

**COMPULSORY THIRD PARTY
MOTOR VEHICLES INSURANCE
REGULATORY CONTRACT (AS
AMENDED)**

FOR REGULATORY PERIOD
from
1 January 2023
to
31 December 2027

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Date	1st January 2023
Parties	
1	Motor Vehicles Insurance Limited (company number 1-29221) (hereafter ' MVIL ').
2	The Independent Consumer and Competition Commission (hereafter the ' Regulator '), a body corporate established under the <i>Independent Consumer and Competition Commission Act 2002</i> (here after the ' ICCC Act ').
Recitals	
A	The Compulsory Third Party (' CTP ') motor vehicles insurance industry has been declared by the Treasurer to be a regulated industry pursuant to Section 26 of the <i>Motor Vehicles (Third Party Insurance) Act</i> (Chapter No. 295) (hereafter the ' Motor Vehicles Act ').
B	The provision of CTP motor vehicles insurance coverage has been declared by the Treasurer to be a regulated service under Section 32(1) of the <i>ICCC Act</i> .
C	MVIL has been declared by the Treasurer to be a regulated entity under Section 32(2) of the <i>ICCC Act</i> .
D	MVIL is licensed under Section 18 of the <i>Insurance Act 1995</i> to provide CTP motor vehicles insurance cover in Papua New Guinea (' PNG ').
E	Owners of motor vehicles are required under the <i>Motor Vehicles Act</i> to take out CTP motor vehicles insurance coverage with MVIL.
F	MVIL and the Regulator entered into a binding Regulatory Contract pursuant to the provisions of the <i>ICCC Act</i> and the <i>Motor Vehicles Act</i> which expires on 31 December 2022 (the <i>Previous Regulatory Contract</i>).
G	MVIL and the Regulator intend for this Regulatory Contract to replace the Previous Regulatory Contract and for it to apply retrospectively on and from the expiry of the Previous Regulatory Contract.
H	This Regulatory Contract is binding on MVIL and the Regulator pursuant to Section 35 of the <i>ICCC Act</i> and the <i>Motor Vehicles Act</i> .
I	This Regulatory Contract regulates the premiums that MVIL shall charge for the provision of CTP motor vehicles insurance coverage and the charges that MVIL shall make for endorsements in respect of policies for that insurance.

It is agreed as follows.

1 General

1.1 Definitions

Administration Expenses means any expenditure made by MVIL that are not directly involved with marketing or underwriting of CTP insurance cover but will increase the efficiency and accessibility of CTP motor vehicles insurance cover.

Approved FM Pass Through Amount has the meaning given to it in clause 4.2 (a)(ii).

Approved Business Plan refers to the Annual Business Plan approved by KCH

Business Day means a day other than a Saturday or a Sunday or a gazetted national or local public holiday in Papua New Guinea.

Capital Expenditure means expenditure by MVIL that expenditure which conforms with at least one of the following:

- a) the expenditure relates to the purchase, development or construction of a new non-current asset of MVIL;
- b) the expenditure will increase the capacity or functionality of MVIL's non-current assets;
- c) the expenditure will significantly reduce the ongoing maintenance of MVIL's non-current assets;
- d) the expenditure will extend the service life of MVIL's non-current assets beyond that expected when the assets were originally installed;
- e) the expenditure will increase the efficiency and accessibility in the provision of compulsory third party insurance by MVIL or premium holders; and/or
- f) the expenditure will lead to an outcome that is consistent with the Commission's objectives under the ICC Act.

Commencement Date means 1 January 2023, notwithstanding that notice of this Regulatory Contract shall be published in the National Gazette on an earlier or later date.

Customer means a person to whom Compulsory Third Party Insurance Cover is provided by MVIL, or a person who is seeking to have Compulsory Third Party Insurance Cover provided to it by MVIL.

Determination refers to the current determination made by the Regulator in respect of the premiums that MVIL shall charge for the provision of CTP motor vehicles insurance coverage, the charges that MVIL shall make for endorsements in respect of policies for that insurance and the service standards which MVIL must meet.

End of Term Actuarial Report has the meaning given to that term in clause 8.1(a).

Endorsement means a change made to a policy for Third Party Insurance Cover during the term of that policy, including as a result of a change in ownership of a motor vehicle, a change of registration plate identification or the loss of a certificate of insurance or other insurance papers.

First Regulatory Year means the period from the Commencement Date to 31 December 2023 (both dates inclusive).

FM Pass Through Amount has the meaning given to it in clause 4.1(a).

Force Majeure Event means:

- a) a cyclone, storm, flood, earthquake, tidal wave or landslide;

- b) an act of public enemy, war (declared or undeclared), sabotage, blockade, revolution, riot, insurrection, civil commotion or any violent or threatening actions; or
- c) any event which the Regulator and MVIL agree in writing to be a force majeure Event for the purposes of this Regulatory Contract;

which results or is likely to result in an increase in the costs incurred by MVIL in providing Third Party Insurance Cover to Customers, or in complying with the provisions of any legislation, or of any codes or guidelines made or published by the Regulator under the *ICCC Act*.

Force Majeure Event Claim has the meaning given to it in clause 4.1(d).

Force Majeure Event Notice has the meaning given to it in clause 4.1(c).

Government Agency means and includes any government or governmental authority, instrumentality, body or agency.

Insurance Commissioner means the Insurance Commissioner appointed under section 5(1) of the *Insurance Act 1995*.

Insurance Commissioner's Fund means the fund established by section 64A of the *Insurance Act 1995*.

Insurance Levy means the contribution required to be made by MVIL to the Insurance Commissioner's Fund pursuant to section 64C(1) of the *Insurance Act 1995* in respect of each premium paid or payable for Third Party Insurance Cover.

Insured Vehicle means a motor vehicle which is covered by a policy of insurance for Third Party Insurance Cover issued by MVIL.

KCH refers to the Kumul Consolidated Holdings or its successors in corporation.

Maximum Average Premium, for the First Regulatory Year is the sum set out in clause 2.1 and, for a Subsequent Regulatory Year *t*, is the amount (MAP_t) determined in accordance with paragraph A of Schedule 2 and approved or deemed to be approved by the Regulator under clause 2.3 (e), (f) or (h) (as the case may require) for that Subsequent Regulatory Year.

Maximum Net Premium applicable to a Vehicle Class, for the First Regulatory Year means the Maximum Net Premium applicable to that Vehicle Class as set out in Schedule 1 and, for a Subsequent Regulatory Year *t*, means the Maximum Net Premium applicable to that Vehicle Class approved or deemed to be approved by the Regulator under clause 2.3(e), (f) or (h) or as determined by the Regulator under clause 2.3(i) (as the case may require) for that Subsequent Regulatory Year.

Mid Term Actuarial Report has the meaning given to that term in clause 3(a).

NRSC Levy means the third party insurance premium levy which is charged on all third party insurance cover for motor vehicles issued under the *Motor Vehicles Act* pursuant to section 32 of the *National Road Safety Council Act 1997*.

Permitted FM Pass Through Amount, at any time in respect of a Force Majeure Event, means the increased costs that MVIL has actually incurred as at that time (as calculated by MVIL under clause 4.1(a) or by the Regulator under clause 4.2(a)(i) as appropriate):

- a) in providing Third Party Insurance Cover to Customers; and
- b) in complying with the provisions of any legislation, or of any codes or guidelines made or published by the Regulator under the *ICCC Act* or by the Minister responsible for the *Insurance Act 1995* under that Act, which must be complied with in relation to the provision of Third Party Insurance Cover,
- c) as a result of the occurrence of that Force Majeure Event.

Previous Regulatory Contract means the Compulsory Third Party Motor Vehicles Insurance Regulatory Contract commencing on 1 January 2017 and ending in 31 December 2022.

Regulator means the Independent Consumer and Competition Commission established under the *ICCC Act* or its successors under the law.

Regulatory Contract means this Compulsory Third Party Motor Vehicles Insurance Regulatory Contract.

Regulatory Principles means the principles set out in Schedule 4.

Regulated Service or Business means such services as so defined under the *ICCC Act* and the Motor Vehicles Act. It includes the provision of Compulsory Third Party Motor Vehicles Insurance coverage.

Regulatory Year means a period of 12 months commencing on 1 January of a year during the term of this Regulatory Contract.

Relevant Regulatory Year has the meaning given to it in clause 2.3(a) (i).

Subsequent Regulatory Year means any Regulatory Year after the First Regulatory Year.

Third Party Insurance Cover means compulsory third party motor vehicles insurance coverage the effect of which is to indemnify owners of motor vehicles against the sums specified in section 49(2) (a) of the *Motor Vehicles Act* for which the driver or his estate shall become liable by way of damages for the death of or bodily injury to a person caused by, or arising out of the use of, a motor vehicle.

Goods and Services Tax ('GST') means the tax imposed on policies of insurance providing Third Party Insurance Cover under the *Goods and Services Tax Act 2003*.

Vehicle Class for the First Regulatory Year means a class of motor vehicles identified in Schedule 1 and, for a Subsequent Regulatory Year, means a class of motor vehicles as set out in a statement given by MVIL to, and approved by the Regulator pursuant to clause 2.3(a) for that Subsequent Regulatory Year or, in the absence of any such statement, as set out in the most recent such statement for any previous Regulatory Year or, in the absence of any such statement, as set out in Schedule 1.

1.2 Principles of Interpretation

- (a) Unless the contrary intention appears, the following principles of interpretation apply to this Regulatory Contract:
- i) This Regulatory Contract is to be read and interpreted together with, and is subject to, the objectives in Section 5 of the *ICCC Act*; the explanatory memorandum and the second reading speech which accompanied the tabling of the *Independent Consumer and Competition Commission Bill 2002*, which was subsequently enacted as the *ICCC Act*; the *ICCC Act* and the Final Report of the Review and Resetting of the CTP Motor Vehicles Insurance Regulatory Contract all of which are collectively referred to as the '*linked documents*', and including generally accepted regulatory principles and regulatory practice in relation to those words, expressions and obligations;
 - ii) All words, expressions and obligations within this Regulatory Contract are to be interpreted together with, and in the context of, the contents of the linked documents and generally accepted regulatory principles and practice in relation to the relevant words, expressions and obligations in this Regulatory Contract.
 - iii) The linked documents form an integral part of this Regulatory Contract; are inextricably linked with it; and are not severable from it.

