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SA CTP Market briefing

Review of the risk premium for
the 2026/27 underwriting period

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1 Risk premium

\$135.10
▲ \$6.80

The advised risk premium for the 2026/27 underwriting year, excluding inflation and discounting

Taylor Fry estimates the components of the risk premium for the South Australian CTP scheme and advises the CTP Insurance Regulator on these components. The Regulator integrates our advice with its own views to set a floor and ceiling for insurer CTP premiums.

Due to COVID-19 related restrictions, traffic volumes reduced during months with lockdowns which may have led to fewer accidents. We have set our premium advice on the basis that COVID-19 will not have a material impact on claims frequency in the future.

Table 1 shows the risk premium for the 2026/27 underwriting year as the product of the advised claim frequency and average claim size, based on data to 31 December 2025. We examine claim frequency and size in detail, separately, in Sections 2 and 3.

Table 1 – Advised risk premium for 2025/26 underwriting period

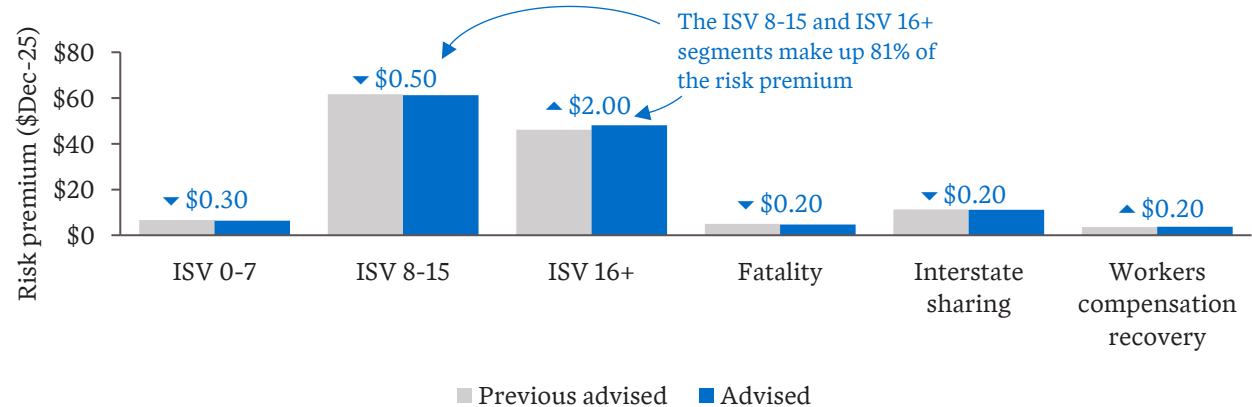
Claim frequency represents the number of reported claims per annual policy	0.142%
Average claim size represents the expected ultimate cost of a reported claim	× \$94,996
Risk premium is the expected future cost per policy of claims made to insurers	\$135.10

Our advised risk premium is \$6.80 higher than our advised risk premium at the previous review (based on data to 31 December 2024) because:

- ▲ \$5.80 due to wage inflation over the year to 31 December 2025
- ▲ \$1.00 due to updated assumptions for claim frequency and average claim size.

Figure 1 shows the revised assumptions in six segments based on claimants’ Injury Scale Value (ISV), fatalities, interstate sharing claims and workers compensation recovery. Both current advised and previous advised risk premiums are expressed in dollar values as at 31 December 2025 for comparability.

Figure 1 - Risk premium assumptions by segment



The \$1.00 increase in advised risk premium due to updated assumptions is driven by the ISV 16+ segment.

