

Australian Capital Territory

Motor Accident Injuries (Premiums) Guidelines 2020 (No 1)

Disallowable instrument DI2020-293

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.

Most of the transitional arrangements for the MAI Scheme contained in previous premium guidelines are no longer required and have been removed. However, there is still reference to two ongoing matters:

- premium filings to take account of any ongoing impact of the 'honeymoon effect' and ongoing reduced claim numbers and claim costs for the MAI scheme (section 3.3); and
- 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 commenced on 1 February 2020 (section 3.8).

The motorcycle support arrangements put in place at the commencement of the MAI Scheme ensure that motorcycle premiums remain affordable even though there are likely to be more motorcycle claims and costs under the no-fault MAI Scheme, compared to the previous Compulsory Third-party Insurance Scheme. To provide fairness between insurers around their decisions on motorcycle premiums and risk; as well as fairness for other motorists in terms of the subsidies they pay to the motorcycle classes, the guidelines have been changed to increase the maximum motorcycle premiums that insurers can charge for some motorcycle premiums. This change takes

into consideration the existing range of motorcycle premiums charged by insurers and recognises that claims costs potentially will increase in 2021.

For the next underwriting period - 1 February 2021 to 31 January 2022, the following motorcycle premiums are permitted:

- for motorcycle classes 9A and 9B, the maximum premium is \$435 except for those insurers whose existing premiums are higher than \$435. The maximum premium for those insurers with an existing premium higher than \$435 is their current premium (section 4.1); and
- for motorcycle classes 9C and 9D, the maximum premium is \$85 except for those insurers whose existing premiums are higher than \$85. The maximum premium for those insurers with an existing premium higher than \$85 is their current premium (section 4.1).

The guidelines also:

- outline 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); and
- make provision for policies to include the net impact of the Motorcycle Premium Loading (MCPL) and Motorcycle Premium Support (MCPS) based on more comparable key data being provided by insurers in their MAI premium filings (section 3.4).

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.

There is a delayed revocation of the 2019 guidelines to allow them to have effect up until 1 February 2021 for premiums applicable until this date. The 2020 guidelines will come into effect from 30 October 2020 for premiums effective from 1 February 2021 given the need for insurers to follow the 2020 guideline requirements for new premium filings (with an effective date from 1 February 2021) and the long lead time associated with de novo premium filings.