- iv) The parties are bound by the statements, principles and intentions expressed in the linked documents which shall be used in interpreting this Regulatory Contract.
 - v) Words denoting persons include corporations, unincorporated associations, firms, governments and governmental agencies;
 - vi) A reference to a person includes a person's agents, successors and permitted assigns, persons who have control over any assets of a person and receivers, managers, trustees, administrators and liquidators and similar persons appointed over:
 - (A) a person; or
 - (B) any assets of a person;
 - vii) Headings and subheadings are only included for convenience and do not affect the interpretation of this Regulatory Contract;
 - viii) A reference to a clause or Schedule is to a clause of, or Schedule to, this Regulatory Contract;
 - ix) A reference to an agreement, document or regulatory instrument (including this Regulatory Contract) is a reference to that agreement, document or regulatory instrument as varied, or replaced from time to time (whether or not the parties thereto remain the same);
 - x) A reference to legislation is a reference to legislation in force in Papua New Guinea;
 - xi) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it; and
 - xii) A reference to **Kina** or **K** is to the lawful currency of Papua New Guinea.
- b) All premiums determined under or for the purposes of this Regulatory Contract must be rounded ten-thousandths.
 - c) When a calculation is required under this Regulatory Contract:
 - (i) Regulatory Year "t", Subsequent Regulatory Year "t" or calendar year "t" is the Regulatory Year, Subsequent Regulatory Year or calendar year (as the case may be) in respect of which the calculation is being made;
 - (ii) Regulatory Year "t-1", Subsequent Regulatory Year "t-1" or calendar year "t-1" is the Regulatory Year, Subsequent Regulatory Year or calendar year (as the case may be) immediately preceding Regulatory Year "t", Subsequent Regulatory Year "t" or calendar year "t"; and
 - (iii) Regulatory Year "t-2", Subsequent Regulatory Year "t-2" or calendar year "t-2" is the Regulatory Year, Subsequent Regulatory Year or calendar year (as the case may be) immediately preceding Regulatory Year "t-1", Subsequent Regulatory Year "t-1" or calendar year "t-1".

1.3 Regulatory Principles

This Regulatory Contract shall be read in accordance with the Regulatory Principles as provided under Schedule 4.

1.4 Revoking or Altering Decisions

- (a) Where the Regulator has made a decision under this Regulatory Contract and later concludes that the decision was made on the basis of information provided to the Regulator that was false or misleading in a material particular then, subject to

clause 1.4(b), the Regulator may revoke the decision and make a new decision in substitution for the revoked decision.

- (b) Before the Regulator revokes and substitutes a decision pursuant to clause 1.4(a), the Regulator must first:
 - i) notify MVIL of the proposed revocation and of the proposed new decision (including the proposed date of effect of the revocation and new decision), and allow MVIL a reasonable opportunity to make submissions to the Regulator regarding the proposed revocation and the proposed new decision (including submissions as to whether the original decision was based on information that was false or misleading in a material particular); and
 - ii) take into account any matters contained in a submission made by MVIL pursuant to subparagraph (i).
- c) A new decision made under clause 1.4(a) applies from:
 - i) if notice of the new decision is required to be published under clause 1.5(a)(iv) – the later of the date on which that notice is so published and any date specified by the Regulator in that notice as the date from which the new decision is to apply; and
 - ii) if notice of the new decision is not required to be published under clause 1.5(a) (iv) – the later of the date the new decision is made and any date specified by the Regulator in making that new decision as the date from which the new decision is to apply.
- d) A new decision made under clause 1.4(a) must only differ from the revoked decision to the extent necessary to correct for:
 - i) the false or misleading information on which the revoked decision was based; and
 - ii) the application of the revoked decision during the period in respect of which that decision was in effect.

1.5 Notices

- (a) The Regulator must ensure that a notice of each decision made by the Regulator under this Regulatory Contract (other than a decision made pursuant to clause 1.6) is:
 - i) sent to the Ministers responsible for the *Motor Vehicles Act*, the *Insurance Act 1995* and the *ICCC Act*;
 - ii) sent to the Insurance Commissioner;
 - iii) sent to MVIL; and
 - iv) published in the National Gazette and a newspaper circulating nationally.
- b) The Regulator must ensure that a copy of each decision made by the Regulator under this Regulatory Contract, together with a copy of its reasons for that decision is:
 - i) sent to the Ministers responsible for the *Motor Vehicles Act*, the *Insurance Act 1995* and the *ICCC Act*;
 - ii) sent to the Insurance Commissioner;
 - iii) sent to MVIL; and
 - iv) made available for inspection and purchase by members of the public and on its website.

1.6 Modification of Time Periods

- a) The Regulator or MVIL may, after written request by the other party, agree to extend, by written notice to the other party;
 - (i) the time by which a thing required to be done by MVIL or the Regulator under this Regulatory Contract must be done; or
 - (ii) the period within which a thing required to be done by MVIL or the Regulator under this Regulatory Contract must be done.
- (b) Agreement to the written request by either MVIL or the Regulator under clause 1.6 (a) must not be unreasonably withheld.

1.7 Term

The term of this Regulatory Contract commences retrospectively on 01 January 2023 and ends on 31 December 2027 (both dates inclusive).

2. Premiums

2.1 Maximum Average Premium for First Regulatory Year

The Maximum Average Premium for the First Regulatory Year is K816.86..

2.2 Maximum Net Premiums and Endorsements for First Regulatory Year

- a) Subject to clause 2.6, the maximum amount that MVIL shall charge a Customer for the provision of Third Party Insurance Cover during the First Regulatory Year in relation to a motor vehicle that comes within a Vehicle Class is the Maximum Net Average Premium applicable to that Vehicle Class for the First Regulatory Year.
- b) Subject to clause 2.6, the maximum amount that MVIL shall charge a Customer if it is required to make an Endorsement in respect of that Customer's policy for Third Party Insurance Cover during the First Regulatory Year is K169.65.

2.3 Altering Maximum Net Premiums for Subsequent Regulatory Years

- (a) MVIL, for each Subsequent Regulatory Year, give the Regulator a Statement in accordance with clause 2.3 (b) that:
 - (i) sets out MVIL's proposed Maximum Net Premium for the supply of the Regulated Service for that Subsequent Regulatory Year, including;
 - (A) The total number of vehicles insured during the 12 months period ending on 31st October of the Past Regulatory Year;
 - (B) the Vehicle Class to apply in the Relevant Regulatory Year for the purposes of the determination of the Maximum Net Premiums applicable to each of such Vehicle Class for the Relevant Regulatory Year (which may be determined by MVIL based on actuarial assessment);
 - (C) the total number of Insured Vehicles that were actually in each Vehicle Class referred to in subparagraph (B) in the 12 month period ending on 31 October in the Past Regulatory Year or that would have been in each of such Vehicle Class had that Vehicle Class existed during that period; and

- b) A statement referred to in clause 2.3 (a) must be given by MVIL to the Regulator by the second Friday in November of the Regulatory Year immediately preceding the relevant Subsequent Regulatory Year.
- c) The proposed Maximum Average Premium referred to under clause 2.3(a)(i) shall demonstrate compliance with the requirement set out under Part 1 of Schedule 2.
- d) The Regulator must not approve the Maximum Average Premium as calculated by MVIL or the Maximum Average Premiums for a Subsequent Regulatory Year as proposed by MVIL in a statement given by MVIL to the Regulator pursuant to clause 2.3(a) if:
 - i. that statement does not demonstrate compliance with the requirements set out in clause 2.3(c) and in Schedules 2 and 3; or
 - ii. the Regulator is not satisfied that all of the proposed Maximum Net Premiums are fair and reasonable.
- e) The Regulator shall approve the Maximum Average Premium for a Subsequent Regulatory Year as calculated by MVIL and the Maximum Net Premiums for a Subsequent Regulatory Year as proposed by MVIL in a statement given by MVIL to the Regulator pursuant to clause 2.3(a) if:
 - i. that statement demonstrates compliance with the requirements set out in clause 2.3(c) and in Schedules 2 and 3; and
 - ii. the Regulator is satisfied that all of the proposed Maximum Net Premiums are fair and reasonable.
- f) If the Regulator does not notify MVIL of the Regulator's decision regarding the statement given by MVIL under clause 2.3 (a) by the second Monday in December of the Regulatory Year immediately preceding the relevant Subsequent Regulatory Year, the Regulator is deemed to have approved the statement with effect from that day.
- g) The Maximum Average Premium as set out in any statement given by MVIL to the Regulator pursuant to clause 2.3(a), being a statement which is approved or deemed to have been approved by the Regulator, apply from the later of:
 - i. the date on which the Regulator approves or is deemed to have approved the Maximum Average Premium and those Maximum Net Premiums; and
 - ii. the start of the Subsequent Regulatory Year in respect of which the Maximum Average Premium and those Maximum Net Premiums are to apply.
- h) If MVIL does not provide a statement to the Regulator as required by and in accordance with clause 2.3(a), or such a statement is so provided but (by the second Monday in December of the Regulatory Year preceding the relevant Subsequent Regulatory Year) the Regulator notifies MVIL of the Regulator's decision not to approve that statement, then the Regulator may:
 - i. calculate the Maximum Average Premium for the relevant Subsequent Regulatory Year in a manner in which the Regulator could have approved those premiums if they were included in a statement given by MVIL in accordance with clause 2.3 (a); and
 - ii. notify MVIL, in writing, of the Maximum Average Premium so calculated by the Regulator.
- i) The Maximum Average Premium and the Maximum Net Premiums determined by the Regulator apply from the later of:

- (i) the date on which the Regulator notifies MVIL of the premiums; or
- (ii) the start of the Subsequent Regulatory Year in respect of which the premiums are to apply.

