NSW Motor Accidents CTP scheme

Motor Accident Injuries Act 2017

Scheme Performance Report 2019

Issued 2020

NSW GOVERNMENT

Contents

1. Executive Summary

1.1 Introduction

This is the State Insurance Regulatory Authority's (SIRA) 2018-2019 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 nineteen months of the 2017 scheme's operation: from 1 December 2017 to 30 June 2019.

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

The 2017 scheme is designed to maximise recovery after injury, reduce average CTP premiums for motorists while increasing benefits to injured people.

The 1999 scheme will continue to operate for many years until all claims for accidents before 1 December 2017 are finalised. SIRA now regulates two CTP schemes for motor vehicles registered in NSW.

The data in this report is based on analysis by the scheme actuary, Ernst & Young (EY), and information provided by SIRA. A separate 2018-2019 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 nineteen months of operation):

- The average CTP premium paid by all NSW passenger vehicle owners (Class 1) at 30 June 2017 was $626, compared with $499 in June 2018, and now $457 at June 2019, an overall saving of $169.
- CTP premiums are estimated to be around 25 percent of average weekly earnings (AWE) compared to 37 percent in June 2017, meaning that CTP insurance is more affordable under the 2017 scheme.
- Claim numbers for the first accident year are tracking broadly in line with expected experience. Claim numbers for the first accident year are 2.8 percent lower than forecast. For the second accident year, the difference is 0.1 percent lower than forecast.
- At-fault claims reporting has increased in the 2017 scheme compared with the 1999 scheme.
- Payments for the first accident year are tracking broadly in line with expected experience with actual payments being 0.7 percent higher than expected.
- Of all insurer internal reviews determined, 24 percent have been decided in favour of the injured person.

- Forty-eight percent of insurer internal reviews lodged concern minor injury, and of those determined, 13 percent are decided in favour of the injured person.
- Thirty-five percent of disputes that have been heard by SIRA's Dispute Resolution Service (DRS) are overturned.

1.3 Outlook

It is too soon to comprehensively assess the performance of the 2017 scheme. We are only partially through the second year of the scheme, which ends on 30 November 2019, with more than 98 percent of claims for award of damages yet to be lodged.

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 [with a whole person impairment (WPI) of 10 percent or less]. Therefore, the earliest date an award of damages claim can be lodged by less seriously injured people for an accident that occurred on the first day of the scheme is 1 August 2019. There is no waiting period for the more seriously injured (with a WPI greater than 10 percent) and as at 30 June 2019, four claims for damages have been settled.

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

SIRA will undertake a legislative review of the 2017 scheme as soon as practicable after three years from the date of the scheme's commencement on 1 December 2017.

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.

Green Slip 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.

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.

A levy on Green Slip premiums 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 Scheme reform

Before the introduction of the 2017 scheme, NSW CTP insurance under the 1999 scheme was among the most expensive in Australia.

In March 2017, after lengthy and broad consultation, the NSW Parliament passed the 2017 Act to introduce a new approach to CTP insurance in NSW from 1 December 2017. The 2017 scheme better supports people injured on our roads, has a focus on their optimal recovery and, for vehicle owners, reduces the cost of Green Slips.

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.

SIRA now regulates two CTP insurance schemes for motor vehicles registered in NSW: the 1999 scheme and the 2017 scheme.

2.3 The 2017 scheme

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

The 2017 scheme provides injured people with access to a new provision of statutory benefits and modified common law for an award of damages:

- Most injured people[1], regardless of fault, are entitled to claim statutory benefits for up to 26 weeks. Statutory benefits include defined benefits for weekly income payments if the person works, medical and 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.
- Treatment benefits and commercial attendant care are paid as statutory benefits and are not payable in any lump sum compensation in personal injury damages claims.
- A claim may still 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 per cent, and
  - 260 weeks if the degree of permanent impairment as a result of the injury is greater than 10 per cent.
- After five years from the date of the accident, icare 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.)

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 DRS.

The review is independent of the original decision maker, allowing the injured person and insurer to resolve the dispute before it reaches DRS.

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

[1] Exceptions to this general rule are listed under Division 3.5 of the 2017 Act, such as where the injured driver has committed a serious driving offence, or where workers compensation is available.

SIRA's Dispute Resolution Service

SIRA operates an independent 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, an 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 assists 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 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).

