Section 275 Review of the Road Transport (Third-Party Insurance) Act 2008

March 2019

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20 March 2019

Ms Sue Vroombout
CTP Regulator
Chef Minister, Treasury and Economic Development Directorate
ACT Government
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Dear Sue

Section 275 Review of the Road Transport (Third-Party Insurance) Act 2008

We are pleased to provide our final report consistent with the reporting obligations of Section 275 of the Road Transport (Third-party insurance) Act 2008.

We look forward to discussing this report with you.

Yours sincerely

Gillian Harrex

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Section 275 Review of the Road Transport (Third-Party Insurance) Act 2008

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Part I Detailed Findings

1 Background and Approach

1.1 Background

The Road Transport (Third-Party Insurance) Act 2008 (CTP Act) took effect from 26 February 2008.

Under section 275 of the CTP Act:

> *(1) The Minister must review the operation of this Act every 3 years after the commencement of the Road Transport (Third-Party Insurance) Amendment Act 2012.*
> *(2) The Minister must present a report on the review to the Legislative Assembly within 3 months after the review is started.*

For the purpose of complying with the requirements of the section 275 review (the review) the Treasurer has approved Terms of Reference (ToR, Appendix A). The report has been compiled by Finity, in its role as the actuary advising the Compulsory Third Party (CTP) Scheme Regulator. It is intended to fulfil the requirements of the review and respond to the ToR. The report particularly focuses on the quantitative aspects of the ACT CTP Scheme and the claims experience in the 3 years to 31 December 2018.

This review does not cover the Compulsory Third Party Scheme (the Scheme) that applied prior to the CTP Act's implementation and no comments are made in respect of the prior scheme.

1.1.1 Context of the current scheme

In the ACT there are two main mechanisms that cover bodily injury for persons injured by motor vehicles.

- CTP insurance is provided under a fault-based scheme based on the law of tort. This is referred to as the CTP scheme.
  - The system is privatised, with 4 separately licenced insurers currently participating in the Scheme.
  - Where a person is injured by an uninsured vehicle or the vehicle is not identified they are covered by the Nominal Defendant Fund, which is managed by the ACT Insurance Authority.
- Effective from 1 July 2014, the Lifetime Care and Support Scheme (ACT LTCSS) came into being and is managed by the Chief Minister's Treasury and Economic Directorate (CMTEDD). The ACT LTCSS provides treatment & care to persons catastrophically injured in motor vehicle accidents if the injury occurs within the territory, on a public road.
  - The scheme is a no-fault scheme and covers everyone injured in a motor vehicle accident on ACT roads who meets the serious injury criteria. From 1 July 2016 the ACT LTCSS began covering employees catastrophically injured at work in the ACT.

NSW (prior to reforms commencing in December 2017), Queensland, SA, and WA also have CTP schemes that are primarily fault based and use a common law system to determine lump sum benefits. WA has a public monopoly which underwrites CTP insurance, and SA was a public monopoly until 1 July 2016 when private insurers commenced underwriting the scheme. Private insurers underwrite the Queensland and NSW CTP schemes, making these schemes the most similar to the ACT.

The ACT's early medical payment system covers the majority of injured persons (some exclusions, however, apply such as when an injured person is charged with a serious traffic offence). In comparison, NSW has an early medical system that is completely no-fault. Both Schemes cover medical costs up to $5,000 (referred to as MANF and ANF claims for the ACT and NSW respectively).

The ACT CTP scheme has an unrestricted common law scheme, both on the thresholds for making a claim and that there are no caps on benefits. There are some caps on legal fees.

Victoria and Tasmania have defined benefits with (in Victoria's case) limited common law access and are no-fault schemes. The Northern Territory scheme has defined benefits with no access to common law and has no-fault access.

NSW, Queensland, WA, SA and the ACT all have separate schemes or funds for catastrophically injured motorists. Victoria, Tasmania and the NT meet the needs of catastrophically injured motorists through their existing schemes.

1.1.2 Potential Scheme Reform

Over the last 18 months, the ACT has conducted a citizen's jury process, which resulted in a report title "Citizens Jury on Compulsory Third Party Insurance Final Report" dated 29 October 2017. The recommendations of this report are the subject of ongoing review by the ACT Government. In forming this report we have reviewed the scheme under its current rules of operation, and have not made any allowance for any potential changes to the scheme. This matter is not discussed further in this report.

1.2 This Review

The main objectives of the CTP Act, as set out in Part 1.2 5A, are:

> *(a) to continue and improve the system of compulsory third-party insurance, and the scheme of statutory insurance for uninsured and unidentified vehicles, operating in the ACT; and*
> *(b) to promote competition in setting premiums for compulsory third-party insurance policies; and*
> *(c) to keep the costs of insurance at an affordable level; and*
> *(d) to provide for the licensing and supervision of insurers providing insurance under policies of compulsory third-party insurance; and*
> *(e) to encourage the speedy resolution of personal injury claims resulting from motor accidents; and*
> *(f) to promote and encourage, as far as practicable, the rehabilitation of people who sustain personal injury because of motor accidents; and*
> *(g) to establish and keep a register of motor accident claims to help the administration of the statutory insurance scheme and the detection of fraud; and*
> *(h) to promote measures directed at eliminating or reducing causes of motor accidents and mitigating their results.*

Objectives (b), (c), (e) and (f) as per the ToR, can be reviewed via quantifiable means and we have responded to each in sections 3 to 6 of this report.

1.3 Limitations

CTP is a long tail class of insurance business and hence it can be many years between an accident occurring and the final cost of a claim being known. The current ACT scheme has been in operation for around ten years, with claims taking around five years on average to resolve.

These time lags mean that some trends can be slow to emerge and care should be taken in drawing inferences from the most recent accident years (the year an injury occurred), or the earliest finalisation years (the year the claim was finalised).

1.4 Introduction of Competition

The introduction of competition and the entry of AAMI, APIA and GIO as insurers to the scheme in July 2013 have resulted in some changes in claims management and approach from this date. This may mean that some

changes in trends between earlier and later periods may in part reflect how claims are managed (noting that the ACT Scheme is regulated).

1.5 LTCSS

The introduction of the LTCSS from 1 July 2014 means that part of the claims costs (those associated with treatment and care) for the largest claims from this point will be covered by the LTCSS, rather than the CTP scheme. This may also cause changes in the trends in the CTP data.

1.6 Changes to the Scheme since the last review

There have been no significant changes to the Scheme since the last review (dated 16 March 2016).

The analysis covered by this report, however, often extends back to when the CTP Act commenced in 2008 to provide trend analysis. Data for these years will be affected by legislative reform, such as occurred in 2012 under the *Road Transport (Third-Party Insurance) Amendment Act 2012* which included changes around settlement procedures, compulsory conferencing, mandatory offers and the manner in which legal costs on small claims are determined. .

However, as highlighted above, there has been a substantial body of work completed relating to potential changes to Scheme design, which is currently under consideration by the ACT Government.

1.7 Reliances and Limitations

This report is subject to a number of important reliances and limitations as outlined in Section 7.

1.8 Terminology used in the report

1.8.1 Glossary of Terms

Table 1.1 defines many of the insurance terms used throughout this report.

Table 1.1 – Definitions of Insurance Terms

Term	Definition
Accident Year	The year in which the accident which gives rise to the claim occurred. In this report, all years are 12 months ending 30 June unless otherwise specified.
AIS injury rating	Abbreviated Injury Scale (AIS) is an anatomically based, consensus derived, global severity scoring system that classifies an individual injury by body region according to its relative severity. The AIS 2005 incorporates current medical terminology providing an internationally accepted tool for ranking injury severity. The AIS is used by the ACT Scheme in assessing injury severity
At-Fault Driver Cover	An extra benefit provided by some insurers that provides benefits not part of the CTP scheme. Payments in respect of these benefits are not recorded in the PIR and not included in the data shown in this report.
Case Estimates	An estimate of the future payments to be made on a claim (prior to finalisation). Case estimates vary across the 'life' of a claim.
Claim frequency	The number of claims occurring during a period per 1000 vehicles covered.
Discounted cost of claims	The estimated costs allowing for the time value of money.
Discount Rate	The rate that represents the time value of money.
Finalisation Year	The year in which a claim is finalised. In this report all years are 12 months ending 30 June unless otherwise specified.
Full claims	All claims excluding MANF claims.
Gross	Used as an adjective such as "the *gross* average size". Costs before allowance for recoveries from third parties. Figures in this report that are on a gross basis will be specifically stated as such.
Heads of Damage	Types of damages that can be claimed. See Table 1.2 for a summary of what is included in each head of damage in this report.

Initially MANF	A claim is assumed to have used the MANF process if they submitted a MANF form within 30 days of the accident.
Injury Severity	A rating of the maximum injury severity the claimant has based on the AIS injury rating system.
Large Claims	Claims greater than or equal to $100,000 in 2019 dollars.
Long tailed	Long tailed (insurance) refers to insurance where the claims are typically finalised some time after the conclusion of the insurance period (could be a number of years). CTP is an example of a long tail class of insurance, for example: the ACT scheme has an average period between Full claim occurrence and finalisation of around 2.2 years.
MANF claim	A claim that only receives early medical payments via the early medical system. This system is accessed by submitting a Motor Accident Notification Form (MANF).
Mature	Well developed. For example: a scheme that is mature is one that has been in operation for some time.
Mean term	The average length of time for claims to be paid out, weighted by size of payments. The term may be used specifically for a particular payment type, or for all payments.
Net	Used as an adjective such as "the *net* average size". Costs after allowance for recoveries from third parties excluding reinsurers. Figures in this report are on a net basis unless otherwise stated.
Nil claims	Claims which are resolved for no cost. These claims are excluded from all figures and tables in this report.
NOC	Notice of Claim. A form that must be submitted to an insurer to make a Full claim.
PIR	Personal Injury Register. A database that holds records of all claims managed by insurers and the Nominal Defendant fund. The PIR has claims from October 2008 (i.e. the 2009 year is incomplete).
Reported Cost and/or Numbers	The cost/number reported to date (31 December 2018). Some estimates of claims' costs and features of claims (e.g. injury severity) may change before claims finalise.
Small Claims	Claims smaller than $100,000 in 2019 dollars.
Underwriting Year	The year in which a policy was commenced. Groups claims or policies by this year. In this report all years are 12 months ending 30 June unless otherwise specified.
Ultimate Cost and/or Numbers	The 'Ultimate' position is an estimate of the final cost position which will only be known when all claims from the cohort being considered are finalised.
Ultimate CPP	The 'Ultimate' CPP is an estimate of the final cost per policy (or vehicle).

Table 1.2 sets out the types of costs that are being referred to within this report.

1.8.2 Payment Types/Head of Damage

Table 1.2 sets out the list of Heads of Damage/Payment types used in this report, and provides examples of the types of payments and costs associated with each one.

Table 1.2 – Payment Types explanation

Term	Definition
Treatment and Care	This covers all medical, rehabilitation, personal aids and home and vehicle modifications. Areas covered include psychological and psychiatric counselling, hospital costs, doctor fees, claimant travel, physiotherapy, pain management, vehicle modifications, aid and appliances, dental past and future care.
Economic Loss	Compensation for reduced past or future income arising from the injury.
General Damages	Award for pain and suffering, reduced quality of life, and loss of consortium.
Legal Costs	Plaintiff and defendant barrister and solicitor costs, and insurer investigations (such as medical reports and claims investigation). It does not include any solicitor client legal costs.
Other	Payment types not covered above (such as funeral costs, trustee costs, some non pre-approved aids) and third party recoveries.

The CTP Act defines rehabilitation as:

> *the use of medical, psychological, physical, social, educational and vocational measures, individually or in combination— (a) to restore, as far as reasonably possible, physical or mental functions lost or impaired through personal injury; and (b) to optimise, as far as reasonably possible, the quality of life of a person who suffers the loss or impairment of physical or mental functions through personal injury*

In accordance with the CTP Act and at the direction of the CTP Regulator we have considered ‘rehabilitation’ and ‘treatment and care’ together.

2 Scheme Characteristics

2.1 Coverage of the Scheme

The current ACT CTP scheme is a common law scheme with limited benefits for persons injured who were at-fault. There is no claims threshold for not-at-fault persons injured; meaning anyone who suffers any degree of bodily injury can make a claim. The ACT is the only common law scheme in Australia that has no threshold on eligibility for benefits.

The most severe injuries (catastrophic injuries) occur very infrequently and (post 1 July 2014) are covered by the Lifetime Care and Support Scheme (LTCSS) regardless of fault.

Most people injured by an ACT motor vehicle who submit a Motor Accident Notification Form (MANF) within 30 days of the injury are covered for up to $5,000 of medical expenses incurred within 6 months from the time of the accident.

Some of the insurers also include limited benefits for the driver if they are at-fault and injured; although these benefits are in addition to the CTP scheme the costs of providing these benefits is included in the insurers' CTP premiums. All costs shown in this report *exclude* at-fault driver costs provided by insurers outside of the CTP scheme.

Although the scheme is a common law scheme, claimants do not have to be legally represented, and claims do not have to be litigated.

Where persons are injured in a motor vehicle accident, are not-at-fault, and the vehicle that caused the accident is either not identified or uninsured, the Nominal Defendant will provide the cover on the same basis as any at-fault driver's insurer.

ACT residents live in a highly urbanised jurisdiction, and on average have higher education and average wages than all other states and territories in Australia. All ACT residents owning a motor vehicle must register it with the ACT government, and when they do so must purchase CTP insurance to cover bodily injury to third parties injured due to the fault of the driver. Insurance is purchased through one of four commercial insurers; AAMI, APIA, GIO or NRMA.

2.2 Claim Experience

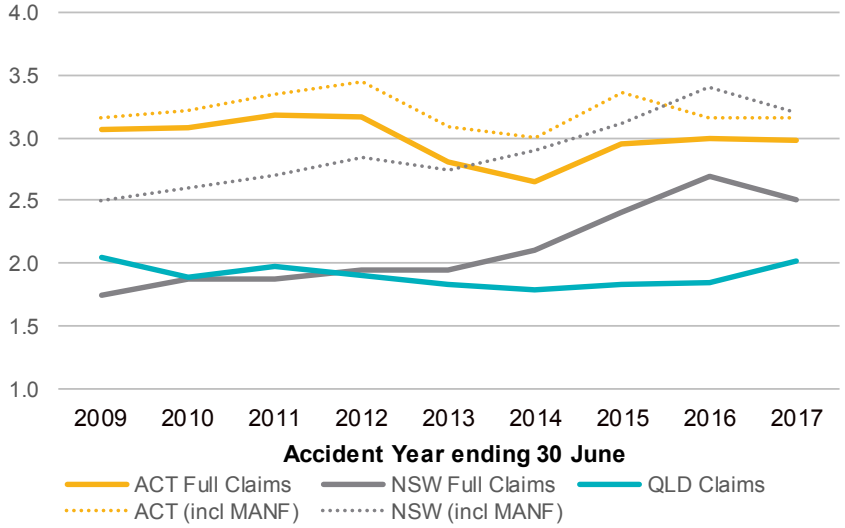
Throughout this report we make comparisons to the Queensland and NSW jurisdictions' CTP claims experience. We have selected these two states as both have had a common law fault based system, Queensland has public data on the scheme performance, and NSW has a similar CTP scheme[1] to the ACT's before material Scheme changes that took effect from 1 December 2017. See Appendix B.2 for more details on the data that was used for both states.

2.2.1 Claim Frequency

Claim frequency is the number of claims divided by the exposure (vehicles covered or policy numbers). Figure 2.1 shows the frequency for the ACT, NSW and Queensland. For the ACT and NSW in addition to the frequency based on Full claims, the frequency including accident notification form claims are also included.

[1] *Noting that the NSW Scheme had some key differences around limited access to non-economic loss (via a Whole Person Impairment threshold), and limitations on gratuitous care.*

Figure 2.1 – Reported Full claims Frequency per 1000 Vehicles[2]



The ACT's Full claim frequency has consistently been around 3 claims per 1,000 vehicles for the first 9 years of the CTP scheme.

Queensland and NSW have lower claim frequency than the ACT which may be due in part to differences in scheme design. Frequency is discussed further in Section 4.3.1.

When comparing frequency across jurisdictions it is often helpful to compare claim numbers to a statistic such as crashes or fatalities, as these are not influenced by scheme design.

Unfortunately, the numbers of crashes (such as casualty crashes which are defined as a crash resulting in either injury or death) are underreported in the ACT making them unreliable. The 2016 ACT Road Crash Report notes that '… *studies which have compared hospital data with crash data have demonstrated underreporting of crashes* …'.[3]. To enable a comparison with other jurisdictions we have compared claim numbers to fatalities across each of the ACT, NSW and Queensland.

