

Australian Capital Territory

Motor Accident Injuries (Premiums) Guidelines 2021 (No 1)

Disallowable instrument DI2021-251

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 capture the prudential regulatory framework underlying the MAI Scheme. A fundamental principle is that all premiums (filings) are required to fully fund the insurer's present and likely future liability and must not be excessive.

The guidelines have been updated to ensure that the premium filings by the insurers capture the latest relevant factors affecting premiums including taking account of any ongoing impact of the 'honeymoon effect', as well as other discernible impacts such as Covid-19, on ongoing application numbers and claim costs for the MAI Scheme (section 3.3).

The guidelines are intended to support an efficient 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. To this end, a number of administrative matters have been addressed, including rounding of premiums and processes.

The premium rounding arrangements have been clarified, and insurers have been provided with a process for checking the rounding of premiums as part of their filing requirements. To address possible premium rounding and verification issues, a template has been provided to insurers to ensure that Input Tax Credit (ITC) premiums meet the required format and adhere to the formulaic calculations prior to being submitted to Access Canberra for processing (section 3.7).

In conjunction with this, the MAI Commission has provided insurers with a document outlining the arrangements to be followed by the MAI Commission and Access Canberra for premium filings; processing; rounding; public release dates; and other issues. The document specifies that:

- access to online registration renewals ('public release date') will be available on the Tuesday prior to the mailing date with fees / premiums being uploaded to rego production;
- posted / emailed registration renewals (the 'mailing date') will take place 1 week after the upload of the fees to rego production; and
- the MAI Commission will upload new premiums to the MAI website on the 'public release date', the date from which motorists will be able to electronically renew their MAI policies on the AC website (section 7.2).

The quarterly settlement of the Motorcycle Premium Support (MCPS) and Motorcycle Premium Loading (MCPL) has been extended from 15 to 20 days to allow the insurers more time to make the settlement payment. Clarification has also been provided around the reasons for the MAI Commission reconsidering the Estimated Motorcycle Premium Loading (MCPL) or MCPL settlement amount (section 4.3).

For De Novo premium filings more information has been requested from the insurers regarding the approach used to derive the relativities between vehicle classes, and any changes in the relativities compared to the previous filing. This includes in cases where the increase is 3% or more; in cases where the change is less than 3%, but totals to more than 3% for successive filings (eg. 2% + 2.5%); and where a decrease of more than 10% for a vehicle class is proposed (section 7.3).

There is a delayed revocation of the 2020 guidelines to allow them to have effect up until 31 January 2022 for premiums applicable until this date. Notwithstanding this, the 2021 guidelines come into effect from the day after notification for premiums effective from 1 February 2022 given the need for insurers to follow these guideline requirements for new premium filings (with an effective date from 1 February 2022) and the long lead time associated with de novo premium filings.