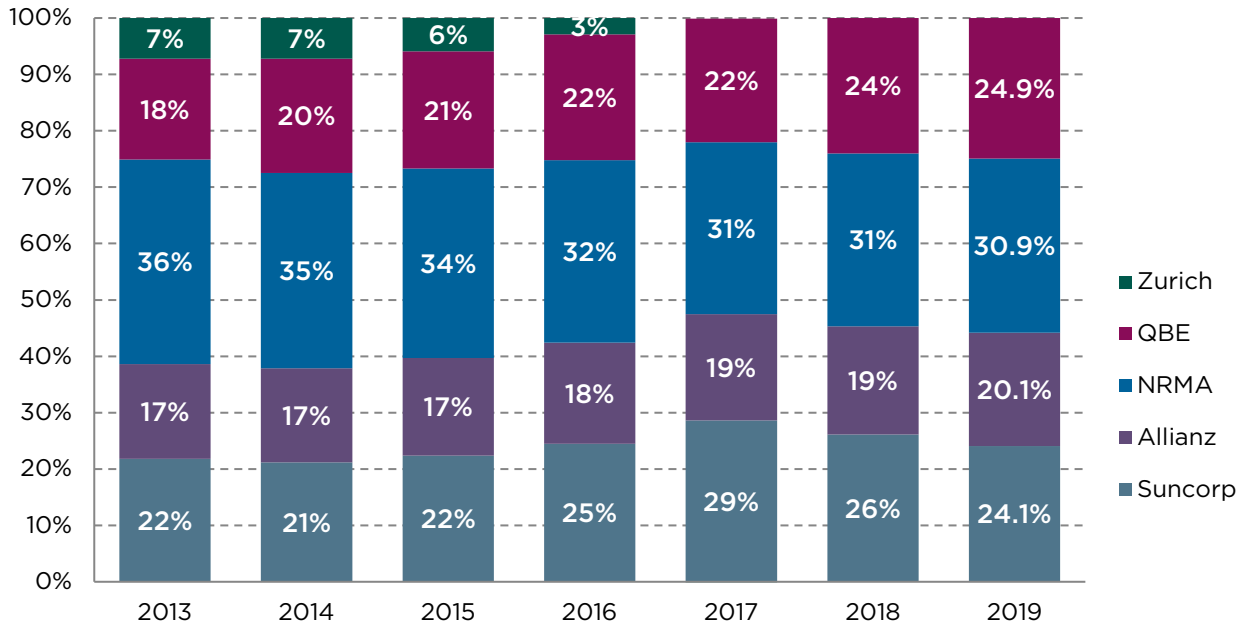
From 15 January 2019, CIC Allianz ceased issuing Green Slip policies following the consolidation of the Allianz and CIC Allianz licenses with Allianz taking over the CIC Allianz Green Slip business. CIC Allianz was in the commercial vehicle market.

3.2 Key facts as at 30 June 2019

- An emerging market segment for all insurers is internet sales 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.
- GIO, NRMA, QBE and Allianz operate in the retail and brokerage markets.
- CTP insurers have adapted to major premium system changes including the Risk Equalisation Mechanism[2] and continue to evolve their distribution strategies.

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

Movements in insurer market share by premium for the seven years to 30 June 2019[3]



Comparing June 2017 to June 2019, QBE and Allianz gained 2.9 and 1.1 percent market share respectively. Suncorp lost 4.9 percent market share. These are significant variations for these insurers when considered as a proportion of total premium income.

Comparing June 2018 to June 2019, Allianz and QBE gained 1.1 percent market share each. Suncorp lost 1.9 percent market share.

During the June 2019 quarter, NRMA retained the largest market share with 30.9 percent, followed by QBE with 24.9 percent, Allianz and CIC Allianz combined with 20.1 percent, GIO with 16.4 percent, and AAMI with 7.7 percent.

3.3 Outlook

The insurer premium market share is the most fluid it has been for some time indicating increased competitiveness. It is expected that insurers will continue to react to their competitor's prices by reducing their prices to protect their market share.

4. Premiums

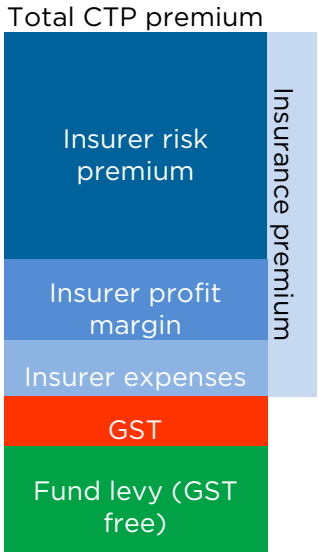
4.1 Background

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.