2.4 Maximum Net Premiums for Subsequent Regulatory Years

Subject to clause 2.6 the maximum amount that MVIL shall charge a Customer for the provision of Third Party Insurance Cover during a Subsequent Regulatory Year in relation to a motor vehicle that comes within a Vehicle Class is the Maximum Net Premium applicable to that Vehicle Class approved or deemed to be approved by the Regulator under clause 2.3(e), (f) or (g) or as determined by the Regulator under clause 2.3(h) (as the case may require) for that Subsequent Regulatory Year.

2.5 Discrimination

- a) The premiums MVIL charges for the provision of Third Party Insurance Cover to Customers must not discriminate unreasonably between Customers who are in substantially the same circumstances.
- b) Where the Regulator after consulting with MVIL, notifies MVIL that any CTP insurance premiums (including any discounts allowed in respect of those premiums) charged by MVIL to Customers does unreasonably discriminate between Customers, then MVIL must immediately change that premium so as to remove that discrimination; and must advise the Regulator of the amended premium within 30 days from its effective date.

2.6 Gross Premiums and Endorsements

MVIL shall require a Customer to pay to it the amount of any tax, duty or levy (including any Insurance Levy, NRSC or GST but excluding income tax), imposed on MVIL or that Customer in respect of the provision of Third Party Insurance Cover, to that Customer by MVIL or in respect of the making of an Endorsement on a Customer's policy for Third Party Insurance Cover, but only to the extent that MVIL is required to pay that amount to a Government Agency.

2.7 Maximum Premiums

In so far, as the supply of CTP Motor Vehicles Insurance cover during a Subsequent Regulatory Year (t) is concerned, and subject to clause 2, 3 and 5, MVIL must not charge a Customer more for a premium for the supply of a regulated services, including the vehicle class, than a maximum premium amount calculated under part 2 of Schedule 2, rounded up to two decimal points.

2.8 Introduction and Amendment of Vehicle Classes

- a) MVIL must consult with the Regulator before introducing a new vehicle classes or amending any vehicle classes.
- b) Where MVIL introduces a charge for a new vehicle class then MVIL must consult with and seek consent of the Regulator before introducing the new charge.

3. Mid Term Actuarial Assessment

- a) Before the 1st August 2025, the Regulator shall appoint an appropriately qualified independent consultant ('consultant') to conduct an actuarial assessment and

- prepare an actuarial report (the **Mid Term Actuarial Report**) in accordance with the provision of this clause 3.
- b) MVIL may appoint its consultant to provide its own actuarial assessment for the purposes of clause 3.
- c) The consultant appointed by the Regulator pursuant to clause 3(a) shall carry out an actuarial assessment in accordance with:
- i) standard methodology and practices used internationally in undertaking the actuarial assessment of CTP motor vehicle insurance providers; and
 - ii) the requirements of this clause 3.
- d) The consultant appointed by Regulator pursuant to clause 3(a) may utilise any submission prepared by or for MVIL pursuant to clause 3(b) as long as that submission is provided to the Regulator by 1 June 2025.
- e) The consultant's Mid Term Actuarial Report must be submitted to the Regulator in accordance with this clause 3 which must set out:
- i) the following values:
 - (A) the anticipated frequency of claims for the following two Regulatory Years, being claims made under policies for Third Party Insurance Cover issued by MVIL;
 - (B) the anticipated average size of third party claims paid by MVIL during the following Regulatory Year being claims made under policies for Third Party Insurance Cover issued by MVIL, which is to be determined on an inflated and discounted basis to be determined based on the anticipated pattern of claim payments and including an allowance for inflation and discounting;
 - (C) the anticipated Consumer Price Index (CPI) growth rate that shall apply for each of the following two Regulatory Years for the purposes of calculating the Average Risk Premium **and** Average Expenses ~~and Average Reinsurance Premium~~;
 - (D) the anticipated Superimposed Inflation (SI) growth rate that shall apply for each of the following two Regulatory Years for the purposes of calculating the Average Risk Premium;
 - ~~(E) the anticipated average reinsurance premium payments to be made by MVIL during the following Regulatory Year, which are to be determined by dividing the aggregate of amounts paid by MVIL on a bona fide basis by way of reinsurance premiums in respect of motor vehicles insured by MVIL in the period from 1st July of the immediately preceding Regulatory Year to 30th June of the Regulatory Year in which the Mid Term Actuarial Report is prepared by the number of such motor vehicles;~~
 - ~~(E)(F)~~ the Premium Risk Relativities;
 - ~~(F)(G)~~ the profit margin and expense loadings for the premium estimate; and
 - ii) the calculations used to determine the values set out in subparagraph (i) and information that substantiates those calculations; and
 - iii) the listing of appropriate motor vehicle classes including a review of vehicle classifications
- f) The Mid Term Actuarial Report referred to in clause 3(a) must be given to the Regulator not later than 31st August 2025.

- g) After considering the Mid Term Actuarial Report submitted by the consultant pursuant to clause 3(a) and any further information obtained by the Regulator pursuant to clauses 3(j) and 3(k) or otherwise, the Regulator must, no later than 31st October 2025, notify MVIL whether or not it approves the values referred to in clause 3(e) as set out in the Mid Term Actuarial Report.
- h) The Regulator must not approve the values referred to in clause 3(e) as set out in the Mid Term Actuarial Report unless the Regulator is satisfied that those values;
 - i) have been determined in accordance with this clause 3 and
 - ii) have been properly substantiated.
- i) If the Regulator is not satisfied that a value referred to in clause 3(e) as set out in the Mid Term Actuarial Report:
 - i) has been determined in accordance with this clause 3; or
 - ii) is properly substantiated,

the Regulator must substitute that value with a value which it considers appropriate, having regard to the requirements of this clause 3, the information provided in the Mid Term Actuarial Report and any further information obtained by the Regulator pursuant to clauses 3(j) or 3(k) or otherwise. The substitution of any such value shall only be effected by the Regulator notifying MVIL, no later than 31st October 2025, of the value substituted by it for that value in accordance with this clause.
- j) MVIL shall, at its expense, provide the consultant appointed pursuant to clause 3(a) and the Regulator with such access to MVIL's records, employees, agents and contractors as the consultant or the Regulator requires for the purpose of this clause 3.
- k) MVIL must ensure that the consultant appointed pursuant to clause 3(a) provides the Regulator with any information required by the Regulator for the purpose of this clause 3 including, without limitation, such information as the Regulator requires for the purpose of reviewing the Mid Term Actuarial Report and determining whether or not it is satisfied that the values set out in that report pursuant to clause 3(e) have been determined in accordance with this clause 3 and are properly substantiated.
- l) The Regulator reserves its right to obtain the reasonable costs for engagement of the consultant pursuant to clause 3(a) from MVIL.

4 Force Majeure Event Pass Through

4.1 Application by MVIL

- a) If a Force Majeure Event occurs, MVIL shall seek the Regulator's approval to charge Customers, in addition to the maximum amounts that MVIL is otherwise permitted to charge Customers for the provision of Third Party Insurance Cover pursuant to clause 2, an amount (***FM Pass Through Amount***) that is not greater than the Permitted FM Pass Through Amount (as calculated by MVIL) in respect of that Force Majeure Event as at the date of the Force Majeure Event Claim (if any) given to the Regulator pursuant to clause 4.1(d) in respect of that Force Majeure Event.
- b) To seek the Regulator's approval to pass through a FM Pass Through Amount under clause 4.1(a), MVIL must give the Regulator:
 - i) a Force Majeure Event Notice pursuant to clause 4.1(c) within 3 months of the Force Majeure Event occurring; and

- ii) a Force Majeure Event Claim pursuant to clause 4.1(d) within 12 months of the Force Majeure Event occurring.
- c) A Force Majeure Event Notice must specify:
 - i) details of the Force Majeure Event concerned; and
 - ii) the date the Force Majeure Event occurred.
- d) A Force Majeure Event Claim must specify:
 - i) details of the Force Majeure Event concerned;
 - ii) the date the Force Majeure Event occurred;
 - iii) the increase in costs that MVIL has actually incurred as at the date of the Force Majeure Event Claim:
 - (A) in providing Third Party Insurance Cover to Customers; and
 - (B) in complying with the provisions of any legislation, or of any codes or guidelines made or published by the Regulator under the *ICCC Act* or by the Minister responsible for the *Insurance Act 1995* under that Act, which must be complied with in relation to the provision of Third Party Insurance Cover, as a result of the occurrence of the Force Majeure Event;
 - iv) the extent (if any) to which MVIL has the benefit of any insurance against the consequences of the Force Majeure Event;
 - v) the FM Pass Through Amount MVIL proposes in relation to the Force Majeure Event;
 - vi) the basis on which MVIL proposes to apply the FM Pass Through Amount to Customers; and
 - vii) the date from, and period over, which MVIL proposes to apply the FM Pass Through Amount to Customers,

and must be accompanied by evidence of the increase in costs referred to in subparagraph (iii).

