NSW Motor Accidents CTP scheme

Motor Accident Injuries Act 2017

Scheme Performance Report 2018

Issued 2020

NSW GOVERNMENT

Contents

1. Executive Summary

1.1 Introduction

This is the State Insurance Regulatory Authority's (SIRA) 2017-2018 performance report for the 2017 NSW Compulsory Third Party (CTP) Motor Accident ('Green Slip') Scheme, established under the *Motor Accident Injuries Act 2017* (2017 Act).

The '2017 scheme' commenced on 1 December 2017, following a major review of the previous '1999 scheme'. The 1999 scheme, established under the *Motor Accidents Compensation Act 1999* (1999 Act), stopped selling CTP policies on 30 November 2017. Policies were then sold under the 2017 scheme from 1 December 2017.

The 2017 scheme is designed to maximise recovery from injury and reduce average CTP premiums for motorists, while increasing benefits to injured people. This report covers the first seven months of the 2017 scheme's operation: 1 December 2017 to 30 June 2018.

The 1999 scheme will continue to operate for many years until all claims for accidents before 1 December 2017 are finalised. SIRA regulates both schemes.

The data in this report is based on analysis by the scheme actuary, Ernst & Young, and information provided by SIRA. A separate 2017-2018 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 (first seven months of operation):

- Most motorists have saved between $130 and $200 due to scheme reform. The average premium, all vehicles, fell by 20 percent from 30 June 2017 to 30 June 2018.
- Green Slips are significantly more affordable. Affordability reached a peak of 37 percent of average weekly earnings in June 2017 but dropped to 28 percent in June 2018. This delivered on the intended scheme outcome of reducing the cost of Green Slips.
- Fewer claims were reported than expected. This has largely been driven by the low level of reporting in the first two months: December 2017 and January 2018.
- At-fault claims for statutory benefits in the first seven months of the scheme were lower than expected. As this is a new benefit available under the scheme, we anticipate at-fault claims will increase as the community becomes aware of the availability of 26 weeks of statutory benefits for at-fault injured road users.
- More claims have been assessed as minor injury than expected for the more developed accident months i.e. as injured people can report up to three months after the accident later months receive more claims. SIRA continues to carefully monitor the minor injury profile, throughout the claim lifecycle, including the insurer internal review and the Dispute Resolution Service process. SIRA will conduct a review of the minor injury definition against the objectives of the *Motor Accident*

Injuries Act 2017 at the two-year anniversary of the scheme, which is 1 December 2019.

- Ninety-three percent of payments made by insurers were for statutory benefits, such as treatment and care and weekly income benefits. This aligns with the key scheme objectives of early and appropriate treatment and care to achieve optimum recovery, and to provide early and ongoing financial support for people injured in motor accidents. Treatment and rehabilitation represented 43 percent of payments and weekly benefits represented 50 percent.
- Payments are lower than expected. This may be as a result of various factors such as: seasonality which was not factored for; variations in early months of the scheme being magnified; and delays associated with claim reporting, as claims may be reported up to three months after the accident.
- Insurers have filed premiums including forecasted profits of eight percent. CTP schemes have a longer settlement period for claims compared to other insurance types. Therefore, several years may lapse before forecast profits are realised. The legislation also introduced a profit normalisation mechanism which can be activated to adjust any excessive profits or losses.

1.3 Outlook

A comprehensive assessment of the performance of the 2017 scheme is premature. As at 30 June 2018, we were only partially through the first year of the scheme, which ends on 30 November 2018, with most statutory benefit claims for that accident period expected by 31 May 2019.

The scheme focuses on recovery, with a waiting period of 20 months after an accident before an award of damages can be lodged by less seriously injured people (those with a whole person impairment (WPI) of 10 percent or less). Damages are expected to contribute to 73 percent of the total claim cost of the 2017 scheme. As at 30 June 2018, there had been nine damages claims lodged.

The earliest that damages claims for the less seriously injured (WPI of less than 10 percent) can be lodged is 1 August 2019 for an accident that occurred on 1 December 2017, the first day of the 2017 scheme. Those with a WPI of greater than 10 percent can apply at any time after the accident for future economic and non-economic loss (e.g. pain and suffering).

SIRA will be monitoring the scheme closely to ensure it protects the more seriously injured road users and meets the scheme objective of a greater proportion of benefit allocation to them than was the case with the 1999 scheme.

2. Setting the scene

2.1 Background

Before the introduction of the 2017 scheme, NSW CTP insurance, under the 1999 scheme, was among the most expensive in Australia. The cost of claims for less severe injuries, such as whiplash and other soft tissue injuries, had skyrocketed in recent years. Around $213 of every Green Slip premium was going towards such claims in 2015. By 2017 they comprised around 60 percent of all claims, and were continuing to increase, putting pressure on premiums.

On average only 47 cents in every Green Slip dollar went to injured road users. The remainder went towards scheme costs, including insurer profits, insurer costs and legal fees. There was also an increasing number of fraudulent claims adding to scheme costs.

In March 2017, the NSW Parliament passed the 2017 Act, which introduced a new approach through the 2017 scheme.

Insurers stopped selling CTP policies under the 1999 scheme on 30 November 2017. The 1999 scheme will continue in operation for many years, as injuries, claims, and any disputes which may arise from accidents that occurred up to 30 November 2017 are resolved. Consequently, SIRA now regulates two CTP insurance schemes for motor vehicles registered in NSW: the 1999 scheme and the new 2017 scheme.

2.2 The 2017 scheme in summary

Rather than negotiating or estimating future medical expenses, medical treatment and care are now provided under statutory benefits (personal injury benefits). This may continue indefinitely if required.

Those who are at-fault can receive benefits for up to 26 weeks (six months). Those who have 'minor injuries'[1] can also receive benefits for up to 26 weeks (six months), as clinical experts have advised that most recover well with treatment and return to usual activities within 26 weeks.

The definition of minor injury is key to the scheme's success by giving those with minor injuries fair and reasonable access to benefits, while ensuring most benefits are dedicated to more seriously injured people.

SIRA is closely monitoring how insurers handle minor injury claims to make sure that people injured under the new scheme receive correct entitlements and to enable evaluation of the schemes' operation.

Lump sum payment of damages for future economic loss continues to be available to injured road users (except for those with 'minor injuries', as defined in the Act) who can prove loss of earning capacity. As in the 1999 scheme, only people who are not at-fault can apply for damages or lump sum compensation.

[1] Minor injury is defined under the legislation as a soft tissue injury and/or a minor psychological or psychiatric injury. The definition reflects injuries where most people achieve a sustainable recovery within 26 weeks.

To encourage recovery, those with less serious injuries (10 percent or less WPI) can apply for damages for future economic loss only after 20 months from the date of their accident.

The more seriously injured (with a WPI of 10 percent or greater) can immediately claim damages for future economic and non-economic loss.