Figure 2.2 – Ultimate Full claims per Fatality[4]

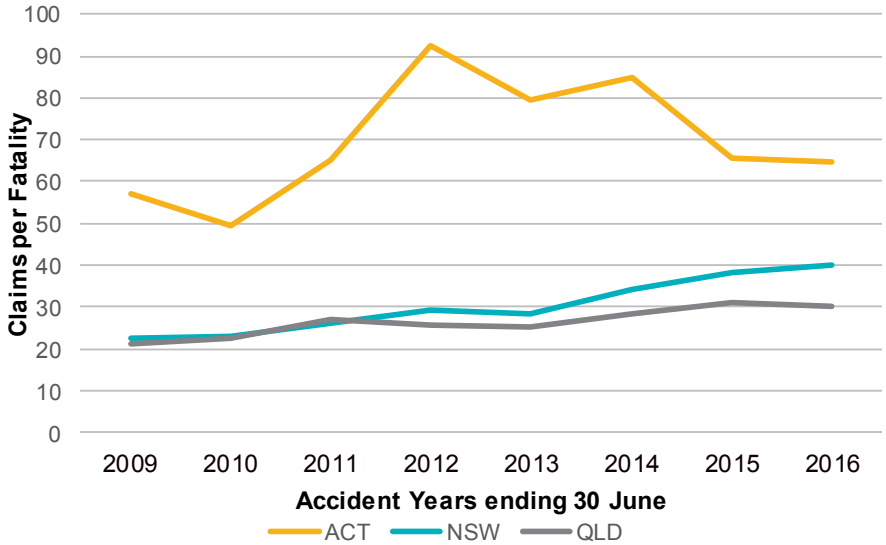


Figure 2.2 shows the ACT has around two to three times as many claims per fatality compared to NSW or Queensland. However, this is due in part to the fact that the ACT has the lowest rate of road deaths per capita (2.3 deaths per 100,000 people in the ACT compared to 5.4 deaths per 100,000 people nationally in 2016). [5] This lower fatality rate is reflective of a number of factors including higher rates of urbanisation, the vehicle fleet mix and other factors in the Territory. Nevertheless, a higher claims frequency does influence the claims per fatality measure, consistent with the findings in Figure 2.1.

[2] The latest accident years are not yet fully developed, i.e. fully known. Only the 2017 and 2018 accident years would be expected to grow by more than 1% from this point.
The 2018 accident year is excluded as it is the least developed accident year.

[3] 2016 ACT Road Crash Report, page 2.
[4] The 2017 and 2018 years are excluded to be consistent with Qld and NSW data.
[5] 2016 ACT Road Crash Report, page 8.

- The frequency in the ACT for Full claims is around 60% higher than Queensland and 40% higher for NSW, which may reflect scheme design and/or differences in crash propensity.
- The ratio between the ACT and NSW has reduced from being a similar level to Queensland (around 60%) up until 2012 to around 20% for recent years.

2.2.2 Average Claim Size

Table 2.1 shows the proportion of Full claims (finalised or lodged) by claim size and their average cost for the ACT CTP scheme since October 2008.

Table 2.1 – Splits by Claim Size[6]

Claim Size (2019$)	Proportion of Finalised Claims	Average Finalised Size (Original $)	Proportion of Lodged Claims	Average Size (Original $)
<$50k	46.5%	$16,000	42.0%	$17,000
$50k-$100k	20.1%	$58,000	22.4%	$61,000
$100k-$200k	13.0%	$115,000	14.4%	$119,000
$200k-$500k	7.8%	$248,000	9.6%	$260,000
$500k-$700k	1.5%	$480,000	1.7%	$498,000
$700k-$1m	0.9%	$676,000	1.1%	$698,000
>$1M	0.9%	$1,386,000	1.4%	$1,713,000
Full Claims	**90.7%**	**$88,000**	**92.5%**	**$111,000**
MANF Claims	*9.3%*	*$1,100*	*7.5%*	*$1,000*

Small claims are generally resolved more quickly with the larger, more complicated claims taking longer to finalise. Given the ACT Scheme has only been in operation since 2010, the results in Table 2.1 will be skewed towards smaller claims (as larger claims from more recent years are not yet finalised). Figure 2.3 shows for sets of accident year cohorts (i.e. grouped in two yearly bands) how the total average cost increases as the percentage of claims finalised increases. Due to the largest claims on average remaining open the longest, a final view of the cost of a particular accident period can only be observed when the accident year is at least 90% finalised. Even then, the remaining open large claims can still increase the eventual final average size, potentially substantially.

Figure 2.3[7] – Cumulative Average Finalised Claims' Cost by % finalised (showing two year accident year cohorts)[8]

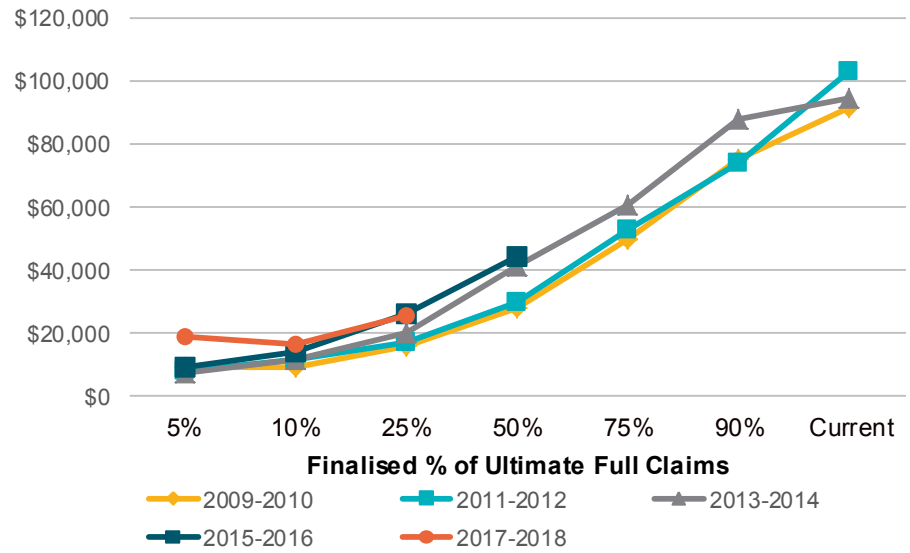


Figure 2.3 shows that when 25% of claims have finalised, the average size is between $15,000 and $30,000. By the time 90% of claims have finalised, the total average size is over $70,000.

[6] Data is all claims to 31 December 2018. Average Finalised Claim sizes are rounded to the closest $1000 for Full claims and closest $100 for MANF claims.

[7] Figure 2.3 shows for each pair of accident years their average cost when X% of their claims have finalised.
Example: The 2013-2014 accident year cohort after 25% of claims had been finalised had a total average cost of around $20,000, when 50% were finalised the cumulative average cost had risen to around $40,000, and when 90% of claims had been finalised it was around $85,000. The current average claim size of the 2013-2014 accident year cohort for finalised claims is $95,000, and the average claim size including open claims is $133,000.

[8] Each accident year includes accidents occurring in the year ending 30 June. Cohorts are the average of the two years. Average sizes are uninflated. The 2018 accident year is only 15% finalised. "Current" is the current average cost of all finalised claims.

Table 2.1 compared the average cost for all reported claims to the average cost of finalised claims. The average size is $88,000 for finalised Full claims and $111,000 for all reported claims.

The average cost for all reported claims (finalised + open) is still uncertain. It is common for claims to finalise for very different amounts to the case estimate.

The gross average size (finalised and open including MANF) was reported in B.1.6 of the CMTEDD 2017-18 Annual Report (Volume 1). At 30 June 2018 it was $115,000 for the 2009 – 2015 accident years. At 31 December 2018 it had increased by $1,000 to $116,000. This demonstrates that the average cost for these years is still increasing as the largest claims are finalised.

There are many reasons that larger claims take longer to resolve, however a key reason is that there is a need to wait until the injuries have stabilised. This allows a better estimate of the claimant's future care and support needs to be identified. This is particularly the case for children who are injured where, due to their physical and mental faculties still developing, an accurate evaluation of their needs can take many years.

2.2.3 Claim Finalisation Rates

Claims take on average around 2.7 years to finalise, with it taking around 5.3 years to finalise 90% of claims. No accident year is yet 100% finalised, although the 2009 to 2013 accident years are all over 95% finalised.

Each individual accident year's finalisation percentage at 31 December 2018 is in Table 2.2.

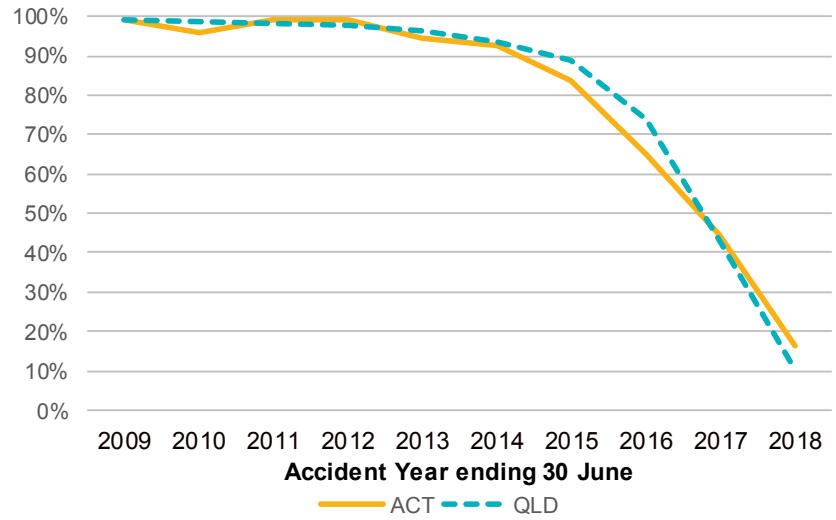
Table 2.2 – Finalised Full claims by Accident Year

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
% Finalised	99%	96%	99%	99%	95%	92%	84%	65%	44%	15%

Figure 2.4 shows the percentage of Full claims lodged to date that have been finalised and compares the rate of finalisation in the ACT CTP scheme against the Queensland CTP scheme. The two schemes have reasonably similar rates of finalisation.

Finalisation rates are discussed further in section 5.1.1.

Figure 2.4 – Proportion of Full claims finalised by Accident Year



2.2.4 Legal Representation

Table 2.3 shows the percentage of Full claims that have been lodged that have legal representation. Both the ACT and Queensland have similar levels of legal representation (between 70% and 80%). The percentages are higher for Queensland for most years, possibly as there are almost no restrictions for not-at-fault claimants to claim in the ACT.

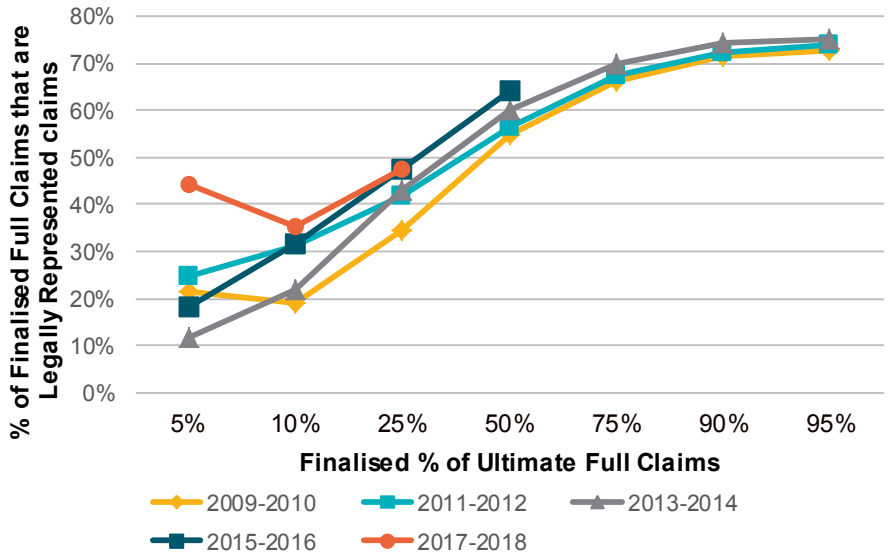
Table 2.3 – Percentage of Finalised Full Claims Legally Represented

Accident Year Ending 30 June	ACT	Queensland
2009	72%	75%
2010	74%	76%
2011	75%	74%
2012	75%	76%
2013	72%	77%
2014	79%	77%
2015	75%	78%

The 2016 and later accident years are excluded from Table 2.3 as they are still relatively 'immature' and the proportion of claims that will ultimately be legally represented is not known with certainty.

Figure 2.5 shows how the legal representation rate increases as the percentage of claims finalised for each accident cohort increases. It appears that there has been an increase in legal representation for more recent accident year cohorts, with the proportion of legally represented claims being higher. This is occurring at early finalisation points, which are associated with smaller claims; thus this indicates that legal representation is increasing for smaller claims.

Figure 2.5 – Cumulative Legal Representation by % of finalised Full claims (showing two year accident year cohorts)[9]

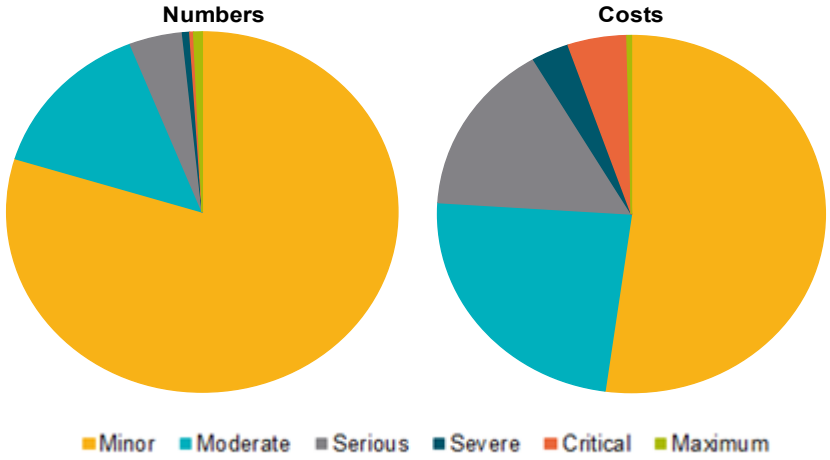


2.2.5 Claims by Injury Severity

Figure 2.6 shows for the 2009 to 2014 accident years how the claims are split by injury severity in the ACT. 2009 to 2014 are included, as these accident periods are over 90% finalised.

9 Each accident year includes accidents occurring in the year ending 30 June. Cohorts are the average of the two years. The 2018 accident year cohort is only15% finalised.

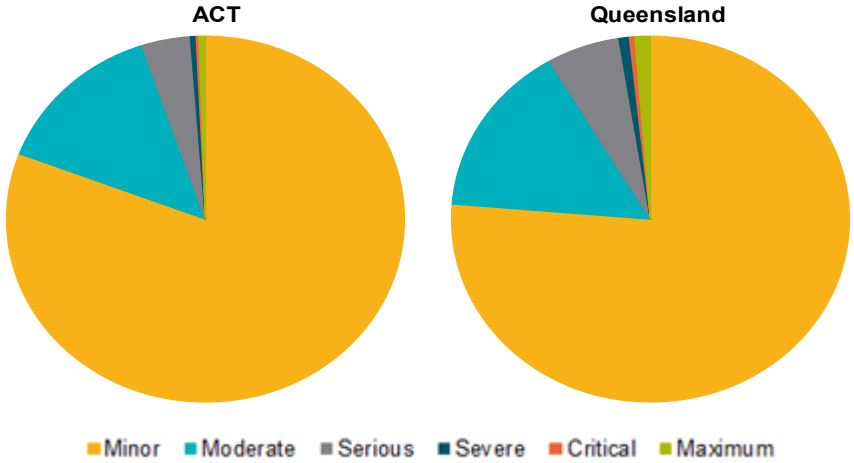
Figure 2.6 – Share of Reported Full Claims and Costs by Injury Severity



The ACT uses the Abbreviated Injury Scale (AIS) scores system to measure Injury Severity, which Queensland also uses. In addition to the categories above some claims are not classified. These claims represent ~14% of numbers and 11% of costs.

Figure 2.7 compares the ACT and Queensland split of finalised claim numbers by injury severity. Both the ACT and Queensland data include finalisations from 2009 to 2018.

Figure 2.7 – Share of Finalised Full Claims by Injury Severity

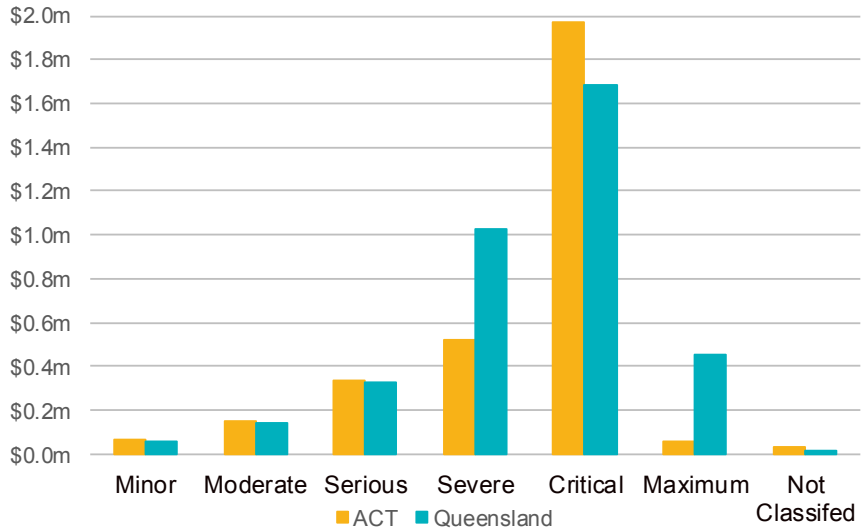


For both the ACT and Queensland the vast majority of claims are from minor and moderate injuries.

Figure 2.7 does not include claims listed as “Not Classified/Administration”. For finalised Full claims 13% of ACT claims are not classified with an injury severity. For Queensland only 5% of claims are not classified with an injury status.

Claims with higher injury severity ratings generally have a much higher average cost per claim. Figure 2.8 shows the average cost per claim for finalised claims in the ACT and Queensland by Injury Severity. Both the ACT and Queensland data includes finalisations from 2009 to 2018.