4.2 Approval by the Regulator

- (a) If the Regulator receives a Force Majeure Event Claim under clause 4.1(d) in relation to a Force Majeure Event, the Regulator must decide whether the Force Majeure Event occurred and, if the Regulator decides the Force Majeure Event occurred, the Regulator must decide:
 - i) the Permitted FM Pass Through Amount in respect of the Force Majeure Event;
 - ii) the basis on which the FM Pass Through Amount proposed by MVIL in relation to the Force Majeure Event or the Permitted FM Pass Through Amount in respect of the Force Majeure Event as determined by the Regulator (whichever is the lesser) (the **Approved FM Pass Through Amount**) shall be applied to Customers; and
 - iii) the date from, and period over, which the Approved FM Pass Through Amount in respect of the Force Majeure Event shall be applied to Customers,

and notify MVIL in writing of the Regulator's decision and the reasons for the Regulator's decision, within 20 business days of receiving a Force Majeure Event Claim under clause 4.1(d).
- b) If the Regulator does not give a notice to MVIL under clause 4.2(a) within 20 business days of receiving:

- i) a Force Majeure Event Claim from MVIL under clause 4.1(d);
- ii) such evidence of the increase in costs referred to in clause 4.1(d)(iii) and all other information from MVIL previously requested by the Regulator as is required by the Regulator; and
- iii) any other information the Regulator deems necessary

then, on the 21st business day after receiving the later of that Force Majeure Event Claim and that evidence or all other information previously requested from MVIL, the Regulator is deemed to have notified MVIL of its decision that:

- iv) the FM Pass Through Amount proposed by MVIL in relation to the relevant Force Majeure Event in the Force Majeure Event Claim be the Approved FM Pass Through Amount in respect of that Force Majeure Event; and
 - v) the basis on, date from, and period over, which that Approved FM Pass Through Amount shall be applied to Customers are as specified in the Force Majeure Event Claim.
- c) MVIL must provide the Regulator with such information or evidence as the Regulator requires for the purpose of making a decision under clause 4.2(a) and the period for the decision of the Regulator shall take 20 business days commencing on the date MVIL furnishes the Regulator with such documents, evidence and information required by the Regulator pursuant to clause 4.2 (c).

4.3 Relevant Factors

In making a decision under clause 4.2(a) the Regulator must take into account:

- a) the matters and proposals set out in the Force Majeure Event Claim;
- b) the extent to which it would have been reasonable for MVIL to have procured insurance against the consequences of the Force Majeure Event; and
- c) any amount recoverable by MVIL under insurances against the consequences of the Force Majeure Event and of which MVIL has the benefit,

and, subject to the requirement that MVIL is not to be compensated for losses against which it would have been reasonable for MVIL to have been insured, or for losses to the extent they are able to be compensated by claiming under insurances of which MVIL has the benefit, the Regulator must seek to ensure that MVIL is fully but not overcompensated for the increase in costs referred to in clause 4.1(d)(iii) to the extent that it was reasonable for MVIL to incur those costs, taking into account:

- d) the Third Party Insurance Cover provided by MVIL and the cost to MVIL of providing Third Party Insurance Cover;
- e) the time cost of money for the period over which the Approved FM Pass Through Amount is to be applied;
- f) the basis on, and period over, which the Approved FM Pass Through Amount is to be applied;
- g) any previous application of clause 4 which has resulted in MVIL recovering an amount either more or less than the amount required to fully but not overcompensate it in respect of a previous Force Majeure Event in accordance with clause 4; and
- h) any other factors the Regulator considers relevant.

4.4 Application of Approved FM Pass Through Amount

- (a) MVIL shall, after:
 - i) receipt or deemed receipt of a notice under clause 4.2(a) or (b) allowing MVIL to pass through an Approved FM Pass Through Amount; and
 - ii) publishing a notice in a daily newspaper circulating nationally that sets out:
 - (A) the Approved FM Pass Through Amount which the Regulator has approved or is deemed to have approved;
 - (B) the circumstances giving rise to the Approved FM Pass Through Amount; and
 - (C) the basis on, date from, and period over, which MVIL will apply the Approved FM Pass Through Amount to Customers,

apply the Approved FM Pass Through Amount on the basis, from the date and over the period specified or deemed to be specified in the notice from the Regulator.
- b) The effect of an Approved FM Pass Through Amount must be:
 - i) shown on the receipt or policy document for each affected Customer; or
 - ii) otherwise notified to such Customers in a manner approved by the Regulator.

4.5 Relevance of Approved FM Pass Through Amount

An Approved FM Pass Through Amount applied by MVIL under this clause 4.1(a) is not to be taken into account in the application of clauses 2 and 3.

4.6 Funding from third parties

- (a) Any assets or capital projects carried out using funds from third parties in the form of gifts, donations, interest free or concessional-interest loans or Community Service Obligations funded by Government or other party, (hereafter referred to as 'funding from third parties') intended to make insurance cover cheaper or improve the access to CTP Motor Vehicle Insurance services for customers in a particular area should be identified separately in MVIL's asset register. For the purposes of clarity:
 - i) Funding from third parties means that the third party has gifted, donated or made available funding or infrastructure development which does not need to be paid back by MVIL and/or no or concessional interest is payable on this funding by MVIL and generally provided for the purpose of providing cheaper Compulsory Third Party Insurance coverage to customers in a particular area.
 - ii) This is different from funding provided by MVIL shareholders on which the shareholders expect to receive a return on their investment.
- b) The Regulator shall, if it considers it necessary or desirable, require MVIL to publish the details of the assets and capital projects it proposes to acquire using third party funding or financial assistance of any kind, including, but not limited to, concessional interest loans, at a time and in a manner the Regulator considers appropriate.

5. Service Standards, Compliance and Enforcement

5.1 Minimum Services Standard

- a) MVIL should ensure that the Minimum Service Standards specified in Schedule 3 are satisfied at all times.
- b) Subject to clause 5.1 (d), MVIL must submit to the Regulator on the Second Friday of February and Second Friday of August of each relevant Regulatory Year, a Minimum Services Standard Report that demonstrates MVIL's compliance with clause 5.1 (a).
- c) The Minimum Service Standard Report must be in such form (if any) as is required by the Regulator, including those outlined under Schedule 3 (e).
- d) MVIL and the Regulator shall meet on the last Friday of March and the last Friday of September of every relevant Regulatory Year to discuss the service standards of MVIL.
- e) The Minimum Service Standard Report shall provide details of evidence of MVIL's compliance with the minimum service standards specified in Schedule 3 for the relevant Regulatory Year. If MVIL is not in compliance with the requirements stipulated under Schedule 3, the Minimum Service Standard Report must provide details of MVIL's explanations and reasons for any failure to achieve the minimum required service standard, and details of how MVIL intends to improve on the relevant minimum service standard requirements in the Subsequent Regulatory Year.
- f) The Regulator may at any time audit MVIL's compliance with Clause 5.1 (a). The cost of that audit will be borne by MVIL and the Regulator should not conduct an audit more than once per calendar year.
- g) Without limiting the steps which the Regulator may take when conducting such an audit, the Regulator may:
 - i). Require MVIL to provide information relevant to its compliance with Schedule 3; and
 - ii). Inspect any assets, premises, property or records of MVIL relevant to its compliance with Schedule 3
- h) MVIL must provide to the Regulator within the time specified by the Regulator, any additional information and documents that the Regulator requires in connection with Schedule 3
- i) The Regulator may notify MVIL within 14 business days prior commencing an audit under clause 5.1 (f) and 5.1 (g).
- j) The Regulator shall require MVIL to publish the Minimum Service Standard Report mentioned in clause 5.1 (b). The cost of this publication will be borne by MVIL.
- k) After considering:
 - i). The Services Standard Report submitted by MVIL to the Regulator in accordance with clause 5.1 (b); and
 - ii). Any further information obtained by the Regulator pursuant to clause 5.1 (g);

The Regulator must determine whether or not MVIL is in compliance with clause 5.1 (a) and must give MVIL a Compliance Notice informing MVIL of that determination as soon as practicable after making its determination. If the Regulator has determined that MVIL is not in compliance with clause 5.1 (a), the Regulator must specify in its Compliance Notice the relevant Minimum Service Standard that have not been complied with and must provide details of the non-compliance.

- l) The Regulator shall publish the Compliance Notice generally. The cost of this publication will be borne by MVIL.

5.2 Enforcement of Service Standards

- a) If the Regulator gives MVIL a Compliance Notice in accordance with clause 5.1(k) stating that MVIL is not in compliance with clause 5.1(a), the Regulator may within 10 business days of giving that notice give MVIL a Remedial Notice requiring MVIL to remedy the non-compliance with clause 5.1(a) within a reasonable period specified by the Regulator in the notice.
- b) If MVIL fails to:
 - i) remedy its non-compliance with clause 5.1(a) within the period specified in a Remedial Notice; and
 - ii) provide the Regulator with evidence to the satisfaction of the Regulator demonstrating MVIL's compliance with clause 5.1(a), within the period specified in a Remedial Notice;

the Regulator may give MVIL a Default Notice. A Default Notice must specify the relevant Minimum Service Standards that have not been complied with and must provide details of the non-compliance.
- c) From the day immediately following the day on which MVIL receives a Default Notice in accordance with clause 5.2(b) until the day on which the Regulator notifies MVIL in writing that the Regulator is satisfied that MVIL is in compliance with clause 5.1(a), the maximum amount that MVIL may charge for the supply of a Regulated Service is an amount equal to the maximum net premiums calculated for the Regulatory Year t-1 for the regulatory year during which the Default Notice remains on foot.
- d) MVIL may, at any time after been served the Default Notice, take steps to rectify its non-compliance and notify the Regulator of its compliance with the Default Notice.
- e) Within 10 business days of receiving such a compliance report from MVIL under clause 5.2(d), the Regulator must notify MVIL in writing whether or not the Regulator is satisfied that MVIL is in compliance with the service standard requirements.
- f) If a Default Notice is given in Regulatory Year t and the Regulator has not notified MVIL that the Regulator is satisfied that MVIL is in compliance with clause 5.1(a), by the commencement of Regulatory Year t+1 or any Subsequent Regulatory Year, then from the commencement of that Regulatory Year t+1 (and each Subsequent Regulatory Year) the maximum net premium that MVIL may charge for the supply of a Regulated Service becomes an amount equal to the maximum net premiums calculated in accordance with Clause 2.3 for the Regulatory Year t-1.