2017 scheme benefits and damages at a glance

Benefits/damages type	At-fault	Not at-fault (benefits and/or damages may be adjusted for part fault)		
	All	Minor injuries[1]	Non-minor WPI[2] ≤ 10%	Non-minor WPI > 10%
Ambulance and hospital emergency treatment	Available for anyone injured in a motor vehicle accident			
Weekly benefits payments for loss of earnings	Up to 6 months	Up to 6 months	Up to 3 years	Up to 5 years
Damages for future economic loss	No	No	Yes (after 20 months)	Yes
Damages for non-economic loss (e.g. pain and suffering)	No	No	No	Yes
Treatment and care benefits	Up to 6 months	Up to 6 months	Lifetime (LTCS[3] after 5 years)	Lifetime (LTCS after 5 years)
Funeral expenses	Available whether at-fault or not at-fault			
Damages for dependants in compensation to relatives claims	No	No	Yes (WPI threshold not relevant)	
Legal and other expenses	Available as prescribed under the 2017 Act and Regulations			

1. Minor injuries: soft tissue and/or minor psychological or psychiatric injuries
2. WPI: whole person impairment
3. LTCS is the Lifetime Care and Support Authority manages their claim and pays their treatment and care benefits.

Note: This is a simplified explanation of the scheme's benefits and claimants' ability to claim damages under the Act. It does not reflect every claimant's circumstances.

Insurer internal review 2017 scheme

Under the 2017 scheme, 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 necessary before most disputes can be lodged with SIRA's Dispute Resolution Service (DRS).

The review is independent of the original decision maker, allowing the injured person and insurer to resolve the dispute before it reaches SIRA's Dispute Resolution Service (DRS).

The objective is to reduce the number of disputes that DRS must consider and provide a quicker outcome for injured people.

SIRA's Dispute Resolution Service

SIRA operates an independent Dispute Resolution Service (DRS) which provides an alternative to court for resolving disputes for the NSW CTP schemes.

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

Since the 2017 scheme commenced, a new online portal has enabled people to lodge any dispute using just one application form. There is a strong focus on making it easier for injured people, insurers and representatives to have any 2017 scheme dispute resolved. A Dispute Resolution Officer is assigned to each individual case, and a Concierge Team has been established to assist injured people through their dispute process.

SIRA's services are delivered without charge to injured people and insurers. Services are funded through a levy on premiums.

3. Market share

3.1 Background

The Green Slip market is privately underwritten by five insurers: Suncorp (AAMI and GIO), Allianz Australia Insurance Limited (Allianz and CIC Allianz), Insurance Australia Group (NRMA Insurance) and QBE Insurance Group Limited (QBE).

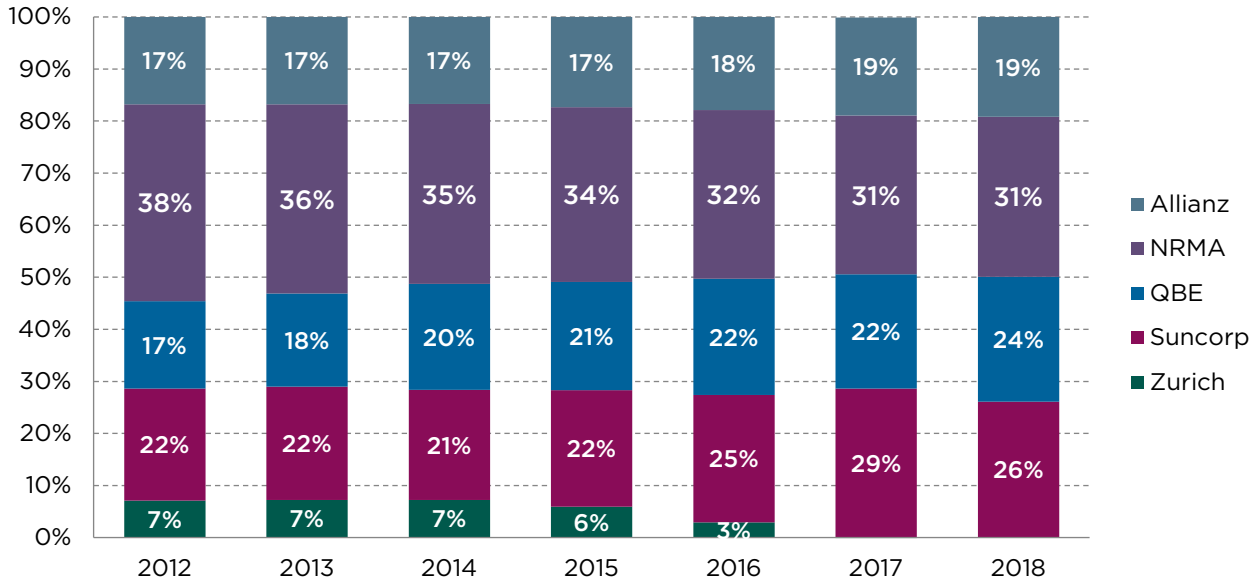
Zurich exited the scheme in March 2016.

3.2 Key facts as at 30 June 2018

- The retail market (including internet sales) is the largest segment of the NSW CTP market.
- AAMI, GIO and NRMA compete mainly in the retail market, dealing directly with non-commercial customers.
- CIC-Allianz competes in the commercial vehicle market through agents and brokers.

- GIO, QBE and Allianz operate in all market segments.
- An emerging market segment for all insurers is internet sales.

Movements in insurer market share by premium for the seven years to 30 June 2018[2]



Comparing June 2017 to June 2018, QBE gained two percent market share. Suncorp lost three percent market share. These are significant variations for these insurers when considered as a proportion of total premium income.

3.3 Outlook

All existing insurance companies licensed under the 1999 scheme have transitioned to the 2017 scheme with new licences. There have been no new entrants to the 2017 scheme.

4. Premiums

4.1 Background

Premiums are set and sold in accordance with the Motor Accident Injuries Act 2017 (the MAI Act 2017) and SIRA Motor Accident Guidelines (Determination of insurance premiums for third-party policies) made under the Act and approved by the SIRA Board.

Premiums are based on the actual and forecast claims experience of an insurer's expected portfolio mix of vehicles and rating districts for the filing period. To differentiate premiums, insurers could use a variety of objective risk-rating factors, within limits prescribed by the Premiums Determination Guidelines.

[2] Source: Quarterly premium returns

The 2017 Act meant insurers needed to file proposed Green Slip premiums with SIRA. SIRA's power to reject a premium is based on whether SIRA judges the premium:

- is excessive or inadequate (having regard to actuarial advice and to other relevant financial information available to SIRA), or
- does not conform to the relevant provisions of the Motor Accident Guidelines (Determination of insurance premiums for third-party policies).
- will not fall within the range of premiums determined by SIRA for the transition period.

All six insurers filed for reduced prices during the transitional period under the MAI Act 2017 starting from 1 December 2017. Since then five of the insurers have refiled for new prices in response to competitive pressure.

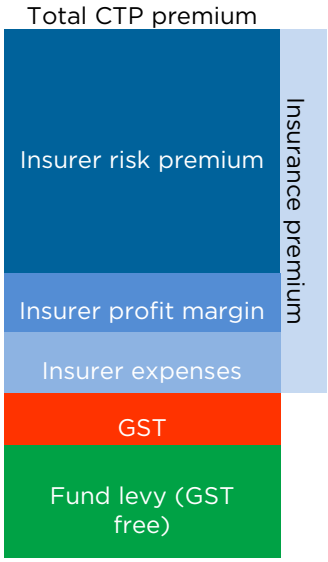
Premiums paid by motorists cover the cost of claims, insurers' administration and claims management costs, insurers' profit, GST and a levy, which appears as a separate charge on Green Slips.