Figure 2.8 – Full claims' average finalised cost by Injury Severity



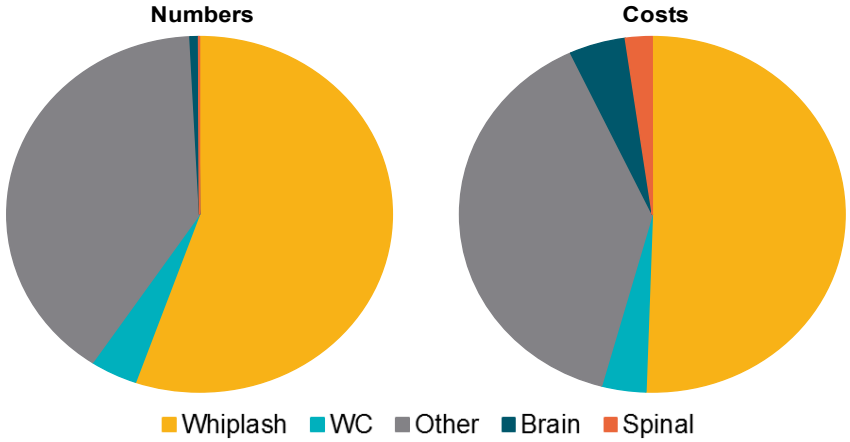
Generally the average claims sizes by injury severity are similar, although Queensland costs are higher for Severe and Maximum injury classes, while the ACT is higher for Critical injuries. Given the small number of claims in the ACT scheme, substantial volatility in costs for the most severely injured would be expected.

The maximum injury class has a relatively lower cost than several other categories because many of the injuries are fatalities, and spend a relatively shorter period receiving treatment and care.

2.2.6 Claims by Injury Type

The split of numbers, payments and average sizes by Injury Type are shown in Figure 2.9 and Table 2.4 (all ACT Full claims finalised to date).

Figure 2.9 – Split of Full Claim Numbers and Costs by Injury Type



MANF claims represent ~9% of lodged claims, but only ~0.2% of claim costs.

Table 2.4 – Full claim average finalised cost by Injury Type[10]

Injury Type	Proportion of Lodged Claims	Average Finalised Claim Size
Whiplash	55.4%	$80,000
WC	4.0%	$82,000
Other	39.9%	$85,000
Brain	0.7%	$578,000
Spinal	0.1%	$2,356,000

The majority of claims are described as Whiplash/Soft Tissue. The average costs for all injury types other than Brain and Spinal are also around $80,000. There have only been 5 Spinal claims finalised to date.

[10] Average Finalised Claim sizes are rounded to the closest $1000.

2.2.7 Claims by Head of Damage

Table 2.5 compares the ACT, NSW and Queensland by split of head of damage and Figure 2.10 shows the average payment for each head of damage per finalised claim for claims finalising between 2009 and 2018 for the ACT and Queensland schemes. An explanation of the coverage of each head of damage for the ACT is set out in Section 1.8.

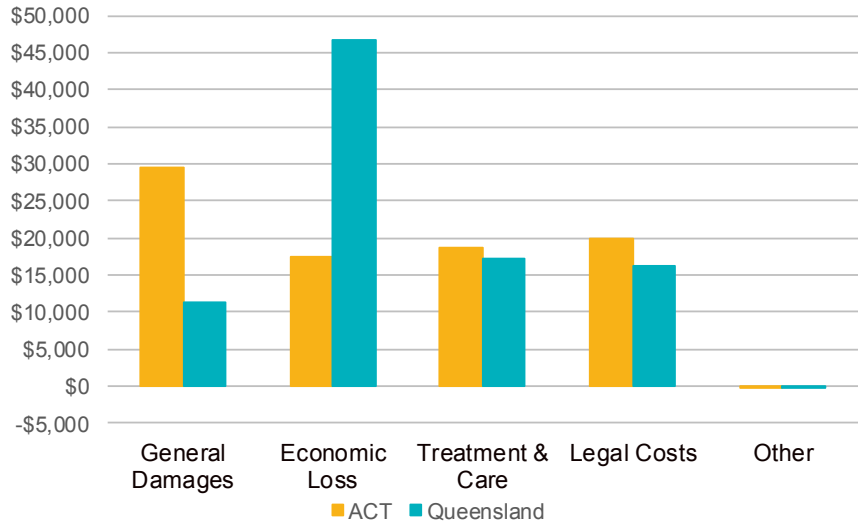
Table 2.5 – Split of Finalised Full Claim Costs by Head of Damage[11,12]

Head of Damage	ACT	Queensland	NSW
General Damages	32%	12%	14%
Economic Loss	21%	51%	36%
Treatment & Care	22%	19%	25%
Legal Costs	24%	18%	19%
Other	-0%	-0%	7%

The key differences in the split of damages include:

- General Damages: the absence of the threshold for general damages in the ACT contributes substantially to all participants receiving at least minimum General Damages payment
- Economic Loss: the lower general damages proportion for Queensland and NSW partially explains the higher Economic Loss proportions
- Legal costs: legal costs are a higher proportion of the total costs than in both Queensland and NSW and have a higher average size per finalised claim (Figure 2.10) than Queensland

Figure 2.10 – Average HOD cost per finalised Full claim[13]



Except for Economic Loss, the ACT has higher average costs per claim for each of the other material heads of damage. However, overall Queensland claims finalised across this period have had an average claim size of $91,000 compared to the ACT's claim size of $85,000[14] (noting that there are thresholds to pursuing a common law claim in Queensland that would result in higher average costs). While the ACT has a lower average cost, it also has a much higher claim frequency than Queensland (Figure 2.1).

[11] The ACT is showing the proportions for the 2014 to 2018 finalisation years, as these years have a similar mix of finalisation types. ACT data is gross data.
Queensland is for claims finalised from 1 July 2008 to 30 June 2018.
[12] NSW data is from the report "Section 275 Review of the Road Transport (Third-Party Insurance) Act 2008" by Cumpston Sarjeant dated 16 March 2016. The definition of payments used and whether it was on finalised or all claims was not specified.

[13] ACT and Queensland data is for finalised Full claims from 2009 to 2018. As per the discussion in Section 2.2.2, the average claim sizes will be smaller than the open + finalised average size.
[14] This figure is different to Table 2.1 as it excludes claims finalising between 1 July 2018 and 31 December 2018 to be consistent with Queensland data.

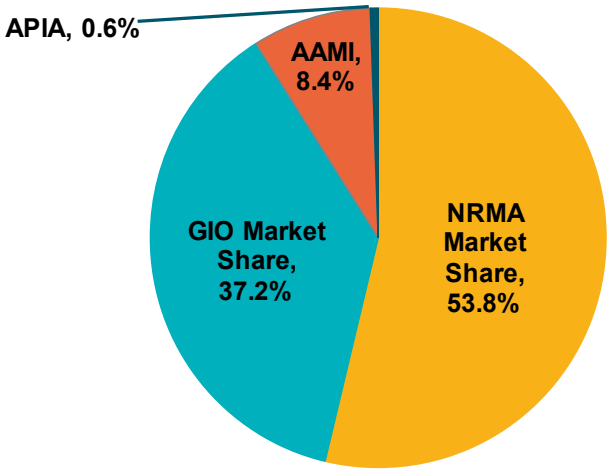
3 Objective 5A (b)

Objective 5A (b): To promote competition in setting premiums for compulsory third-party insurance policies

3.1 Background

For the first six years of the ACT CTP scheme (the Scheme), NRMA was the sole provider of insurance cover. Effective 1 July 2013 three new insurers (AAMI, APIA and GIO) commenced underwriting CTP insurance in the ACT. Since that time these insurers have increased their market share to 47% (30 June 2018). GIO is the largest competitor to NRMA, with 38% market share (Figure 3.1).

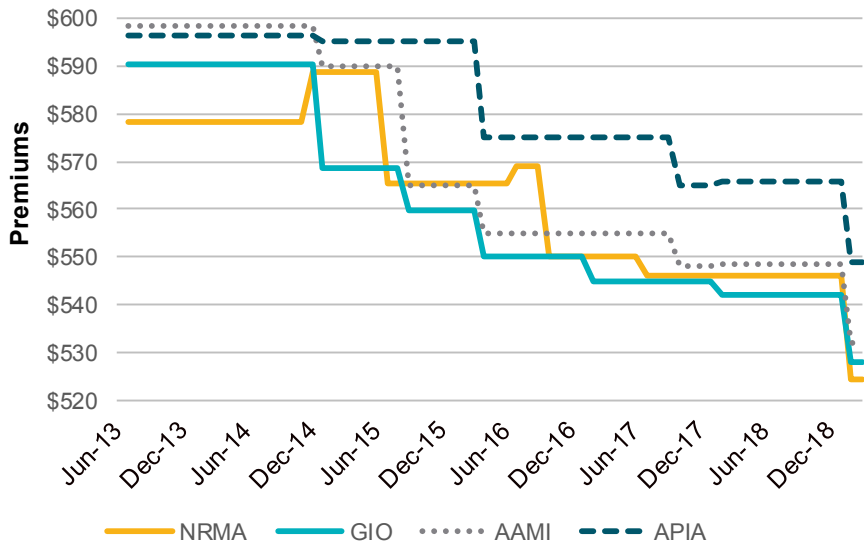
Figure 3.1 – Market Share as at 30 June 2018



Following the introduction of competition there have been a number of price decreases which have generally resulted in increased market share for the insurer offering reduced premiums.

Figure 3.2 shows the extent of premium reductions.

Figure 3.2 – Passenger Vehicle CTP prices[15]



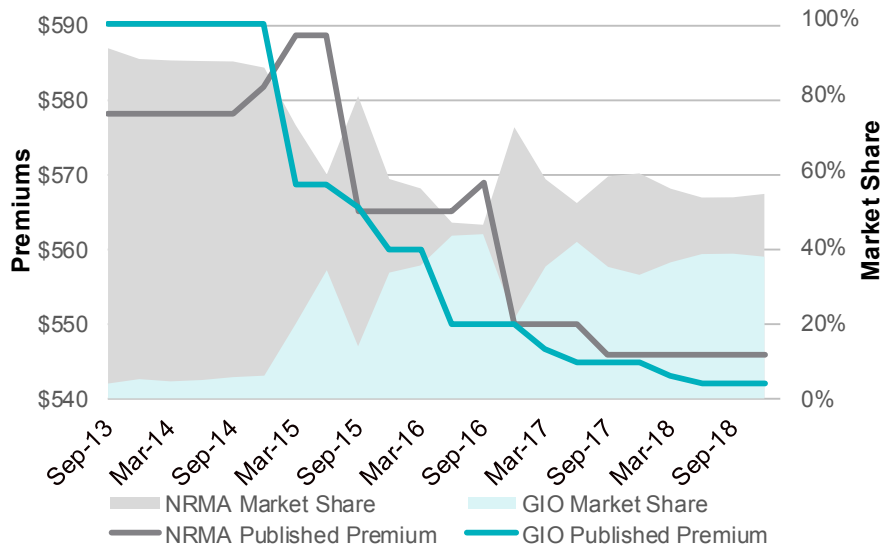
From 30 June 2013 to 1 February 2019 the minimum price of CTP premiums[1] for passenger vehicles has reduced from $578 to $524 (including GST and NDL), a reduction of around 9%. Over the same period wage inflation has been around 7%, resulting in a net real reduction in price for ACT customers of 15% (i.e. ~ 2.9% p.a.). Prior to the introduction of competition CTP Passenger Vehicle premiums had been increasing by around 2% p.a.

In the ACT, each insurer's premiums are provided on an individual's registration notice and they are publicised on the ACT Treasury website, making differences in CTP premiums clear and transparent to consumers.

[15] Premiums include GST and the Nominal Defendant Levy (NDL), but **exclude** the LTCS levy, the CTPI Regulator Levy and other government fees.

A reasonable proportion of consumers have responded to the reductions in prices by "following" the lower prices and switching insurer, often for relatively small changes in the published price. Figure 3.3 shows how the market share for the two largest insurers (GIO and NRMA) has moved in response to premium rate changes.

Figure 3.3 – CTP prices and market share



Competition has driven prices lower and the market has rewarded lower premiums with higher market share

Since the introduction of competition, NRMA's market share has reduced from 100% and has been as low as 46%. The current market shares for the 2018 December quarter are NRMA 54%, GIO 37%, AAMI 8% and APIA ~ 0.5%. These market shares roughly correspond with the general historical positioning of each insurer's prices, with GIO generally having the lowest premiums since 2014, NRMA the second lowest, AAMI the third lowest and APIA the highest premiums.

NRMA has generally maintained a market share in excess of 50% despite generally not having the lowest price. Part of the reason for this may be due to customer loyalty.

3.2 Other marketing activities

In considering the impact of competition on customer cost, it should be noted that the insurers have occasionally offered additional incentives to customers to attract business. Examples of these include shopping vouchers, discounts on other motor and home insurance products (when the policyholder has CTP insurance), rebates and donations to charity on the customer's behalf.

These may also have impacted customer buying behaviour.

3.3 Other improvements for customers

Since competition commenced, there have also been a number of changes in product offerings. The major change has been the introduction of coverage for the at-fault driver, initially by GIO and APIA and then NRMA followed suit in 2014. We understand AAMI does not offer at-fault driver cover.

The impact of driver at-fault coverage is to provide benefits to drivers injured in an accident even where it is their fault and is provided by private CTP insurers outside the statutory CTP Scheme. This cost is included within the published premium. This is the best example of customers now receiving greater benefits than prior to competition. There have also been changes to other elements of cover, such as the loyalty framework of NRMA.

A CTP policy purchased (may) now provide greater coverage for the driver than existed prior to competition (depending on the

3.4 Future behaviours

Competition is expected to continue to be rewarded, and appears to be driving further premium reductions. For example, at the February 2019 premium filing one insurer resubmitted their prices on the public release of a competitor's prices.

Although premiums have reduced, this does not automatically mean that premiums are as low as they could be, or whether they should be lower or higher.

More details on the affordability of the scheme and comparisons to other jurisdictions are in the next section.

Conclusions

- *Competition has been effective.*
- *Competition has resulted in reduced CTP premiums over the last 5 years*
- *Competition has provided driver choice and options*
- *ACT motorists have rewarded lower premiums with higher market share*
- *Competition may have resulted in extensions of coverage to at-fault drivers*
- *ACT motorists may have also benefited from marketing incentives offered by insurers*
- *Competition is likely to continue to be rewarded, and may drive further premium reductions.*

4 Objective 5A (c)

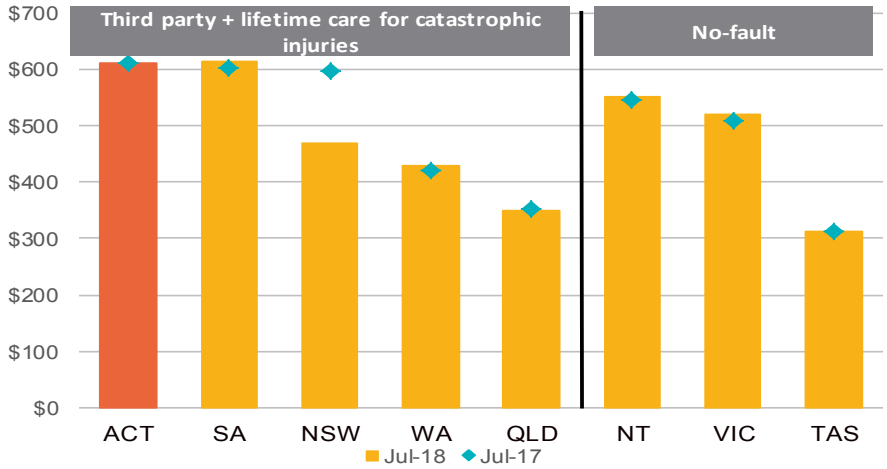
Objective 5A (c): To keep the costs of insurance at an affordable level

4.1 Affordability

It is important when considering the affordability of the scheme to consider what changes in the costs are occurring, how premiums compare to an external comparison such as average wages, and how the scheme compares to other jurisdictions.

Figure 4.1 compares the premiums charged in the ACT against those in other jurisdictions for standard motor vehicles[16].

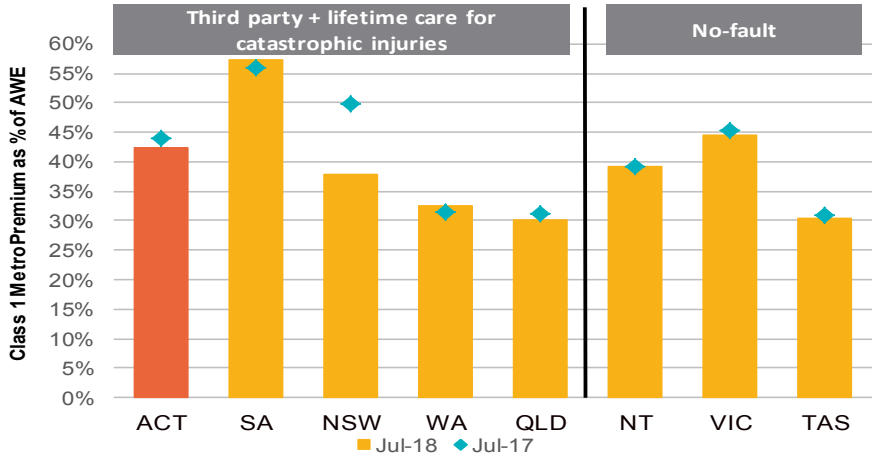
Figure 4.1 – Motor Injury Insurance Rates at July 2018



The ACT has the second highest premiums compared to other states. Scheme design is partly responsible, but the higher premiums may in part reflect cost of living within the ACT.

Figure 4.2 is an affordability index, which expresses the standard metro car premium shown in Figure 4.1 as a percentage of weekly earnings. This reflects how affordable a scheme is relative to average earnings of motorists in each state.