5.3 Additional Service Standards

- (a) MVIL must meet with the Regulator and the Insurance Commissioner, before the end of February of each Regulatory Year, including the First Regulatory Year, to discuss:
 - i) any service standards the Regulator or the Insurance Commissioner consider that MVIL should adhere to in addition to the minimum service standards referred to in Schedule 3;
 - ii) the cost to MVIL in complying with the additional service standards referred to in subparagraph (i);
 - iii) the date or dates by which MVIL should be expected to comply with the additional service standards referred to in subparagraph (i);

- iv) the procedures for monitoring and reporting on MVIL's compliance with the additional service standards referred to in subparagraph (i);
 - v) the consequence of a failure by MVIL to comply with the additional service standards referred to in subparagraph (i); and
 - vi) any amendments to this Regulatory Contract (including the method for calculation of the Maximum Average Premium and the Maximum Net Premium applicable to each Vehicle Class that would be required if MVIL were to be required to comply with the additional service standards referred to in subparagraph (i).
- b) Not later than one month after the expiry of the period referred in clause 5.3(a) MVIL must prepare and provide to the Regulator and to the Insurance Commissioner a report on the matters referred to in clause 5.3(a) including, if appropriate, any agreement reached between the parties in those discussions referred to under Clause 5.3 (a)
 - c) The Regulator shall review the report which MVIL provided in accordance with clause 5.3(b).
 - d) Where the Regulator considers that the adoption of the additional services standards referred to under Clause 5.3(a)(i) will assist in its undertaking its regulatory mandates, the Regulator must notify MVIL and the Insurance Commissioner accordingly; and the Regulator and MVIL must take steps to incorporate the agreed additional service standard into this Regulatory Contract in accordance with clause 9.

5.4 Agreed Approach to Service Delivery

As part of the meetings mentioned in clause 5.3(a), discussions and agreements must be also reached on approaches to achieving:

- a) the minimum service standards set out in Schedule 3 and the Final CTP MVIL Report;
- b) any additional service standard referred to in clause 5.3; and
- c) the enforcement of the service standards in clause 5.2.

during the relevant Subsequent Regulatory Year.

5.5 Key Performance Indicators

- (a) MVIL should ensure that the Key Performance Indicators specified in Schedule 3 are met at the dates as stated thereunder.
- (b) MVIL shall report to the Regulator at the same time it provides its Minimum Service Standards Reports on its progress on the establishment of the Key Performance Indicators outlined under Schedule 3.
- (c) The Data Management System Plan required by clause 5.5(a) will have, but is not limited to having, due regard for:
 - i. a register of motor accident claims to help the administration of the statutory insurance scheme and the detection of fraud;
 - ii. facilitation of the early resolution of claims;
 - iii. ability to provide information on the status of each claim MVIL has received (i.e. paid claims, outstanding claims or claims not paid due to fraud or some other reason);

- iv. ability to link aggregate income earned from premiums with expenditure on claims annually;
 - v. Must be able to show a relationship, reconciliation, between MVIL's financial information with payment of claims;
 - vi. the number of vehicles by vehicle types;
 - vii. The timeframe required to establish the Data Management System;
- (d) The Regulator will monitor the implementation of the Data Management System Plan to ensure that the Data System is updated or upgraded prior to the end of term review.
- (e) Prior to establishing the Data Management System, MVIL must provide to the Regulator with the information on:
- i). Number of vehicles registered in a month;
 - ii). Amount of premiums received in a month;
 - iii). Number of claims reported, settled and opened in a month;
 - iv). Amount spent on claims in a month; and
 - v). Total MVIL's expenses in a month.
- (f) MVIL must provide the information required under clause 5.5(e) at the time MVIL provides its service standard reports required under Clause 5.1.
- (g) Where MVIL fails to establish the Data Management System in accordance with clause 5.5(a) the Regulator will deem that MVIL is in breach of the Regulatory Contract and will not approve the subsequent annual CTP tariff increase and may issue an order consistent with Section 38 of the *ICCC Act*.

6. Competitive Capital and Operational Procurement Processes

6.1 Mode of Operation

MVIL must at all times endeavour to operate as a commercial enterprise as prudently and efficiently as comparable businesses in Papua New Guinea, not only with a view to providing adequate and appropriate value to its shareholder's investment but also to provide third party insurance of a reasonably expected value and standard to the people of Papua New Guinea.

6.2 Procurement and Tender Principles

MVIL shall comply with and give effect to the following principles when procuring finance or capital, when procuring external services ~~including reinsurance~~, or when procuring equipment or operational items, or in securing commercial accommodation or services:

- i) MVIL shall pursue value for money as the core principles underlying all its procurements;
- ii) MVIL shall adopt and follow competitive and non-discriminatory procurement processes by being committed to competition which promotes economic efficiency and effectiveness in procurement expenditure and contributes to the competitiveness of suppliers;
- iii) MVIL shall promote in its work place and in procurement, an organizational structure of efficient, effective and ethical use of its resources; and
- iv) MVIL shall ensure at all times that MVIL's procurement policies and execution are consistent with its general obligations, functions and objectives, other general

Government obligations and its other general obligations prescribed under the *Motor Vehicles Act*.

6.3 Compliance of Prescribed Procurement and Tender Procedure

Without derogating from but with all intent to give full effect to the Principles in clause 6.2, MVIL shall, where applicable, comply with all the requirements for, relating to or affecting procurement and tender processes as prescribed from time to time under the *Motor Vehicles Act*;

6.4 General Duties and Obligations of MVIL

- a) MVIL is required to provide the Regulator its **Approved Annual Plans** indicating its Annual Capital and Operational expenditure plans, which it intends to undertake the value greater than K50, 000.00.
- b) The Regulator may require MVIL to demonstrate the estimates of demand including latent demand underlying the operational or capital expenditures in clause 6.4(a) at the mid-term actuarial review.
- c) The Regulator, may, where it considers it necessary, require MVIL to:
 - i) provide information associated with the Procurement and Tender of the Capital and Operational Expenditure the value for which ranges between K50, 000 and K500, 000.00. The information to be provided will include but is not limited to;
 - (A) the manner of inviting tenders publicly;
 - (B) the number of tenders received;
 - (C) details of the tenders received;
 - (D) the method used to deal with the tenders;
 - (E) the criteria applied in the evaluation of the tenders;
 - (F) the appointment by MVIL of advisers in technical matters;
 - (G) the keeping by the MVIL of records of the performance of each successful tenderer;
 - (H) the manner of regulating the disposal of property no longer required by MVIL;
 - (I) the method of obtaining and dealing with quotations for –
 - (a) the purchase and disposal of property and stores; and
 - (b) the supply of goods and services;
 - ii) demonstrate the prudence and efficiency of that Capital and Operational Expenditure regarding any capital or operational expenditure or investment that goes to determining current premiums;
- (d) The Regulator shall, if it considers it necessary or desirable, appoint a consultant to assess the prudence and efficiency of the capital or operational expenditure and the robustness of demand forecasts, included latent or unmet demand.
- (e) The reasonable cost of such a consultant shall be met by MVIL.

6.5 Effect of General Duties and Obligations of MVIL

- (a) The Regulator shall determine whether MVIL has applied the principles in clause 6.2 to assess the prudence and efficiency of the project and the efficiency of the entity awarded the project.
- (b) The Regulator shall, where it considers it necessary or desirable, conduct a physical inspection of MVIL's Capital Expenditure or Operational Expenditure Projects
- (c) Where the Regulator finds that a capital or operational expenditure was not tendered according to the principles in clause 6.2, the Regulator will allocate a value to the asset which in its judgment it considers appropriate
- (d) The Capital Expenditure Projects and Operational Expenditure costs incurred contrary to the requirements of the Procurement and Tender Principles under Clause 6.2 and the general duties and obligations of MVIL shall not be taken into account when formulating the Maximum Average Premiums for relevant Subsequent Regulatory Year.

7 Regulatory and Statutory Accounts

- a) Where the Regulator reasonably believes the information held by MVIL will assist in the obligatory performance of the Regulator, the Regulator may request MVIL to submit to the Regulator in accordance with this clause, within a reasonable period as determined by the Regulator, all of its respective unaudited and audited financial statements in respect of its regulatory and statutory accounts.
- b) All financial statements and returns submitted to the Regulator are to be certified by a professional auditor nominated by the Regulator, as being true and fair, under generally accepted accounting principles. For the purposes of this clause, an auditor is required to be a registered company auditor as defined under the *Accountants Act 1996*.
- c) The professional auditor must certify that the regulatory accounts are reconciled with the statutory accounts audited by the Auditor General or external auditors as the case may be.
- d) If the statutory accounts have not been audited by the Auditor General or external auditors as the case may be, the professional auditor must certify that the regulatory accounts are reconciled with the statutory accounts submitted to the Auditor General or external auditors for audit.
- e) Where the financial statements have not been submitted to the Auditor General or external auditors for audit, the professional auditor must certify that the financial statements and returns are consistent with generally accepted accounting principles and proper accounting records.
- f) The reasonable cost of the professional auditor in compliance with this clause shall be borne by MVIL.

8 Subsequent Regulatory Contract

8.1 End of Term Actuarial Assessment

- a) The Regulator shall conduct an actuarial assessment for provision of CTP insurance in 2027. The Regulator shall appoint an appropriately qualified Independent Consultant ('Consultant') by **March, 2027** to assist it conduct an actuarial assessment and prepare an End of Term Actuarial Report.

- b) The Consultant referred to in clause 8.1(a) shall ensure that the End of Term Actuarial Report contains all necessary actuarial information related to provision of the CTP Insurance Cover carried on by MVIL including any submission refer to in clause 8.2(a).
- c) The End of Term Actuarial Report refers to clause 8.1(a) and 8.1 (b) shall be prepared for the Regulator and for the purposes of preparing the draft CTP Motor Vehicles Insurance Regulatory Contract referred to in clause 8.3(f).
- d) Without limiting the generality of this clause 8.1(c), the End of Term Actuarial Report refer to in clause 8.1(c) must specify the actuarial assessment of appropriate values for, or methods for calculating, maximum allowable premiums, average risk premiums, average expenses ~~and average reinsurance premiums~~ and profit loading, or as the case may require, for policies under which a CTP Insurance Cover is required, to apply in the Subsequent Regulatory Period.
- e) The Consultant appointed under clause 8.1(a) shall carry out an actuarial assessment in accordance with the Regulatory Principles contained in Schedule 4. The Consultant may utilise an actuarial assessment prepared by or for MVIL as long as that assessment is provided to the Regulator prior to 1 May 2027.
- f) The Regulator reserves the right to obtain the reasonable costs of the Consultant appointed pursuant to clause 8.1(a) from MVIL.

