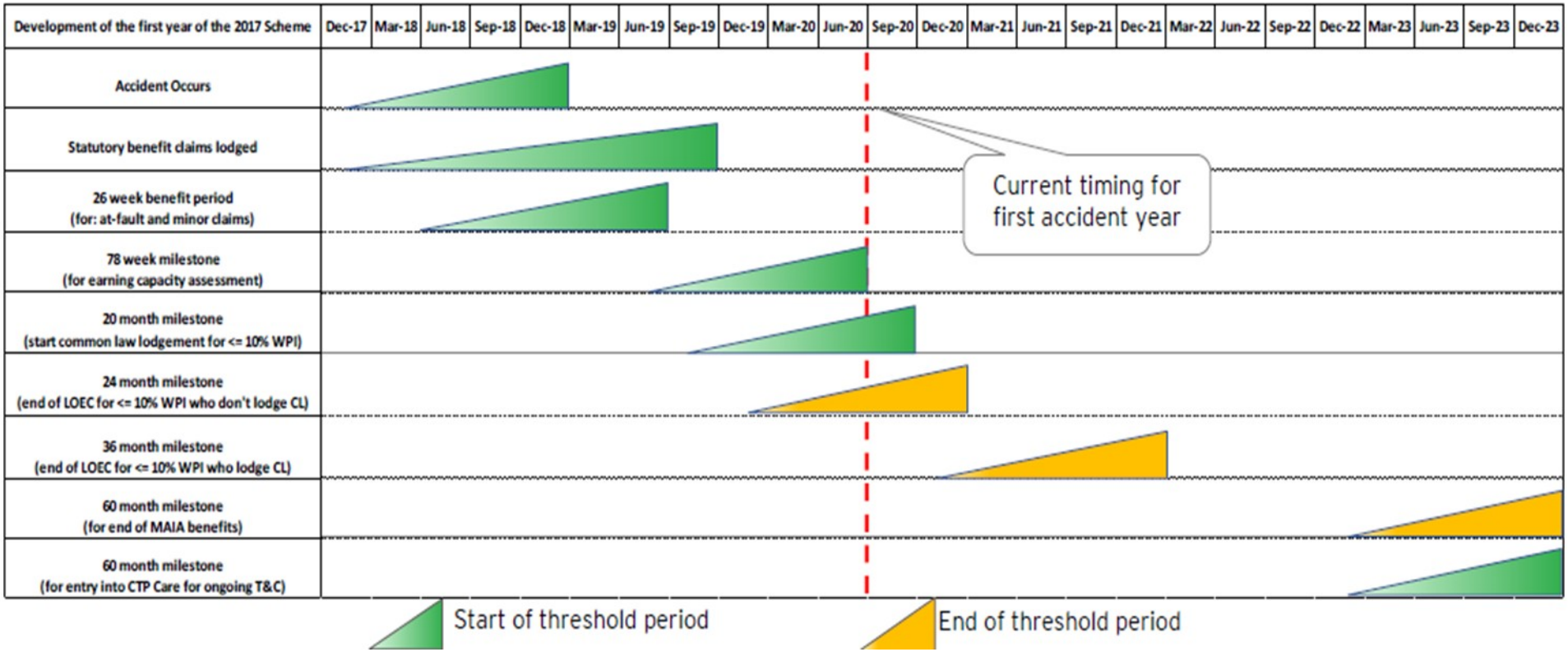
Development of the first year of 2017 Scheme	Threshold period
Accident occurs	Dec-17 to Dec-18
Statutory benefit claims lodged	Dec-17 to Sep-19
26-week benefit period (for at-fault and minor claims)	Jun-18 to Jun-19
78-week milestone (for earning capacity assessment)	Jun-19 to Jun-20
20-month milestone (start common law lodgement for <= 10% WPI)	Aug-19 to Aug-20
24-month milestone (end of LOEC for <=10% WPI who don't lodge CL)	Dec-19 to Dec-20
36-month milestone (end of LOEC for <=10% WPI who lodge CL)	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

Key Legislative Milestones (see graph over page also). Note:

- *WPI refers to Whole Person Impairment.*
- *LOEC refers to Loss of Earning Capacity.*
- *CL refers to Common Law.*
- *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:

- *WPI refers to Whole Person Impairment.*
- *LOEC refers to Loss of Earning Capacity.*
- *CL refers to Common Law.*
- *MAIA refers to the Motor Accident Injuries Act 2017.*
- *T&C refers to Treatment and Care.*

5.2. Claim numbers and mix of claims

Total claim numbers for the first (2017/2018) and second (2019) accident years are tracking largely in line with expected experience. Total claims numbers for the third accident year (2020) have only had six months of experience as at 30 June 2020. Statutory benefit claim numbers for the first and second accident years are also tracking in line with expected experience.