2 Claim frequency by segment

0.142%

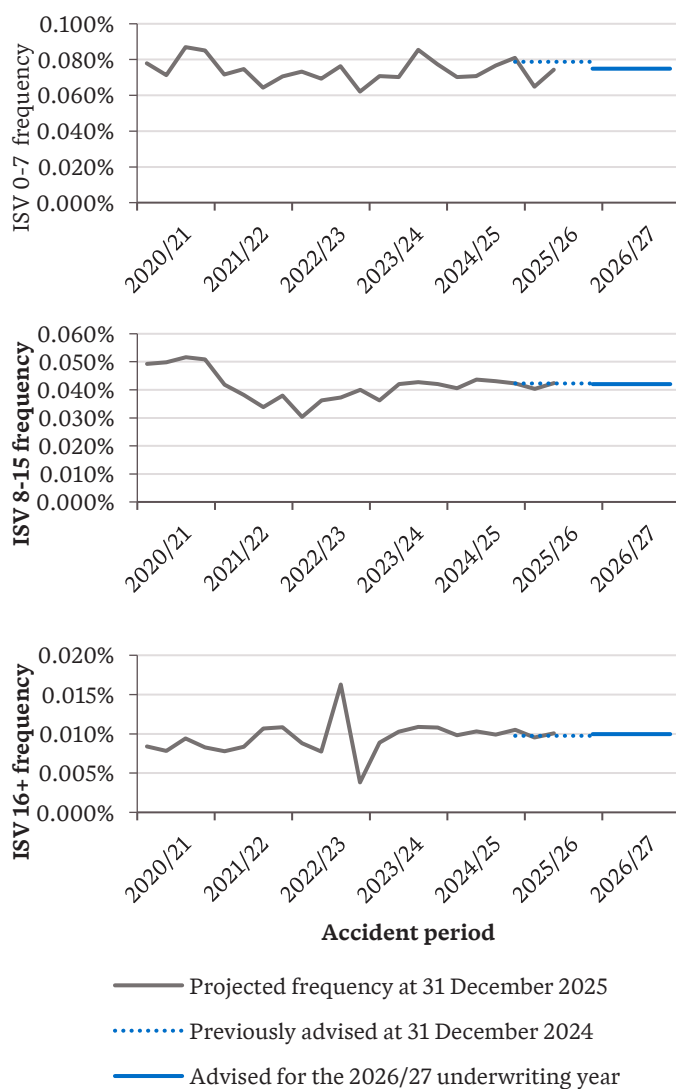
▼ 2%

The advised claim frequency for the 2026/27 underwriting year
which represents the number of reported claims per annual policy

Taylor Fry reviews the claim frequency by segment at each annual review. Claim frequency is the rate of CTP claims per annual policy.

Figure 2 shows the claim frequency for the three most frequent claim segments – ISV 0-7, ISV 8-15 and ISV 16+. These segments constitute 89% of claims. We compare the current advised frequency for the 2026/27 underwriting year to the previously advised frequency for the 2025/26 underwriting year (previous review), and the projected frequency for previous periods. We have adjusted claim frequency for accident periods Mar-20 onwards, where relevant, for the impact of reduced traffic volumes due to COVID-19 related lockdowns.

Figure 2 - Claim frequency for major segments



Claim frequency in the ISV 0-7 segment has been lower than expected for recent accident quarters.

Consequently, we advise an **ISV 0-7 claim frequency of 0.075%**, down 5% compared to a frequency of 0.079% at the previous review.

The claim frequency experience of ISV 8-15 has been higher than expected over the past year. However, there is evidence that earlier recognition of claims has contributed to this high experience. Additionally, there have been fewer than expected ISV 8-15 claims emerging in older historical accident periods.

Therefore, we advise an **ISV 8-15 claim frequency of 0.0420%**, down 1% compared to a frequency of 0.0424% at the previous review.

Claim frequency in the ISV 16+ segment has been higher than expected over the past year.

Thus, we advise an **ISV 16+ claim frequency of 0.0100%**, up 2% compared to a frequency of 0.0097% at the previous review.

The other segments – fatalities, interstate sharing and workers compensation recoveries – contribute 0.015% to the overall frequency (11% of claims).

3 Finalised average claim size

\$94,996
▲ 8%

The advised average claim size for the 2026/27 underwriting year which represents the expected ultimate cost of a reported claim before inflation

Taylor Fry reviews the average claim size by segment based on finalised claims at each premium review. Average claim size is the average amount of compensation a claimant receives.

