

2025 Investigation into the pricing policies of the Motor Accidents Insurance Board

Terms of Reference

The Terms of Reference for a monopoly provider investigation to be conducted by the Tasmanian Economic Regulator (the Regulator) into the pricing policies of the Motor Accidents Insurance Board (MAIB) are outlined below. These Terms of Reference meet the requirements set out in section 25 of the *Economic Regulator Act 2009* (the Act).

The Functions and Other Activities of the MAIB

Under the Ministerial Charter in place for the MAIB, pursuant to the *Government Business Enterprises Act 1995* (the GBE Act), the principal purpose of the MAIB is to provide a compulsory no-fault third party motor accident compensation scheme in Tasmania. The principal objectives of MAIB, as defined in section 7 of the GBE Act are to:

- to perform its functions and exercise its powers so as to be a successful business by -
 - operating in accordance with sound commercial practice and as efficiently as possible; and
 - achieving a sustainable commercial rate of return that maximises value for the State in accordance with its corporate plan and having regard to the economic and social objectives of the State; and
- to perform on behalf of the State its community service obligations in an efficient and effective manner; and
- to perform any other objectives specified in the Portfolio Act.

Under the MAIB's Ministerial Charter, the MAIB is required by the Portfolio Minister and the Treasurer to comply with the following strategic expectations in undertaking its core business:

- ensure that an appropriate balance exists between premium income, the cost of claims, and MAIB's prudential requirements so as to achieve a sustainable commercial rate of return;
- adopt and maintain an appropriate level of solvency by giving effect to strategies and policies that ensure its long-term commercial viability;
- provide its services in a cost effective and efficient manner, while meeting the needs of its clients;

- ensure that its investment strategies maximise the probability of meeting its liabilities, particularly long tail liabilities;
- invest its funds in a manner that is consistent with the Motor Accidents Insurance Board's Investment Policy Statement;
- be proactive in funding road safety programs with the objective of reducing road trauma in Tasmania and thereby putting downward pressure on serious casualty claims; and
- advance the rehabilitation process with the aim of achieving optimum outcomes for persons suffering injuries as a result of motor accidents.

The Pricing Policies and the Monopoly Service to be Investigated

The Regulator is to investigate the prices levied on motorists to fund the current provision of motor accident personal injury insurance for persons injured in motor vehicle accidents involving Tasmanian-registered vehicles and, except in certain cases, persons injured in accidents in Tasmania involving interstate motor vehicles who require daily care.

The Date of Completion

The Regulator must provide a copy of the Final Report in accordance with section 35 of the Act in respect of the MAIB investigation by 31 July 2025. At an appropriate time during the investigation, the Regulator must make available a Draft Report.

Additional Matters to be Taken into Account

In addition to considering the matters referred to in section 31 of the Act, the Regulator must also take into account the following issues when conducting the MAIB pricing investigation:

1. the scope and intent of the *Motor Accidents (Liabilities and Compensation) Act 1973*;
2. whether any cross-subsidies exist in the current pricing structure, especially in relation to different vehicle classes and different risk types and, if they exist, the benefits and costs of retaining these cross-subsidies;
3. whether any cross subsidies exist in relation to vehicles used for peer-to-peer and car sharing (membership) rental services (Class 8 in Schedule 1 of the current Pricing Order);
4. an appropriate mechanism to remove any cross-subsidies should it be considered desirable;
5. the appropriateness of the MAIB using current insurance industry prudential requirements as a benchmark to measure long term sustainability;
6. the provision of funding by the MAIB to the following:
 - a) the Road Safety Advisory Council; and

- b) recognised groups through the Injury Prevention and Management Foundation;
- 7. the appropriateness of current claim liability valuations;
- 8. the MAIB's approach to assessing and allocating liability in relation to accidents when determining premium relativities;
- 9. the loading required on periodic premiums to ensure that there is no net impact on the MAIB's revenue;
- 10. whether the MAIB's reinsurance purchase strategy is appropriate given its current financial position and the impact of reinsurance strategies on the MAIB's funding ratio; and
- 11. the identification of any issues or risks for the motor accident insurance industry in the future associated with emerging fuels, technologies and categories of vehicles, including the anticipated introduction of automated vehicles in Australia, for consideration in future pricing policy investigations.

Requirement for the Regulator to Make Recommendations

The Final Report provided by the Regulator under Section 35 of the Act must contain recommendations in relation to appropriate maximum prices (as defined in Section 4 of the Act) to be charged by the MAIB for each category of vehicle to provide motor accident personal injury insurance for persons injured in motor vehicle accidents involving Tasmanian-registered vehicles, and eligible persons injured in accidents in Tasmania involving interstate motor vehicles who require daily care, during the period of four years after the expiry of the current Pricing Order.