The next table shows the number of claims as at 30 June 2020 split by claim type. Most claims have a statutory benefit component (90.1 percent), and of these 1,280 (4.3 percent of claims) have also lodged a claim for an award of damages.

The early notification claim type (where injured people can claim a limited number of treatment or rehabilitation sessions without submitting a claim form) represents early notifications that have not progressed to become a statutory benefit claim. Early notifications make up 4.1 percent of claims (1,206 people), however given the very small claim size, payments make up 0.0 percent.

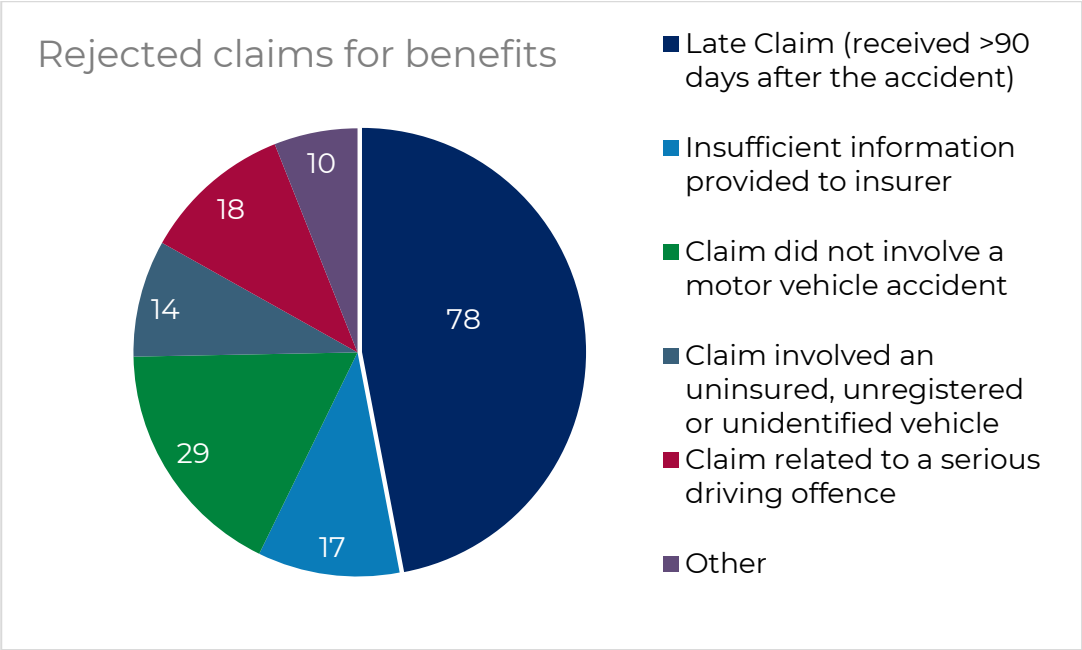
Compensation to relatives and funeral benefits represent 1.9 percent of claims reported and 2.4 percent of payments.

Claim type	Number of claims	% of claim type	Payments as at 30 June 2020	% total payments by claim type
Statutory benefits	25,537	85.8%	$323,529,819	69.5%
Statutory benefits with award of damages	1,280	4.3%	$110,989,182	23.9%
Early notifications	1,206	4.1%	$182,310	0.0%
Interstate	902	3.0%	$18,000,534	3.9%
Compensation to relatives and funeral	564	1.9%	$11,213,267	2.4%
Workers compensation	239	0.8%	$1,154,562	0.2%
Interstate/workers compensation	22	0.1%	$221,248	0%
Unknown	3	0.0%	0	0%
Overall	**29,753**	**100%**	**$465,290,921**	**100%**[6]

Number of claims reported by claim type to 30 June 2020[7]

In 2020 1.6 percent of claims were declined by insurers which is consistent with 2019. There were 10,334 claims either accepted or lodged and still waiting to be accepted as at June 2020 in the year prior to June 2020, down from 10,979 at June 2019.

