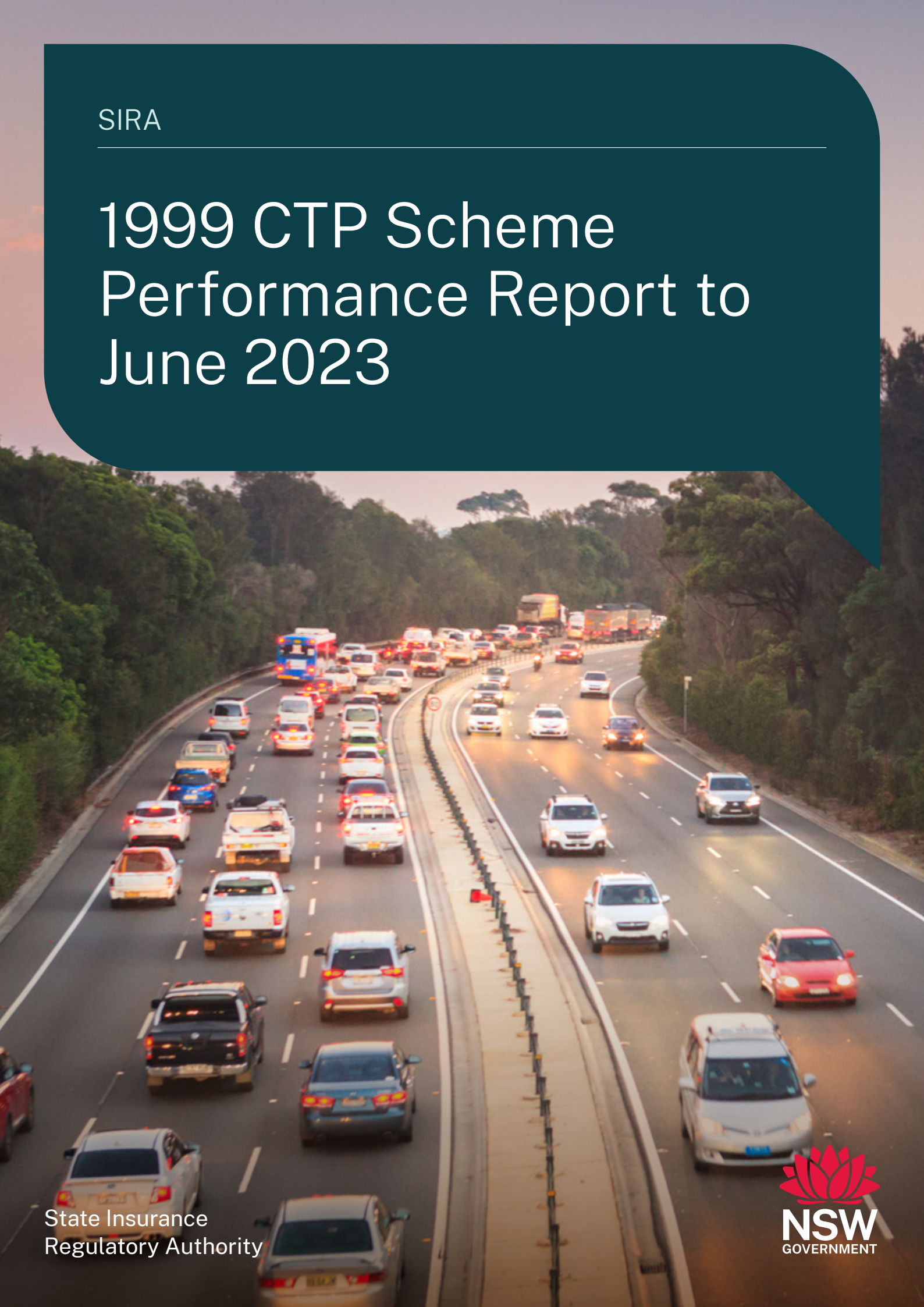
SIRA

1999 CTP Scheme Performance Report to June 2023



State Insurance Regulatory Authority

NSW GOVERNMENT

Contents

Introduction

The State Insurance Regulatory Authority (SIRA) is pleased to publish the 2022-2023 performance report for the '1999' NSW Compulsory Third Party (CTP) Motor Accidents Scheme.

The State Insurance Regulatory Authority (SIRA) is pleased to publish the 2022-2023 performance report for the '1999' NSW Compulsory Third Party (CTP) Motor Accidents Scheme.

