

Injury Schemes Seminar

Balancing Outcomes

10-12 November 2013
Sheraton Mirage Gold Coast



NSW CTP and Lifetime Care

Andrew Nicholls – General Manager

© Motor Accidents Authority of New South Wales

Don Ferguson – General Manager

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*This presentation has been prepared for the Actuaries Institute 2013 Injury Schemes Seminar.
The Institute Council wishes it to be understood that opinions put forward herein are not necessarily those of the Institute
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NSW CTP Update

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Outline

Proposed reform: *Motor Accident Injuries Amendment Bill 2013*
CTP Roundtable - Withdrawn from Parliament

The show must go on

Challenges:

- Increasing Green Slip prices
- Scheme efficiency and affordability
- Claim frequency and propensity are increasing
- Delayed payment of benefits
- Realised profit continues to be higher than filed profit



Emerging trends

- ❑ Average claims size, claims frequency and propensity continues to rise – mainly driven by low severity, legally represented claims
 - More is spent on care now than before, particularly gratuitous care

- ❑ Efficiency over last 10 years is poor:
 - More is spent on lawyers than on medical and related treatment costs
 - Insurer profit continues to be higher than estimated at the time of filing

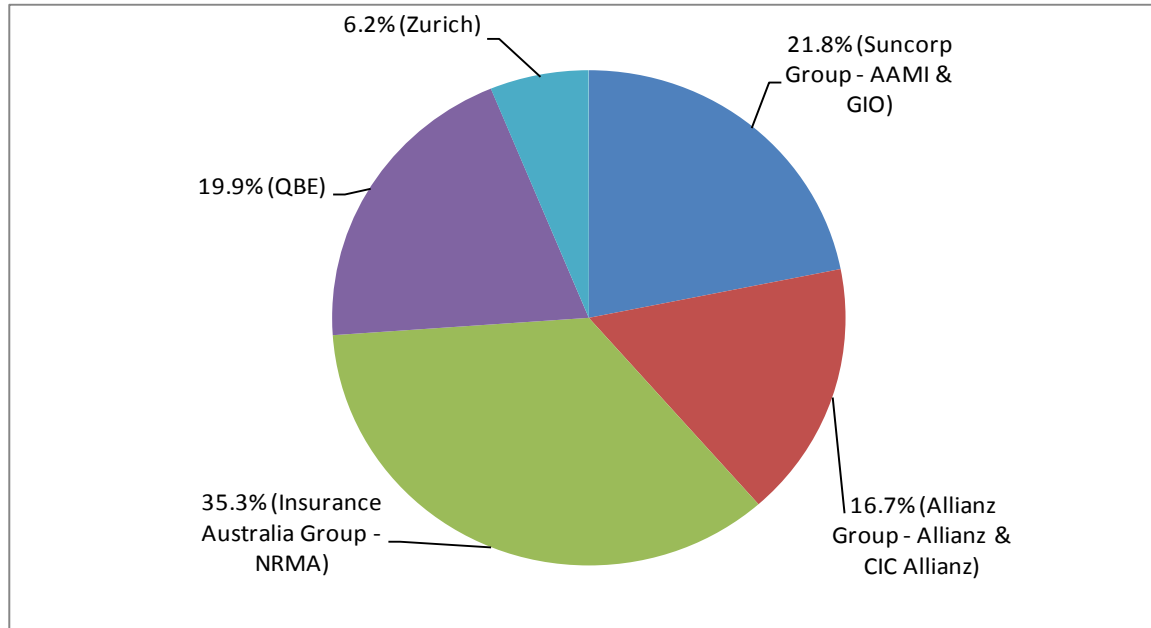
- ❑ The majority of payments in the scheme are made 3 – 5 years after the date of accident