[6] Rounding.
[7] Point in time data.

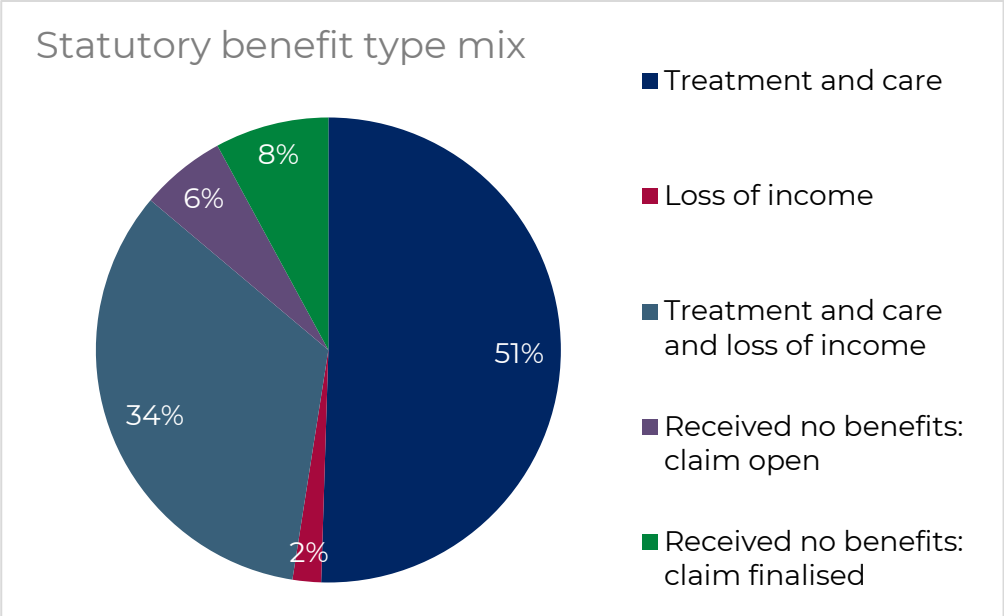


1 July 2019 to 30 June 2020

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.
- 34 percent have received treatment and care and weekly benefits.
- 14 percent of claims have received no benefits and of these eight percent have been finalised and six percent remain open. Of the six percent, a proportion of these are claims not duly made i.e. are early in the claim lodgement process.

Seventy-five percent of injured people received 'pre-claim support' (treatment prior to making a claim), with a further 20 percent accessing treatment and care services within the first month after lodging a claim.



1 December 2017 to 30 June 2020

Benefit type	Proportion %	Number
Treatment and care	51%	13,558
Loss of income	2%	439
Treatment and care and loss of income	34%	9,072
Received no benefits: claim open	6%	1,476
Received no benefits: claim finalised	8%	2,262
Total	**100%**[8]	**26,807**

Statutory benefit type mix 1 December 2017 to 30 June 2020

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.

Since 1 December 2017, more than 4,553 at-fault injured people have been provided with up to six months of benefits for medical expenses and income cover.

Between 1 December 2017 and 30 June 2020, over $73.7 million in benefits has been paid to at-fault drivers (including mostly at-fault), which represented an average payment of $16,196 per claim and 17.0 percent of overall benefits paid out to injured motorists.

Under the 1999 scheme, between April 2010 to 30 June 2020, $18.0 million in benefits has been paid to 7052 at-fault drivers, with an average payment of $2,555 per at-fault Accident Notification Form claim. The 1999 scheme capped payment available to at-fault drivers at $5,000.

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

The average payment for not-at-fault claims (all injuries) to 30 June 2020 is $17,607 per claim. This is expected to increase significantly as claim payments continue to be paid.

Since 1 December 2017, 19,725 not at-fault statutory benefit claims have been reported as at June 2020, with 11,594 assessed as minor, 7,292 assessed as non-minor and 839 with severity yet to be determined. Of these 19,725 not at-fault claims, 1,280 have lodged claims for damages.