[3] From 2019 SIRA will report percentage market share to the first decimal point.

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.

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.

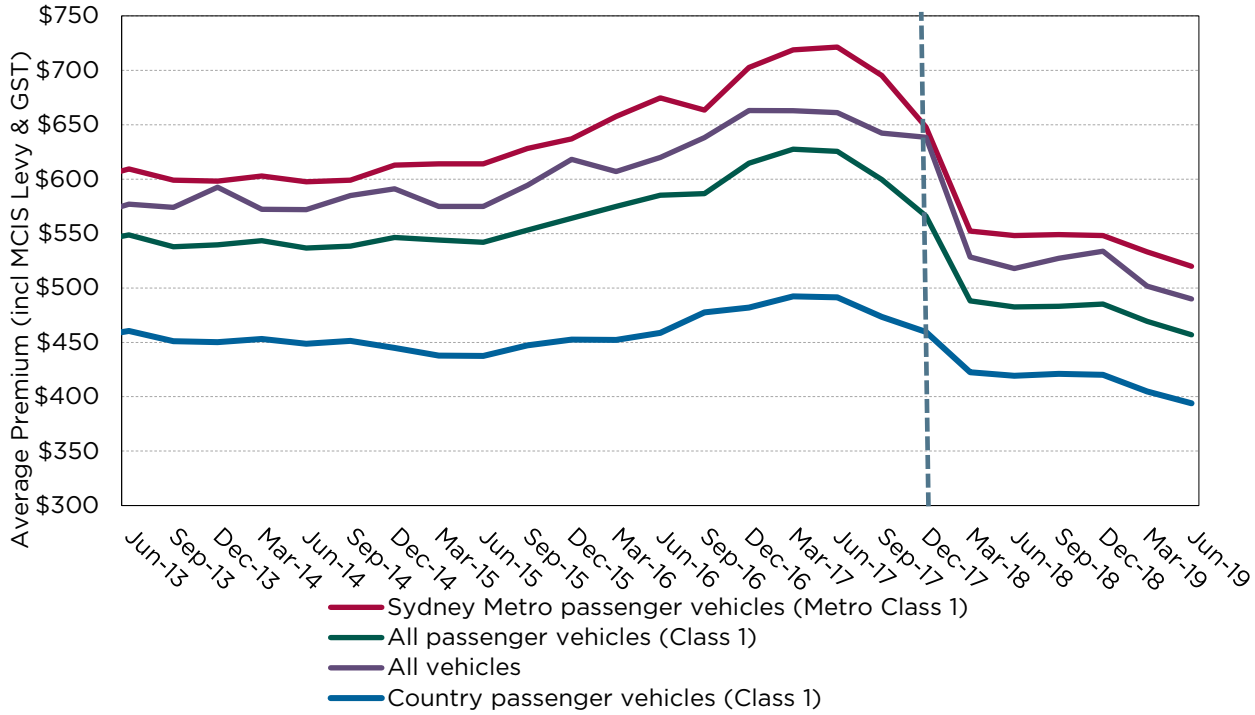
4.2 Premium trends

The quarterly premium trends from June 2013 to June 2019 graph (over page) shows a steady rise in premiums 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.

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.

Allianz and Suncorp (AAMI and GIO) filed for price reductions to take effect from 29 April 2019 and 1 May 2019 respectively. Allianz's filing resulted in $14 reduction in its best Green Slip price[4].

Quarterly average premium trends June 2013 to June 2019



The next table compares the Sydney best Green Slip prices for passenger motor vehicles on 30 June 2019 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.

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

Insurer	30 June 2015	30 June 2016	30 June 2017	30 Nov 2017	1 Dec 2017	30 June 2018	30 June 2019
AAMI	$505	$572	$622	$595	$475	$475	$446
GIO	$509	$555	$606	$590	$475	$471	$444
Allianz	$539	$604	$623	$611	$488	$478	$440
CIC Allianz	$546	$644	$673	$654	$454	$467	n/a
NRMA	$545	$588	$640	$594	$468	$468	$448
QBE	$519	$587	$613	$587	$470	$470	$448
Zurich	$548	n/a	n/a	n/a	n/a	n/a	n/a

[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.

Note that Zurich stopped issuing Green Slip policies to the public on 1 March 2016 under the 1999 scheme. CIC Allianz also stopped issuing Green Slip policies on 15 January 2019.

Under the 1999 scheme, the lowest best 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 $440 at 30 June 2019 for Allianz, which translates in $166 reduction in best price.