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

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

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

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

About SIRA

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

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

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

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

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

Claim numbers, payments and scheme efficiency

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

Topic	Metric
New (ANFs and full claims)	62 injury notifications (ANFs and full claims) in 2022-2023 compared to 73 in 2021-2022.
Open claims	There are 1,777 open claims (including ANFs, full claims and workers compensation recovery claims under section 151z of the *Workers Compensation Act 1987* as at 30 June 2023.
Finalised claims	There were 1,337 finalised full claims in financial year 2022-2023.
Finalisation rates all claims	Finalisation rates were 6 per cent (or 56 claims) lower than expected[1] over the year. The average payment per finalised claim was 9 per cent higher than expected* across all claim types.
Legally represented minor severity claims	The total payments for legally represented minor severity claims were 1 per cent (or $1.2 million) lower than expected[1].
Nominal defendant	7 new nominal defendant claims received compared to 8 claims during 2021-22.
Actual payments	Claim payments for financial year 2022-23 were 2 per cent (or $4.8 million) higher than expected*. This is driven by the serious severity claims, which had $19.7 million higher than expected* payments and payments for legally represented minor severity claims which were higher than expected[1] by $1.2m. These amounts are offset by payments for moderate severity claims, which were lower than expected* by $11.5 million and payments for minor severity non-legally represented claimants which were also lower than expected[1], by $4.6 million.
Benefits paid	The Scheme paid $316 million in benefits in financial payment year 2022-2023. This compares with a total of $481 million in benefits paid in financial year 2021-2022.
Average payment – full claims	The average payment on all claims finalised in financial year 2022-2023 was $352,126. This is an increase in average payment of about 10 per cent compared to the financial year 2021-2022.
Outstanding estimates	As at 30 June 2023, the outstanding claims estimate is $684 million.
Legal costs as a % of claims costs	Plaintiff legal (excluding contracting out) costs are 9.8 per cent of claim costs since scheme commencement or 10.2 per cent since 2014.
Insurer investigations costs as a % of claims cost	Investigations costs, as a percentage of claims costs are 1.6 per cent since scheme commencement or 1.4 per cent since 2014.

1 **Note:** Expected refers to actuarial assumptions based on the 30 June 2022 valuation.

Topic	Metric
Superimposed inflation	At a scheme level, superimposed inflation has been relatively benign between payment years 2010-2018 and generally negative. From 2019 onwards, the average cost of a claim finalising has been significantly increasing. This is likely due to the more complex and higher cost claims being finalised later as the scheme continues into runoff. Some of this may be attributed to superimposed inflation, however as the scheme is in run-off this is highly uncertain.
Scheme efficiency	Projected average scheme efficiency for the latest five scheme years to 2018, as well as over the lifetime of the scheme, is estimated to be 44 per cent. Non-legally represented claims have approximately 55 per cent efficiency across all claim sizes, while efficiency for legally represented claims ranges from 28 percent (<$50k) to 48 per cent (>$700k). Legally represented claims consistently have lower efficiency than non-legally represented claims.
Insurer profit	Since the commencement of the MACA scheme, the estimated average insurer profit margin is estimated to be 24 per cent with nearly all scheme years for the scheme achieving a profit margin of at least 19 per cent. The high profit margin is a result of lodged claims and/or the cost of claims being much lower than expected in premium filings.

Glossary

Item	Description
Accident Notification Form (ANFs)	This form provides for the early payment of reasonable and necessary medical expenses and/or lost earnings up to 6 months after a crash and a maximum of $5,000. ANFs can be lodged by at-fault and not-at-fault injured parties up to 28 days after the date of crash.
Accident year (AY)	The year in which the motor vehicle crash giving rise to the claim occurred.
Claims (including full claims)	The claims in the NSW CTP 1999 scheme are split into full claims, ANFs and workers compensation recovery claims.
Compulsory third party (CTP) insurance	CTP insurance protects a person (the first party) who buys the policy from an insurer (the second party) against claims made by someone they injure (the third party).
Contracted out legal costs	Costs payable to the legal practitioner representing the claimant, by the claimant, under an agreed private arrangement i.e. those costs in excess of those specified in the SIRA Cost Regulation. These costs are not transparent to the insurer or in the data they submit to SIRA. Information on these costs is directly submitted by legal practitioners to SIRA's claims costs disclosure database.
Full claims	See Claims above.
Green Slip	Another name for a CTP policy that dates to the start of the NSW CTP scheme in 1989 when the CTP insurance invoice was a green piece of paper.
Run-off	Run-off means that the insurer ceases to take on board any new business but will continue to fulfil (payout) existing claims.
Scheme efficiency	Scheme efficiency, measures how much of the premium dollar goes to claimants as benefits.
Underwrite	The process of assessing risk and ensuring the cost and conditions of the cover consider the risks faced by the individual concerned and accepting liability under (an insurance policy), thus guaranteeing payment in case loss or damage occurs.
Superimposed inflation	Superimposed inflation is the increase in claim costs over time, over and above wage inflation. It is a regular feature of compensation schemes and is usually caused by a combination of legal, judicial, social, medical and other external factors. Superimposed inflation tends to be volatile over time.
Workers compensation recovery claims	Section 151Z of the *Workers Compensation Act 1987* enables an employer or insurer who has paid compensation to take action to recover the compensation payments from negligent third parties.

Disclaimer

This publication may contain information that relates to the regulation of workers compensation insurance, motor accident compulsory third party (CTP) insurance and home building compensation in NSW. This publication does not represent a comprehensive statement of the law as it applies to particular problems or to individuals, or as a substitute for legal advice.

SIRA, Level 14-15, 231 Elizabeth Street, Sydney NSW 2000

Website: www.sira.nsw.gov.au

Catalogue no. SIRA09179 | ISBN 978-0-7347-4727-3

NSW GOVERNMENT