Figure 4.2 – Motor Insurance Affordability Index at July 2018

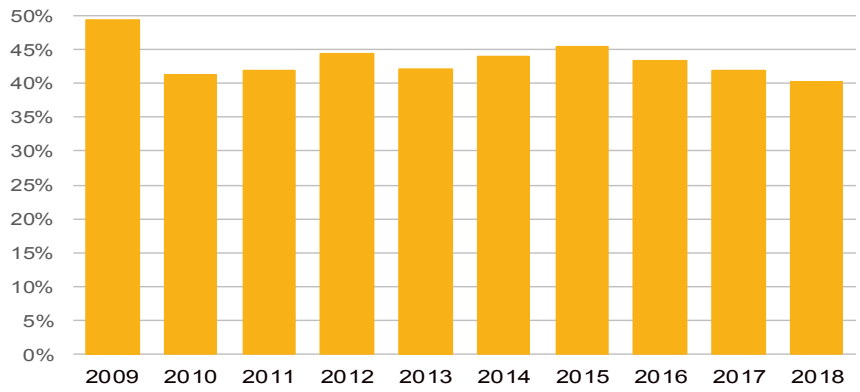


On an Affordability basis, the ACT's premium becomes the third highest and the gap to the lowest cost jurisdictions is considerably smaller.

Figure 4.3 shows how the affordability index for the ACT excluding non-insurance elements (such as the Road Rescue Fee) has tracked over time. Figure 4.3 indicates that the ACT's CTP premiums were generally less affordable up until 2015. Since this time, however, affordability has been improving, and is consistent with CTP premiums falling since the introduction of competition in July 2013.

[16] The premiums include loadings for the relevant lifetime care and support schemes in each jurisdiction, as well as stamp duty and other levies; therefore they are not directly comparable to the premiums in Figure 3.2. As in Section 3 they do not include after-market discounts or rebates offered by the insurers.

Figure 4.3 – Affordability Index for ACT (insurance + GST only)



The ACT has had improving affordability, but the scheme is still more expensive than most other jurisdictions

4.2 Components of the Published Premium

Section 3 demonstrated that premiums have been reducing since the introduction of competition, and Figure 4.3 supports this by showing improving affordability. The major components contributing to the level of the premiums are:

1. Insurer Risk Premium – expected claim costs (composed of the claim frequency per vehicle and the average cost of claims)
2. Investment returns – reduction in the Insurer's Risk Premium to allow for investment earnings from premium receipt to payment of claims
3. Insurer Expenses – acquisition, administration, reinsurance costs, claims handling costs, etc.
4. Insurer Profits; and
5. Taxes and levies

We have reviewed the performance of each of these components in Sections 4.3 to 4.8.

ACT motorists receive a registration slip that has two components – the Government Fees and the CTP Premium.

These include:

- Government charges
  - Registration (Including discount)
  - Other Government Fees
  - Lifetime Care and Support Levy
  - CTP Regulator Levy
- Costs of CTP insurance premiums
  - Nominal Defendant Levy
  - Insurer Risk Premium (i.e. expected cost of claims)
  - Insurer Expenses (acquisition, claims handling, reinsurance)
  - Insurer Profits
  - GST

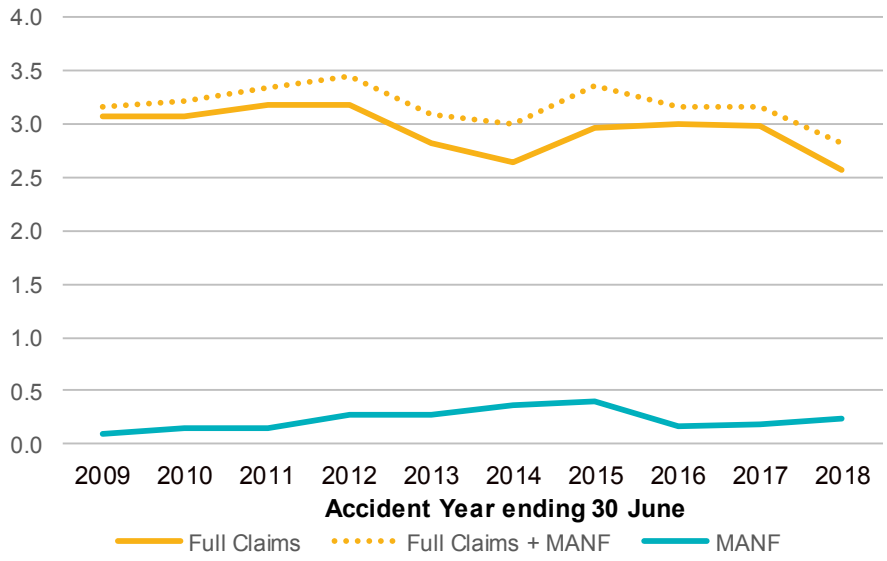
The components that are covering the insurance risk (claim costs and management) of the coverage provided ACT motorists are the CTP insurance premiums, the CTP Regulator Levy and the Lifetime Care and Support Levy.

4.3 Claim Costs

4.3.1 Claim Frequency

Figure 4.4 shows the expected ultimate (i.e. final) frequency of claims per 100 vehicles by year separately for Motor Accident Notification Form (MANF) claims and Full claims. MANF claims are for early medical expenses up to $5,000 and the claimant can be at fault.

Figure 4.4 – Expected Ultimate Claim Frequency per 1000 Vehicles



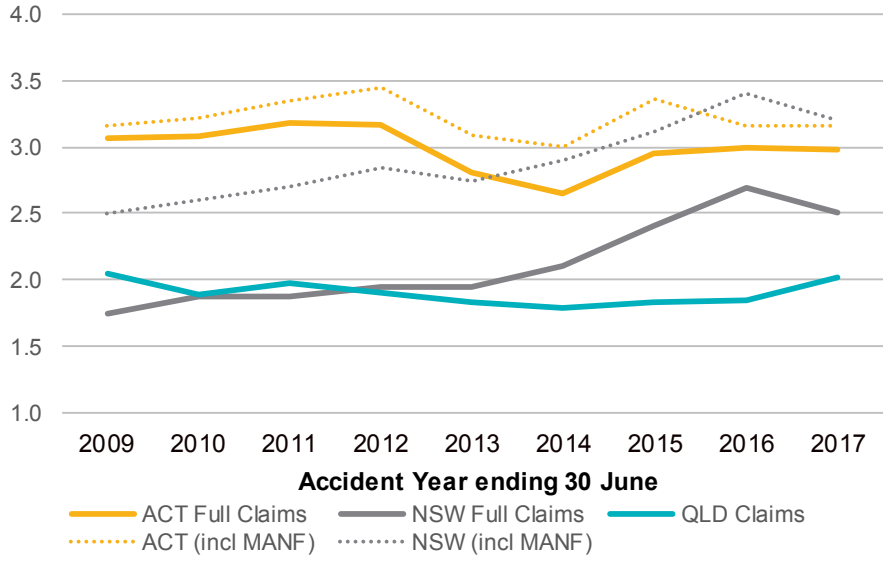
The frequency of Full claims in the ACT has been reasonably stable since 2009 around 3.0, with occasional low years. Both 2014 and 2018 appear to be lower from a frequency perspective. At this early stage it is not possible to say if the lower frequency observed for 2018 will be maintained into the future. Full claims have slightly reduced from ~3.1 claims per 1000 vehicles to 3.0 claims per 1000 vehicles for recent years (excluding 2018 which is closer to 2.5).

All else being equal this reduction would be expected to lead to marginally lower costs.

The proportion of MANF claims of total claims has varied between 5% and 12%, with the proportion averaging ~7% since 2016.

Figure 4.5 compares the ACT's frequency against Queensland and NSW. Over the period included in the chart all three jurisdictions had fault based CTP schemes.

Figure 4.5 – Reported Claims Frequency per 1000 Vehicles by Jurisdiction



The rapid increase in claim frequency in NSW between 2013 and 2016 was due to instances of claims farming. NSW reacted by introducing the Motor Accidents Compensation Regulation and increasing arrests for CTP fraud, which resulted in a material decrease in frequency in 2017.

Other reasons the ACT has a higher frequency compared to NSW and Queensland may include:

- The ACT's unique geography and urbanisation may lead to a different rate of vehicle use and/or accident rate than other jurisdictions;
- ACT residents may have a different propensity to claim than residents of NSW and Queensland;
- The ACT has a different scheme design compared to other jurisdiction.

ACT frequency has been reasonably stable over time.

ACT Full claim frequency is higher than NSW and Queensland.

4.3.2 Average Cost per Claim

Figure 4.6 shows, for two-year accident year cohorts the average size of finalised claims as 5%, 10% … to 90% of the claims from the accident year cohort have been finalised. By "arranging" claims in this way we seek to group together similar types of claims over time (assuming that the patterns of finalisation have been reasonably stable over time).

Figure 4.6 – Cumulative Average Finalised Claims' Cost by % Finalised by Accident Period[17]

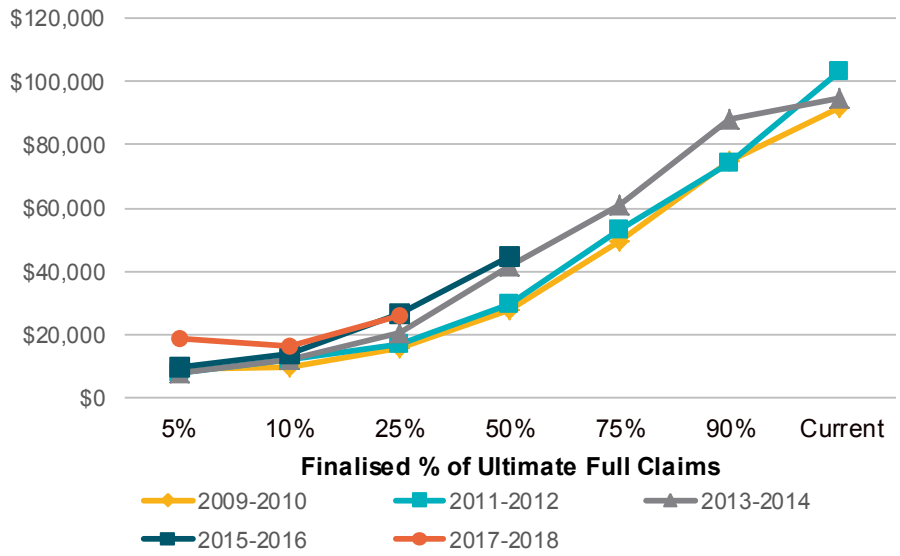


Figure 4.6 shows that claims inflation for claims finalised at early durations have been relatively benign (lines largely overlapping) up until recent years. For claims that have finalised later in 'life', the average cost appears to be increasing. This has led to the total claims costs increasing by around 4% p.a. for accident periods 90% completed.

Claims costs post 2013/14 appear to be higher at most finalisation %'s than prior periods, indicative of inflationary (and other) pressures in the system.

Table 4.1 supports this finding, and shows the inflation across the last five finalisation years at both the 50th percentile and the 90th percentile (i.e. claim size where either 50% or 90% of claims are smaller than this). These show what the inflation is for the mid-point, and at a level including most claims but excluding the largest claims. It is hard to interpret trends in inflation for the

[17] Each accident year includes accidents occurring in the year ending 30 June. Cohorts are the average of the two years. Average sizes are uninflated. The 2018 accident year is only15% finalised. "Current" is the current average cost of all finalised claims.

largest claims because each accident cohort has only a small number which can vary significantly in size.

Both Table 4.1 (on a finalisation year basis) and Figure 4.6 (accident year basis) indicate that there has been an increase in claims costs.

Table 4.1 – Average Full claims' cost per year Finalised at the 50th and 90th percentiles by size[18]

Finalisation Year Ending 30 June	Finalised Claim Size 50th Percentile	Finalised Claim Size 90th Percentile	Inflation Observed 50th Percentile	Inflation Observed 90th Percentile	ACT AWE
2014	32,000	51,000			
2015	35,000	52,000	9%	2%	3%
2016	43,000	64,000	23%	23%	0%
2017	41,000	62,000	-5%	-3%	2%
2018	40,000	61,000	-2%	-2%	3%

For both the 50th percentile and at the 90th percentile there has been inflation in 2015 and 2016; albeit at different rates. Both show small reductions in 2017 and 2018.

One driver of the increase in claim size in 2016 and later finalisation years has been a number of high cost brain and spinal injury settlements. In the three years 2013 to 2015 there were 16 spinal and brain injury finalisations with an average settlement size of $216,000. In 2016 to 2018 there were 26 such finalisations with an average settlement size of $608,000. This increase in the number of large claims added $5,000 to the average cost of every Full claim.

The driver of the rest of the increase in the average size was large increases on each of the other claim types. Whiplash, Workers' Comp and Other claims all had increases in their average size of between $14,000 and $70,000, although the number of workers' compensation claims is quite small.

All injury types have observed substantial increases in average size in 2016

Across the 2014 to 2018 finalisation years the claims' inflation has averaged 5.7% p.a. at the 50th percentile and 4.6% at the 90th percentile. This compares to ACT AWE inflation of 1.7% p.a. across the same period. Across the first six years of the scheme ACT AWE inflation was 3.8% p.a. and claims inflation was around 4.3% p.a.[19].

Superimposed inflation is the 'extra' inflation observed above standard inflation, and is quite typical in costs associated with medical expenses, legal expenses, and legal damages. It is normal to assume that superimposed inflation would occur in a scheme such as the ACT's and all the insurers currently include allowances of between 2% and 3% per annum. The nature of superimposed inflation is that it often occurs in 'bouts' (e.g. a court precedent changing outcomes for many claims), and that there can be long periods of limited or no superimposed inflation, followed by a few years of rapid inflation.

The experience of the Scheme illustrates such a bout of superimposed inflation. Using the 90th percentile claims inflation and AWE inflation calculated above, the superimposed inflation can be calculated as being around 0.5% p.a. for the first five years of the scheme and it has been 2.9% pa over the last four years of the scheme.

Superimposed inflation is a feature of the claims experience

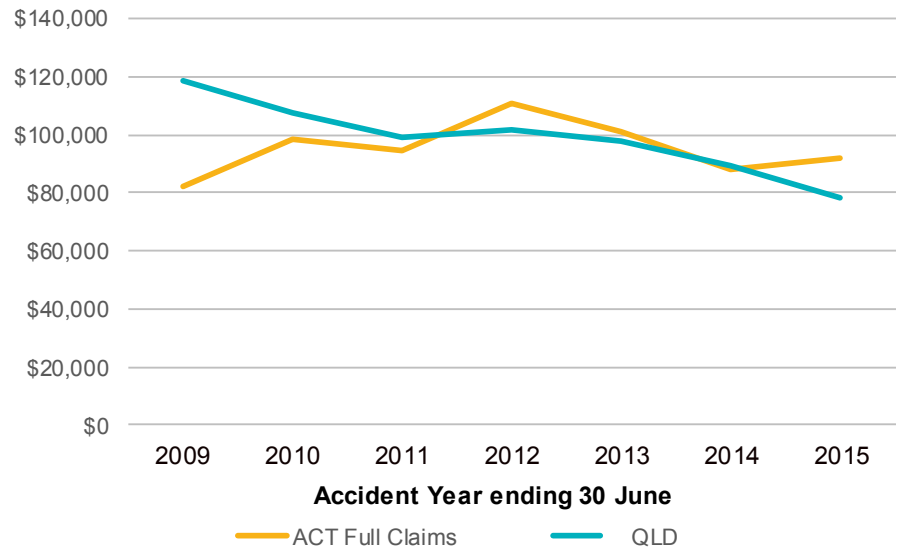
[18] The 2013 and earlier finalisation years are excluded as they would not yet be mature (i.e. they may not represent a full distribution of claims). Finalised claim sizes are rounded to the nearest $1,000.

[19] Measured as the change in average cost of finalised claims when 90% of an accident year's claims have been finalised

Figure 4.7 compares the average cost of finalised Full claims in the ACT against Queensland. ACT average claim cost is shown including and excluding the MANF claims. Typically the smallest claims finalise fastest, therefore these years appear low. We have excluded claims beyond 2015, as these claims are still relatively immature, with a substantial portion of costs still outstanding. The 2015 accident year may be partially impacted (it is 84% finalised).

From 2011 Queensland claims' average costs are very similar to the ACT claims' average costs for Full claims. The significantly higher frequency in the ACT results in a higher overall cost per policy.

Figure 4.7 – Average Cost of Finalised Claims to date by Accident Year[20]



ACT standard claim's average cost is not materially different to Queensland since 2013 for Full claims.

4.3.3 Total Cost per Policy (CPP)

Under section 270 of the CTP Act, information must not be disclosed if it allows an insurer to be identified and would affect an insurer's competitive position if the information was to become generally known.

Some expense and related data for NRMA, as the sole provider of CTP insurance prior to July 2013 are commercial-in-confidence, and are of a proprietary nature. This data cannot be disclosed, consistent with the CTP Act and affects the following Figures in Section 4:

- 4.8 – Total Cost per Policy;
- 4.11 – Expenses; and
- 4.12 and 4.13 – Profits.