The best 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 $440 (including levy and GST) compared with NRMA's best price of $468 at 1 December 2017, $28 reduction in best price.

The next table summarises the savings from reform: on average all vehicles in NSW received a 26 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 2019 (includes levies & GST)

Average premium	June 2017	June 2019	Savings	% savings
Sydney passenger vehicles (Class 1)	$721	$520	$201	28% reduction
All NSW passenger vehicles (Class 1)	$626	$457	$169	27% reduction
Country passenger vehicles (Class 1)	$491	$394	$97	20% reduction
All vehicles in NSW	$661	$490	$171	26% reduction

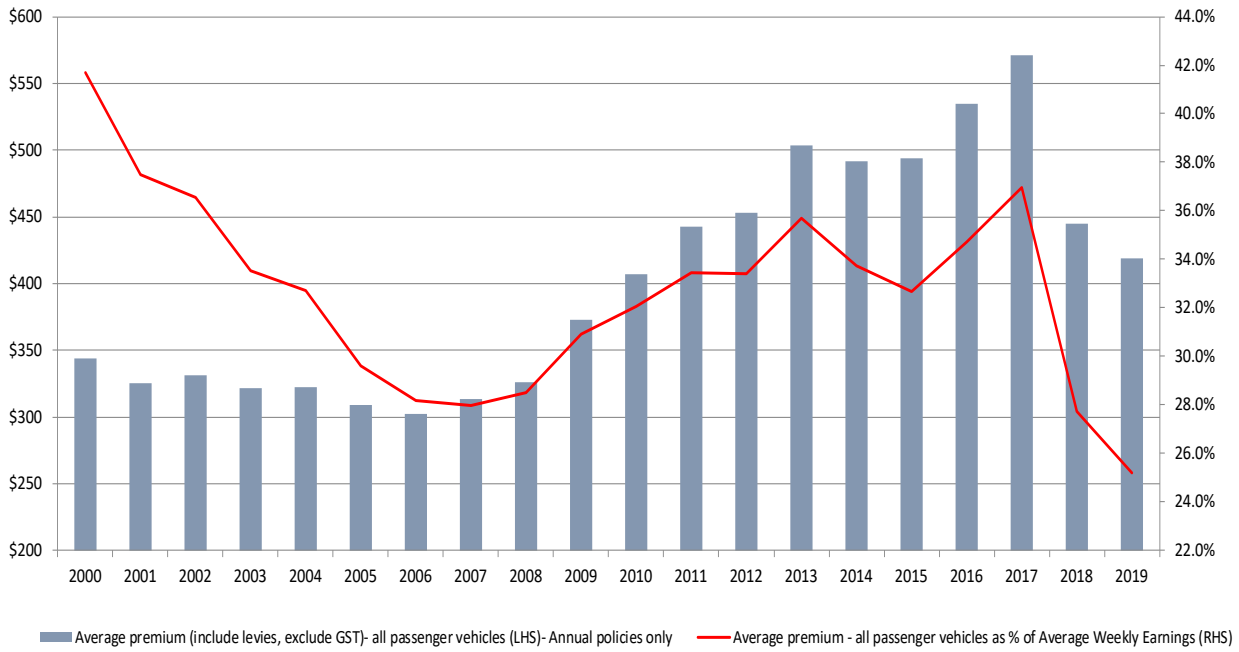
4.3 Premium affordability

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.

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. Affordability for the new scheme as at 30 June 2019 is around 25 percent, delivering on an intended scheme outcome for NSW motor vehicle owners.

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. Claims and disputes 2017 scheme

