

**Australian Capital Territory
Compulsory Third-Party
Insurance Regulator
(CTP regulator)**

Statement of Intent

2015-16

Australian Capital Territory Compulsory Third-Party Insurance Regulator (CTP regulator)

The Australian Capital Territory Compulsory Third-Party Insurance Regulator (CTP regulator) is a Territory Authority established under section 14 of the *Road Transport (Third-Party Insurance) Act 2008* (CTP Act).

This Statement of Intent for 2015-16 has been prepared in accordance with Section 61 of the *Financial Management Act 1996*.

The responsible Minister, the Treasurer, Mr Andrew Barr MLA, was consulted during the preparation of the Statement of Intent.

The Statement of Intent, which focuses on the 2015-16 Budget year, has been developed in the context of a four year forward planning horizon to be incorporated, as far as practicable, into the CTP regulator's strategic and business planning processes.

The CTP regulator's 2015-16 Statement of Intent has been agreed between:



David Nicol
Under Treasurer
Delegate for CTP Regulator



Andrew Barr MLA
Treasurer

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Purpose

The CTP regulator's functions are to be carried out in accordance with the objects of the CTP Act under Section 5A, which are to:

- continue and improve the system of compulsory third-party insurance (and the scheme of statutory insurance for uninsured and unidentified vehicles) operating in the ACT;
- promote competition in setting premiums for compulsory third-party insurance policies;
- keep the costs of insurance at an affordable level;
- provide for the licensing and supervision of insurers providing insurance under policies of compulsory third-party insurance;
- encourage the speedy resolution of personal injury claims resulting from motor accidents;
- promote and encourage, as far as practicable, the rehabilitation of people who sustain personal injury because of motor accidents;
- establish and keep a register of motor accident claims to help the administration of the statutory insurance scheme and the detection of fraud; and
- promote measures directed at eliminating or reducing causes of motor accidents and mitigating their results.

Nature and scope of activities

It is the responsibility of the CTP regulator to oversee and monitor the regulation, procedures, structure and transparency of the CTP scheme and ensure compliance with the obligations and procedures set out in the CTP Act.

The detail of the CTP regulator's functions are set out in section 14A of the CTP Act.

CTP Insurer Regulation and Viability of Scheme

Key responsibilities of the CTP regulator include:

- licensing CTP insurers under Chapter 5 of the CTP Act;
- ensuring CTP insurers comply with their obligations under the CTP Act; and
- approving or rejecting CTP premium filings of CTP insurers under part 2.6 of the CTP Act.

The CTP regulator may issue CTP guidelines in support of its regulation activities.

CTP premium filings are required to be submitted at least annually unless a longer period is permitted by the CTP regulator. A premium filing is a report provided by a CTP insurer to the CTP regulator containing a range of information in support of its annual CTP premium. The CTP insurance scheme actuary assesses the filing to ensure that the premium fully funds the insurer's present and likely future liability under the CTP Act and is not excessive.

CTP premium filings lodged with the CTP regulator are reviewed by the scheme's actuary in accordance with the CTP Act and Premium Guidelines. The number of premium filings may increase above the standard four filings (one for each insurance brand) as a result of competition. More information on this matter is provided below.

The CTP regulator publishes a list of the applicable CTP premiums for all vehicle classes on the CTP website at <http://www.treasury.act.gov.au/compulsorytpi/Premiums.shtml>.

An efficient, effective and affordable CTP scheme

An efficient, effective and affordable CTP scheme, that focuses on serving motorists generally, and those individuals involved in a vehicle accident more specifically, is considered to:

- facilitate the early resolution of claims;
- effectively rehabilitate claimants;
- ensure claims costs are reasonable and fair;
- compensate claimants appropriately; and
- provide affordable CTP premiums.

Prior to July 2013, NRMA was the sole CTP insurer for the ACT CTP insurance scheme. The introduction of competition to the ACT CTP insurance market on 1 July 2013 successfully established a choice of providers and insurance products for motorists. The new insurer to the ACT CTP insurance scheme, AAI Limited, introduced rebates (after-market discounts) of various levels across its three brands, ranging from \$50 for its GIO brand to \$75 for APIA from July 2013.