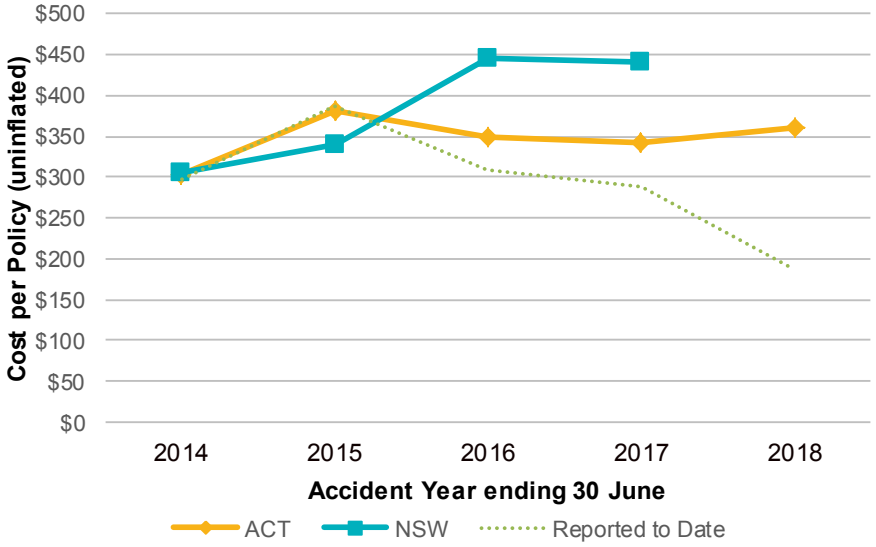
The non-disclosure of information is highlighted for each of the relevant Figures in the following pages.

The cost per policy (or per vehicle) is the frequency (Section 4.3.1) multiplied by the average cost per claim (Section 4.3.2). Figure 4.8 shows the CPP from the commencement of competition to date and Finity's estimated ultimate CPP from data as at 30 June 2018 (excluding the Nominal Defendant Fund). Both the ACT and NSW data includes MANF claims, but these costs are not material on a costs basis.

The dotted green line shows the net reported incurred cost (excluding the Nominal Defendant Fund) as at 31 December 2018.

[20] The 2016 to 2018 accident years are excluded as Table 2.2 showed only a small proportion of claims have finalised from these years.

Figure 4.8 – Ultimate Expected Average Cost per Policy (2017$)[21]



Note: NRMA data for the 2010 to 2013 accident years (prior to the commencement of competition) are not disclosed as they are commercial-in-confidence and of a proprietary nature.

The 2017 NSW Scheme Performance Report also has a projected ultimate cost per policy, which is included in Figure 4.8. The ACT CTP scheme has been more volatile than NSW, which would be expected due to its much smaller size. Up until around 2015 the ACT CTP scheme was generally in line or more expensive than NSW. However, since the 2015 accident year NSW has seen a significant increase in cost, making it higher than the ACT CTP scheme.

The insurers currently have a current value cost of claims for the 2019 underwriting period of between $300 and $350 (2017$). This would also exclude the nominal defendant fund (consistent with Figure 4.8). A cost of $300 to $350 for 2019 does not appear unreasonable.

4.4 Lifetime Care and Support Scheme

The Lifetime Care and Support Scheme (LTCSS) has been in effect for people injured in motor injuries since 1 July 2014. Its introduction was an expansion of coverage as it covers all catastrophic injuries, regardless of fault. Previously the only coverage for at fault drivers was the MANF process (which covers only medical costs up to $5,000) and at-fault driver coverage offered by NRMA, GIO and APIA (which has lower benefits than the LTCSS or CTP schemes).

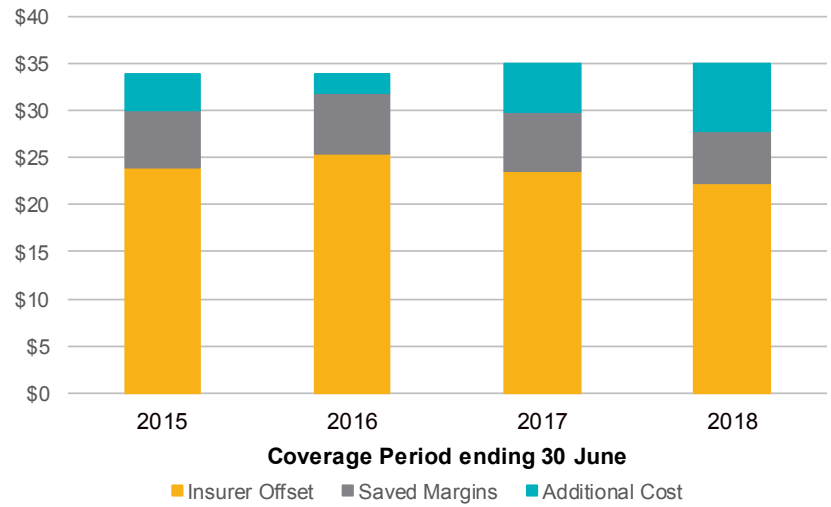
The Lifetime Care and Support (LTCS) levy is not included as part of motorists' CTP premiums, but included within the government fees breakdown on the registration form. Insurers have reduced their premiums since its introduction as part of the cost previously borne by the CTP Scheme is now covered by the LTCSS.

The LTCSS's extension of coverage to at fault drivers does have a price, as the amount included in the LTCS levy is greater than the offset in the published premium.

Figure 4.9 shows the LTCS levy split between its components.

[21] ACT and NSW data include MANF. ACT projections exclude Nominal Defendant claims. The data is in 2017$ to be consistent with NSW data

Figure 4.9 – LTCS levy and offset[22]



The Insurer "offset" and the "saved margins" were both part of the published premium prior to the introduction of the LTCS.

- Insurer Offset is the estimate by the CTP insurers of the reduction in the claims cost they will face
- Saved Margins reflects that the published CTP premium includes an insurer profit margin and a loading for the Nominal Defendant Levy and GST. The LTCS levy does not include any of these costs.

The Additional Cost is the net extra additional cost ACT motorists are paying for the LTCSS (i.e. the difference between the LTCS levy and the sum of the Insurer Offset and Saved Margins). There are a number of elements which increase or decrease the cost of the LTCSS versus the cost pre 2014. The Additional Cost is the net impact of:

- The additional cover offered by LTCSS, as it covers at-fault as well as not-at-fault injured persons
- The benefits provided to catastrophically injured persons under the CTP scheme and the LTCSS scheme are fundamentally different: the CTP scheme provides a lump sum calculated via negotiation and judicial precedent (and incorporates a discount rate), while the LTCSS provides reasonable and necessary supports as they arise over the course of the participant's time in the scheme (noting that this may be for life)
- Expense differences
- Savings on reinsurance (noting that the LTCS does not have reinsurance)
- Investment Income: The LTCS fund invests with a growth strategy as opposed to the insurers, who typically invest in risk-free assets (Government bonds etc.), which will reduce the cost.

The average net cost has been around $5 per vehicle to date.

The LTCSS has led to an expansion of coverage, with a small increase in the costs for motorists

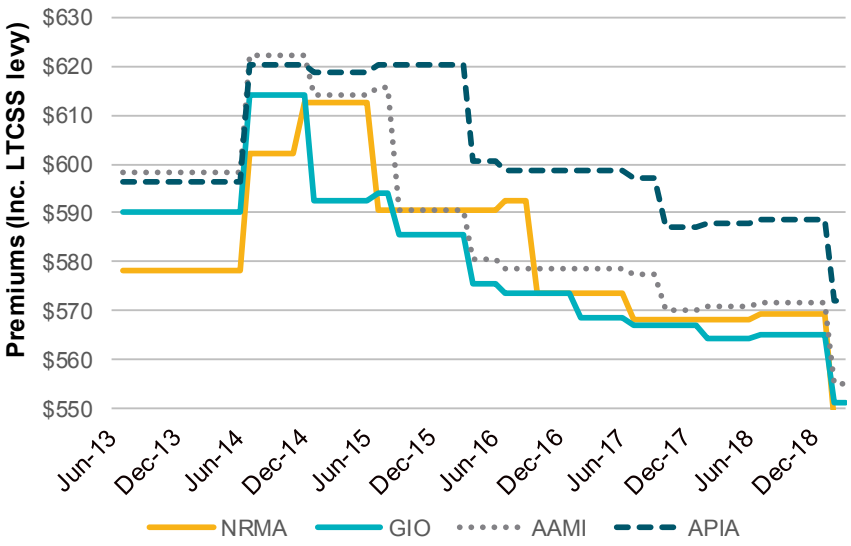
Figure 4.10 shows the level of premium reductions when the LTCS saving is added back into insurers' published premiums.

Although published premiums have still reduced since 2013, Figure 4.10 makes clear that when the LTCSS's costs are included, the savings to ACT motorists have not been as extensive as the fall in the published premium rates would initially indicate (as shown in Figure 3.2).

However, it should be remembered that the LTCSS includes an expansion of coverage, and the sum of the published premiums and LTCSS levy have still had a reduction of around $30 since 2013, much less than the inflation observed over the same period.

[22] The insurer offset is the reduction in the insurer's Risk Premium. The saved margins are the saving in avoiding insurer profit margin, the NDL and GST loadings.

Figure 4.10 – Premiums adjusted for the LTCS Saving



If the LTCSS costs were still included within the published premium, the level of premium reductions would be smaller.

The LTCS scheme has not been in place long enough to be confident of what the eventual cost will be, and how it will compare to the current levy charged. As at 31 January 2019 there had only been four lifetime and five interim motor vehicle accident participants accepted, of which four have been 'not-at-fault'.

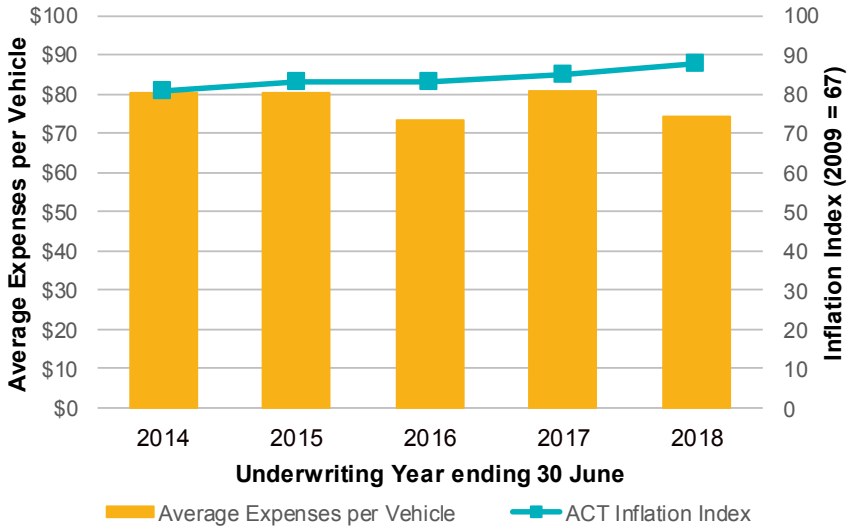
4.5 Expenses

There is no public information on expenses actually incurred by insurers and the CTP Regulator does not currently collect this information from insurers. However, insurers do report their expected expenses when submitting new premiums. We have included all non-claim margins except profit loadings within the definition of expenses. Examples of expenses include:

- Administration and claims handling costs
- Acquisition costs
- Net cost of reinsurance
- At-fault driver cover

Figure 4.11 shows the expected expense cost per vehicle by underwriting year (based on insurer's premium rate filings).

Figure 4.11 – Expenses over time[23]



Note: NRMA data for the 2009 to 2013 accident years (prior to the commencement of competition) are not disclosed as they are commercial-in-confidence and of a proprietary nature.

Expenses (orange column) per vehicle between 2014 and 2018 have generally fluctuated between ~$70 and $80 per vehicle. The blue line shows observed ACT AWE inflation across the same period with a starting point of $81 in 2014 (the 2014 expense level). If expenses had followed inflation, in 2018 they would be expected to be around $88. Instead they are around $75. This demonstrates that expenses have fallen in real terms.

[23] Underwriting years are a blend of the premiums in force across the year to 30 June, weighted by insurers' market share.

4.6 Investment Returns

Insurers generally invest premiums in a mix of conservative investments such as bonds and fixed interest. Investment returns on bonds and fixed interest have been low over the last ten years. Expected returns on government bonds have fallen from around 6% pa in 2009 to 2% to 2.5% in recent years. With a mean term of around 4 years, the impact of lower yields will have added around 15% to the discounted cost of claims and a similar impact to the published premium.

Reduced yields on Commonwealth Government Bonds may have increased published premiums by as much as 15% since 2009.

4.7 Profits

The ACT CTP scheme is a privately underwritten scheme. Private insurers require a return on capital invested in underwriting insurance, as well as having significant regulatory capital constraints. It is expected and appropriate that insurer's receive a reasonable return on the capital supporting the risks that are being underwritten.

Actual profit is difficult to calculate with the information available to Finity via the CTP Regulator and in the public domain. Key components of the profit are known only to each individual insurer including information such as actual expenses incurred, actual investment returns, and reinsurance recoveries, etc.

We have attempted to estimate the profit achieved, to consider whether or not it has been in line with insurers' original expected profit margins from their premium settings. The process we have used to estimate the profits is:

- We have used our own estimates of the ultimate claim costs[24] for each year based on the historical claims performance captured in the data to 30 June 2018. These estimates exclude the nominal defendant fund claims and LTCSS claims.
- We have then applied the insurers' *expected* other margins as set out in their premium filings. This includes allowances for items such as claims handling costs, acquisition expenses, net reinsurance costs, at-fault driver cover, etc.
- We have divided the combined costs by the premium received for each year, excluding GST and the Nominal Defendant Levy.

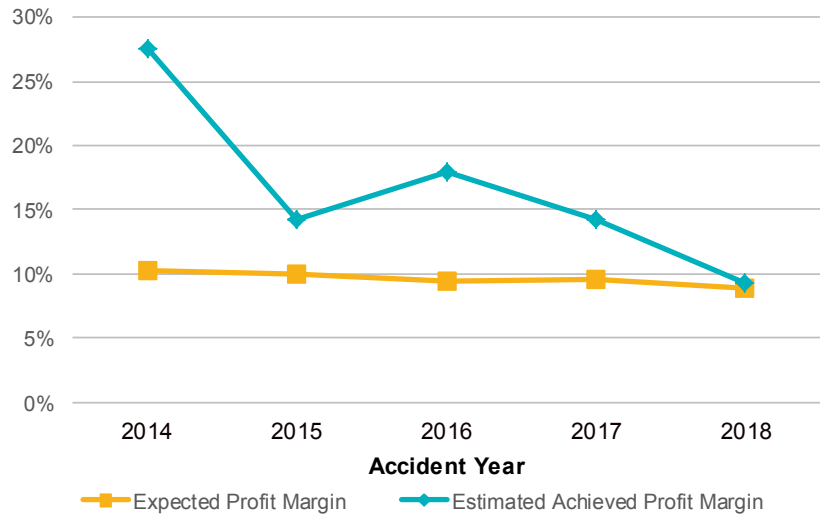
This approach blends the updated knowledge we have of claim costs (based on data to 30 June 2018) with the knowledge of the expected margins, taxes and levies that existed at the time of the premium setting.

Given the significant shortcomings in terms of information on actual expenses etc., the estimated achieved profit should be treated as indicative only. We would expect insurers' actual profit margins would be different, potentially materially, from those shown in this report.

Figure 4.12 shows how the profit levels have changed over time – both the expected level of profits assumed in the premium filings and the estimated profits achieved. For many years of the scheme the estimated achieved profits appear to have been higher than anticipated by insurers and regulators.

[24] The final cost when all claims for an accident year have finalised.

Figure 4.12 – Estimated Profit Margin



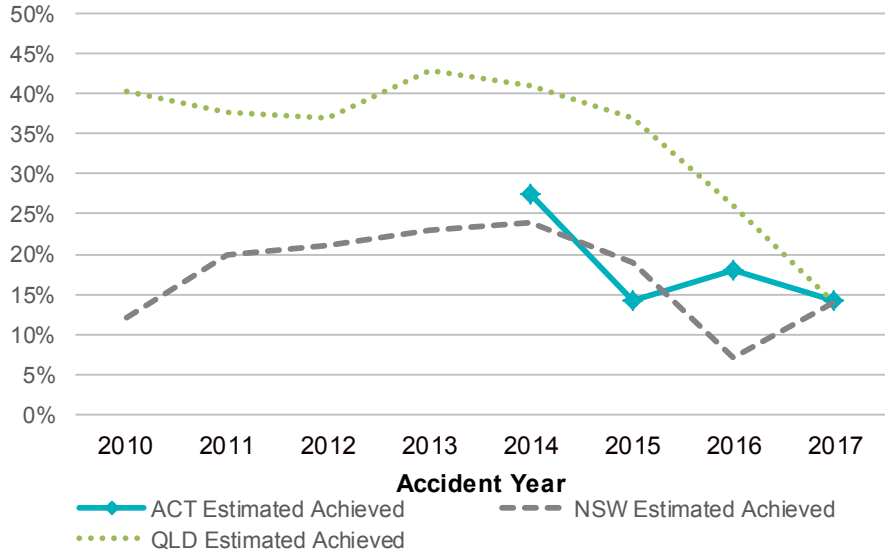
Note: NRMA data for the 2009 to 2013 accident years (prior to the commencement of competition) are not disclosed as they are commercial-in-confidence and of a proprietary nature.

In relation to the results shown in Figure 4.12:

- Referring to the estimated ultimate cost by accident year in Figure 4.8:
  - The 2015 accident year had worse than expected claims experience, which will partly explain the lower estimated achieved profits
  - The 2014 accident year appears to be a favourable year from a claims perspective, with lower than anticipated claim frequency (Figure 4.4). This has contributed to the higher anticipated profit.
- The more recent accident years are less developed and are therefore more reliant on Finity's estimation of each accident year's ultimate cost. It is not unreasonable to expect that given the immaturity of these years that the final ultimate cost will vary (up or down) from Finity's estimation, which would result in a final actual profit that would differ from the levels shown in Figure 4.12.
- Competition is continuing to act to reduce premiums over time
- Although there has been volatility in the estimated achieved profit margin, it has never been below the insurer's expected profit margin. This also applies to the period 2010 – 2013, although not shown in Figure 4.12

Estimates of the profit margins for both the NSW and Queensland CTP schemes are available publicly. These are shown against the ACT estimated achieved profit margins in Figure 4.13.

