Australian Capital Territory

Road Transport (Third-Party Insurance) CTP Premium Guidelines 2018 (No 1)

Notifiable instrument NI2018–376

made under the

Road Transport (Third-Party Insurance) Act 2008, s 39 (Premium Guidelines)

EXPLANATORY STATEMENT

These guidelines are issued in accordance with section 39 of the *Road Transport (Third-Party Insurance) Act 2008* (the CTP Act). The guidelines outline the information and factors to be taken into account in working out CTP premiums and the requirements that must be met in support of any premiums charged.

The guidelines replace the Road Transport (Third-Party Insurance) Premium Guidelines 2015 (No 2). Key changes to the guidelines have been made to capture new streamlining arrangements that provide insurers with additional flexibility in filing specified small, low risk premiums. These new arrangements are also designed to enhance the efficiency of the process for all impacted parties, including the insurers; the CTP Regulator; and the Road Transport Authority, while also encouraging more affordable premiums through ongoing competition.

A fundamental requirement is that all premiums (filings) are still required to fully fund the insurer's present and likely future liability, and must not be excessive.

Other changes were made to the guidelines to clarify reporting requirements specified in the CTP Act; simplify the guidelines; and improve, and enhance the comparability, of key data provided by insurers underpinning their premium filings.

Section 3.1 Determination of premiums

The guidelines have been updated, for administrative simplicity, to refer to Schedule 1, *Road Transport (Third-Party Insurance) Regulation 2008*, as providing the CTP premium classes for vehicles, rather than re-stating these as a schedule to the Premium Guidelines. There was a risk that as new CTP premium classes were created, the two schedules could fall out of alignment.

Section 3.5.2 Nominal Defendant Loading and Section 3.5.3 Loadings on Short Term Premiums

The guidelines have been clarified in terms of the 'next financial year' for both the Nominal Defendant Loading and Loadings on Short Term Premiums that is reported in the CTP Regulator Annual Report, consistent with the CTP Act. That is, the ‘next financial year’ refers to the next financial year after the stated annual report financial year. An example is provided to assist the direction.

Section 6.1 Provision of information

The guidelines have been updated to include three types of premium filings:

- *de novo* (full) premium filings which are required at least once a year (or if permitted by the CTP regulator, a longer period);
- unlimited partial premium filings ‘outside a pre-determined band’ (with the band assessed by the scheme actuary); and
- unlimited partial / streamlined (lower risk) premium filings ‘within a pre-determined band’ (with the band assessed by the scheme actuary).

After the first *de novo* filing is approved for an underwriting period, partial filings may be made by an insurer for any premium class. The scheme actuary will set the bands that will apply for a partial filing during the *de novo* assessment process, with the:

- upper band set at ‘proposed premium plus y% is not considered excessive’;
- lower band set at ‘proposed premium less x% provides full funding’; and
- minimum threshold required to be met (+/- 0.5%).

The bands will be provided to an insurer as part of the approval of a *de novo* filing. The partial / streamlined (lower risk) premium filings are not subject to a detailed premium filing process if the filing is within the bands and is above the specified minimum threshold. Given proposed changes ‘within the band’ are applicable to small, low risk premiums and are informed by the opinion of the scheme actuary based on the *de novo* filing, neither an actuarial certificate nor separate actuarial assessment are required by insurers.

The bands will be set by the scheme actuary annually and changes within the bands are cumulative for any underwriting period / applicable financial year.

The bands are based on a *de novo* (full) premium filing report by the insurers that provides specified factors and assumptions in support of the proposed premiums to be charged. Schedule B was updated to clarify how insurers should undertake and specify a range of costs, calculations and assumptions. This enhances the scheme actuary’s analysis of premium filings, as well as allowing an improved ability to compare key variables across insurers.