Between 1 December 2017 and 30 June 2020, over $347 million in benefits has been paid out to not at-fault claimants across all severities, with $323 million paid as statutory benefits and $24 million in the form of settlements for damages claims.

5.4. Claim payments

Payments are tracking moderately higher than expected with actual payments being $22.4 million or 5.1 percent higher than expected.

Over 75 percent of people are receiving treatment and care benefit payments within the first three months after an accident compared with 26 percent before commencement of the 2017 scheme.

[8] Rounding.

For those claims reported in the 12 months leading to June 2020, 51 percent of people who were entitled to income support payments received payments within the first month of lodging a claim, with the vast majority receiving the income support payments within 13 weeks.

Most payments are for treatment (44 percent) followed by loss of income (39 percent).

While seriously injured people (with a WPI greater than 10 percent) can apply for damages immediately after their accident, they have immediate access to treatment and care benefits while they recover from their injuries.

Total claim related payments were $465.3 million as at 30 June 2020 and of this amount $31,543,707, or 6.8 percent, can be classified as 'non-claimant' payments (i.e. payments for insurer medico-legal, insurer investigation, insurer legal and injured people's legal).

Payment Type	$ Amount	% of total payments
Treatment expenses	$206,513,521	44.4%
Weekly payments	$181,448,742	39.0%
Insurer investigation[9]	$20,075,858	4.3%
Non-economic loss	$16,250,397	3.5%
Future economic loss	$14,318,523	3.1%
Care	$8,748,505	1.9%
Funeral expenses	$7,237,233	1.6%
Claimant legal	$5,023,651	1.1%
Past economic loss	$4,638,437	1.0%
Insurer medico-legal	$3,601,340	0.8%
Insurer legal	$2,842,858	0.6%
Funds management[10]	$545,000	0.1%
Other	-4,529	0.0%
Total before recoveries	**$471,239,854**	**101.3%**
Recoveries	-5,948,933	-1.3%
Total	**$465,290,921**[11]	**100%**

Payments by payment type to 30 June 2020

5.4.1. Award of damages

There have been 1,280 statutory benefit claims which have lodged a claim for damages. Of these, only 98 have been finalised and received settlement payments totalling $23.1 million to 30 June 2020.

To date, very few of the reported damages claims have been finalised (or settled). Furthermore, a large number of damages claims for the first accident year are still

[9] Includes factual investigations, treating medical reports and surveillance investigations.

[10] A small proportion of payments (1.1 percent) relate to 'funds management', which refers to payments for the management of trusts for injured persons aged under 18 and others with legal incapacities.

[11] Rounding

expected to be lodged. This is due to the Scheme having a legislated waiting period of 20 months before a damages claim can be lodged for those with a whole person permanent impairment or WPI of 10 percent or less (whose injuries are not 'minor injuries' as defined under the Act) and claimants are entitled to lodge for damages for up to three years post the accident. Given many insurer processes and stakeholder behaviours are still being established, it is expected that the reported claims for damages will continue to develop for the first accident year.

5.5. Minor injuries

5.5.1. Definition

Minor injury is defined in the 2017 Act as any one or more of the following: a soft tissue injury; a minor psychological or psychiatric injury. The determination of an injury as a 'minor injury' in the CTP scheme is based on diagnosis. It does not reflect the physical symptoms or the emotional impact an injury may have on a person. Injured people deemed to have 'minor injury' claims are eligible for up to 26 weeks (six months) of statutory benefits.

5.5.2. Minor injury claims

Advice from medical experts indicates most people with minor injuries will recover within six months.

As at 30 June 2020 there were 11,594 assessed not at-fault minor injury claims.

Of the claims assessed as not at-fault minor injury, 58 percent are receiving treatment or care benefits only; a further 28 percent are receiving both treatment or care and weekly benefits. 11 percent of claims assessed as not at-fault minor injury are yet to receive any benefit payments (most of these are eventually finalised with no payments).

Considering the experience by accident month highlights that this benefit profile appears to be generally consistent across all accident months.

Average minor injury claim payments are lower than expected at $5,447 compared with the $6,750 forecast.

5.5.3. Minor injury claims: benefits paid after 26 weeks

Treatment and care benefits can continue beyond 26 weeks if the injured person's doctor or treating health professional advises that further treatment will improve recovery or improve their return to work or usual activities.