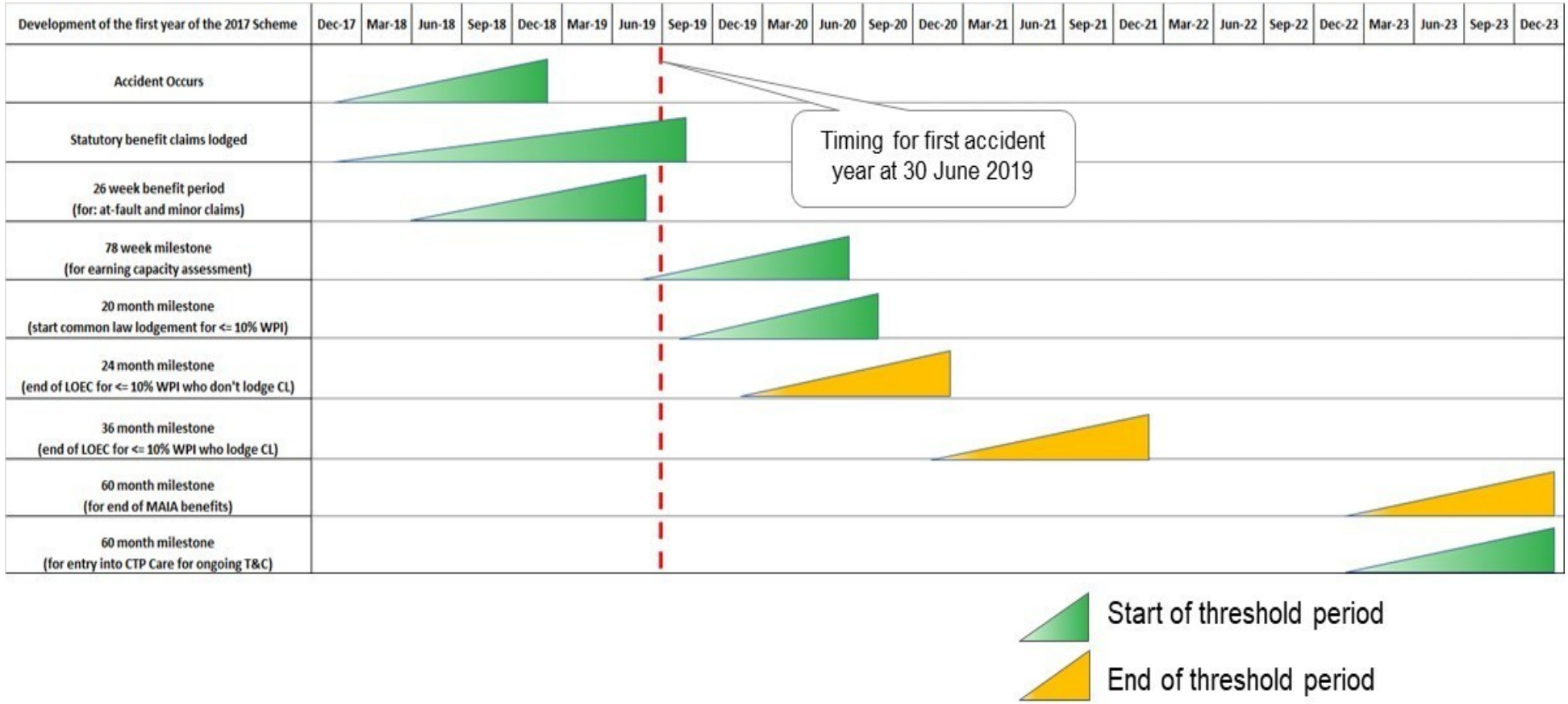
5.1 Background

The next graph shows the claim experience for the first accident year of the scheme (accidents occurring between 1 December 2017 and 30 November 2018).

Key observations include:

- Almost 95 per cent 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 lodged for accidents between 1 December 2017 to 30 November 2018.
- More than 98 per cent of claims for an award of damages are yet to be lodged, with these claims accounting for over 70 percent of total claims costs.
- The key timeframes and thresholds allowing lodgement of award of damages claims had not yet been reached as at June 2019.
- The financial performance of the scheme can be better understood as the award of damages claims experience progresses.
- It will take many years to fully assess the scheme's performance.

Claim experience for the first accident year of the 2017 scheme



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

Generally, claim numbers for the first accident year are tracking as expected with a 2.8 percent difference of 323 claims to 30 June 2019.

Based on scheme experience for the first 11 months, a revised projection of the reporting profile for the second accident year of the scheme was completed by actuaries. At 30 June 2019, only seven months of the second year of scheme experience has emerged. Actual claims for the second year of the scheme are 0.1 percent or six less than expected.

The next table indicates that 90 percent of claims had a statutory benefit component. Of these, 57 claims have also lodged a claim for an award of damages. There has been an uptake of the early notification benefit (where injured people can claim a limited number of treatment or rehabilitation sessions without submitting a claim form). As at 30 June 2019, 889 people comprise this group.

Number of claims reported by claim type to 30 June 2019

Claim type	Number of claims	% of claim type
Early notifications	889	4.9%
Statutory benefits	16,285	89.7%
Statutory benefit/common law	57	0.3%
Interstate	498	2.7%
Compensation to relatives	318	1.8%
Interstate/workers compensation	5	0.0%
Workers compensation	106	0.6%
Overall	18,158	100%

Of claims lodged to the scheme, liability for 320 was denied. The next table provides a breakdown of the reason for rejection.