Under the 1999 Act the Medical Care and Injury Services (MCIS) levy funded:

- public hospital and ambulance costs for all people injured in road accidents
- treatment, rehabilitation, care and support for lifetime care claims
- the operation of SIRA and its services.

From 1 December 2017, the Medical Care and Injury Services (MCIS) levy has been replaced by the Fund Levy. The MCIS levy was charged as a percentage of the insurer's premium. This meant that if you paid a higher premium, you paid a higher levy. The Fund Levy is a fixed dollar amount, based on vehicle type and garaging location.

Components of a Green Slip Premium 2017 scheme



Insurer risk premium

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

Fund levy

Covers SIRA's operation and services and the following funds. The amount of $142.01 is for a policy on a car garaged in Sydney at 1 December 2017.

It comprises:

Motor Accidents Operational Fund (MAOF)

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

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.

As under the 1999 scheme, in order 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 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) would be unaffordable and the community would be exposed to the risk of these motorists driving uninsured and unregistered.

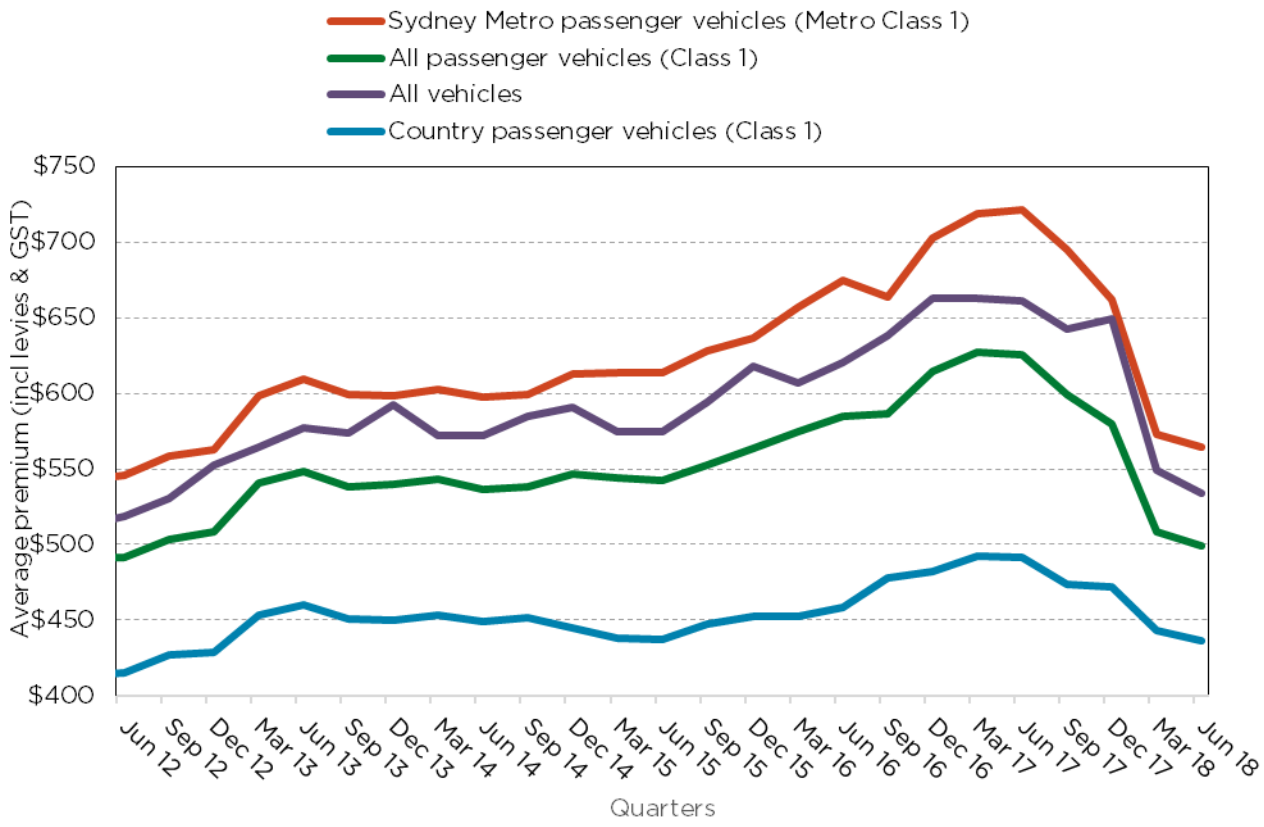
4.2 Premium trends

The Quarterly premium trends June 2012 to June 2018 graph (below) shows a steady rise in premiums from the June 2012 quarter to December 2015 quarter. Premiums rose significantly between the September 2016 to June 2017 quarters.

All insurers lodged premium filings with SIRA during the June 2017 quarter for price reductions of up to $43, to take effect from the 1 July 2017 (September quarter). This was due to the *Motor Accidents Compensation Regulation 2015* which restricted legal costs for an award of damages that was below $50,000 (and for up to the first $50,000 of an award) to protect small damages claims, and the NSW Police Strike Force Ravens activities in deterring, detecting and prosecuting fraudulent claims.

Consequently, the graph shows a reduction in premiums before the commencement of the 2017 scheme, with further reductions from 1 December 2017.

Quarterly premium trends June 2012 to June 2018



The next table compares the Sydney best Green Slip prices for passenger motor vehicles on 30 June 2018 with prices at the start of the 2017 scheme (1 December 2017) and prices under the 1999 scheme for the preceding three years. Prices are for drivers aged 30 to 54.

Sydney passenger vehicle best price[3] by insurer (includes levies and GST)

Insurer	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 Nov 2017	1 Dec 2017	30 June 2018
AAMI	$524	$505	$572	$622	$595	$475	$475
GIO	$519	$509	$555	$606	$590	$475	$471
Allianz	$542	$539	$604	$623	$611	$488	$478
CIC Allianz	$565	$546	$644	$673	$654	$467	$467
NRMA	$532	$545	$588	$640	$594	$468	$468
QBE	$509	$519	$587	$613	$587	$470	$470
Zurich	$547	$548	n/a	n/a	n/a	n/a	n/a

Note that Zurich stopped issuing Green Slip policies to the public on 1 March 2016 under the 1999 scheme.

Under the 1999 scheme, the best price as at 30 November 2017 for the owner of a Sydney metropolitan passenger vehicle, aged between 30 and 54, was with QBE at $587 (levy and GST inclusive). If a policy holder was shopping for a cheaper price, QBE's best price is $24 lower compared with Allianz's best price of $611.

Under the 2017 scheme, the best price as at 30 June 2018 for the owner of a Sydney metropolitan passenger vehicle, aged between 30 and 54, was with NRMA at $468 (levy and GST inclusive) compared with the next best price of $471 offered by GIO. Note that CIC Allianz competes in the commercial vehicle market. The table below summarises the savings from the reform. On average all vehicles in NSW received a 20 percent reduction in premiums. SIRA is guiding insurer premiums during the transition period and expects to maintain or improve the savings delivered to NSW motor vehicle owners for the next three years.