More recently, as part of its marketing strategy AAI Limited reviewed its premiums across all three brands. The premium for the GIO brand was lowered, as a result, by \$23.90¹ for a passenger vehicle effective 1 March 2015. There has been early evidence of price sensitivity with a significant proportion of motorists changing CTP insurers based on premium cost. This could be expected to result in further competitive pricing, with the potential for more frequent premium filings by insurers during 2015-16.

¹ With reduced premiums for GIO, the after-market discounts in the form of rebates were ceased. The rebates for APIA of \$75 for a passenger vehicle and AAMI of \$35 for a passenger vehicle are still effective and are available until 30 June 2015 at the time this Statement of Intent was written.

The CTP regulator will continue to support other CTP insurers to enter the ACT market to build on the competition achieved to date. The objectives include a wider choice of providers and product offerings; enhanced product features such as at-fault driver cover; and further incentive for reduced premiums and/or the offering of after-market discounts such as rebates.

The CTP regulator monitors the efficiency and effectiveness of the CTP scheme's performance against the objectives of the CTP Act and provides advice to the Government on potential improvements.

During 2015-16 the CTP regulator intends to again meet regularly with the Insurance Council of Australia and the CTP insurers operating in the ACT to discuss topical issues. This assists the CTP regulator to identify areas with the potential to refine and improve the operation of the ACT CTP scheme.

In addition, the CTP regulator receives feedback from the community regarding the CTP scheme through Canberra Connect, direct enquiries (both oral and written correspondence) and through the feedback link on the CTP website at <http://www.treasury.act.gov.au/compulsorytpi/CTPFeedback.shtml>.

The CTP regulator also participates in the inter-directorate Road Safety Task Force so that it is aware of the latest road safety strategies and how this dovetails with the ACT's *Road Safety Action Plan 2014-17* and *Road Safety Strategy 2011-20*. Based on this information the CTP regulator contributes towards the funding of road safety initiatives to promote public awareness of the causes of motor accidents, with the aim of reducing motor vehicle accidents. A reduction in accidents assists in lowering CTP premiums.

A review of the operation of the CTP Act will be presented by 31 March 2016 as required by section 275 of the CTP Act.

Maintaining claims statistics for the CTP scheme

The CTP regulator's Personal Injury Register (PIR) database went live from 12 April 2011 and is the electronic register of all motor accident claims occurring in the ACT. As claims data are progressively added to the PIR, this will allow data, scheme statistics and trends to be interrogated and analysed. Data on the scheme's performance since 1 October 2008 is available.

The ACT's PIR system is currently a clone of the Queensland Motor Accident Insurance Commission's (MAIC) system. Under a Memorandum of understanding, the ACT pays MAIC a monthly fee to maintain and host a database system for the CTP regulator, with additional monies being provided to Queensland to secure PIR support and training when required. Queensland has recently indicated that it will no longer be able to provide the hosting, maintenance and support of the ACT's PIR. During 2015-16 the CTP regulator will look to

transition away from the Queensland hosted system and implement an ACT claims register within the ACT Government's ICT platform.

Risks

There are a number of risks for the CTP regulator including operational, financial, legal and reputational. In establishing the CTP regulator as a reputable and robust regulator of CTP in the ACT, independent of the Government, continuing focus on developing the skills, understanding and capacity of the CTP regulator remains important to managing operational and reputational risks.

Financial risks include adequacy of funding for the CTP regulator's activities. A nominal levy of \$1.00 is collected from every registration to fund and support the continued effective functioning of the CTP regulator.

The CTP regulator's revenues are thus dependent upon the number and frequency of registration renewals.

The CTP regulator has developed and implemented a risk management plan to identify and address risks and continues to review and update this plan as part of its ongoing business processes.