8.2 Setting next Regulatory Contract

- (a) MVIL shall, in accordance with clause 8.2(b), submit to the Regulator a draft Regulatory Contract, which it considers should bind MVIL and the Regulator for a period of not less than five years and not more than ten years commencing with effect from (and including) 1 January 2028, and an End of Term Actuarial Assessment Report and any written submission as to its form and content that MVIL considers appropriate.
- (b) The draft CTP Motor Vehicles Insurance Regulatory Contract, and any submissions as referred to in clause 8.2(a) must be submitted by MVIL by **31 January, 2027**.
- (c) For avoidance of doubt, where MVIL does not submit to the Regulator a proposed draft Regulatory Contract by the date consistent with clause 8.2(b), the Regulator may commence the review process to determine a new Regulatory Contract for the subsequent regulatory period in accordance with clause 8.3.

8.3 Review and Publication of next Regulatory Contract

- a) The Regulator with the assistance of Consultant appointed under clause 8.1(a) shall consider assessing whether the proposed draft CTP Motor Vehicles Insurance Regulatory Contract, the End of Term Actuarial Assessment Report and any accompanying submission made by MVIL under clause 8.2(a) is consistent with the Regulatory Principles, the ICCA Act and the Motor Vehicles Act to formulate an Issues Paper.
- b) The Regulator shall consider publishing an Issues Paper including the proposed draft CTP Motor Vehicles Insurance Regulatory Contract, the End of Term Actuarial Assessment Report and any accompanying submission made by MVIL under clause 8.2 by **28th February, 2027**.

- c) The Issues Paper published under clause 8.3 (b) shall set out the Regulator’s preliminary views on matters that the Regulator considers are appropriate and/or are associated with the submissions made under clause 8.2.
- d) Any other persons, including MVIL, may provide submissions to the Issues Paper published by the Regulator under clause 8.3(b).
- e) Submissions referred to in clause 8.3 (d) must be made to the Regulator by **30th April, 2027**.
- f) The Regulator shall, after considering any submissions received from MVIL and any person(s), on submissions made under clause 8.3(d), publish a draft Regulatory Contract, including the End of Term Actuarial Report referred to under clause 8.1 (a), by **30th June, 2027**.
- g) This draft Regulatory Contract shall be consistent with the Regulatory Principles contained in Schedule 4, *ICCC Act* and *Motor Vehicles Act*, and be binding on MVIL and the Regulator for a period of five years commencing on and from **1st January, 2028 to 31st December, 2032**, or another period proposed by MVIL, and determined by the Regulator following consideration of written submissions during the consultation process for the subsequent Regulatory Contract under the process defined in this clause 8.
- h) MVIL (and any other body, organisation, company, agencies or person) shall make such written submissions to the Regulator as it thinks appropriate in relation to the draft Regulatory Contract referred to in clause 8.3(g).
- i) The submissions referred to in clause 8.3(h) must be given to the Regulator by **31st July, 2027**.
- j) The Regulator, after considering any submissions received in accordance with clause 8.3 (i), must publish a Proposed Final Regulatory Contract by **31st October, 2027**.
- k) The Regulator must publish a Final CTP Motor Vehicles Insurance Regulatory Contract by no later than **30th November, 2027**.

8.4 Cost of Funding next Regulatory Contract

- (a) The Regulator will seek funding from the Government to fund the cost of the review of the subsequent Regulatory Contract.
- (b) Where the Regulator finds that the Government will not fund, or make available the funds for the Review of the Regulatory Contract towards the end of 2026:
 - (i) The reasonable costs of engaging any consultant to assist the Regulator to undertake the review of the next Regulatory Contract must be borne by MVIL.
 - (ii) By 31 January, 2027, MVIL must pay to the Regulator what the Regulator deems as the reasonable cost for purposes of reviewing of the next Regulatory Contract.
- (c) The cost incurred by MVIL in funding the Review of the Subsequent Regulatory Contract will be taken into account when calculating the Maximum Average Premiums for the Subsequent Regulatory Period.

9 Amendment of Regulatory Contract

9.1 Agreed Amendments

- a) Subject to clause 9.1(b), this Regulatory Contract may be varied from time to time by written agreement between the Regulator and MVIL, which agreement shall not be unreasonably withheld by either party, but any such variation must not be inconsistent with the Regulatory Principles or the requirements of the *ICCC Act*.
- b) No variation shall be made to this Regulatory Contract (whether pursuant to this clause 9.1 or clause 5.3(d) unless:
 - (i) at least 40 business days prior to any such variation taking effect:
 - (A) the Regulator has published a notice describing the proposed variation in both the National Gazette and a daily newspaper circulating nationally and inviting the making of submissions in relation to the proposed variation not less than 20 business days after the date of publication of that notice;
 - (B) the Regulator has provided a notice to the Minister or Ministers responsible for the *Motor Vehicles Act*, the *Insurance Act 1995* and the *ICCC Act* describing the proposed variation; and
 - (C) the Regulator has made available, for inspection or purchase by the public, copies of the precise form of the proposed variation; and
 - (ii) the Regulator has considered such submissions in relation to the proposed variation as it receives under clause 9.1(b)(i)(A).

9.2 Cost of Funding Agreed Amendments

The Regulator reserves the right to obtain the reasonable costs incurred in undertaking a review to vary the Contract from MVIL.

9.3 Amendments made by Virtue of the Operation of the *ICCC Act*

If, with the consent of MVIL, a service included in the provision of Third Party Insurance Cover ceases to be a regulated service (as that term is defined in the *ICCC Act*), this Regulatory Contract will be varied, in accordance with the operation of section 33(4) of the *ICCC Act*, by deleting any reference in this Regulatory Contract to that service.

10 Information and Documents

- a) All information or reports required under this Regulatory Contract must be provided in accordance with this clause 10.
- b) Where the Regulator, or an officer authorised in writing for the purpose of the Regulator, reasonably believes that the information held by MVIL will assist in the performance of the Regulator's functions, it may give written notice requiring MVIL to provide information and/or documents regarding any aspect of this Regulatory Contract
- c) Where the Regulator, or an officer authorised in writing for the purpose by the Regulator, considers it necessary or desirable, it may give written notice requiring MVIL to provide information and/or documents regarding any aspect of this Regulatory Contract and any previous Regulatory Contract that it deems necessary to determine the current tariffs and service standards or to establish whether any information or documents previously provided was false or misleading and MVIL shall provide the

information and/or documents requested within 14 days of the written request to MVIL or such longer time as specified in such request.

- d) MVIL is required to provide the information and/or documents referred to in clause 10(a) and clause 10b) notwithstanding that this Regulatory Contract or a previous Regulatory Contract has expired and a subsequent Regulatory Contract is in force.
- e) The Regulator or an officer authorised in writing for the purposes by the Regulator may require that the information and/or documents to be given or the questions to be answered be given on oath or through a signed statutory declaration that the information is true and complete to the best of the knowledge and belief of the signatory.

11 Confidentiality

- a) Subject to clause 11 (b), the Regulator shall make available for public inspection the request for documents and/or information made by the Regulator to MVIL and the documents and/or information submitted to it in the course of this Regulatory Contract except information that is designated “confidential” by MVIL or other person to whom a request is made or by whom documents or information is provided.
- b) Where information or documents designated “confidential” is requested by or submitted to the Regulator, the Regulator may disclose or require its disclosure if it determines, after considering any representation from MVIL, that the disclosure is in the public interest, under Section 131 of the *ICCC Act*.

12 Enforcement of Contractual Obligations

Where the Regulator or the MVIL form the opinion on the balance of probabilities, that one or the other is contravening or is likely to contravene the provisions of this Regulatory Contract and the contravention is of a material nature, then the provisions of the *ICCC Act* will be followed and complied with in dealing with the subject of the contravention or the likely contravention by either party to this Regulatory Contract.

13 Termination of Regulatory Contract

13.1 Agreed Termination

This Contract may be terminated at any time by written agreement between the Regulator and MVIL, which agreement shall not be unreasonably withheld by either party.

13.2 Cessation of MVIL as a Regulated Entity

This Contract will terminate automatically if MVIL ceases to be a regulated entity and ceases to provide the regulated services (as that term is defined in the *ICCC Act*).