Average premium comparison June 2017 to June 2018 (includes levies & GST)

Average premium	June 2017	June 2018	Savings	% savings
Sydney passenger vehicles (Class 1)	$721	$564	$157	22% reduction
All NSW passenger vehicles (Class 1)	$626	$499	$127	21% reduction
Country passenger vehicles (Class 1)	$491	$436	$55	12% reduction
All vehicles in NSW	$661	$534	$127	20% reduction

[3] 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.

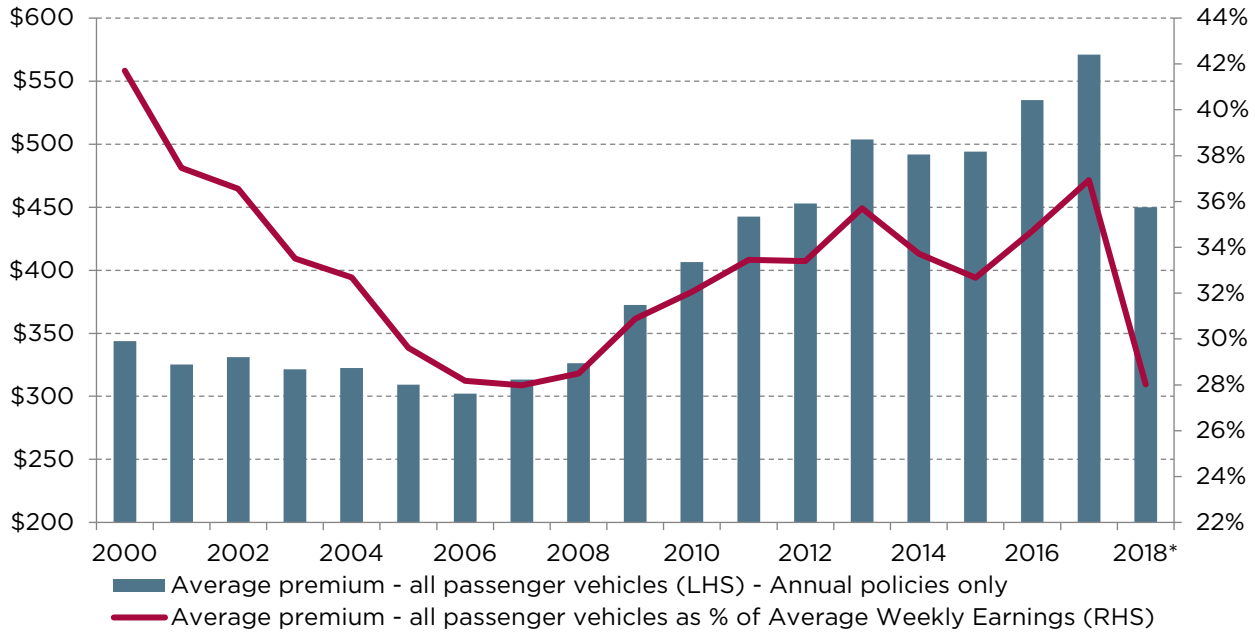
4.3 Premium affordability

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

The next graph shows that affordability of Green Slips steadily deteriorated between 2008 and 2013. In 2013, the cost of Green Slips represented 36 percent of average weekly earnings (AWE). Despite a slight improvement in real terms in 2014 (34 percent) and 2015 (33 percent), it reached a peak of 37 percent in June 2017.

Average premiums have reduced substantially for most motorists in NSW since the introduction of the 2017 CTP scheme.

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



Note: 2018 premiums are for the 2017 scheme only

4.4 Outlook

As at June 2017, based on claims trends and costs, further Green Slip price rises were expected without scheme reform. Since the introduction of the 2017 scheme on 1 December 2017, premiums have reduced substantially for most vehicle classes. Premium refunds are also available for those who paid pre-reform prices for Green Slips starting before 1 December 2017.

Following the reduction of the Fund levy in early 2019, further price reductions were introduced in January 2019.

5. Claims and disputes 2017 scheme

5.1 Background

At 30 June 2018, the first claims for the 2017 scheme are still very early in their life cycle. As is typical with personal injury schemes, there are significant delays in the full claim experience. Claim numbers and analysis of liability status, minor injuries and legal representation are preliminary indicators only.

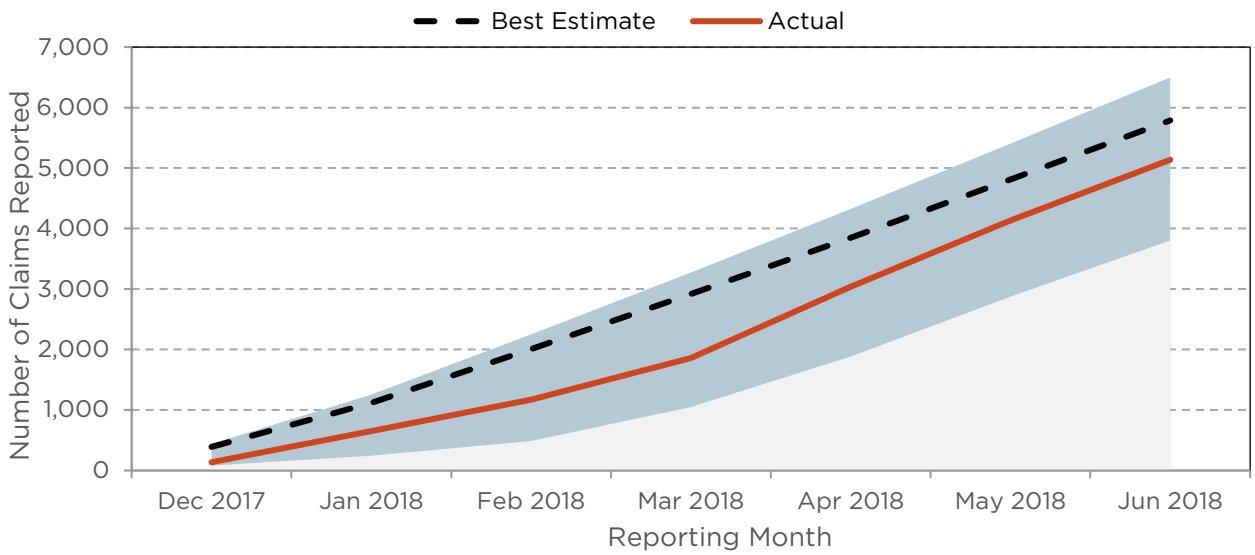
The number of claims reported in the first seven months of the 2017 scheme has been lower than expected. This has largely been driven by the low level of reporting in the first two months – December 2017 and January 2018.

The initial low reporting level may be due to limited awareness of the new scheme, delays in new business processes implemented by CTP insurers, other 'honeymoon' impacts and monthly seasonality in road casualties. There are also delays in reporting claims when they can be lodged up to three months after the accident. Lodgement may occur later in certain cases.