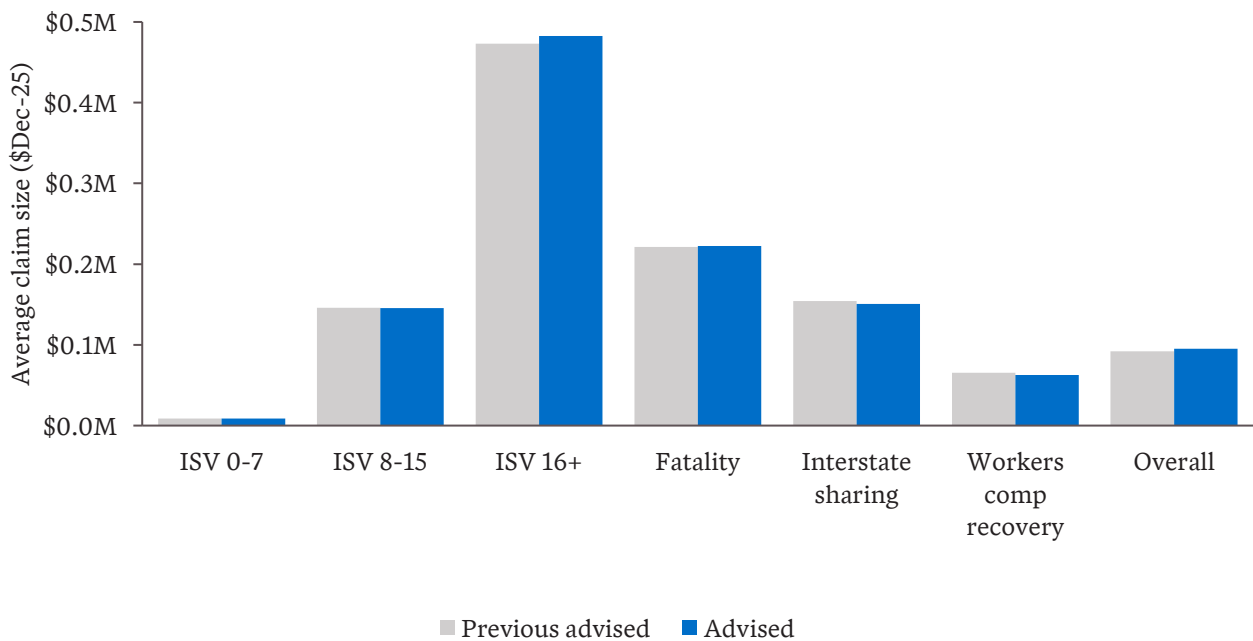
Our advised average claim size is 8% higher (in nominal dollars) than the previous advice (based on data to 31 December 2024) because:

- ▲ 5% due to wage inflation over the year to 31 December 2025
- ▲ 3% due to updated assumptions for average claim size.

The 5% increase due to inflation affects all segments equally. The 3% increase is due to a combination of changes in the average claim size within segments, as shown in Figure 3, and changes in the relative frequency of different segments. Notably, increases in the advised frequency of claims from high cost ISV 8+ segments lift the advised average claim size.

Figure 3 compares the advised average claim size for each segment to the previous advised adjusted to include the +5% inflation in the year to 31 December 2025. The size of compensation a claimant receives is highly dependent on the claim’s ISV because access to future economic loss benefits and general damages is dependent on ISV.

Figure 3 – Revised average claim size assumptions by segment and overall



We advise an **increase in overall average claim size to reflect higher than expected recent finalisation sizes of ISV 8-15 and ISV 16+ claims**. This is partly offset by a shift towards a lower proportion of claims emerging with legal representation

4 Risk premium sensitivities

There is uncertainty in the assumptions underlying our risk premium estimate. There is a risk that the claim frequency and size that ultimately emerge for the 2026/27 underwriting year turn out to be different to our assumed values.

Legally represented ISV 8+ claim segments constitute roughly 77% of the risk premium. Specifically, there is uncertainty around our estimation of:

- **Frequency:** There has been significant variation in the frequency of legally represented ISV 8-15 claims over historical accident years. We apply partial credibility to historical periods with both low and high experience when setting frequency assumptions.
 - If future experience emerges similar to the high frequency observed accident year 2020/21, we estimate an impact on the risk premium of **+\$11**.
 - If future experience emerges similar to the low frequency emerging in accident years 2021/22 and 2022/23, we estimate an impact on the risk premium of **-\$9**.

There has also been historical variability in the frequency of legally represented ISV 16+ claims. Frequency was high in older accident years 2016/17 and 2017/18, and lower in 2020/21 and 2021/22. While still highly uncertain, frequency in recent accident years 2023/24 and 2024/25 appears to be emerging between the high levels seen in 2016/17 and 2017/18, and lower levels of 2020/21 and 2021/22. We assign partial credibility to this recent experience when setting frequency assumptions.

- If future experience emerges similar to high frequency observed in accident years 2016/17 and 2017/18, we estimate an impact on the risk premium of **+\$12**.
- If future experience emerges similar to low frequency emerging in accident years 2020/21 and 2021/22, we estimate an impact on the risk premium of **-\$8**.