Figure 4.13 – Estimated Actual Profit Margin by Jurisdiction[25,26]



Note: NRMA data for the 2009 to 2013 accident years (prior to the commencement of competition) are not disclosed as they are commercial-in-confidence and of a proprietary nature.

[25] Queensland profit margins are sourced from the MAiC publication "Retrospective profit study of Queensland CTP premiums as at 31 December 2017" published 9 April 2018. The data used was to 30 June 2017.
The Queensland estimates assume superimposed inflation of 1%; the report includes estimated profit margins at 0% and 2%. We adopted 1% as the mid-point.
[26] The NSW estimates are from the scheme's 2017 Scheme Performance Report. Data used was to 30 June 2017.

Figure 4.13 indicates that since the commencement of competition in July 2013 there has been some similarity in the experience between NSW and the ACT where, although some of the individual years have varied significantly, the overall level is not dissimilar. The estimated achieved profits in the Queensland scheme have been significantly higher than those achieved in the ACT or NSW.

Superimposed inflation is a key element of uncertainty that impacts achieved profits. It is generally accepted practice (based on historical evidence) in Australia to assume that medical costs, legal costs and general damages will increase over time in excess of standard inflation. As set out in Section 4.3.2, superimposed inflation in the first 5 years of the scheme was ~0.5% pa, and has been ~2.9% p.a. for the last 4 years. Insurers are currently assuming between 2% and 3% pa superimposed inflation, which appears reasonable. As discussed above, for early accident years the assumed rate was in excess of 3% pa, an assumption which, with the benefit of hindsight, appears conservative.

As highlighted throughout this report, given the long tail nature of CTP insurance the actual profitability on any particular year cannot be known with certainty until a number of years after the end of the year.

Indicators are that insurers' actual profits are higher than the expected profits arising from writing ACT CTP insurance, although the extent is uncertain. This trend appears to have been decreasing in recent years.

4.8 Taxes and Levies

In addition to the estimated claim costs and margins included in the insurers' premium submissions to the regulator, motorists also pay:

- GST (10% of insurers' final premiums, currently around $46 for passenger vehicle policies)
- Nominal Defendant Loading (currently around $23 for passenger vehicle policies).

CTP insurance was exempt from stamp duty even during the period prior to 1 July 2016 when stamp duty existed within the ACT. The premiums shown in Section 3 include GST and the NDL, and these are included within the premium listed on the renewal form. The comparisons to other jurisdictions in Figure 4.1 include all of the fees and levies.

The Nominal Defendant Loading (NDL) covers the costs of persons injured by motorists who are not identified or who are uninsured. It is set as a rate of the insurers' final premiums, before the application of the additional levies and charges. The rate has varied over time between 3.3% and 4.7% as shown in Table 4.2.

Table 4.2 – Nominal Defendant Loading

Date Aplied From	Initially	1 Jul 2012	1 Jul 2016	1 Feb 2018	1 Feb 2019
NDL Rate	4.00%	3.3%	4.0%	4.5%	4.7%

Although the NDL has been increasing in recent periods in percentage terms, this is partly due to the reducing premiums charged to ACT motorists. As premiums reduce, unless the costs of managing the Nominal Defendant scheme also reduce the percentage levy will increase.

The LTCS levy (currently $36.50) is not included within the CTP premium on motorists' registration form, but is included within the Government Charges section. In addition to the LTCS levy there is also the CTP Regulator Levy (current $1.00), Registration cost, the Road Rescue Fee (currently $26.90) and the Road Safety Contribution (currently $2.50). Only the LTCS levy and CTP Regulator levy of these charges are associated with providing cover for those injured by ACT motor vehicles.

4.9 Summary

The average premiums in the ACT are higher than either Queensland or NSW (Figure 4.2).

The ACT has a very similar cost per claim (Section 4.3.2) to Queensland, but a much higher frequency (Section 4.3.1). The ACT's CTP scheme design allows more claims to be made, but they are not materially smaller. This will result in a higher claim cost per policy.

The ACT Scheme had a higher CPP than NSW until 2015, but a lower CPP for 2016 and 2017 (Figure 4.8). Effective 1 December 2017, the NSW Scheme design was substantially amended which resulted in an average reduction in premiums of approximately $130 between 1 July 2017 and 1 July 2018.

Conclusions

- *The ACT has had improving affordability, but the scheme is still more expensive than most other jurisdictions*
- *There has been a small amount of claim frequency improvement, with 2018 showing good performance.*
- *Claims inflation has been generally benign, but evidence of superimposed inflation in 2016*
- *Premiums have reduced over time despite much lower Commonwealth Bond yields since the scheme began*
- *The LTCS scheme has resulted in an expansion of cover, at a small additional cost to ACT motorists.*
- *Indicators are that insurers' actual profits are higher than the expected profits arising from writing ACT CTP insurance, although the extent is uncertain. This trend appears to have been decreasing in recent years.*
- *There could be potential for premiums to decrease further if:*
    - *2018 levels of claim frequency are sustained*
    - *Claims cost growth is constrained*
- *However, if current observed levels of superimposed inflation continue, or rise, then this potential will be limited*

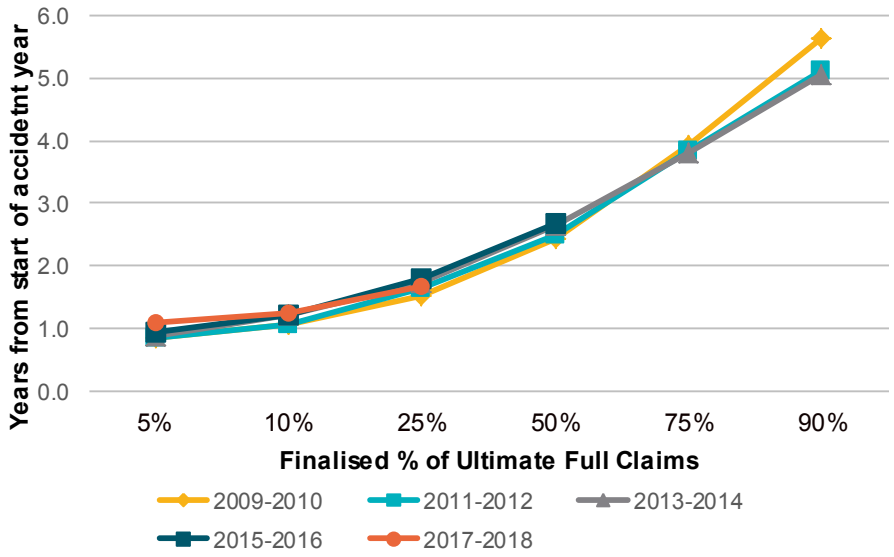
5 Objective 5A (e)

Objective 5A (e): To encourage the speedy resolution of personal injury claims resulting from motor accidents

It is possible to track how quickly claims have been lodged, received payments and finalised over the duration of the scheme.

Figure 5.1 shows that the time to finalisation from the start of the accident year to the point when 5%, 10% … 90% of the total claims have finalised. For example, for the 2015-2016 cohort it took 2.7 years to finalise half the claims.

Figure 5.1 – Time to Finalisation by % Finalised Full Claims by Accident Cohort[27]



The key observation from Figure 5.1 is that except for the claims taking the longest to finalise (which may have been impacted in some degree by legislative changes, including those introduced in 2012), there has not been any significant change in the speed of claim resolution. It has consistently taken around 1.5 years to finalise the first quarter of claims, and around 2.4 years to have finalised half the claims.

The average time to finalisation is around 2.2 years.

5.1 Time to Finalisation by claim type

5.1.1 Full claims

The following figures show the time to finalisation for Full claims disaggregated by Litigated Claims, Legally Represented claims, Large and Small claims by two year accident year cohorts.

All claim designations are based on the current status of claims as at 31 December 2018. Large claims are claims with a net incurred cost over $100k (2019$, indexed 3% p.a. by accident year). Historically 70 to 75% of claims have finalised as small claims.

There is some cross-over between the charts. It would be expected that litigated claims will be a subset of legally represented claims. It is also likely that the large claims have a high likelihood of being litigated and legally represented. Therefore it must be kept in mind that some of the observations would be expected to be consistent across several of the charts.

[27] Each accident year includes accidents occurring in the year ending 30 June. Cohorts are the average of the two years. The 2018 accident year is only15% finalised.

Figure 5.2 – Time to Finalisation – Legally Represented claims

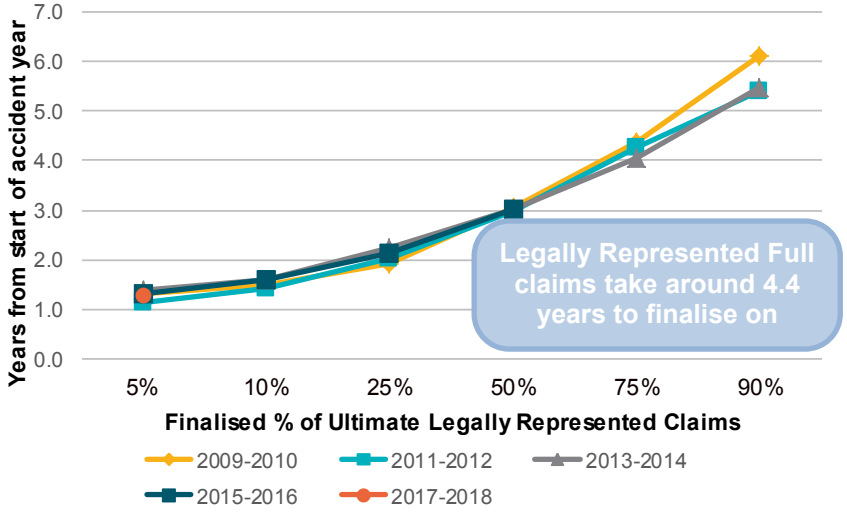


Figure 5.4 – Time to Finalisation – Claims <$100k 2019$

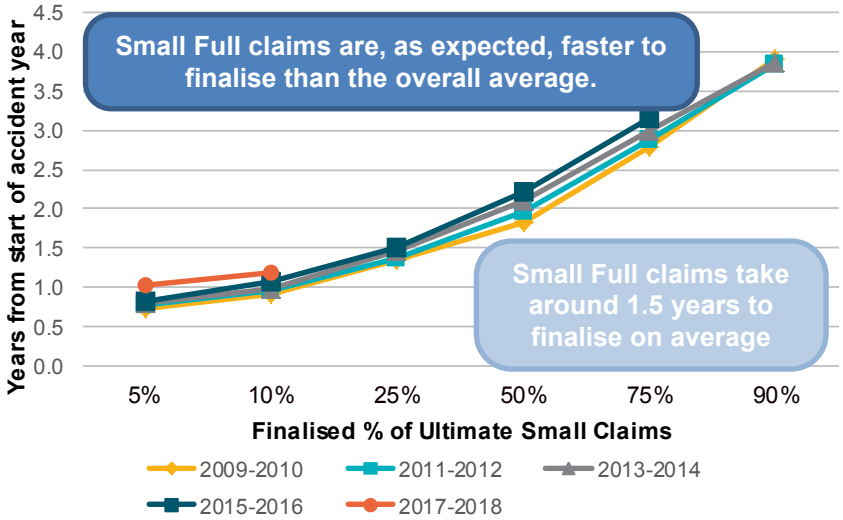


Figure 5.3 – Time to Finalisation – Litigated claims

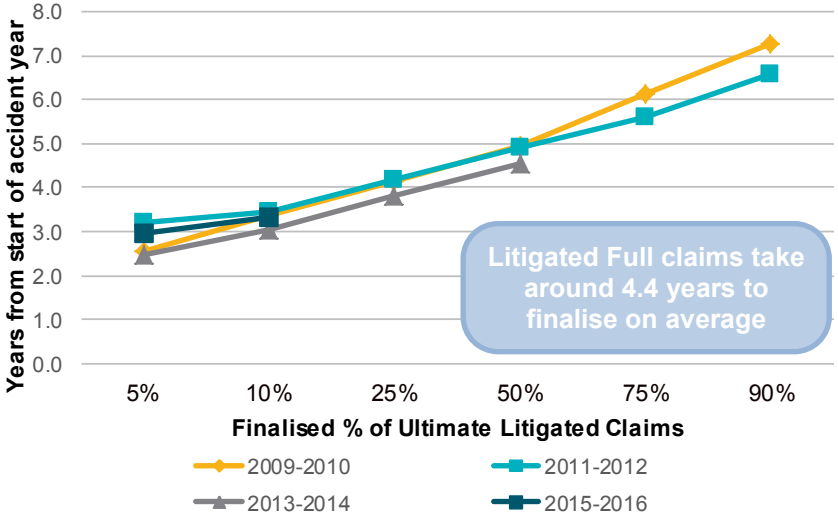
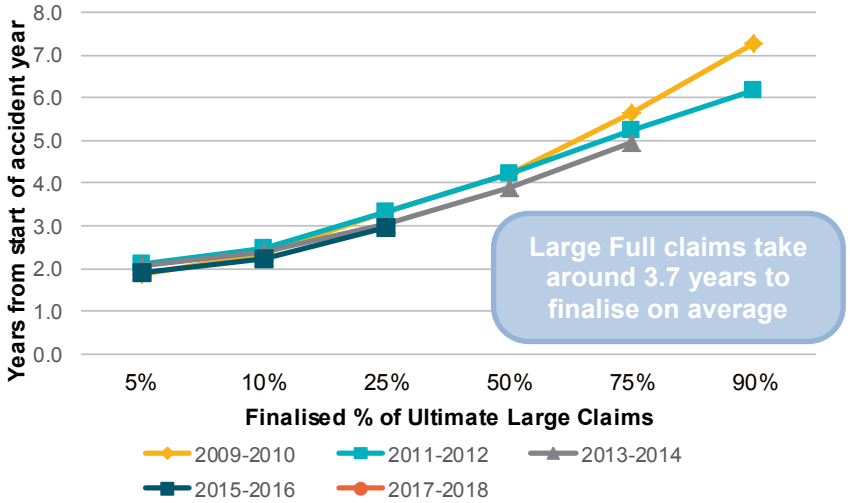


Figure 5.5 – Time to Finalisation – Claims >$100k 2019$



Claims which are large, litigated, or legally represented take longer to finalise – they typically take 3-5 years to reach 50% finalised, compared to around 2.5 years for all claims. Litigated claims take the longest to resolve.

Although each claim type split has its own characteristics, the accident year cohorts have generally behaved in a similar manner relative to each other. Generally the accident cohort lines are reasonably consistent.

The exceptions are for litigated and large claims. The 2013-2014 accident year cohort (in grey) appears to be slightly faster for litigated and large claims than previous cohorts. However, the later 2015-2016 accident year cohort (in dark blue) is currently performing at a similar level to older accident periods, indicating that 2013-2014 cohort may be an outlier.

There does not appear to be any material improvement in speed of claim finalisation over the life of the scheme.

One element out of the control of the scheme is the level of legal representation. Figure 5.6 shows the delay to finalisation for small claims that are legally represented, and Figure 5.7 shows the same for small claims not legally represented.

For claims legally represented, claims take an additional year on average to reach 50% finalised, and at that point have cost around $30,000 more than non-legally represented claims, with around $7,000 of this increase being for additional legal expenses paid by the scheme (this does not include any solicitor-client legal costs which are paid by the injured person to their lawyer). Typically we would expect the larger and more complex legal claims to have legal representation.

The average time to finalisation for legally represented small claims is 1.9 years, while it is 0.9 years for other small claims, consistent with the delays at 50% finalised.