- ❑ Low yield rates are biting



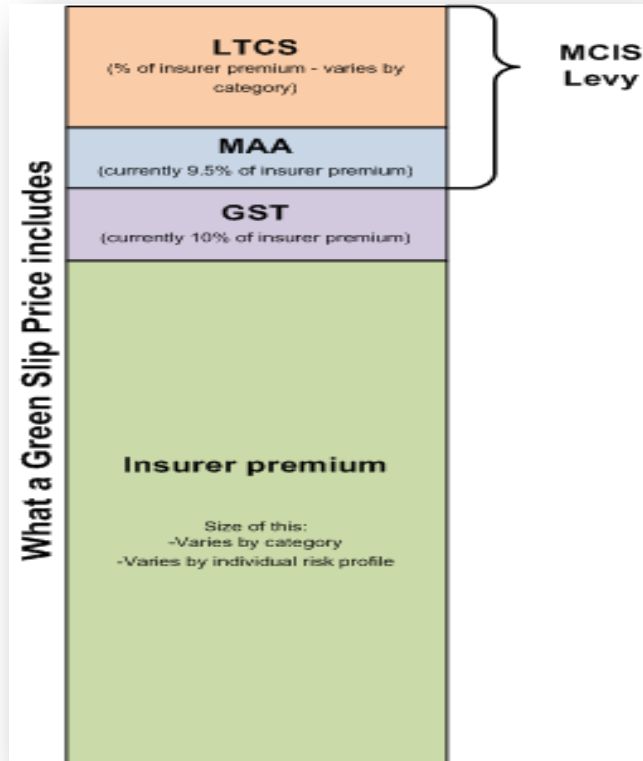
CTP Insurance Market

Market share by insurer group
for quarter ending 30 June 2013 (based on premium volume)





Green slip components



Three main components:

- Insurer premium
- Medical Care and Injury Services (MCIS) Levy
- GST



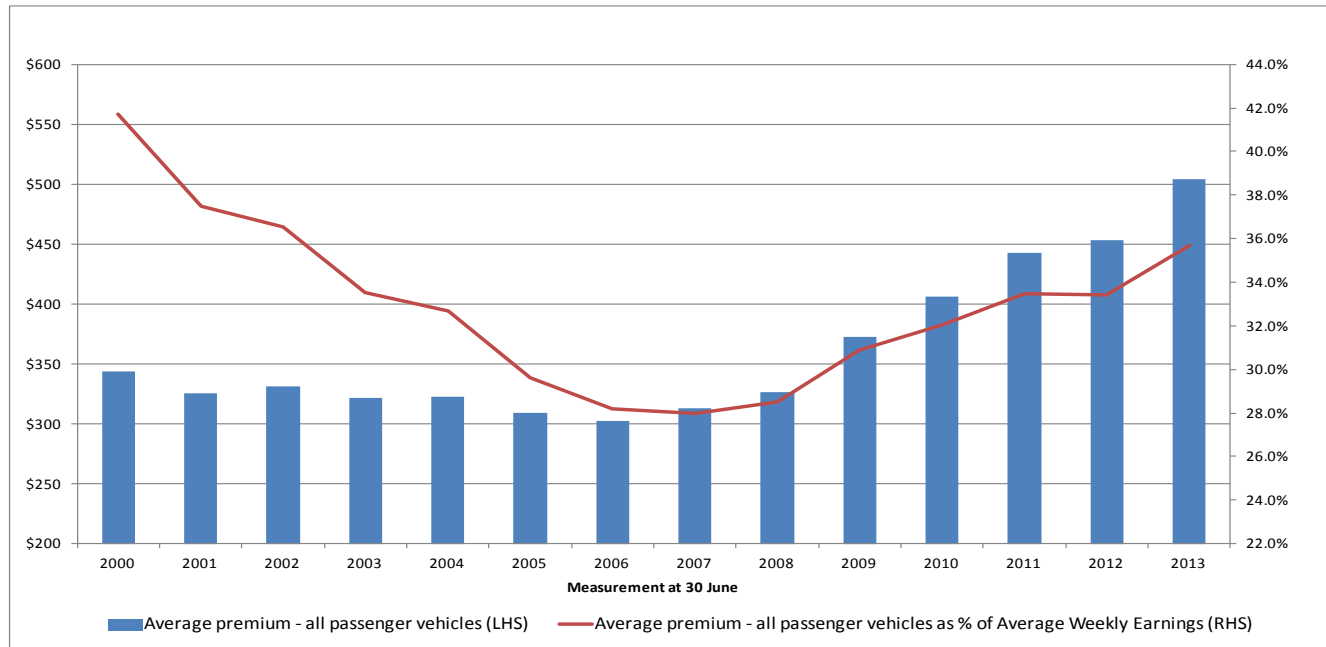
Medical Care and Injury Services (MCIS) Levy

- Review
- Change in mix
- Over collection being addressed
- Reduced rates for motor vehicles and a number of other vehicles