The reporting level has since picked up and is running much closer to what is expected.

Overall, claim numbers continue to develop within the expected range. The gap between expected and actual is narrowing as scheme experience develops.

Number of statutory benefit claims by reporting month (excludes s151z, compensation to dependants, interstate and early notifications)



The blue-grey band represents the upper and lower range for expected reporting behaviour based on assumed propensity to claim compared to expected.

The next table shows most claims reported are statutory benefit claims. There has been some take up of the early notification benefit (where injured people can claim a limited number of treatment or rehabilitation sessions without submitting a full claim form. As at 30 June 2018, 330 claims comprise this group).

There are nine claims for the award for damages included with the statutory benefit claims. This limited number reflects the 2017 scheme benefit design where all claims

receive early treatment, care and, for earners, weekly benefits. This removes the impetus for seriously injured people to lodge quickly.

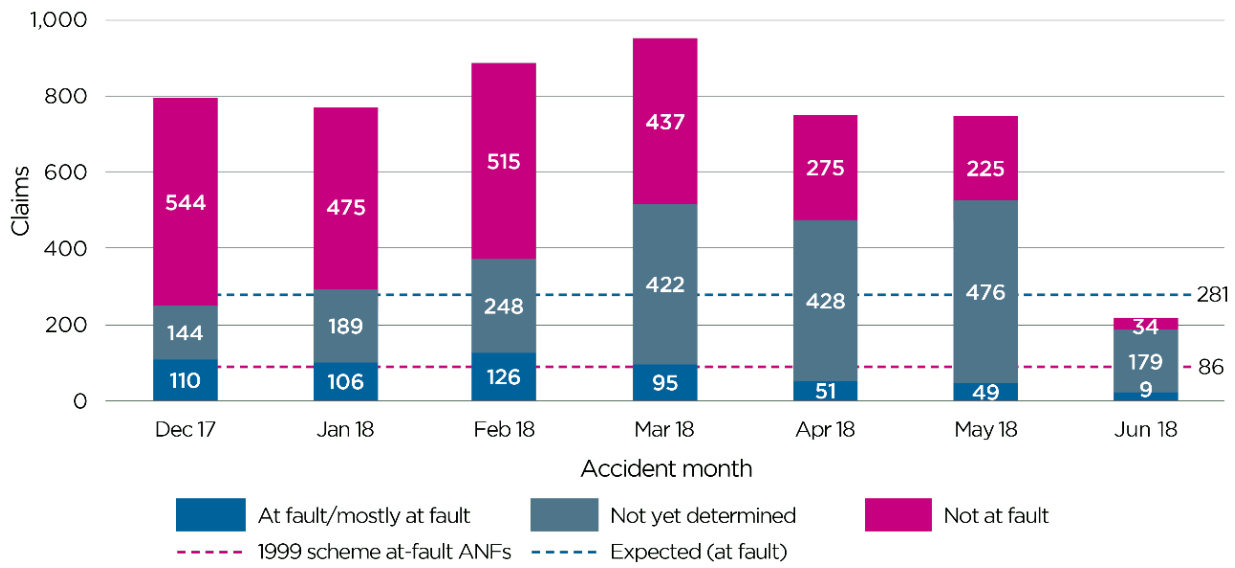
Additionally, the scheme has been designed so that those with less serious injuries (10 percent or less WPI) must wait 20 months to lodge a damages claim for economic loss. This encourages participation in treatment and care to assist with the goal of early recovery. Therefore, the earliest these claims can lodge is 1 August 2019 for a 1 December 2017 claim.

Number of claims reported by claim type to 30 June 2018

Claim type	Number of claims
Statutory benefits	5,137
Early notifications	330
Interstate	127
Compensation to dependant	81
Workers compensation	6
Other	3

5.2 Claims by fault status

Statutory benefit claims by fault status



The graph above shows at-fault and mostly at-fault claim numbers by month of accident compared with average 1999 scheme Accident Notification Form at-fault benefits. It also shows the expected amount for the same period.

At-fault claims in the 2017 scheme are lower than expected for the first seven months of the scheme. Over time, we anticipate at-fault claims will increase as the community

becomes aware of the 26 weeks of benefits available for at-fault injured road users. This was observed in 2019.

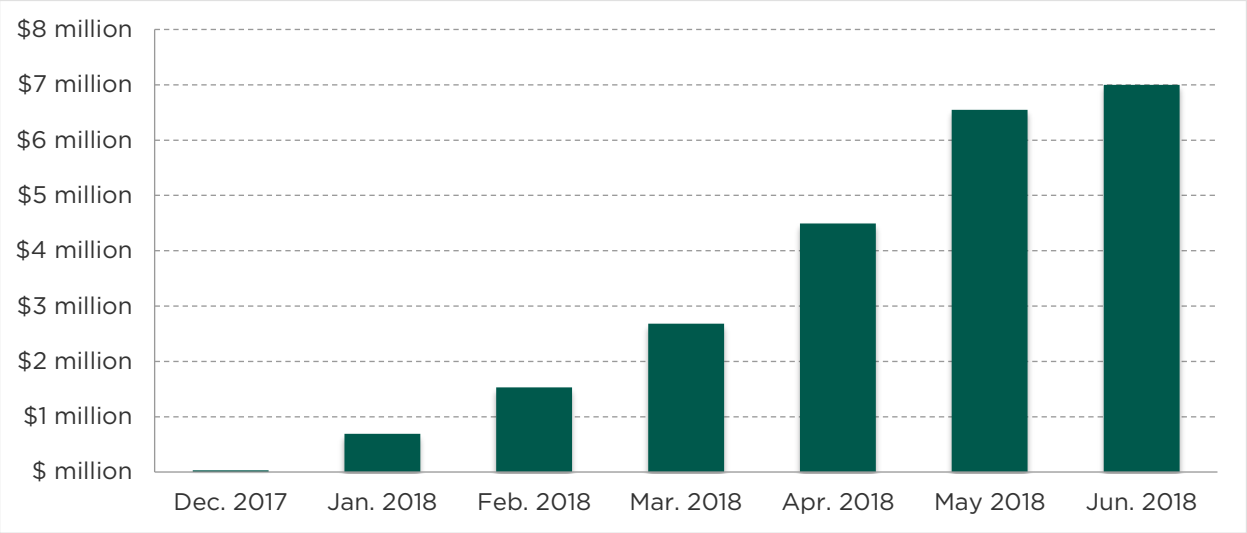
Claim numbers are low for the three months to June 2018, as many claims for these months have not yet been reported, and there will be a subsequent three-month period for insurers to make fault decisions. This reflects scheme design where insurers have up to three months after the claim has been lodged to decide on the liability beyond 26 weeks, with part of this decision depending on the fault status.

The older months will develop further as injured people can report up to three months after the accident. It is also expected that there will be claims reported after three months from the accident in certain cases.

5.3 Claim payments

The key objectives of the 2017 scheme are 'to encourage early and appropriate treatment and care to achieve optimum recovery, maximise return to work or other activities'; and 'to provide early and ongoing financial support.