Executed by and under the Common Seal of)
the Motor Vehicles Insurance Limited

Witnessed by

)
Chief Executive Officer's Signature)

Company Secretary's Signature

)
Print Name)

Print Name

Executed by and under the Commission Seal of)
the **Independent Consumer and Competition**
Commission

Witnessed by

)
Commissioner & Chief Executive Officer's)
Signature

)
Corporate Secretary's Signature

)
Print Name)

Print Name

For and on behalf of the **Independent Consumer and Competition Commission** pursuant to
Section 35 of the *Independent Consumer and Competition Commission Act 2002*

SCHEDULE 1 – MAXIMUM NET PREMIUMS FOR 2023

The Maximum Premium amounts that MVIL may charge for the supply of Compulsory Third Party Motor Vehicles Insurance Cover are outlined in the table below:

VEHICLE CLASS	VEHICLE DESCRIPTION	Vehicle Category	Maximum Premium
10	SEDAN - PRIVATE	Smaller Car - Private	492
11	STATION WAGON - PRIVATE	Smaller Car - Private	492
12	VAN WITH 9 SEATS OR LESS - PRIVATE	Larger Car (excl Utility)-Private	671.31
13	SEDAN - RELIGIOUS	Smaller Car - Private	492
14	STATION WAGON - RELIGIOUS	Smaller Car - Private	492
15	VAN WITH 9 SEATS OR LESS - RELIGIOUS	Larger Car (excl Utility)-Private	671.31
16	SEDAN - MEDICAL PRACTITIONER	Smaller Car - Private	492
17	STATION WAGON - MEDICAL PRACTITIONER	Smaller Car - Private	492
18	VAN WITH 9 SEATS OR LESS - MEDICAL PRACTITIONER	Larger Car (excl Utility)-Private	671.31
19	AMBULANCE - HEARSE	Smaller Car - Private	492
20	SEDAN - BUSINESS	Smaller Car-Business	440.77
21	STATION WAGON - BUSINESS	Smaller Car-Business	440.77
22	BUS WITH LESS THAN 9 SEATS - GENERAL	Larger Car (excl Utility)-Private	671.31
23	STATION WAGON SHORT WHEEL BASED - PRIVATE	Smaller Car - Private	492
24	STATION WAGON SHORT WHEEL BASED - BUSINESS	Smaller Car-Business	440.77
25	STATION WAGON LONG WHEEL BASED - PRIVATE	Larger Car (excl Utility)-Private	671.31
26	STATION WAGON LONG WHEEL BASED - BUSINESS	X Large Car - Low Risk	799.39
30	UTILITY - BUSINESS	X Large Car - Low Risk	799.39
31	VAN WITH 9 SEATS OR LESS - GENERAL	Larger Car (excl Utility)-Private	671.31
32	VAN WITH MORE THAN 9 SEATS - GENERAL	X Large Car - High Risk	1004.31
33	TRUCKS - GENERAL	X Large Car - High Risk	1004.31
34	BUS WITH MORE THAN 9 SEATS - GENERAL	X Large Car - Low Risk	799.39
35	PUBLIC MOTOR VEHICLES - GENERAL	PMV Buses	2464.39
36	TAXI - COMMERCIAL	Larger Car (excl Utility)-Private	671.31
37	RENTAL OR HIRE CAR - RENTAL HIRE	Larger Car (excl Utility)-Private	671.31
38	DRIVING SCHOOL VEHICLE - GENERAL	Larger Car (excl Utility)-Private	671.31
39	MOBILE CRANE OR TRACTOR - GENERAL	Tractor/Trade Plate	350.51
40	UTILITY - PRIVATE	Utility -Private	671.31
41	UTILITY - RELIGIOUS	Utility -Private	671.31
45	UTILITY EXCEEDING 1.25 TONNES - GENERAL	Utility -exceeding 1.25 tonne	1311.7
50	TRADE PLATE - GENERAL	Tractor/Trade Plate	350.51
60	MOTOR CYCLE - GENERAL	Motor Cycle	389.54
70	TRAILER - GENERAL	Trailer	318.8
80	THREE WHEELER-MINIDOR-DELIVERY VAN - (GENERAL USE)	Smaller Car-Business	440.77
81	THREE WHEELER-MINIDOR-PASSENGER VAN - (GENERAL USE)	Smaller Car-Business	440.77
82	THREE WHEELER-MINIDOR- MINI WAGON - (GENERAL USE)	Smaller Car-Business	440.77
83	THREE WHEELER-MINIDOR- UTILITY BUSINESS	Smaller Car-Business	440.77
84	THREE WHEELER-MINIDOR- UTILITY PRIVATE	Smaller Car - Private	492

Three (3) New Vehicle Classes)

85	VEHICLE IN EXTRACTIVE INDUSTRY	All vehicles, machines and equipment used in Extractive Industry	492
86	VEHICLE IN AGRICULTURE INDUSTRY	All vehicles, machines and equipment used in the Agriculture Industry	492
87	VEHICLE IN FORESTRY INDUSTRY	All vehicles, machines and equipment used in Forestry Industry	492

SCHEDULE 2 - PREMIUM FORMULAE

Part 1: Calculation of Premium Input Parameters

The calculation of the Maximum Average Premiums

A. Maximum Allowable Premium

The Maximum Allowable Premium (expressed in Kina) for Regulatory Year t (MAP_t) is calculated as follows:

$$MAP_t = (ARP_t + AE_t + \del{ARIP_t}) * (1 + PL_t)$$

where:

ARP_t is the Average Risk Premium (expressed in Kina) for Regulatory Year t and is calculated in accordance with paragraph B of this Schedule 2;

AE_t is the Average Expenses (expressed in Kina) for Regulatory Year t and is calculated in accordance with paragraph C of this Schedule 2;

~~$ARIP_t$ is the Average Reinsurance Premium (expressed in Kina) for Regulatory Year t and is calculated in accordance with paragraph D of this Schedule 2; and~~

PL_t is the Profit Loading for Regulatory Year t as set out in paragraph E of this Schedule 2.

B. Average Risk Premium

The Average Risk Premium (expressed in Kina) for Regulatory Year t (ARP_t) is calculated as follows:

$$ARP_t = (AF_t/100) \times AAS_t$$

AF_t is the Accident Frequency per 100 vehicles for Regulatory Year t, which is equal to 0.70, or such other number as determined by reference to that part of the Mid Term Actuarial Report referred to in clause 3(e)(i)(A) or that number determined by the Regulator pursuant to clause 3(g), as applicable;

AAS_t is the Average Accident Size for Regulatory Year t, which:

- (a) for the First Regulatory Year is equal to K47,162;
- (b) for the 2025 Regulatory Year, it is determined by reference to that part of the Mid Term Actuarial Report referred to in clause 3(e)(i)(B) or that number determined by the Regulator pursuant to clause 3(g), as applicable; and
- (c) for each other Regulatory Year t is calculated as follows:

$$AAS_t = AAS_{t-1} \times (1 + CPI_t + SI_t)$$

Where:

AAS_{t-1} is the Average Accident Size for the Regulatory Year immediately preceding the relevant Regulatory Year t;

CPI_t is the forecasted Consumer Price Index for Regulatory Year t, which is equal to the most recent CPI or such other value as determined through the methodology outlined under Schedule 2 Part 2 G; and

SI_t is the forecasted Superimposed Inflation for Regulatory Year t, which is equal to 0%, or such other value as determined by reference to that part of the Mid Term Actuarial Report referred to in clause 3(e)(i)(D) or that number determined by the Regulator pursuant to clause 3(g), as applicable.

$$ARP_{2023} = K330.13$$

C. Average Expenses

The Average Expenses (expressed in Kina) for Regulatory Year t (AE_t) are calculated as follows:

$$AE_t = AE_{t-1} \times (1 + CPI_t)$$

Where:

AE_{t-1} is the Average Expenses (expressed in Kina) for Regulatory Year t-1. For these purposes, AE_{2023} is K458.75; and

CPI_t is the forecasted Consumer Price Index for Regulatory Year t, which is equal to the most recent CPI, or such other value as determined through the methodology outlined under Schedule 2 Part 2 G.

~~D. Average Reinsurance Premium~~

~~The Average Reinsurance Premium (expressed in Kina) for Regulatory Year t ($ARIP_t$) is calculated as follows:~~

~~$$ARIP_t = ARIP_{t-1} \times (1 + CPI_t)$$~~

~~Where:~~

~~**ARIP_{t-1}** is the Average Reinsurance Expenses (expressed in Kina) for Regulatory Year t-1. For these purposes, $ARIP_{2023}$ is K8.05; and~~

~~**CPI_t** is the forecasted Consumer Price Index for Regulatory Year t, which is equal to the most recent CPI or such other value as determined through the methodology outlined under Schedule 2 Part 2 G.~~

~~E.D. Profit Margin~~

~~The profit margin to be applied to the sum of the average risk premium, average expense and average reinsurance premium is 2.5%. The appropriateness of this assumption is to be reconfirmed in the Mid Term Actuarial Report.~~

~~F.E. MAP by Vehicle Class~~

~~Premiums are calculated for each vehicle class by combining the average premium components with the vehicle class relativities. The vehicle class relativities are relative to the base class comprising of "Station Wagon Long Wheel Based – Business, Utility – Business, and Bus With More Than 9 Seats – General" which is set at a relativity of 1.~~

~~The initial premium for the base vehicle class is calculated as:~~

~~$$MNP_{base,t} = (ARP_{base,t} + AE_{base,t} + AE_{fixed,t} + ARIP_{base,t} + ARIP_{fixed,t}) * (1 + PL_t)$$~~

Where:

ARP_{base,t} is the average risk premium for the base class for Regulatory Year t and equals K319.25 for 2023 and $ARP_{base,t-1} \times (1+CPI_t + SI_t)$ for subsequent years or such other number as determined by reference to that part of the Mid Term Actuarial Report;

AE_{base,t} is the variable component of expenses for the base class for Regulatory Year t and equals and equals K177.45 for 2023 and $AE_{base,t-1} \times (1+CPI_t)$ for subsequent years or such other number as determined by reference to that part of the Mid Term Actuarial Report;

AE_{fixed,t} is the fixed component of expenses for the base class for Regulatory Year t and equals and equals K275.25 for 2023 and $AE_{fixed,t-1} \times (1+CPI_t)$ for subsequent years or such other number as determined by reference to that part of the Mid Term Actuarial Report;

~~**ARIP_{base,t}** is the variable component of Reinsurance Premium for the base class for Regulatory Year t and equals and equals K3.11 for 2023 and $ARIP_{base,t-1} \times (1+CPI_t)$ for subsequent years or such other number as determined by reference to that part of the Mid Term Actuarial Report;~~

~~**ARIP_{fixed,t}** is the fixed component of Reinsurance Premium for the base class for Regulatory Year t and equals and equals K4.83 for 2023 and $ARIP_{fixed,t-1} \times (1+CPI_t)$ for subsequent years or such other number as determined by reference to that part of the Mid Term Actuarial Report; and~~

PL_t is the Profit Loading for Regulatory Year t.