Total number of claims rejected for benefits for the first 26 weeks to 30 June 2019

Reason	Number of claims
Late Lodgement*	124
Insufficient information provided to insurer	89
Claim did not involve a motor vehicle accident	31
Claim involved an uninsured, unregistered or unidentified vehicle	35

Reason	Number of claims
Claim related to a serious driving offence	25
Other**	16
Total	320

*Claims lodged 90 days after the accident date.

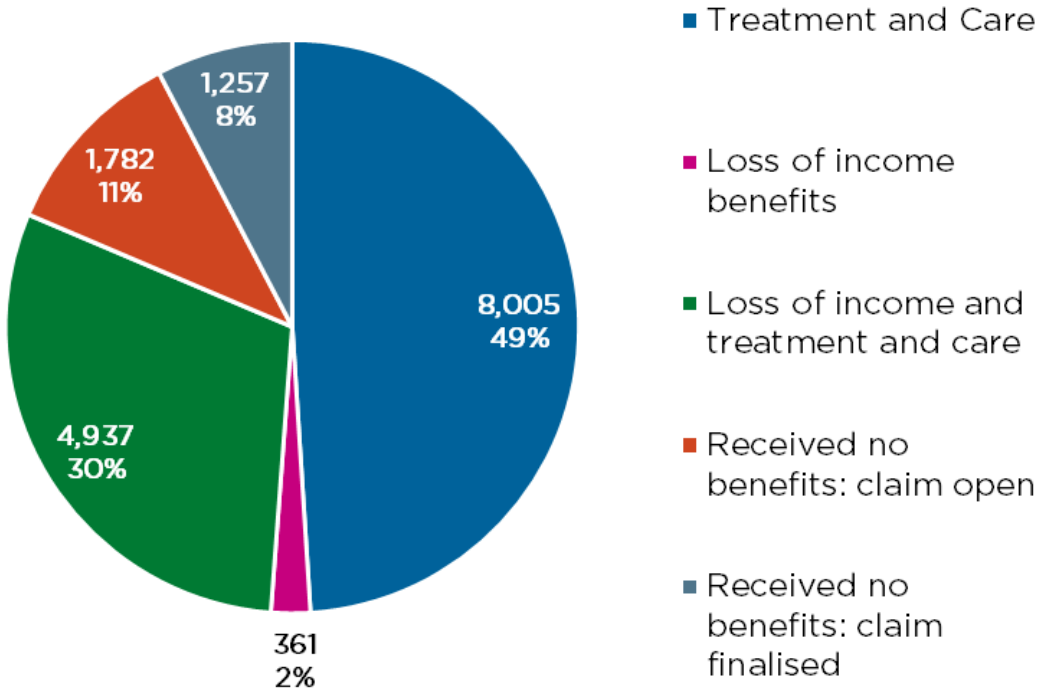
** Other includes injury non-existent, or not covered under the legislation

Of all reported statutory benefit claims:

- 49 percent have received only treatment and care benefits
- 30 percent have received treatment and care and weekly benefits
- 19 percent of claims have received no benefits and of these eight percent have been finalised and 11 percent remain open. Of the 11 percent, a proportion of these are claims not duly made i.e. are early in the claim lodgement process.

Seventy-one percent (71 percent) of injured people received 'pre-claim support', with a further 22 percent accessing treatment and care services within the first month after lodging a claim.

Statutory benefit type mix



5.3 Claims by fault status

At-fault claims

At-fault claim numbers have increased in the 2017 scheme compared to the 1999 scheme.

However, there is a significant number of claims with the fault status still to be determined for the most recent accident months: February 2019 to June 2019. Some of these will be closed without the determination being made due to the person's recovery.

Payment experience to date for the at-fault claims nearing their 26-week benefits entitlement period is close to the expected level, allowing for some late payments and processing of invoices. However, average at-fault claims payments are lower than expected at $14,587 versus $17,400.

Not-at-fault claims

Not-at-fault claim numbers are lower than expected after allowing for some development from the undetermined claims and further reporting of claims for the more recent accident months.

Payments for this cohort of claims are still relatively immature as people can claim for medical expenses for more than five years from the date of the accident.

5.4 Claim payments

Payments for the first accident year are tracking broadly in line with expected experience with actual payments being one million dollars or 0.7 percent higher than expected. A modest amount of payments has so far been paid for the second accident year.

Over 77 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.

Forty-one (41) percent of people 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 (47 percent) followed by loss of income (44 percent).