Scheme payments by month paid



Award of damages are expected to ultimately comprise up to 73 percent of the total claim cost of the 2017 scheme. No damages payments have been made as at 30 June 2018.

This accorded with expectations as the 2017 Act does not allow people with less serious injuries (10 percent or less WPI) to submit a damages claim for economic loss until 20 months following the accident. This encourages participation in treatment and care to assist with the goal of early recovery.

Damages claims for less serious injuries will only emerge, at the earliest, from 1 August 2019. [As at 30 December 2018 fourteen damages claims were lodged. However, these claims may have included the most severely injured people (with WPI greater than 10 percent) who are able to lodge immediately following an accident].

Payment experience by payment class

Payment class	Total gross payments	Percentage of total payments
Treatment and rehabilitation	$10,267,553	43%
Weekly payments	$12,014,299	50%
Insurer medico-legal	$15,236	0%
Insurer investigation	$947,125	4%
Funeral expenses*	$666,630	3%
Care	$174,659	1%
Insurer legal	$979	0%
Injured people's costs (excluding legal)	0	0%
Injured people's legal	$1,760	0%
Award of damages	0	0%
Total (before recoveries)	$24,088,241	100%
Recoveries	($1,543)	0%
Grand total	$24,086,698	100%

* Total payments for funeral expenses are higher than expected as some compensation to dependants claims were coded by insurers as funeral expenses.

The above table shows over $24 million was paid between 1 December 2017 and 30 June 2018. Of this, $965,100, or 4 percent, can be classified as 'non-claimant' payments (i.e. payments for insurer medico-legal, insurer investigation, insurer legal and injured people's legal).

Payments are currently lower than forecast. This is likely to reflect the slower than anticipated start-up of the scheme and is not expected to result in a lower ultimate cost of claims.

Statutory benefits payments as at 30 June 2018 and revised forecast as at 30 November 2018

$ millions	Forecast	Actual	Remaining Payments for first Premium Year
Statutory Benefit Payments 30 June 2018	$72.0*	$24.1	$346.0
Statutory benefit payments 30 November 2018	$70 - $75**	$73.7	$296.3

* Forecast set in October 2017. ** A revised forecast was made in November 2018 allowing for emerging payment experience.

For the commencement of the 2017 scheme, premiums were determined by projecting an expected overall cost per policy. Expected claim payment patterns over time were forecast using quarterly payment patterns from injury schemes that pay statutory benefits (e.g. Victorian, Transport Accident Commission (TAC)). These payment patterns were then adjusted for the anticipated commencement date of the 2017 scheme.

While some initial delays in payments were allowed for, early actual payment patterns may differ from the forecast for the following possible reasons:

- In deriving monthly patterns from quarterly data, payments in the earlier months of each quarter are overstated compared with the later months;
- The aggregate payment pattern (used to determine the expected value in the table above) is a sum of payment patterns based on accident and payment months. Any emerging variation between the accident and payment months used is magnified in the aggregate payment pattern;
- Claims in the 2017 scheme are not yet being reported as quickly as in other schemes (i.e. TAC), so delays in the earliest months of the scheme are greater than forecast;
- The 2017 scheme started in December 2017 and may have been affected by seasonality which was not allowed for.

The difference in payment patterns mainly affects the timing of payments rather than their amount. If payments for loss of income are not made initially, for example, due to a delay in lodging a claim, these benefits can still be part of a damages claim later. In this situation, costs are likely to be higher than if paid as a statutory benefit, due to the uncertainty of the award of damages process and costs.

Most scheme costs will emerge over several years. Expected future damages payments are a material scheme cost, which will only emerge over the next few years. As anticipated, no damages have yet been paid in the 2017 scheme, so using the experience to date to gauge future trends in payment timing and amount would be misleading.

The following table shows how delays can affect expected statutory benefit payments and compares them with actual payments as at 30 June 2018.

30-Jun-18 ($ millions)	Expected	Actual
Original Payment Pattern	$72.0	$24.1
Pattern delayed by 1 month	$54.1	$24.1
Pattern delayed by 2 months	$39.4	$24.1
Pattern delayed by 3 months	$26.1	$24.1

This highlights the sensitivity of the assumed payment pattern to delays. Any delay in the current payment pattern by two or three months moves the payment pattern largely in line with the expected pattern. A variation in aggregate delay like this is not unreasonable in the first months of a new scheme.

While the payments to date are less than expected according to the actuarial model it is quite possible that this is temporary, as the various parties become accustomed to the new scheme. Such an effect has occurred in the past when significant changes in the scheme have been made. Over time, as the processes and procedures of the 2017 Scheme develop and mature, it is expected that the payments to injured people will continue to speed up.

With SIRA's new universal claims database, the scheme actuary, Ernst & Young, can improve the forecasts by better reflecting the claims experience in the new CTP scheme.

5.4 Minor injuries

Definition

Minor injury is defined in the *Motor Accident Injuries Act 2017* as a soft tissue injury or 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.

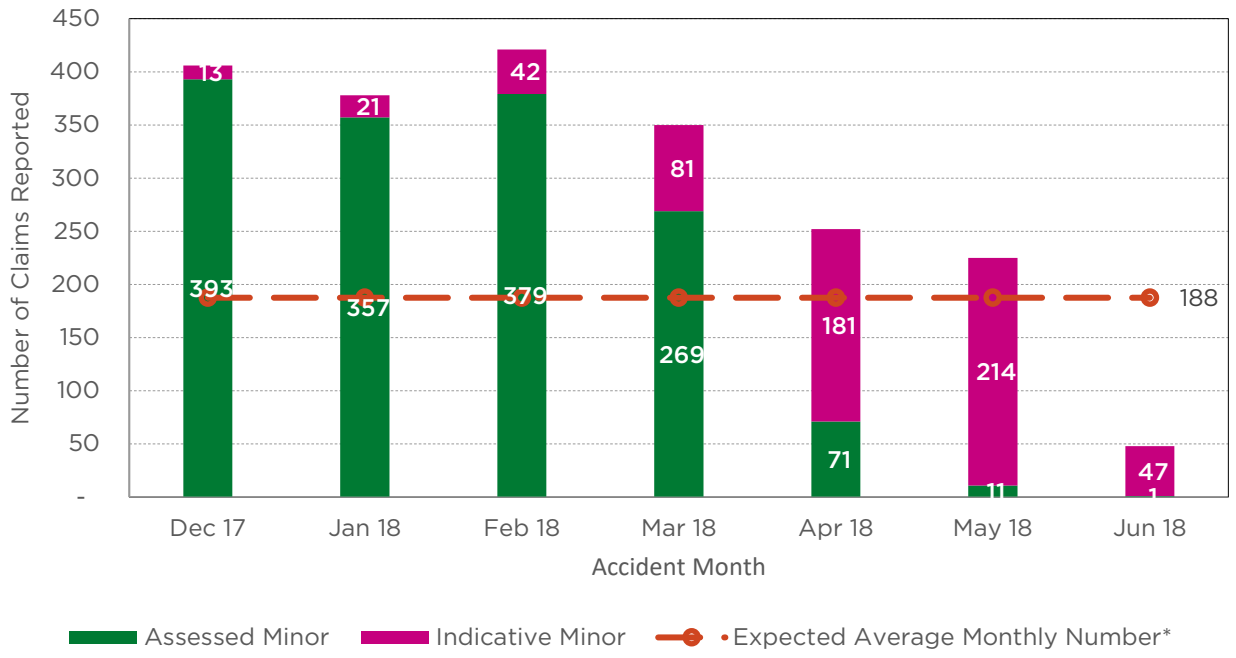
Minor injury claims

Medical experts agreed most people with minor injuries will recover within six months, so providing benefits for up to six months will serve these injured people well.