Figure 5.6 – Time to Finalisation – Legally Represented Small claims

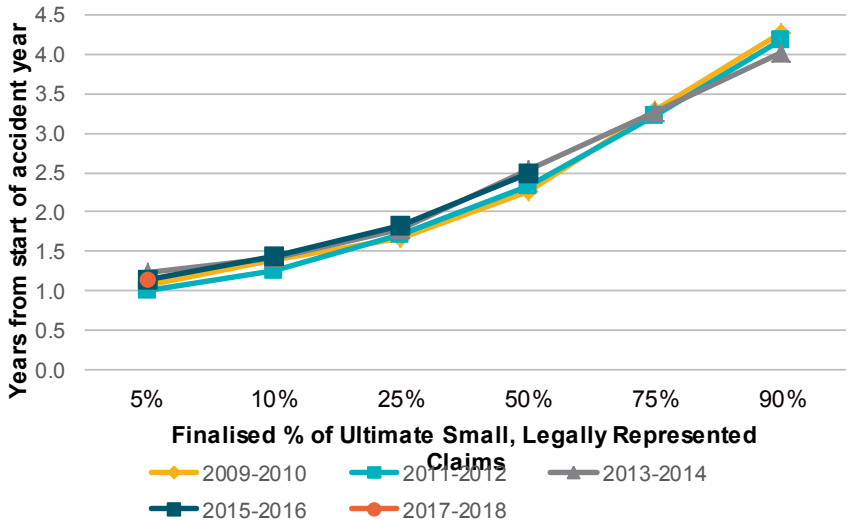
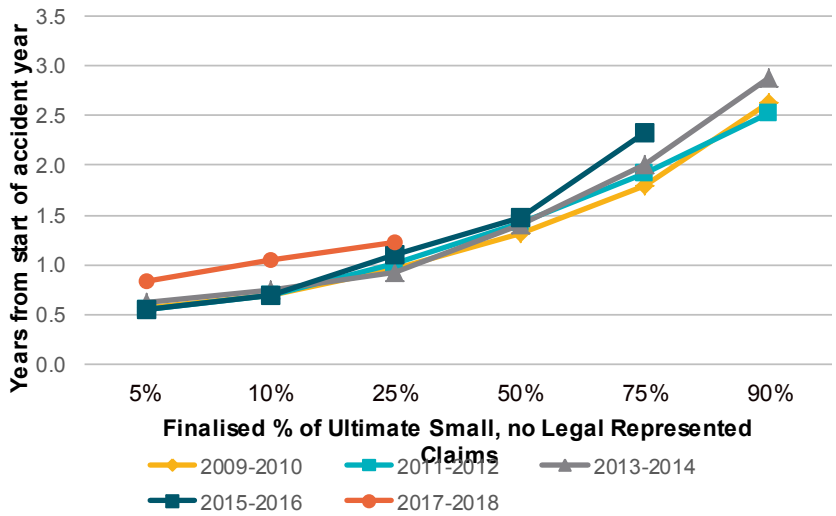


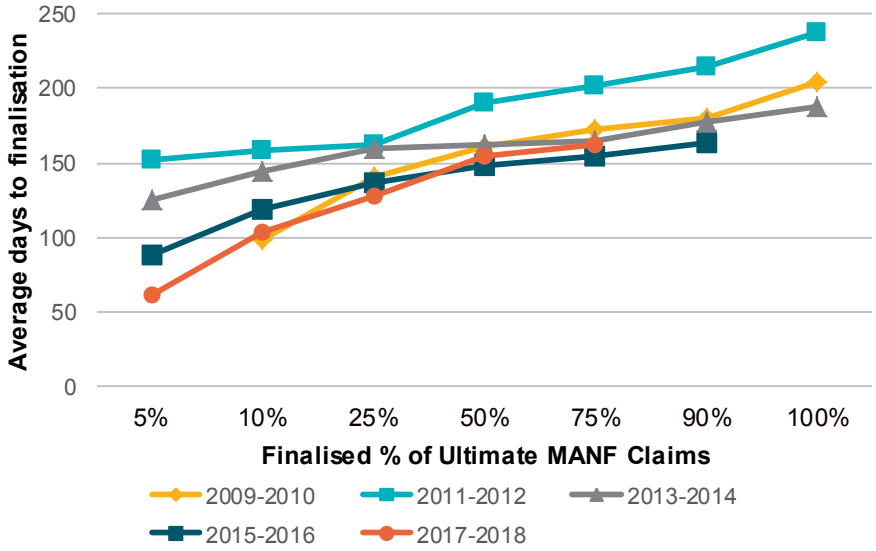
Figure 5.7 – Time to Finalisation – Non-Legally Represented Small claims



5.1.2 MANF claims

Figure 5.8 shows the average time to finalisation for accident year cohorts of the MANF claims.

Figure 5.8 – Cumulative Average Time to Finalisation – MANF claims



MANF claims are considerably quicker to finalise, with the average time to finalisation being only 200 days. This is consistent with MANF clams only covering medical costs within 6 months of the accident.

5.2 Summary

Conclusions

- *There does not appear to be any material improvement in speed of claim finalisation over the life of the scheme.*
- *Legal representation and litigation do appear to slow down claim finalisation although this is likely to be linked to claims severity, arguments over fault, etc.*

6 Objective 5A (f)

Objective 5A (f): To promote and encourage, as far as practicable, the rehabilitation of people who sustain personal injury because of motor

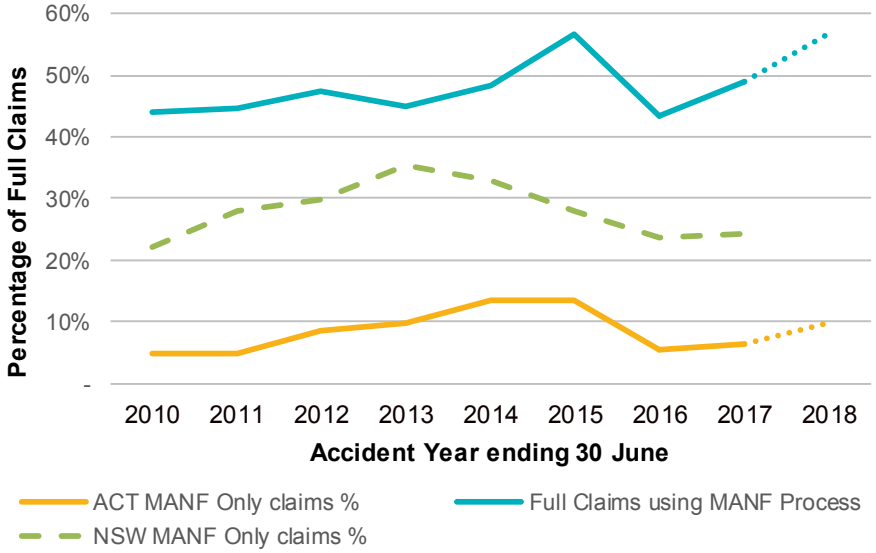
6.1 Early Medical Payment Claims

Under the current scheme it is possible to submit a Motor Accident Notification Form (MANF) and receive up to $5,000 of medical costs without formally submitting a claim. These forms must be submitted within 30 days of the motor accident occurring, require that there be a police report of the accident, and are largely not fault-based. The intention behind the MANF process is to make medical care available immediately, and therefore provide better recovery rates for those injured.

All claims are required to submit a Motor Accident Notification Form as part of the claim notification process. However, only when the forms are entered within 30 days of the accident are claimants entitled to the benefits of the early medical payment process.

Figure 6.1 shows the MANF claims that remain MANF as a percentage of Full claims, and the number of Full claims that used the MANF process (I.e. submitted a MANF form within 30 days of the accident) as a percentage of all Full claims. The 2009 year is the first year the early medical payment system was in place and its experience is quite different to the longer term trends and we have, therefore, excluded it from these charts. The proportion of MANF claims for recent accident years is still developing and shown with a dotted line.

Figure 6.1 - Proportion of Full claims using the MANF process[28]



Compared to Full claims, there are significantly less users of the MANF process in the ACT than NSW. This may be due to not having a threshold for access to the CTP scheme in the ACT, which means claims that may only be MANF in NSW may be Full claims in the ACT.

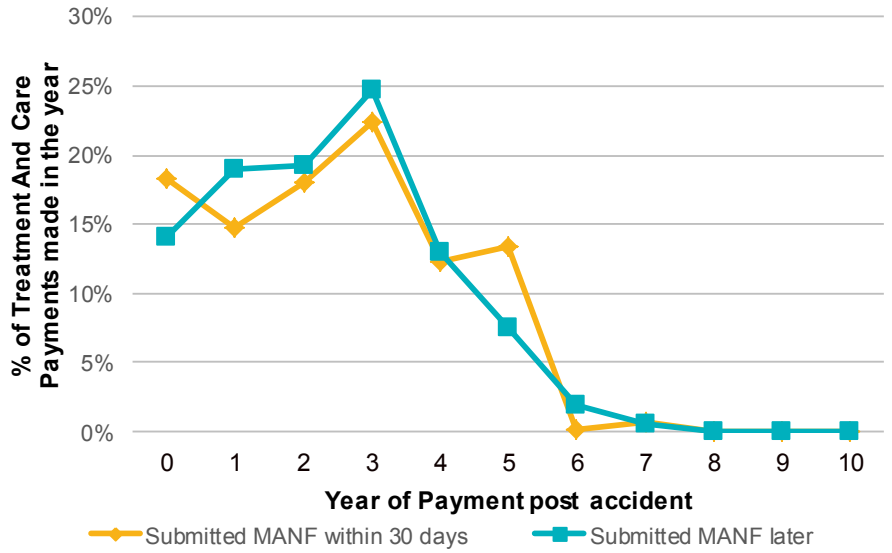
6.1.1 Full claims using the MANF process

Figure 6.1 also shows that the proportion of claimants with a Full claim that have used the MANF process has been generally increasing. Across 2010 to 2014 the level was consistently around 46% with a slight upwards trend. Since 2014 the rate has been more volatile, but there have been several years close to or over 50%. This indicates that ACT claimants may be submitting claims earlier and are hopefully benefitting from the access to early medical payments.

[28] The 2018 accident year may not be fully developed. It would be expected that some Full claims are yet to be reported, and that some MANF claims may convert into a standard claim.

Figure 6.2 shows the payment pattern for treatment and care for finalised Full claims. It splits the Full claims between those who submitted a MANF form within the 30 days to be eligible for early medical payments and those who submitted the forms later.

Figure 6.2 – Finalised Full claims' Treatment & Care Payment Pattern[29]



The early submission of a MANF form does not appear to have a significant effect on the timing of payment of treatment and care costs when looking at the entire scheme. However, when we exclude the three categories of highest severity claims (severe, critical and maximum) it can be seen in Figure 6.3 that the MANF process does appear to have an impact.

Figure 6.3 – Finalised Full claims' (lower injury severity) Treatment & Care Payment Pattern[30]

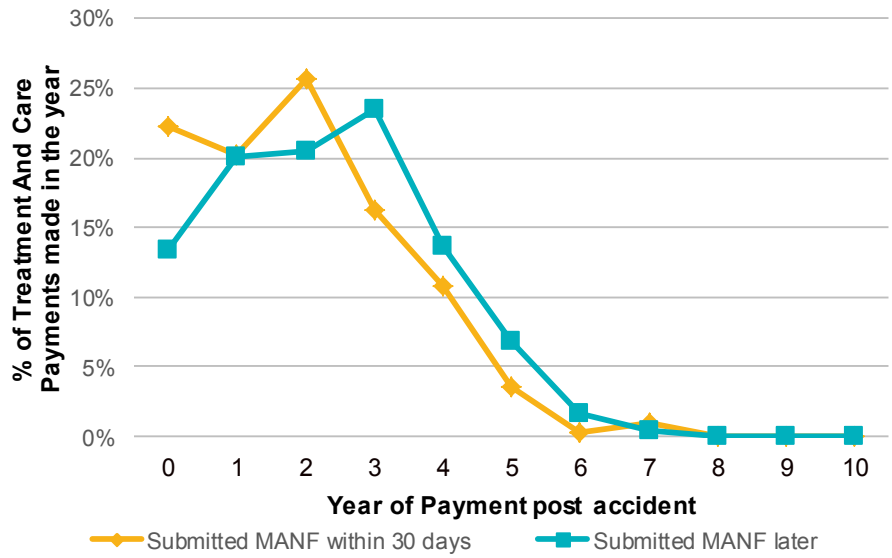


Figure 6.3 suggests that on average treatment and care costs are paid around 5 months faster for claims submitted within 30 days (29 months v 34 months).

Figure 6.4 shows the average delay to lodgement for claims submitted within 30 days and after 30 days. The gap between the two is around 3 months (95 days) for the more developed accident years (2016 and earlier). This explains some but not all of the 5 month difference in the 5 month longer time it takes to make the Treatment and Care payments.

[29] Payment pattern is based on delay from accident quarter. Data is Full claims finalised in 2014 to 2018, all net Treatment and Care costs.

[30] Payment pattern is based on delay from accident quarter. Data is Full claims finalised in 2014 to 2018, all net Treatment and Care costs, excluding claims with a Severe, Critical or Maximum injury severity rating.

Figure 6.4 – Full Claims Average delay to lodgement

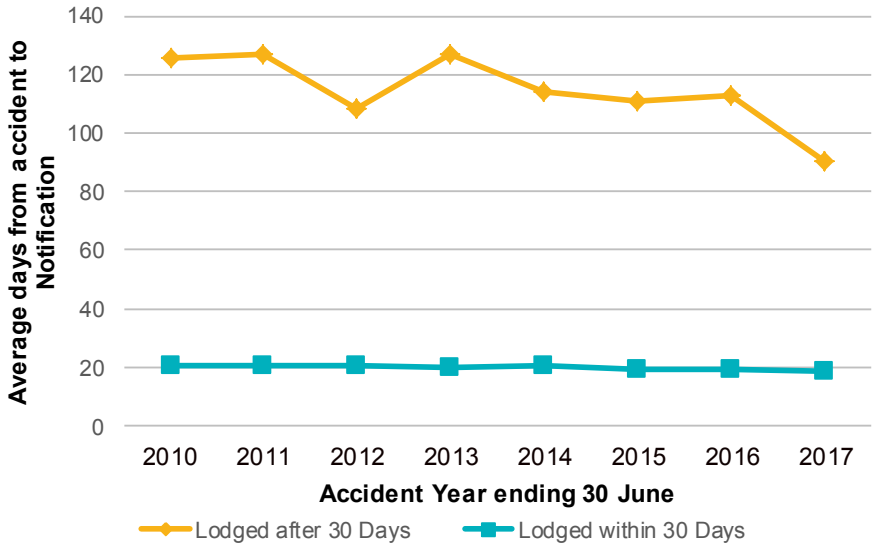


Figure 6.5 – Finalised Full Claims (lower injury severity) Average Costs[31]

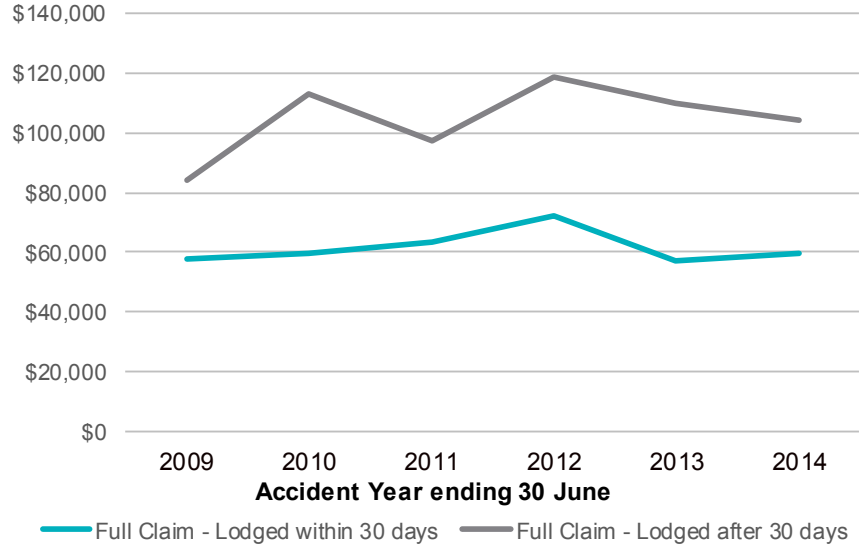


Figure 6.5 shows that Full claims lodged after 30 days have a substantially higher average cost (all payment types) than Full claims lodged within 30 days. The difference is around $42,000 per claim.

[31] The 2016 and later years are undeveloped and hence have not been shown. Data excludes claims with a Severe, Critical or Maximum injury severity rating.

6.1.2 MANF claims cost and speed of resolution

Figure 6.6 shows that there appears to be an increase over time in the MANF average finalised claim size.

Figure 6.6 – Finalised Claims (lower injury severity) Average Costs[32]

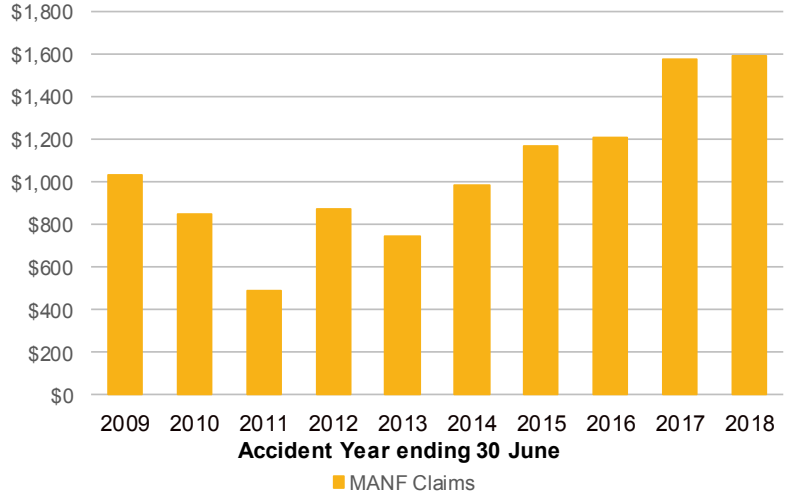
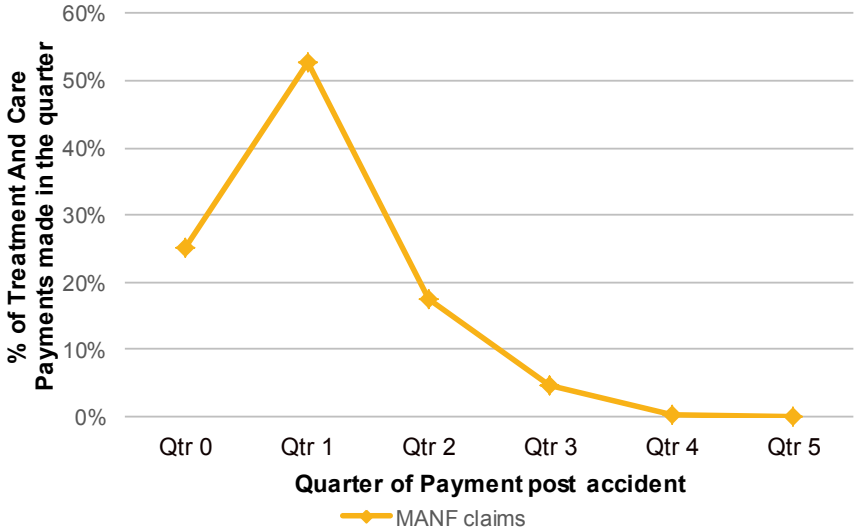


Figure 6.6 shows that the costs have been increasing for more recent accident periods. However, MANF is not material to overall scheme costs, as MANF costs represent around 0.1% of total scheme costs to date.