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

Total claim related payments were $179.5 million as at 30 June 2019 and of this amount $9,701,206, or 5.4 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 by payment class to 30 June 2019

Payment class	Payment	% of total payments
Weekly payments	$78,246,823	43.6%
Treatment expenses	$84,856,956	47.3%
Care	$2,397,121	1.3%
Funeral expenses	$3,663,741	2.0%
Insurer Investigation	$8,411,544	4.7%
Insurer Medico-Legal	$506,392	0.3%
Insurer Legal	$338,758	0.2%
Lump sum	$1,547,914	0.9%
Claimant legal	$444,512	0.2%
Recoveries	-$918,090	-0.5%
Grand Total	$179,495,671[5]	100%

Award of damages

There have been 57 statutory benefit claims which have applied for an award of damages. Of these, four have received settlement payments totalling $0.39 million. The remaining lump sum payment amount is largely for interstate claims and compensation to relative claims.

This reflects the relatively small number of award of damages claims that have been lodged. This is expected as the scheme has a waiting period of 20 months before a damages claim can be lodged for those with a WPI of 10 percent or less (whose injuries are not 'minor injuries' as defined under the Act). This is to encourage recovery. The waiting period for those injured on 1 December 2017 will be reached on 1 August 2019.

5.5 Minor injuries

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] Rounding

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.

As at 30 June 2019 there were 6,706 assessed minor injury claims.

Of the claims assessed as minor injury, 56 percent are receiving treatment or care benefits only; a further 25 percent are receiving both treatment or care and weekly benefits. Seventeen (17) percent of claims assessed as 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 $4,861 compared with the $8,400 forecast.

Minor injury claims benefits paid after 26 weeks

Treatment and care benefits can continue 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.

For the minor injury claims that have receive benefits for 26 weeks after the accident, 23.5 percent continue to receive treatment and care payments after 26 weeks. These claims have been reviewed by SIRA during 2019 as part of the Minor Injury Review, which will be available in 2020.

5.6 Legal representation

The legal representation rate for minor injury claims is 21 percent. This is generally in line with the overall scheme average for all claims of 23 percent. People with non-minor injury claims usually have a higher legal representation rate which is expected as they may be eligible for an award of damages.

Of the 1,571 claims disputed at DRS, 85 percent have legal involvement.

5.7 Insurer internal review

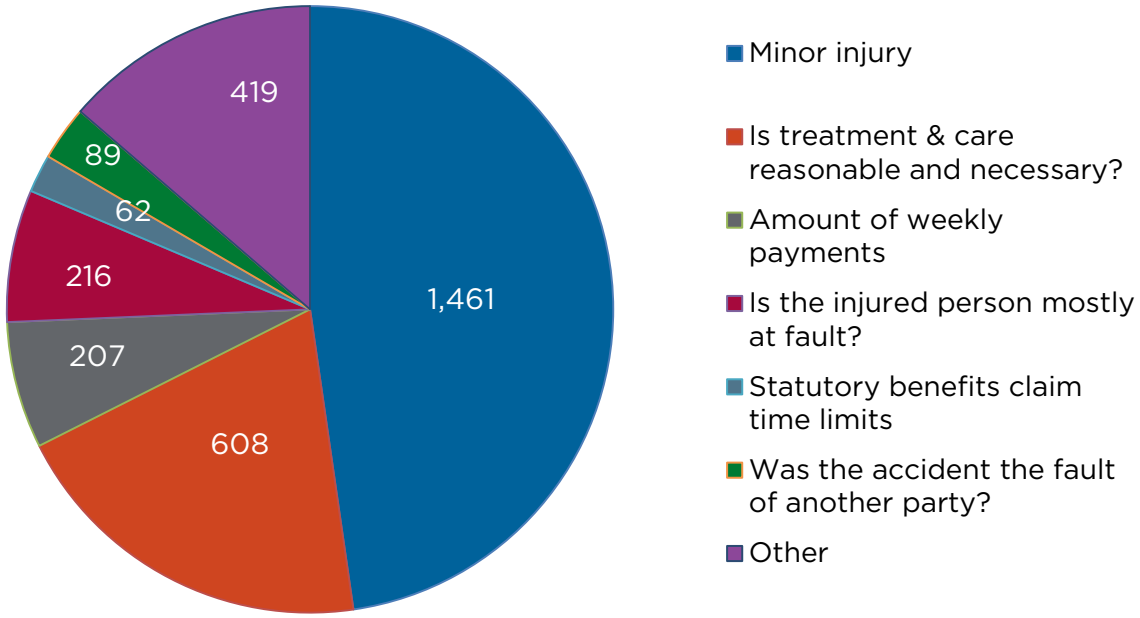
As the first step in resolving a dispute, an injured person can request an internal review of a decision by an insurer. An insurer internal review is needed before most disputes can be lodged with DRS.