Performance measures and targets

Key Performance Indicators for 2015-16 to 2018-19

Objective	Performance Indicator	Target Measures			
		2015-16	2016-17	2017-18	2018-19
Insurer regulation and viability of scheme	<i>CTP premiums are approved in accordance with the Road Transport (Third-Party Insurance) Act 2008.</i>	Review annual CTP premium filings			
	<i>The scheme is fully funded.</i>	Actuarial review of premium filing applications by 30/06/2016	Actuarial review of premium filing applications by 30/06/2017	Actuarial review of premium filing applications by 30/06/2018	Actuarial review of premium filing applications by 30/06/2019
	<i>Make guidelines under the Act.</i>	Monitor and revise premium guidelines and early payment guidelines by 30/06/2016 as necessary	Monitor and revise premium guidelines and early payment guidelines by 30/06/2017 as necessary	Monitor and revise premium guidelines and early payment guidelines by 30/06/2018 as necessary	Monitor and revise premium guidelines and early payment guidelines by 30/06/2019 as necessary
An efficient, effective and affordable CTP scheme	<i>To continue to refine the system of CTP insurance for vehicles in the ACT in conjunction with insurers.</i>	Participation at Industry Council of Australia meetings			
	<i>Promote public awareness of the causes of motor accidents through funding measures directed at reducing causes of motor vehicle accidents</i>	Contributing to road safety strategies consistent with the CTP regulator's function to promote public awareness of the causes of motor accidents	Contributing to road safety strategies consistent with the CTP regulator's function to promote public awareness of the causes of motor accidents	Contributing to road safety strategies consistent with the CTP regulator's function to promote public awareness of the causes of motor accidents	Contributing to road safety strategies consistent with the CTP regulator's function to promote public awareness of the causes of motor accidents
Customer service	<i>Complaints handling within 10 working days of receipt of the complaint¹</i>	85% compliance	85% compliance	85% compliance	85% compliance

¹ Responses to complaints within 10 working days of receipt of the complaint apply in cases where no other directorate is involved. Also refers to written correspondence only, not phone calls.

Assessment of performance against 2014-15 objectives

Objective	Performance Indicator	Target Measures 2014-15	Estimated Performance
Insurer regulation and viability of scheme	<i>CTP premiums are approved in accordance with the Road Transport (Third-Party Insurance) Act 2008.</i>	Review annual CTP premium filings.	Premium filings were received from NRMA in September 2014. Premium filings were received from AAMI, GIO and APIA in November 2014. The premium filings received in September 2014 and November 2014, were assessed and approved in accordance with the Act.
	<i>The scheme is fully funded.</i>	Actuarial review of premium filing applications by 30/06/2015.	An actuarial assessment was conducted in respect of each premium filing to ensure each met the fully funded test, that is, the premium met the present and likely future liability of the insurer under the CTP insurance scheme.
	<i>Make guidelines under the Act.</i>	Implement new guidelines as required. Monitor the effectiveness of existing guidelines.	Issues on the guidelines under the Act were discussed as a standing item at the Industry Council of Australia meetings. The premium guidelines were revised, including with input from insurers, to improve the regulation of the scheme and provide improved guidance with regard to the premium setting process. No revisions to the early payment guidelines were required.
An efficient, effective and affordable CTP scheme	<i>To continue to refine the system of CTP insurance for vehicles in the ACT in conjunction with insurers.</i>	Participation at Industry Council of Australia meetings	The CTP regulator and insurers met regularly during 2014-15, at meetings facilitated by the Industry Council of Australia, and discussed a range of issues and arrangements for improving the CTP scheme. This included developing Sharing Guidelines for the industry Deed; revising the CTP claims forms to reduce duplication and complexity (new claims forms became effective 5 September 2014); and discussing the Lifetime Care and Support Levy and how this would impact on premium filings.
	<i>Promote public awareness of the causes of motor accidents through funding measures directed at reducing causes of motor vehicle accidents</i>	Contributing to road safety strategies consistent with the CTP regulator's function to promote public awareness of the causes of motor accidents	The CTP regulator contributed \$42,000 to a tailgating campaign and \$30,000 to a speeding campaign in 2014-15, developed in conjunction with the Road Safety Unit of the JACS Directorate, given that tailgating and speeding are a significant cause of third-party injuries.
Customer service	<i>Complaints handling within 10 working days of receipt of the complaint (if no other Directorate involved).</i>	85% compliance.	For the period July 2014-April 2015, there has been 83.3% compliance with this performance indicator, in cases where no further information was required from another directorate.

Employment profile

Section 14 of the CTP Act defines the CTP regulator as the Director-General of the Chief Minister and Treasury and Economic Development Directorate (CMTEDD).² Roles and responsibilities have been delegated by the CTP regulator to officers from CMTEDD. The CTP regulator does not employ staff.

The Financial Framework Management and Insurance (FFMI) Branch of the Economic and Financial Group provides a supporting role to the CTP regulator by providing a number of staff to carry out the CTP regulator's functions. The CTP regulator reimburses the FFMI Branch for the salary and superannuation expenses associated with the FTE staff allocated to carrying out the CTP regulator's functions.

