

Motor Accident Injuries Premium Guidelines 2019 (No 1)

Disallowable instrument DI2019-245

made under the

Motor Accident Injuries Act 2019, section 487 (MAI Guidelines)

EXPLANATORY STATEMENT

Section 487 of the *Motor Accident Injuries Act 2019* (the MAI Act) enables the MAI Commission to make guidelines about any matter required or permitted by the MAI Act to be included in guidelines.

The guidelines are for the purpose of section 316 of the MAI Act to make provision for information and factors to be taken into account to assist insurers in working out MAI premiums; and the requirements that must be met to support premiums charged under the MAI Scheme.

The guidelines substantially mirror the prudential regulatory framework underlying the Road Transport (Third-Party Insurance) Premium Guidelines 2018 (No 1) and make provision for the framework to apply to the MAI Scheme. A fundamental principle is that all premiums (filings) are still required to fully fund the insurer's present and likely future liability and must not be excessive.

Specifically, the guidelines make provision for:

- transitional arrangements to apply in respect of the calculation and return to policy holders of the premium surplus or 'remaining premiums' corresponding to the period remaining on the CTP policy, at the point in time the MAI Scheme commences on 1 February 2020 (section 3.8.1); and
- premium filings to take account of the impact of the 'honeymoon effect' and expected initial reduced claim numbers and claim costs for the newly introduced MAI scheme (section 3.8.2).

In addition, the motorcycle support arrangements ensure that premiums remain affordable and do not increase as a result of more motorcycle claims and costs in a no-fault Scheme.

The motorcycle support arrangements seek to strike the right balance between maintaining the affordability of MAI premiums for the registered operators of motorcycles and the sustainability of underwriting motorcycles for insurers. Specifically, the guidelines make provision for:

- a maximum premium that may be charged for motorcycles to ensure that premiums paid to insure a motorcycle under the MAI scheme are no higher than that paid for an equivalent motorcycle under the CTP scheme (section 4.1); and
- the methodology to be used by the MAI Commission to determine the Motorcycle Premium Support (MCPS) and Motorcycle Premium Loading (MCPL) amounts for each MAI motorcycle premium class to be considered in premium filings and for reconciling any MCPS and MCPL transfer between insurers (sections 4.2 - 4.4).

In addition, to clarify and enhance the comparability of key data provided by insurers underpinning their MAI premium filings, the guidelines also make provision for policies to include the net impact of the Motorcycle Premium Loading (MCPL) and Motorcycle Premium Support (MCPS) (section 3.4).

The guidelines are intended to support an efficient transition of the premium filing process under the MAI scheme for all impacted parties, including the insurers; the MAI Commissioner; and the Road Transport Authority, while also encouraging affordable premiums through ongoing competition.

The ACT Government consulted with insurers and other relevant stakeholders in preparing the guidelines.