If a person is dissatisfied with the outcome, they can lodge a dispute with SIRA's DRS to assist in reaching a resolution or independent determination of the dispute.

Of the 3,062 internal reviews under the 2017 scheme at 30 June 2019, 2,297 have been determined, with 24 percent of these decided in favour of the injured person.

The largest number of internal reviews 1,461 (48 percent) concerned minor injury, with 1,190 of these determined and 13 percent decided in favour of the injured person.

Number of internal reviews by review type



5.8 Disputes at SIRA's Dispute Resolution Service

Of the 1,571 disputes lodged at DRS, 541 are in progress and 989 were completed as at 30 June 2019. Of the 989 completed disputes, 162 were withdrawn, 73 were declined, 458 resulted in the original insurer decision being upheld and 245 resulted in the decision being overturned.

Thirty-five percent of disputes where a decision has been made by SIRA's Dispute Resolution Service (DRS) are overturned.

There has been one litigated claim (at court) under the 2017 scheme as at 30 June 2019.

Dispute resolution outcomes 1 December 2017 to 30 June 2019

Type	Dispute matter	Decision overturned	Decision upheld	Settled	In progress	Declined	Invalid	Withdrawn	Total
Medical	Minor injury	124	342	29	297	26	0	80	898
Medical	Is treatment and care related to injury caused by accident?	9	13	1	12	6	0	5	46
Medical	Is treatment and care reasonable and necessary?	26	37	2	63	2	0	11	141
Misc. claim	Is the injured person mostly at-fault?	27	15	5	48	3	0	9	107
Misc. claim	Was the accident the fault of another	6	2	2	0	0	0	0	10
Misc. claim	Statutory benefit claim time limits	4	5	4	3	0	0	4	20
Merit review	Amount of weekly benefit payments	23	11	1	8	2	0	5	50
	Invalid dispute	0	0	0	0	0	41	0	41
	Other*	26	33	7	110	34	0	48	258
	Total	245	458	51	541	73	41	162	1,571

'Other' includes a range of dispute types with low numbers e.g. exclusion from statutory benefits when person commits a serious driving offence

5.9 Outlook

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

Following a recommendation from Legislative Council Standing Committee on Law and Justice, SIRA has been working with stakeholders to consolidate the workers compensation scheme and CTP insurance scheme dispute resolution systems into a single personal injury tribunal with separate workers compensation and CTP insurance divisions. The intent of the proposed personal injury tribunal is to address some system complexities and generate efficiencies. The Department of Customer Service will provide advice to the Government about the proposed tribunal for consideration in 2020.

6. Fraud reduction

Powers under the 2017 Act have strengthened SIRA's ability to investigate and prosecute people attempting to cheat the system.

SIRA has been working collaboratively 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 2019, the NSW Police has made 27 arrests and over 180 fraud-related charges, representing a value of around $14.2 million.

6.1 Outlook

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

7. Insurer profit & 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 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.

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 with insurers an excess profit and loss mechanism for 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 TEPL 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 three percent and 10 percent profit, with an eight percent 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.

7.3 Scheme efficiency

It is too early for scheme efficiency to be assessed with any 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 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.

7.4 Outlook

Until payments for the first accident year claims are finalised, realised profits cannot be measured with certainty. When more than 95 percent of the claim payments have been made for a specific accident year, SIRA can conclude with a high degree of certainty if the industry profit margins are outside of the Excess Loss and Excess Profit Thresholds, under the TELP mechanism.

However, SIRA will commission an annual report from the Scheme Actuary into the Preliminary Industry Profit Margin for each accident year. The Preliminary report for the first Accident Period (relating to accidents occurring over the 13 months ending 31 December 2018) will be received in 2020, to allow more claims experience to be captured in analysis, as per the TEPL Guidelines. It will assist SIRA in monitoring the industry profit margin.

The TEPL mechanism and profit normalisation should eliminate the super profits seen under the 1999 scheme and improve efficiency. The 2017 scheme design, with the availability and earlier access to statutory benefits to encourage recovery, has limited the need for claimants to seek legal assistance to negotiate entitlements, which should also improve scheme efficiency.

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.
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).

Item	Description
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.
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.
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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