Monitoring and reporting

The CTP regulator shall satisfy the requirements of the Chief Minister's Annual Reports Directions. The CTP Regulator's Annual Report will, amongst other things, report against the requirements of this Statement of Intent.

The *Financial Management Act 1996* authorises the Treasurer to obtain financial and other statements from the CTP regulator for a stated period including annual, quarterly and monthly reporting.

Quarterly Reporting

To enable consolidated whole of Government reporting requirements to be met on a quarterly basis, the CTP regulator will ensure the availability to the Treasurer, through the Chief Minister, Treasury and Economic Development Directorate (by the eighth working day of each quarter), information, in the prescribed form and detail, in respect of the previous quarter:

- a) Operating Statement.
- b) Balance Sheet.
- c) Statement of Changes in Equity.

² An amendment to the *Road Transport (Third-Party Insurance) Act 2008* to appoint a statutory officer as the CTP Regulator was passed by the Legislative Assembly on 12 May 2015, however, the amendment was not effective at the time of the preparation of this document and as a result, the appointment of the CTP Regulator has not yet occurred.

- d) Cash Flow Statement.
- e) Operating Statement material variance explanations against seasonal budget provided by the CTP regulator.
- f) Status Report to supplement performance reporting to the Assembly and provide stakeholders with a summary on progress against budget highlights, significant initiatives and major projects (by the tenth working day of each quarter).
- g) Management Discussion and Analysis of results to date, forecast results and related issues that may impact on the financial condition of the CTP regulator (by the tenth working day of each quarter).

Monthly Reporting

In addition to the quarterly information required as identified above, on a monthly basis the CTP regulator will ensure the availability to the Treasurer through the Chief Minister, Treasury and Economic Development Directorate (by the eighth working day of each month) the financial statements, in the prescribed form and required detail, in respect of the previous calendar month.

Annual Reporting

As part of preparations for end of year reporting, the Chief Minister, Treasury and Economic Development Directorate will advise the dates when the following documents are required at the Chief Minister, Treasury and Economic Development Directorate and at the Auditor-General's Office:

- a) Certified financial statements.
- b) Management discussion and analysis.
- c) A full and accurate set of audited financial records for the preceding financial year in the form requested.
- d) Consolidation packs relating to the annual financial statements, draft and final.

Financial Arrangements

From 1 May 2013 the levy increased to \$1.00 per registration. This levy increase covers the costs of the operations of the CTP regulator, including costs associated with necessary systems and actuarial advice.

Financial Statements

Budgeted financial statements for the 2015-16 Budget year, as well as forward estimates for the three financial years commencing 2015-16 appear below. These general purpose financial statements have been prepared in accordance with the ACT's Model Financial Statements and include:

- a) Operating Statement
- b) Balance Sheet
- c) Statement of Changes in Equity
- d) Cash Flow Statement
- e) Notes to the Financial Statements as appropriate.

Financial Statements

ACT Compulsory Third-Party Insurance Regulator: Operating Statement

2014-15 Budget		2014-15 Est'd Outcome \$'000	2015-16 Budget \$'000	Variance %	2016-17 Estimate \$'000	2017-18 Estimate \$'000	2018-19 Estimate \$'000
Revenue							
475	Taxes, Fees and Fines	475	481	1	488	496	503
17	Interest	35	17	-51	18	18	19
492	Total Revenue	510	498	-2	506	514	522
Expenses							
152	Employee Expenses	0	0	-	0	0	0
285	Supplies and Services	271	443	63	424	435	444
0	Depreciation and Amortisation	0	38	#	57	57	57
75	Other Expenses	71	17	-76	25	22	21
512	Total Expenses	342	498	46	506	514	522
-20	Operating Result	168	0	-100	0	0	0
-20	Total Comprehensive Income	168	0	-100	0	0	0

