

2022 Reviews Of The Compulsory Third Party Insurance And Lifetime Care And Support Schemes

Supplementary Questions for the State Insurance Regulatory Authority (SIRA)

1. If in the future legal assistance is provided to claimants – by any means other than an Independent Legal Assistance and Review Service (ILARS) – this will have a cost and presumably, payments to claimants would be expected to increase. This would mean insurers would not have an accurate idea of the actual costs in the scheme. If so:

- (a) Why would insurers be permitted to tailor premiums based on incorrect data?
- (b) Will this not 'bake in' a future deficit in the scheme's ability to meet its obligations?
- (c) Would that then be used as a reason to not provide claimants adequate assistance or reduce their benefits?

SIRA response

Insurers set the insurance component of premiums prospectively based on expectations and a certain set of assumptions. These expectations and assumptions are reviewed on an annual basis and outlined in the [Part 1 of the Motor Accident Guidelines: Premium determination](#) (The Guidelines), specifically Schedule 1E. Insurance premiums are subject to SIRA reviews and rejection should SIRA consider them excessive or inadequate.

Any costs that are introduced to the scheme through scheme design or legislative changes, including changes regarding legal costs are costed by the scheme actuary, with updated premium guidance provided for in The Guidelines (Schedule 1E) which insurers account for in their prospective premiums, to achieve the overall target average premium for the scheme.

SIRA monitors ongoing scheme performance and experience. Premiums can be adjusted as required if actual costs are emerging different to those provided for in the initial expectations and assumptions.

Insurers must meet their obligations to injured people in accordance with their licence conditions and the legislative framework and cannot alter the benefits to customers, including access to legal costs.

SIRAs insurer supervision framework monitors compliance with insurers licence conditions and the legislative framework, including ensuring injured people receive their entitlements.

2. Has SIRA taken into account factors such as increased payments to claimants, legal fees in calculating the Transitional Excess Profits and Transitional Excess Losses (TEPL) and providing information to insurers to assist them to calculate premiums? If so:

- (a) What evidence did SIRA rely upon?
- (b) When did SIRA obtain and then rely upon this evidence? i. Please specify the dates?
- (c) Can SIRA provide to the committee a copy of the evidence referred to in (a) and (b)?
- (d) What information and details were provided by SIRA to insurers? i. Please specify the date?
- (e) Can SIRA provide to the committee a copy of the information and details referred to in (d)?

SIRA Response

TEPL is calculated on a retrospective basis. Any potential future costs are not part of the TEPL assessment. TEPL is using premiums already earned by insurers rather than prospective premium for future underwriting periods.

SIRA uses different mechanisms to provide prospective premium guidance to insurers, which is outlined in the [Part 1 of the Motor Accident Guidelines: Premium determination](#) (The Guidelines)

As part of the premium filing process undertaken by the insurer, each insurer must complete motor accident filing templates as prescribed in the Guidelines.

Specifically, Schedule 1E (page 25 of The Guidelines) filing template requires each insurer to provide a summary of claim assumptions which they must submit. In the template (column B), SIRA determines scheme-wide premium parameters and guidance for different components of the CTP premiums, for the industry to achieve the overall target average premium.

These premium parameters are regularly reviewed by the scheme actuary and adjusted as the experience emerges. As the actual experience of claim costs emerge, SIRA can provide timely updates if they are different to the assumptions in the Schedule 1E.

The latest update of Schedule 1E was published on 25 November 2022 and it will be effective from 15 January 2023.

https://www.sira.nsw.gov.au/_data/assets/pdf_file/0015/1113153/motor-accident-guidelines-version-9.pdf