5.5.4. Review of Minor Injury Definition in the NSW CTP Scheme

SIRA completed a review of the definition of minor injury against the objectives of the *Motor Accidents Injuries Act 2017* in February 2020. The review was in response to a commitment made to stakeholders by the Minister for Customer Service.

This review found that the definition within the 2017 Act, including the eligibility for statutory benefits, was achieving its objectives of encouraging early and appropriate treatment while maximising return to work/other activity outcomes. The review found that 42 percent of people with minor injuries finished their treatment and care claims within 13 weeks after a motor accident, which increased to 75 percent by 26 weeks and 98 percent by 52 weeks.

5.6. Legal representation

The legal representation rate for minor injury claims is 21 percent. This is generally in line with the overall scheme legal representation rate for all statutory benefit claims of 26 percent. People with non-minor injury claims may be eligible for an award of damages and are therefore more likely to have legal representation.

Of the 4,312 claims disputed at the SIRA Dispute Resolution Service from 1 December 2017 to 30 June 2020, 82 percent had legal representation.

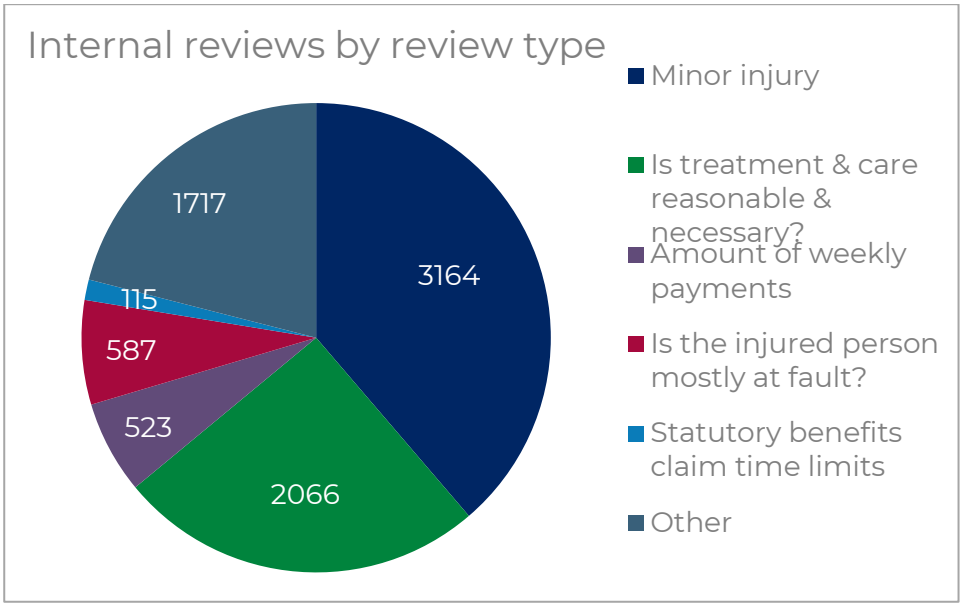
5.7. Insurer internal review

As the first step in resolving a dispute, an injured person can request an internal review of a decision by an insurer. An insurer internal review is needed before most disputes can be lodged (with SIRA's Dispute Resolution Service prior to 1 March 2021 or with the Personal Injury Commission since 1 March 2021). The internal review will be conducted by a person with the required skills, experience, knowledge and training, who did not have a role in the original decision. It can result in the decision being changed or remaining the same.

Of the 8,172 internal reviews from 1 December 2017 to 30 June 2020, 6,473 had been determined as at 30 June 2020 (602 were withdrawn and 452 were declined), with 23 percent of these decided in favour of the injured person.

The largest number of internal reviews concerned minor injury. Of determined minor injury internal reviews, 88 percent had the original decision upheld (same outcome for customer) with 12 percent decided in favour of the injured person (better outcome for customer).

Of the 1,663 internal reviews concerning whether treatment and care is reasonable and necessary, 69 percent had the original decision upheld and 30 percent are overturned in favour of the injured person.



1 December 2017 to 30 June 2020

5.8. Disputes at SIRA's Dispute Resolution Service

Of the 4,312 disputes lodged at DRS, 1,480 were in progress and 1,942 were completed as at 30 June 2020. Of the 1,942 completed disputes, 660 (34 percent) resulted in the insurer's decision being overturned with 1,096 (56 percent) having the original insurer's decision upheld.