ACT Compulsory Third-Party Insurance Regulator: Balance Sheet

Budget At 30/6/15 \$'000	Est'd Outcome At 30/6/15 \$'000	Budget At 30/6/16 \$'000	Variance %	Estimate At 30/6/17 \$'000	Estimate At 30/6/18 \$'000	Estimate At 30/6/19 \$'000	
Current Assets							
255	Cash and Cash Equivalents	502	253	-50	310	367	424
45	Receivables	46	46	-	46	46	46
300	Total Current Assets	548	299	-45	356	413	470
Non Current Assets							
0	Intangibles	0	249	#	192	135	78
0	Total Non Current Assets	0	249	#	192	135	78
300	TOTAL ASSETS	548	548	-	548	548	548
Current Liabilities							
70	Payables	57	57	-	57	57	57
70	Total Current Liabilities	57	57	-	57	57	57
70	TOTAL LIABILITIES	57	57	-	57	57	57
230	NET ASSETS	491	491	-	491	491	491
REPRESENTED BY FUNDS EMPLOYED							
230	Accumulated Funds	491	491	-	491	491	491
230	TOTAL FUNDS EMPLOYED	491	491	-	491	491	491

ACT Compulsory Third-Party Insurance Regulator: Statement of Changes in Equity

Budget At 30/6/15	Est'd outcome At 30/6/15	Budget At 30/6/16	Variance %	Estimate At 30/6/17	Estimate At 30/6/18	Estimate At 30/6/19	
\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	
Opening Equity							
250	Opening Accumulated Funds	323	491	52	491	491	491
250	Balance at the Start of the Reporting Period	323	491	52	491	491	491
Comprehensive Income							
-20	Operating Result for the Period	168	0	-100	0	0	0
-20	Total Comprehensive Income	168	0	-100	0	0	0
0	Total Movement in Reserves	0	0	-	0	0	0
Closing Equity							
230	Closing Accumulated Funds	491	491	-	491	491	491
230	Balance at the End of the Reporting Period	491	491	-	491	491	491

**ACT COMPULSORY THIRD-PARTY INSURANCE REGULATOR
STATEMENT OF INTENT**

2015-16

ACT Compulsory Third-Party Insurance Regulator: Cash Flow Statement

2014-15 Budget		2014-15 Est'd Outcome \$'000	2015-16 Budget \$'000	Variance %	2016-17 Estimate \$'000	2017-18 Estimate \$'000	2018-19 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
475	Taxes, Fees and Fines	475	481	1	488	496	503
17	Interest Received	35	17	-51	18	18	19
492	Operating Receipts	510	498	-2	506	514	522
Payments							
152	Related to Employees	0	0	-	0	0	0
285	Related to Supplies and Services	271	443	63	424	435	444
75	Other	71	17	-76	25	22	21
512	Operating Payments	342	460	35	449	457	465
-20	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	168	38	-77	57	57	57
CASH FLOWS FROM INVESTING ACTIVITIES							
Payments							
0	Purchase of Land and Intangibles	0	287	#	0	0	0
0	Investing Payments	0	287	#	0	0	0
0	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	0	-287	#	0	0	0
-20	NET INCREASE / (DECREASE) IN CASH HELD	168	-249	-248	57	57	57
275	CASH AT THE BEGINNING OF REPORTING PERIOD	334	502	50	253	310	367
255	CASH AT THE END OF REPORTING PERIOD	502	253	-50	310	367	424

Notes to the Financial Statements

Significant variations are as follows:

Operating Statement

There are no significant variations in the Operating Statement.

Balance Sheet

- Cash and Cash Equivalents:
 - the increase of \$0.247 million in the 2014-15 estimated outcome from the original budget predominately relates to lower than anticipated expenses, which has increased cash on hand; and
 - a decrease of \$0.249 million in the 2015-16 budget from the 2014-15 estimated outcome results from implementing a stand-alone ACT Personal Injury Register on an ACT information technology platform.
- Intangibles:
 - a \$0.249 million increase for Non Current Assets occurring between the 2015-16 budget and the 2014-15 estimated outcome also results from implementing a stand-alone ACT Personal Injury Register.

Statement of Changes in Equity

- Closing Accumulated Funds:
 - increase of \$0.261 million in the 2014-15 estimated outcome from the original budget for the balance at the end of the reporting period is driven by the increase of the Operating Result for the period of 2014-15. The increase in the Operating Result is due to lower than expected expenditure in areas such as actuarial, arbitration and IT costs. This is masked on the Operating Statement due to the reimbursement of CMTEDD Employee Wages being reclassified to Supplies and Services.

Statement of Cash Flow

Variations in the statement are explained in the notes above.