We have also observed a recent significant increase in the frequency of ISV 8+ claims without legal representation. We understand this is at least partially driven by improved early coding of ISVs. This change in legal representation behaviour adds to the uncertainty of our advised claim frequency assumptions for ISV 8+ legally represented claims.

- **Average claim size:** Average claim size experience for legally represented ISV 8+ claims is highly volatile, particularly for costly late finalising claims. Because of this, we consider many years of finalisation experience when estimating average claim size.
 - Over the last two years, the average size of late finalising ISV 8-15 legally represented claims has been high. We assign partial credibility to this experience when setting claim size assumptions. If this experience was to continue, we estimate an impact on the risk premium of **+\$1**.
 - We observed a recent increase in average claim size for very late finalising ISV 8-15 legally represented claims, which we allow for when setting claim size assumptions. We did not observe a similar effect for ISV 16+ claims. If a similar effect was observed for ISV 16+ legally represented claims, we estimate an impact on the risk premium of **+\$1**.
- **Economic drivers:** Inflation and investment yields have been high and there is significant uncertainty around the future trajectory of both.

We consider that **our advised risk premium appropriately balances these uncertainties** where empirical evidence is available and is a reasonable central estimate of risk cost using experience up to 31 December 2025.

5 Economic assumptions

0.39%
▲ 0.31%

The economic gap for the 2026/27 underwriting year

The difference between the investment return and the projected inflation rates up to the time of claim payment

The risk premium from Section 1 is uninflated and undiscounted. To allow for claims inflation and investment returns, Taylor Fry reviews the timing of claim payments, risk-free investment returns and projected inflation.

Economic gap

The economic gap is the risk-free rate of return *minus* the SA Average Weekly Earnings (AWE) inflation rate. A higher economic gap translates to a lower CTP premium. Table 2 shows the projected risk-free rate of return and the projected AWE inflation rate to determine the economic gap.

Table 2 – Economic gap assumptions – Based on yields for bonds traded on 19 March 2026

Risk-free rate of return	4.88% (▲ 0.78%) p.a.	We have increased the economic gap in line with the 0.78% p.a. increase in the risk-free rate of return and the 0.47% p.a. increase in wage inflation.
AWE inflation rate	4.48% (▲ 0.47%) p.a.	
Economic gap	0.39% (▲ 0.31%) p.a.	

Note: The difference between the risk free rate of return and AWE inflation rate shown does not equal the economic gap due to rounding

Currently elevated geopolitical uncertainty increases the volatility of inflation and risk-free investment returns. **We will monitor this closely.**

Superimposed inflation

Superimposed inflation is claim inflation in excess of AWE. We assist the Regulator to set this assumption.

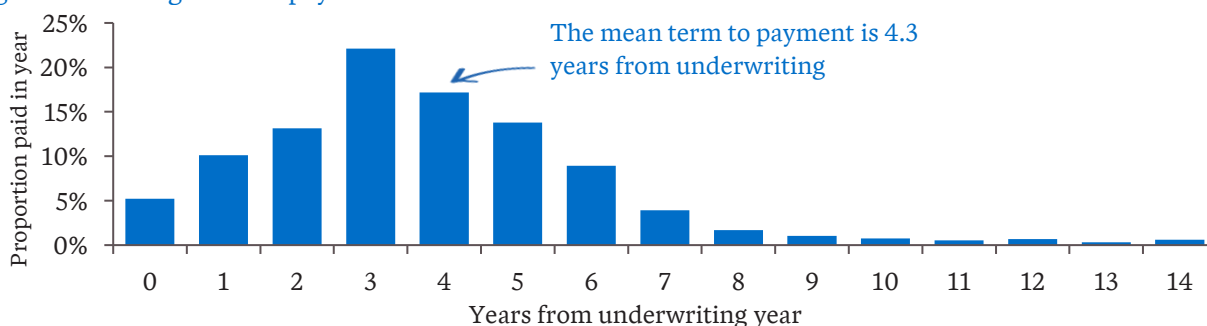
We advise an appropriate **base superimposed inflation rate of 0%–1% p.a.** over the medium term. The Regulator may consider whether current environment – including economic uncertainty – warrants an additional superimposed inflation or allowances more than the base superimposed inflation.

Timing of claim payments

The economic gap and superimposed inflation affect the risk premium more as the timing of claim payments extends further from underwriting.

Figure 4 shows the timing of the claim payments following underwriting.

Figure 4 – Timing of claim payments





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