Forty-six percent of disputes relate to minor injury assessments and of the 1,108 determined minor injury disputes 31 percent were overturned in favour of the customer.

There have been eight litigated claims (at court) under the 2017 scheme as at 30 June 2020.

Dispute resolution outcomes 1 December 2017 to 30 June 2020

Type	Dispute matter	In progress	Settled / withdrawn	Declined	Other	Decision overturned	Decision upheld	Determined / uncategorised	Determined other	Total
Medical	Minor injury	610	186	55	23	343*	715	45	5	1,982
Medical	Is treatment and care reasonable and necessary?	241	60	7	16	99	124	25	0	572
Medical	Panel review of a single medical assessment	61	6	54	126	20	29	16	1	313
Medical	Permanent Impairment	165	47	30	8	9	21	2	0	282
Misc. claim	Is injured person mostly at-fault?	79	53	4	3	46	61	24	0	270
Misc. claim	Statutory benefit claim time limits	9	22	4	0	5	4	1	0	45
Merit review	Amount of weekly benefit payments	35	18	0	5	36	38	17	1	150
Merit review	Legal costs	59	27	3	9	20	38	7	0	163
	Other	221	68	22	34	86	66	36	2	535
	Total	**1,480**	**487**	**179**	**224**	**664**	**1,096**	**173**	**9**	**4,312**

'Determined other' includes the outcomes 'Exercised in favour of applicant' and 'Insurer liable for damages'.

** 4 were overturned in favour of the insurer. This was the only category where a decision was overturned in favour of the insurer.*

The 535 'Other' disputes include a range of dispute types with low numbers e.g. reductions for contributory negligence, disputes related to treatment and care, applications for appointed representatives and fault status.

5.9. Outlook

SIRA and the scheme actuary will continue to monitor the scheme and claims experience for injured people. The Personal Injury Commission commenced on 1 March 2021.

6. Fraud reduction

6.1. Background

The 2017 Act have strengthened SIRA powers to investigate and prosecute people attempting to cheat the system.

SIRA works with the NSW Police Force's Financial Crimes Squad and other peak investigative bodies to deter, detect and prosecute fraudulent claims and suspected unlawful activity involving the CTP scheme. Overall, from April 2017 to 30 June 2020, the NSW Police has made 35 arrests and over 209 fraud-related charges, representing a value of around $17 million.

6.2. Outlook

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

7. 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.

Until a material amount of payments for the first accident year claims is paid, any assessment of realised profits will have a high degree of uncertainty.

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.

Under the 1999 scheme, projected average efficiency for the latest five accident years is 44 percent. The 2017 scheme aims to return 57 cents of every Green Slip dollar to injured persons as benefits, of which 65 per cent will paid to those with more serious injuries.

7.4. Outlook

SIRA undertook its first Transitional excess profits and losses (TEPL) assessment for the 2018 accident year in 2020. It was determined that there was insufficient actual claims experience to determine ultimate profit levels, so the decision on whether to activate TEPL to recover excess profit for the 2018 year was deferred.

SIRA has commenced its second TEPL assessment for the 2018 and 2019 accident years. Once SIRA has received the actuarial advice (including an actuarial peer review), it will make an assessment on whether to trigger the next steps in the TEPL process.

8. 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 July to 30 June.
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.
Cost per policy	Total cost of claims divided by the number of insured motor vehicles in NSW. The claims cost is calculated by adding past claim payments and projected future claim payments allowing for wage inflation and an assumed level of future superimposed inflation.
Claims frequency	Claims frequency is defined as number of claims divided by the number of policies exposed.
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.
CL	Common Law

Item	Description
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.
Loss ratio	The loss ratio is the cost of claims (excluding claims handling expenses) divided by the insurer's premium collected (excluding GST and Levies). Generally, a loss ratio is a ratio of losses to gains.
LOEC	Loss of Earning Capacity.
MAIA	Motor Accident Injuries Act 2017.
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.
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.
Premium filing	The process of an insurer submitting its proposed premiums to SIRA for approval, together with full details of costs, actuarial reports and other information to ensure premiums meet the Act.
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.
T&C	Treatment and care.
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.
Whole person impairment (WPI)	Whole person impairment 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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