The MANF claims' cost per claim appears to have taken a step increase since 2015; however the overall impact on claims costs is relatively small

MANF claims are resolved much more quickly than Full claims. Figure 6.7 shows the pattern of payment for Treatment and Care payments, with the bulk of payments made within the first year. On average MANF claimants have received their payments in 6 months.

Figure 6.7 – Finalised MANF claims' Payment Pattern[33]



[32] The 2018 accident year is 84% finalised to date.

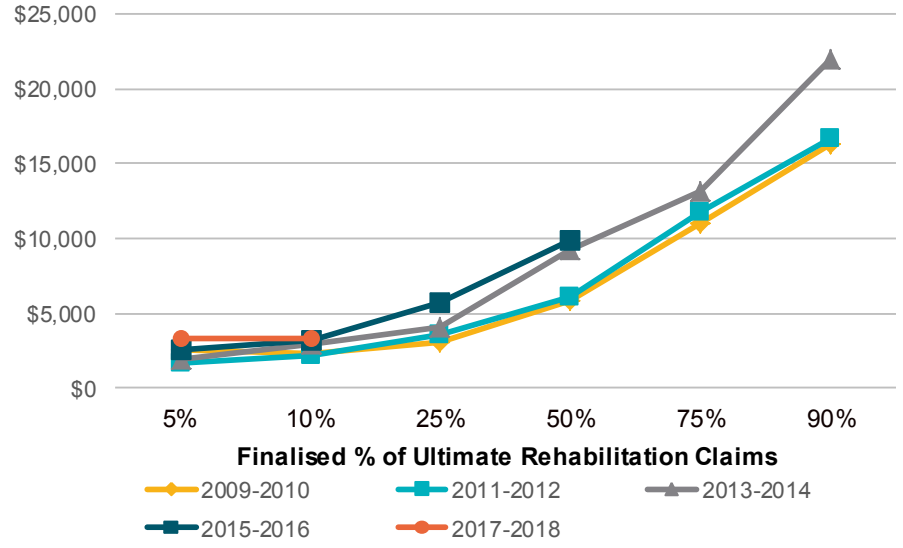
[33] Payment pattern is based on delay from accident quarter. Data is MANF claims finalised in 2014 to 2018, all net Treatment and Care costs.

6.2 Rehabilitation

Around 95% of Full claims receive a rehabilitation payment. Therefore the rehabilitation claims' trends and breakdown in respect of claim characteristics reflects the overall scheme's characteristics. What can be investigated is the behaviour of rehabilitation costs per Full claim.

Figure 6.8 shows the historical average cost of Rehabilitation costs over time. Consistent with overall scheme experience, it indicates that there has been an increase in the Rehabilitation costs per Full claim for the 2013-2014 accident year cohort. The new level appears to be being sustained by later cohorts.

Figure 6.8 – Average Full Claim Rehabilitation Costs by accident cohort



This indicates that rehabilitation is one of the factors impacting the increase in inflation observed for the total scheme.

6.3 Litigated Claims

6.3.1 Share of Full claims that are litigated

We have investigated the behaviour of claims that are litigated. For the more developed accident periods, the proportion of Full claims that involve litigation is around 12% to 14%. Table 6.1 shows the proportion of finalised claims that have been litigated.

Table 6.1 – Litigated Share of Finalised Full claims[34]

Finalisation Year Ending 30 June	Litigated Percentage
2014	11%
2015	15%
2016	16%
2017	14%
2018	8%

The proportion has been volatile each finalisation year, with the 2018 year the lowest observed to date. On average across the last five years 13% of claims have been litigated.

Table 6.2 compares the proportion of litigated claims that have been reported by accident year between the ACT and Queensland. Table 6.2 is on a reported data, accident year basis rather than the finalised data, finalisation year basis of Table 6.1 to be consistent with Queensland data. As such, the tables cannot be directly compared.

[34] The 2014 and later finalisation years are shown as these are the period of the scheme that is mature and representative of a full distribution of claims.

Table 6.2 – Litigated share of Reported Claims[35]

Accident Year Ending 30 Jun	ACT % of Claims Litigated	Queensland % of Claims Litigated
2009	17%	10%
2010	15%	10%
2011	13%	10%
2012	15%	11%
2013	13%	12%
2014	11%	10%
2015	9%	8%
2016	5%	7%
2017	1%	3%

The recent accident years, which are only partially developed, are not dissimilar between the two jurisdictions. However, for the older accident periods the level of litigation within the ACT is significantly higher than it is for Queensland.

For the more fully developed years the ACT has more litigated claims than Queensland.

It is unclear what the reason is for a higher litigation rate in the ACT for the more developed accident years. The lack of threshold for entry into the ACT scheme would be expected to lead to more small claims. It may reflect the scheme design and/or characteristics of the ACT population or environment (e.g. differences in judicial practice in Queensland and the ACT).

6.3.2 Litigated Full claims' costs

Table 6.3 shows the impact on claim sizes of litigation by injury severity.

Table 6.3 – Average Finalised Claim Size by Injury Severity[36]

Injury Severity	Litigated Claims	Claims not Litigated	Additional Cost	Litigated Increase
Minor	207,000	54,000	153,000	283%
Moderate	297,000	126,000	171,000	136%
Serious	601,000	277,000	324,000	117%
Severe	808,000	285,000	523,000	184%
Critical	3,000,000	1,112,000	1,888,000	170%
Maximum	285,000	23,000	262,000	1,139%
Admin	162,000	23,000	139,000	604%
Total	**278,000**	**67,000**	**211,000**	**315%**

Table 6.3 indicates that for claims of the same severity, the average cost is generally materially higher for litigated claims.

Litigated claims cost on average 3 times non-litigated claims.

Table 6.4 splits out the Legal Costs to identify how much of the additional cost of litigated claims is due to legal costs.

Table 6.4 – Average Finalised Legal Costs by Injury Severity[37]

Injury Severity	Litigated Claims	Claims not Litigated	Additional Legal Cost	Share of Total Extra Cost
Minor	75,000	12,000	63,000	41%
Moderate	84,000	21,000	63,000	37%
Serious	136,000	35,000	101,000	31%
Severe	150,000	42,000	108,000	21%
Critical	631,000	185,000	446,000	24%
Maximum	102,000	3,000	99,000	38%
Admin	59,000	5,000	54,000	39%
Total	**85,000**	**13,000**	**72,000**	**34%**

[35] ACT is excluding MANF claims

[36] All finalised Full claims, rounded to the closes $1,000

[37] All finalised Full claims, rounded to the closes $1,000

Table 6.4 shows that legal costs on average add an additional $72,000 when a claim is litigated. This represents 34% of the additional cost of litigated claims over claims that are not litigated.

Legal costs are a significant driver of the higher cost of litigated claims

6.3.3 Time to pay out Treatment & Care costs

Figure 6.9 shows the payment pattern for finalised Full claims' Treatment and Care costs. It shows that payments for litigated claims are materially slower, with much lower payments in the first three years. On average litigated claims pay Treatment and Care costs in 3.7 years, while claims which are not litigated are paid out in 2.4 years.

Figure 6.9 – Finalised Full claims' Treatment & Care Payment Pattern[38]

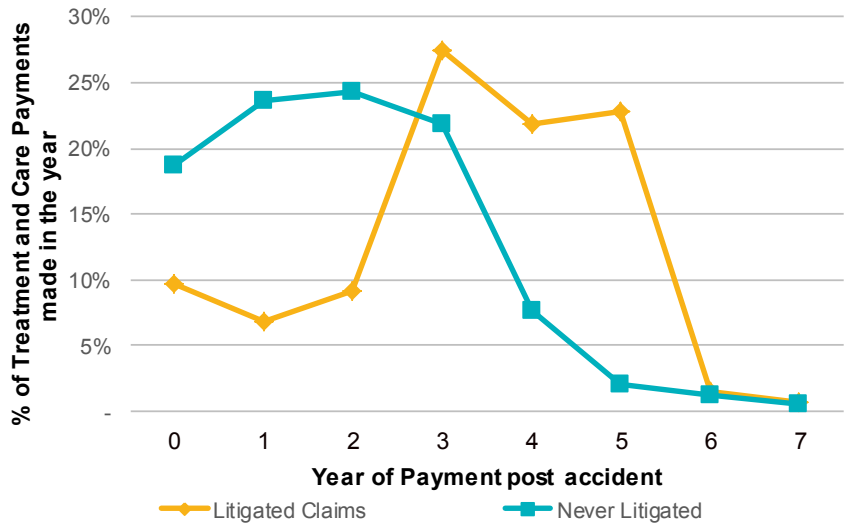


Table 6.5 shows the weighted average time it takes for Treatment and Care costs to be paid for Litigated and all other Full claims, split by severity of the injury, and Table 6.6 shows the same split by claim type.

Table 6.5 – Weighted average years to payment of Treatment & Care Costs by Injury Severity[39]

Injury Severity	Litigated Claims	Claims not Litigated
	Years	Years
Minor	3.79	2.35
Moderate	3.54	2.27
Serious	3.42	2.52
Severe	3.68	1.62
Critical	4.08	3.24
Admin	3.83	2.26
Total	**3.73**	**2.40**

Table 6.6 – Weighted average years to payment of Treatment and Care Costs by Claim Type[40]

Claim Type	Litigated Claims	Claims not Litigated
	Years	Years
Whiplash	3.66	2.31
WC	3.48	2.73
Other	3.50	2.36
Brain	3.52	2.90
Spinal	4.71	2.60
Total	**3.73**	**2.40**

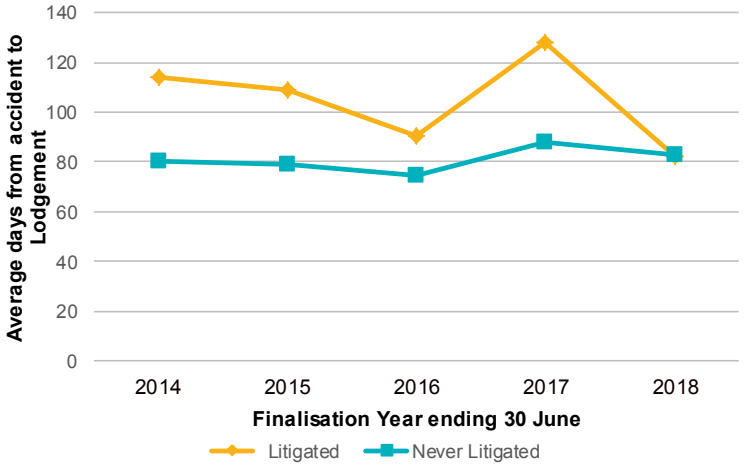
[38] Payment pattern is based on delay from accident quarter. Data is Full claims finalised in 2014 to 2018, all net Treatment and Care costs.

[39] Data is Full claims finalised in 2014 to 2018, all net Treatment and Care costs. Average years are the weighted average time to payment from accident.

[40] Data is Full claims finalised in 2014 to 2018, all net Treatment and Care costs. Average years are the weighted average time to payment from accident.

The longer time to payment could be caused by litigated claims being lodged later. However, Figure 6.10 shows the average days to lodgement by finalisation year for the same data that is included in Table 6.5 and Table 6.6. Although litigated claims are generally lodged later, the average delay is only a further 25 days. That does not explain the 1.3 year difference in the length of time taken to pay Treatment and Care costs.

Figure 6.10 – Average delay to lodgement by Finalisation Year



The additional average time to payment will partly reflect the court process itself, and that litigated claims are more likely to include points of dispute.

Litigated claims typically lodge later and are significantly slower to resolve care and treatment costs

Conclusions

- *The MANF does allow for faster payment of Treatment and Care costs to claimants using the MANF process*
- *Claims lodging within 30 days have faster resolution of payment of Treatment and Care costs; however, this is likely due to these being smaller claims with little complexity*
- *Rehabilitation payments have increased for more recent accident years*
- *Litigated claims are on average more expensive for injury severities (on average by over 200%)*
- *The ACT has a higher level of litigation than Queensland for the more fully developed accident years.*
- *Litigated claims are slower to resolve and to pay out care and treatment costs*

7 Reliances and Limitations

This report is subject to a number of limitations, reliances and assumptions. The main ones are outlined below.

7.1 Reliance on Data and Other Information

We have relied on the accuracy and completeness of the data and other information (qualitative, quantitative, written and verbal) provided to us by the CTP Regulator for the purpose of this report. The provided information is from the CTP Personal Injury Register which contains information reported by insurers. We have not independently verified or audited the data, but we have reviewed the information for general reasonableness and consistency. The reader of this report is relying on the CTP Regulator and not Finity for the accuracy and reliability of the data. If any of the data or other information provided is inaccurate or incomplete, our advice may need to be revised and the report amended accordingly.

7.1.1 Other Uncertainty

There is considerable uncertainty in the projected outcomes of future claims costs, particularly for long tail claims; it is not possible to value or project long tail claims with certainty.

Where we have provided estimates they are prepared on the basis that they represent our assessment of the likely future experience of the scheme as at 30 June 2018. Sources of uncertainty include difficulties caused by limitations of historical information, as well as the fact that outcomes remain dependent on future events, including legislative, social and economic forces, and behaviour by scheme stakeholders such as insurers, claimants and the legal fraternity.

In our judgement, we have employed techniques and assumptions that are appropriate and the conclusions presented herein are reasonable given the information currently available, subject to our comments above. However, it should be recognised that future claim outcomes and costs will likely deviate, perhaps materially, from the estimates shown in this report.

7.2 Limitations on Use

This report has been prepared for the use of the ACT CTP Regulator's management for the purpose stated in Section 1. At the CTP Regulator's request, we consent to the release of this report to the public, subject to the reliances and limitations noted in the report.

Third parties, whether authorised or not to receive this report, should recognise that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data contained herein which would result in the creation of any duty or liability by Finity to the third party.

While due care has been taken in preparation of the report Finity accepts no responsibility for any action which may be taken based on its contents.

Finity has performed the work assigned and has prepared this report in conformity with its intended utilisation by a person technically competent in the areas addressed and for the stated purpose only. Judgements about the conclusions drawn in this report should be made only after considering the report in its entirety, as the conclusions reached by a review of a section or sections on an isolated basis may be incorrect.

This report, including all appendices, should be considered as a whole. Finity staff are available to answer any questions, and the reader should seek that advice before drawing conclusions on any issue in doubt.

Any reference to Finity in reference to this analysis in any report, accounts or any other published document or any other verbal report is not authorised without our prior written consent.

Part II Appendices

A Terms of Reference

Review the operation of the Act over the 3 years to 31 December 2018 and report on the extent to which the more quantitative related CTP Scheme objectives have been achieved.
In responding to:

- Objective 5A (b) 'To promote competition in setting premiums for compulsory third-party insurance policies' - review the ongoing influence of competition and its impact on premiums (including after-market discounts); the changes in market share (movement in the number of customers seeking lower prices); the change in product offerings; and the likelihood of further competitive changes within the current framework;
- Objective 5A (c) 'To keep the costs of insurance at an affordable level' – review premiums; the drivers of premiums (including frequency and average cost of claims); cost of claims by heads of damage (economic loss; general damages; treatment and care; and legal costs - party-party costs); determine the actual profits achieved by the insurers and the factors influencing actual profits; review the impact of the Lifetime Care and Support (LTCS) Scheme on the CTP Scheme; and review the consequences of these factors for scheme affordability and the potential for further premium reductions.

  In addition, review the relevant factors above over time and benchmark against other similar schemes.
- Objective 5A (e) 'To encourage the speedy resolution of personal injury claims resulting from motor accidents' - review the trends in how long it takes to finalise claims, by type of claim (e.g. early medical payment claims; common law claims; small claims and large claims);
- Objective 5A (f) 'To promote and encourage, as far as practicable, the rehabilitation of people who sustain personal injury because of motor accidents' - review overtime and benchmark against other similar schemes, and determine the consequences for the current scheme:
  - for early medical payment claims - the claims paid out; numbers of injured persons taking up these payments and the timing of how quickly these claims were lodged after the accident; and
  - for common law claims – the pattern of payment of any treatment and care over the life of a claim until finalisation; and the timing of how quickly these claims are lodged after an accident and whether the timing varies depending on the age of the injured person, the type of injuries or other factors.

B Data

B.1 ACT Data

ACT claims data is sourced from the Personal Injury Register (PIR). This database has records of all claims managed by insurers and the Nominal Defendant fund. The PIR has claims from October 2008. Items to note for all ACT tables and figures relying on this data include:

- The 2009 accident year is incomplete as the PIR does not list claims for the full year
- Nil claims have been excluded from all trend analysis shown in this report
- We have noted that there are occasionally data entries that are unusual and potentially errors. Finity has applied the PIR data without amendment.

Claims data for the CTP scheme (excluding the Nominal Defendant fund) prior to 2008 is considered the property of NRMA and is not publicly available.

Other sources of data provided by the CTP Regulator included:

- Vehicles registered by month and vehicle type
- Premiums received by the scheme
- All insurer premium filings from the start of the scheme
- Information on changes in products

B.2 Interstate Data

The interstate data used in Sections 2 to 6 is unless specifically stated otherwise sourced from:

- Queensland data was sourced from the Compulsory Third Party (CTP) Personal Injury Register (PIR) data which is available from the Queensland Government website. Data is for finalised claims for accidents from 1 July 2008 to 30 June 2018 (where relevant details are available).
- NSW data was sourced from the NSW Motor Accidents CTP scheme's 2017 Scheme Performance Report which is available from SIRA's website. The data covers the period 2000 to 2017, with years ending 30 June. Numbers may be estimated from charts within the report.