At this early stage of the scheme, there are indications that key processes associated with minor injury – communication, early access to treatment and care, evidence-based decision making, the new claims management approach (recovery and support), and dispute resolution (insurer internal review independent of the original decision maker and Dispute Resolution Services) – are working. However, SIRA is monitoring closely and it is still too early to fully evaluate the minor injury provision.

As at 30 June 2018, there were 810 assessed minor injury claims.

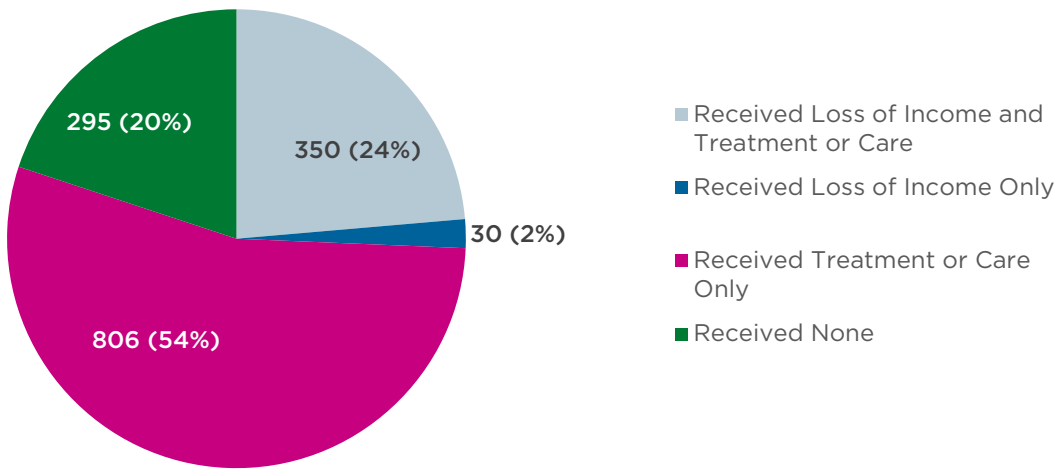
Number of Minor injuries by assessment type and accident month



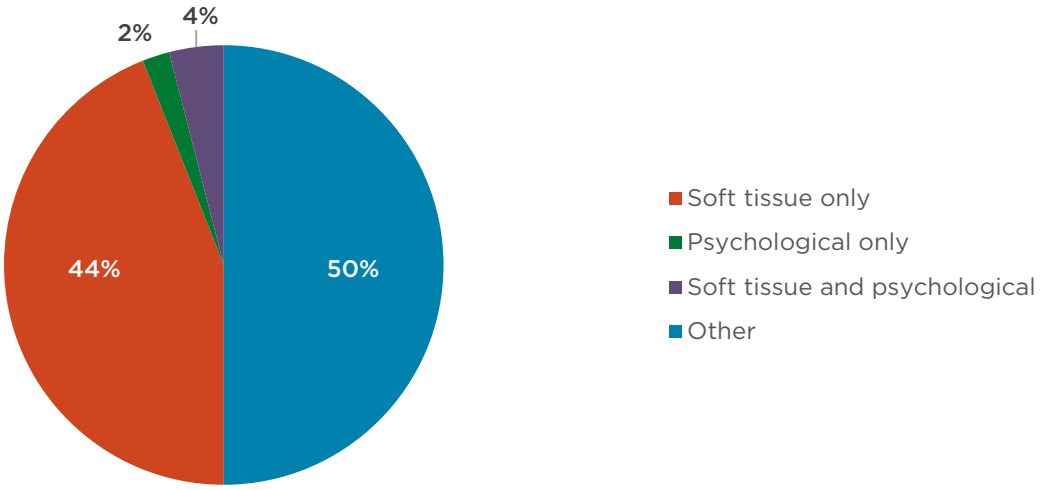
The above graph shows more claims assessed as minor injury than expected for the older and more developed accident months. Many insurer initial assessments of minor injury decisions will be reviewed using the insurer independent review process, outcomes of the independent file review and the Dispute Resolution Service merit review process. Claims initially assessed as minor injury by insurers may be reclassified as not minor injury by these three processes.

It is very early in the scheme's experience and, as early claims go through the claims lifecycle, SIRA is carefully monitoring the minor injury profile.

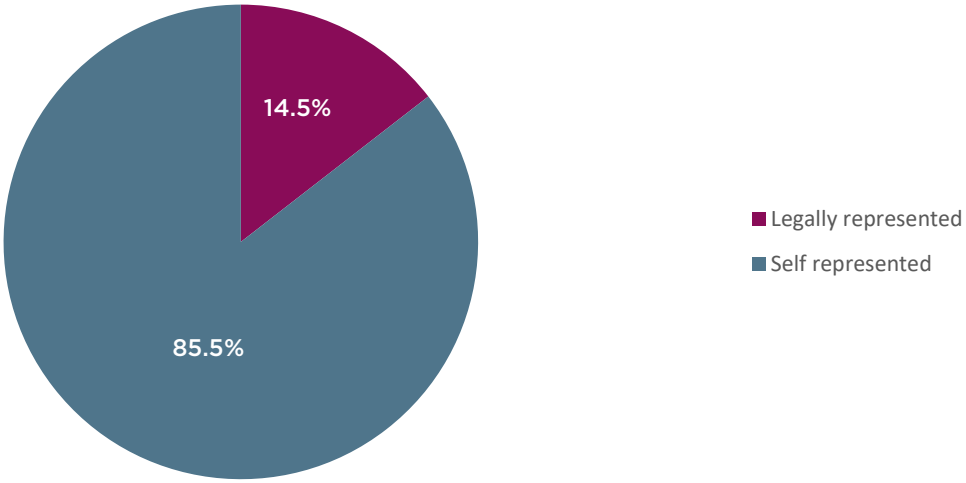
Assessed minor injury claims by benefits received



Type of minor injury decision



Minor injury by legal representation



There have been 147 internal review matters on minor injury decisions, with about 11percent of the decisions being overturned by the reviewer (noting a large proportion of the matters have not yet had a decision as at June 2018).

Further, approximately half of the DRS matters received up to June 2018 relate to minor injury decisions.

5.5 Legal representation

Of the 5,137 reported claims in the 2017 scheme as at June 2018, 1,051 statutory benefit or award of damages claims have been coded by insurers as involving a lawyer. Of these claims, almost all are currently statutory benefit only claims – 1,049 out of the 1,051. This represents a legal representation rate of 20 percent for reported claims with a statutory benefit component. Also, 21 percent of the claims for compensation to

dependants reported to the scheme involve a lawyer; for early notification claims the legal representation rate is 4 percent.