The MNP for other vehicle classes i in year t ($MNP_{i,t}$) is calculated as:

$$MNP_{i,t} = (ARP_{i,t} + AE_{i,t} + AE_{fixed,t} + \del{ARIP_{i,t}} + \del{ARIP_{fixed,t}}) \times (1 + PL_t)$$

Where:

ARP_{i,t} is the average risk premium for class i for Regulatory Year t and equals $ARP_{base,t} \times PR_{i,t}$;

PR_{i,t} is the premium relativity for class i for Regulatory Year t;

AE_{i,t} is the average expenses for class i for Regulatory Year t and equals $AE_{base,t} \times PR_{i,t}$; and

~~**ARIP_{i,t}** is the Average Reinsurance Premium for class i for Regulatory Year t and equals $ARIP_{base,t} \times PR_{i,t}$; and~~

AE_{fixed,t}, ~~ARIP_{fixed,t}~~, PL_t are as defined as for $MNP_{base,t}$.

FG. Consumer Price Index

PNGCPI in any regulatory year t is calculated as

$$CPI_{year\ t} = (PNGCPI_{t-1} - PNGCPI_{t-2}) \div PNGCPI_{t-2}$$

Where

PNGCPI_{t-1} is the Adjusted PNGCPI for the 12-month period ending 30 September in Regulatory Year t-1 as described in Part 1 of Schedule 2; and

PNGCPI_{t-2} is the Adjusted PNGCPI for the 12 month period ending 30 September in Regulatory Year t-2. As described in Part 1 of Schedule 2.

PNGCPI_{t-1} is calculated as follows:

The adjusted PNG CPI for the 12 month period ending on 30 September in Regulatory Year t-1 is calculated as follows:

$$\text{PNGCPI}_{t-1} = \{ \text{PNGCPI}_{(q4, t-2)} + \text{PNGCPI}_{(q1, t-1)} + \text{PNGCPI}_{(q2, t-1)} + \text{PNGCPI}_{(q3, t-1)} \} / 4$$

where:

PNGCPI for a Quarter (q) is the Headline rate published by the National Statistics Office;

PNGCPI_(q3, t-1) is the PNGCPI for the Quarter ending on 30 September in Regulatory Year t-1 or calendar year t-1;

PNGCPI_(q2, t-1) is the PNGCPI for the Quarter ending on 30 June in Regulatory Year t or calendar year t ;

PNGCPI_(q1, t-1) is the PNGCPI for the Quarter ending on 31 March in Regulatory Year t or calendar year t; and

PNGCPI_(q4, t-2) is the PNGCPI for the Quarter ending on 31 December in Regulatory Year t-2 or calendar year t-2.

PNGCPI_{t-2} is calculated as follows:

The adjusted PNGCPI for the 12 month period ending on 30 September in Regulatory Year t-2 is calculated as follows:

$$\text{PNGCPI}_{t-2} = \{ \text{PNGCPI}_{(q4, t-3)} + \text{PNGCPI}_{(q1, t-2)} + \text{PNGCPI}_{(q2, t-2)} + \text{PNGCPI}_{(q3, t-2)} \} / 4$$

Where:

PNGCPI_(q4, t-3) is the PNGCPI for the Quarter ending on 31 December in Regulatory Year t-3 or calendar year t-3;

PNGCPI_(q1, t-2) is the PNGCPI for the Quarter ending on 31 March in Regulatory Year t-2 or calendar year t-2 ;

PNGCPI_(q2, t-2) is the PNGCPI for the Quarter ending on 30 June in Regulatory Year t-2 or calendar year t-2; and

PNGCPI_(q3, t-2) is the PNGCPI for the Quarter ending on 30 September in Regulatory Year t-2 or calendar year t-2.

If a source of data described in this Contract is no longer published, or if any other change occurs in relation to such data which would cause the continued use of the source to result in inaccurate comparisons between data calculated using the source prior to the change and data calculated using the source after the change, then the Regulator may by notice to MVIL substitute an alternative source of such data to apply from a date determined by the Regulator in the notice.

If the CPI for the period ending on 30 September in Regulatory Year t-1 is not available when the calculation of PNGCPI_(q3, t-1) needs to be made, the calculation in Part 2 above shall be made instead, using the most recent eight quarterly CPI figures, then publicly available.

Part 2: Maximum Endorsements for Subsequent Regulatory Years

Subject to clause 2.6, the maximum amount that MVIL shall charge a Customer if it is required to make an Endorsement in respect of that Customer's policy for Third Party Insurance Cover during a Subsequent Regulatory Year t is an amount (E_t), expressed in Kina, calculated as follows:

$$E_t = E_{t-1} * \left[\frac{MAP_t}{MAP_{t-1}} \right]$$

Where:

E_{t-1} is the maximum amount (expressed in Kina) that MVIL was entitled to charge if it was required to make an Endorsement in respect of a Customer's policy for Third Party Insurance Cover during Regulatory Year t-1 (ignoring the application of clauses 2.7 and 4); MAP_t is the Maximum Average Premium for that Subsequent Regulatory Year; and MAP_{t-1} is the Maximum Average Premium for Regulatory Year t-1.

SCHEDULE 3 – MINIMUM SERVICE STANDARDS AND KEY PERFORMANCE INDICATORS

PART A: Minimum Services Standard Requirements

- (a) MVIL must provide, either itself or through an agent, facilities in each Provincial capital in Papua New Guinea at which owners of motor vehicles can complete all necessary documentation to obtain Third Party Insurance Cover from MVIL in respect of their motor vehicles and can pay the applicable premium, such facilities to be open and accessible to members of the public during ordinary business hours on all business days in those Provincial capitals.
- (b) MVIL must maintain a suitably equipped office, either through itself or through an agent, and must be manned at least during normal office hours, with functioning equipment for communication from, to and with its regional offices or the head-quarters for purposes of members or customers wishing to get assistance in relation to provision of the CTP insurance.
- (c) MVIL must provide and maintain functional claims assessing and payment facilities at each of its offices, operated either by itself or through an agent, to Customers wishing to make a CTP motor vehicles insurance claim with such claims able to be made during ordinary business hours on all business days.
- (d) MVIL must process all genuine claims within 6 months from the time a claim is first submitted to MVIL, and this applies to all new claims submitted on and from the Commencement Date from 1st January 2023 to 31 December 2027 (both dates inclusive).
- (e) MVIL shall report to the Regulator on the second Friday of February and the Second Friday of August of each relevant Regulatory Year the details and number of claims;
- received;
 - paid
 - outstanding; and
 - not paid on the basis of fraud.

This data should be split by individual vehicle class.

- (f) Where the Regulator reasonably considers that MVIL has failed to pay the claim of a customer within the time period set in Schedule 3(d) based on the action and inaction of MVIL a sum of K500 shall be paid together with the claim amount to the customer.
- (g) MVIL must, by the time of the mid-term review, have developed Data Management System which should produce timely and accurate summaries of its operations. This includes all the requirements outlined under clause 5.5 (b) and (e), but is not limited to:
- The number of vehicles on risk and the annual vehicle exposure (i.e. taking account of endorsements) by vehicle class;
 - Premiums received and earned premiums by vehicle class;
 - The number of claims reported by accident quarter and report quarter by vehicle class;
 - Claim payments by accident quarter and payment quarter by vehicle class (ideally payments would also be split into major categories such as loss of earnings, medical, general damages);
 - Reconciliations between data summaries and the general ledger;
 - Summaries of quarterly expenses (by major category).

PART B: Key Performance Indicators

MVIL shall achieve the following key performance on the due dates as given:

Office Branch	Key Performance Indicator	Due Date
Port Moresby (Head Office)	Data Management System	31 st December, 2024
Hagen	Data Management System	31 st December, 2025
Lae Office	Data Management System	31 st December, 2026
Kokopo Office	Data Management System	31 st December, 2026

Update on MVIL's progress with the development of Data Management System for respective regional centres are to be reported annually to the ICCC.

Where MVIL fails to establish the Data Management System in accordance with clause 5.5(a) the Regulator will deem that MVIL is in breach of the Regulatory Contract and will not approve the subsequent annual CTP tariff increase and may issue an order consistent with Section 38 of the *ICCC Act*.

SCHEDULE 4 – REGULATORY PRINCIPLES

When the Regulator reviews the current regulatory contract and develops the subsequent regulatory contract for the next regulatory period, the Regulator must;

1. Take into account any factors which affect the long term financial sustainability of MVIL. In particular the Regulator must ensure that MVIL continue to earn sufficient return to cover all reasonable costs so that shareholders and debtors of MVIL can continue to invest in MVIL and make long term investments with confidence.
2. Take into account any minimum service standards set by the Insurance Commissioner in consultation with MVIL, the Regulator and the public;
3. A Premium Determination Model approach must be adopted, including but not limited to the following components:
 - Average Claim Size;
 - Accident Reports and Cost of Claims;
 - Incurred Cost Development;
 - Payment Per Claim Incurred;
 - Reinsurance Premium;
 - Profit Load and Administration Expense.
4. Ensure that MVIL delivers Third Party Motor Vehicle Insurance to the level of service as required by Government policy.
5. Ensure that MVIL has incentives to deliver Third Party Motor Vehicle Insurance at the lowest-possible economically efficient cost;
6. Ensure that the regulatory contract complies with all the requirements and objectives specified in the ICCC Act in particular section 5 and section 45 of the ICCC Act.

7. Ensure that the Regulatory Contract supports the implementation of any Government Policy concerning CTP motor Vehicle Third Party Insurance except where it conflicts with the ICCA Act.
8. Furthermore, during this regulatory period and the next regulatory period, the Regulator will continue to take into consideration circumstances that are significant and relevant to the Contract, including, but not limited to, the making of new Government Policy or amendment thereof, which it considers to be necessary or desirable to achieve the objectives of the *ICCA Act*.