5.6 Internal review and dispute resolution

As the first step in resolving a dispute, an injured person can request an internal review of a decision by an insurer.

It must be independent of the original decision maker, allowing the injured person and insurer to resolve the dispute without SIRA's Dispute Resolution Service (DRS). This will usually provide a quicker outcome.

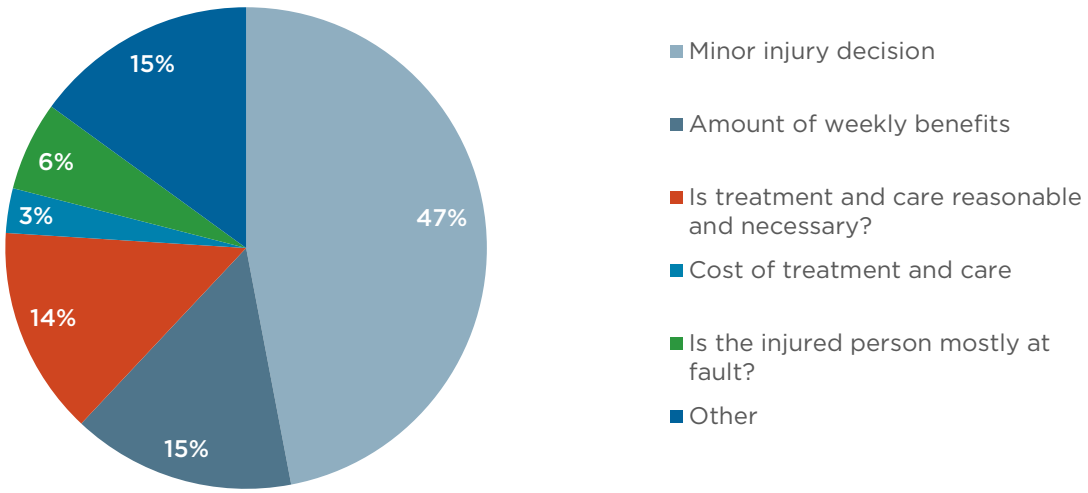
An insurer internal review is needed before most disputes can be lodged with DRS. Some matters can proceed directly to DRS.

Insurer internal review

There were 315 internal review matters lodged as at 30 June 2018. Approximately half relate to minor injury decisions.

Of the 315 internal reviews, 236 had been completed (including 19 withdrawn and 17 declined). 79 were in progress at the year's end.

Internal reviews by review type as at 30 June 2018



Insurer internal review outcomes

Internal review status	Internal review outcome
Determined	200
Withdrawn	19
Declined	17
In progress	79
Total	315

Insurer internal review - decisions

Internal Review impact	Decision upheld	Decision overturned in favour of injured person	Decision overturned in favour of insurer	Total
Minor injury decision	77	10	0	87
Amount of weekly payments	17	20	3	40
Reasonable & necessary treatment	21	11	1	33
Mostly at-fault	9	2	0	11
Other	17	12	0	29
Total	141	55	4	200

Thirty percent of decisions, as at 30 June 2018, were overturned in favour of the injured person at internal review, demonstrating value in the review process.

Minor injury decisions represented 43.5 percent of internal reviews as at 30 June 2018. Weekly payments were the next largest category, representing 20 percent of reviews, with reasonable and necessary treatment following at 16.5 percent.

Around 11 percent of minor injury decisions and 50 percent of weekly payment reviews were overturned in favour of the injured person. Just two percent of internal reviews were overturned in favour of the insurer.

Dispute resolution

Where an injured person disagrees with an insurer's decision after an internal review, they can access SIRA's Dispute Resolution Service (DRS). However, some matters can proceed directly to DRS.

The first 68 eligible disputes under the 2017 scheme were lodged in the quarter ended June 2018. There has been no litigation under the scheme to June 2018. Of the 68 disputes lodged, four had been decided as at 30 June 2018.

Dispute resolution outcomes

Type	Dispute matter	Decision over-turned	Decision upheld	In progress	Declined	With-drawn	Total
Medical	Minor injury			38		1	39
Medical	Is treatment and care related to injury caused by accident?			7			7
Medical	Is treatment and care reasonable and necessary?		1	5			6
Misc. claim	Is the injured person mostly at-fault?			2		1	3
Merit	Amount of weekly benefit payments		1	4	1		6
Merit	Is death or injury from an NSW accident?			1		1	2
Merit	Statutory benefits time limits			1			1
Merit	No benefits if workers compensation payable	1					1
Merit	Variation of weekly payments		1				1
Merit	Gratuitous services				1		1
	Unknown			1			1
	Total	**1**	**3**	**59**	**2**	**3**	**68**

Note: Claims opened in error, duplicate claims, invalid disputes or disputes submitted under the 2017 scheme but related to the 1999 scheme are not included in this table.

5.7 Outlook

It is too early in the scheme lifecycle to make any assessment of the dispute process. Delays may exist in reporting by the injured person, the assessment of the claim for post 26 weeks benefits by the insurer and the requirement for the internal review processes prior to the lodgement of a dispute.

6. Insurer profit and scheme efficiency

6.1 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 profit that may be realised once all claims are paid, if the current liability valuations prove correct, rather than actual profit. As the scheme develops and more claims are paid these estimates will change.

The 2017 scheme provides defined benefits to all injured people for up to 26 weeks after the motor vehicle accident, regardless of fault. This means that costs under the new scheme are more predictable and there is less need for insurers to include buffers in premiums to account for uncertainty in future claims liabilities and disputation costs. Insurers are better able to predict their likely future costs, resulting in more accurate pricing and less volatility of profits over time.

6.2 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 been working with insurers to develop an excess profit and loss mechanism, as provided for under the 2017 scheme.

Insurers have filed expected profits of eight percent which are within the limits set in SIRA's guidance.

The operation of the Transitional Excessive Profit and Loss mechanism is based on an assessment of insurers' profit against SIRA's determined reasonable profit range. SIRA has determined the reasonable range to be between 3 percent and 10 percent profit, with an 8 per cent target profit margin.

Until a material amount of payments for the first accident year claims is paid, which may take five to ten years, any assessment of realised profits will have a high degree of uncertainty.

6.3 Scheme efficiency

It is too early for scheme efficiency to be assessed with any degree of certainty. A material amount of payments from the first accident year will not be paid until five to ten years after the end of the accident year. Until such time, any assessment of actual scheme efficiency will have a high degree of uncertainty.

The 2017 scheme introduces a waiting period of 20 months from the date of accident before an award of damages can be lodged (for claims with a WPI of 10 percent or less). The award of damages is material to the ultimate claims cost and experience. Claims can take years to reach settlement and finalisation. 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 46 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.

Scheme efficiency 1999 scheme compared with 2017 scheme target

Scheme	Scheme efficiency
1999 scheme	46%
2017 scheme	57% (target)
2017 scheme (those with more serious injuries)	65% (target)

7. 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.
Annualised basis	Projections including the phrase "on an annual basis" have usually used less than a year's worth of data to project a full year's worth of data.
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

Item	Description
	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.
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).
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.
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.
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.

Item	Description
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 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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