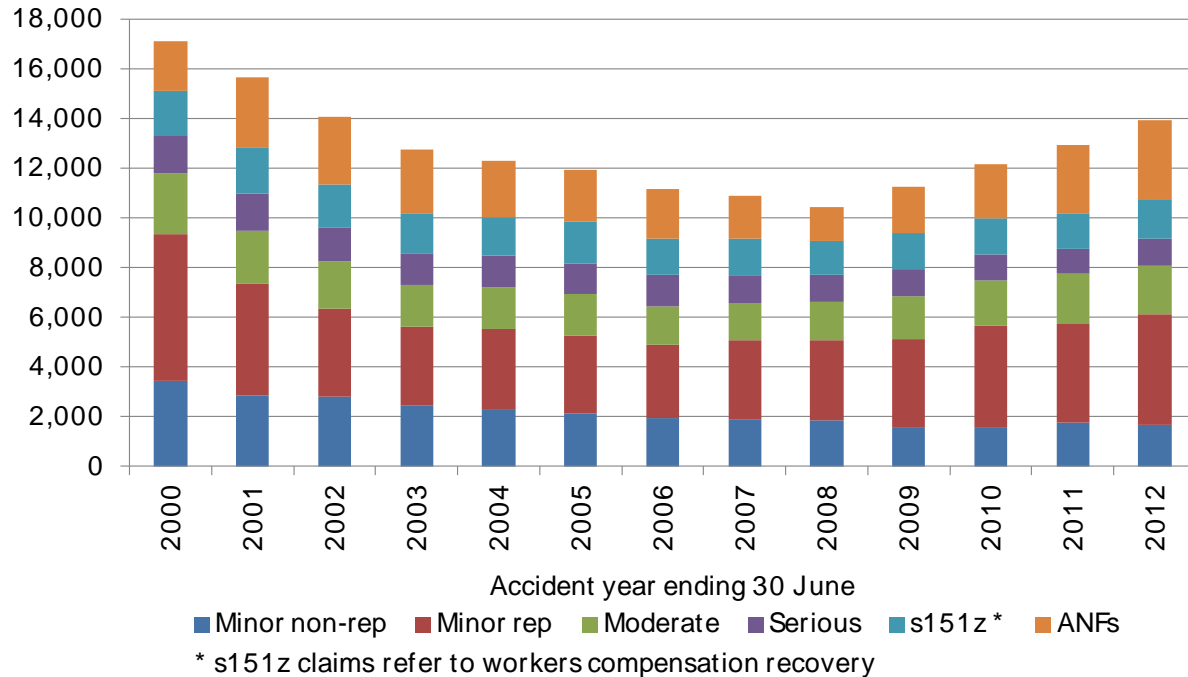
Premium Affordability

Premium as a proportion of NSW Average Weekly Earnings





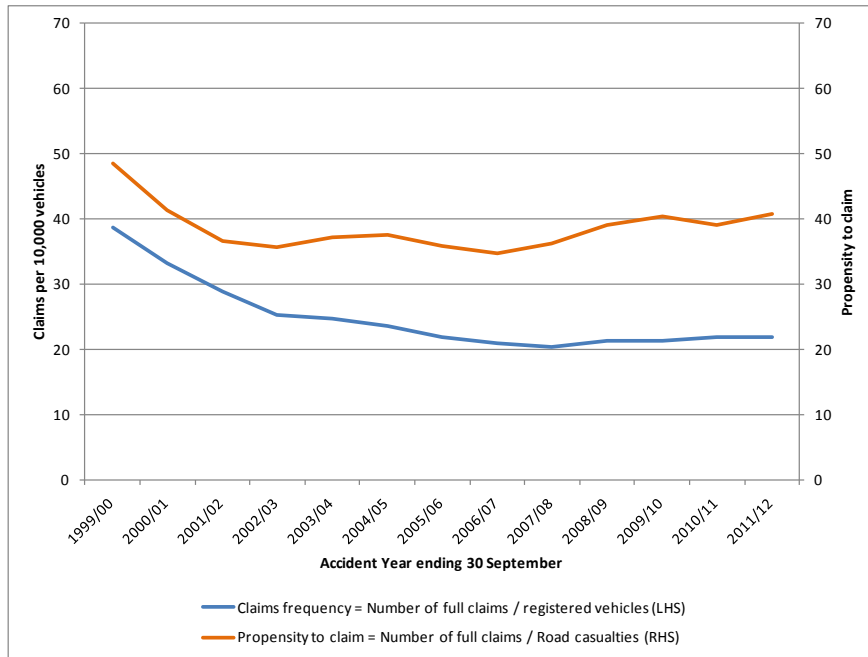
Number of claims





Claim frequency

Claim frequency per 10,000 vehicles and the propensity to claim since 2000 for **full claims only** (excluding ANF's).



Claim frequency per 10,000 vehicles and propensity to claim since 2000 for **ANF's**.



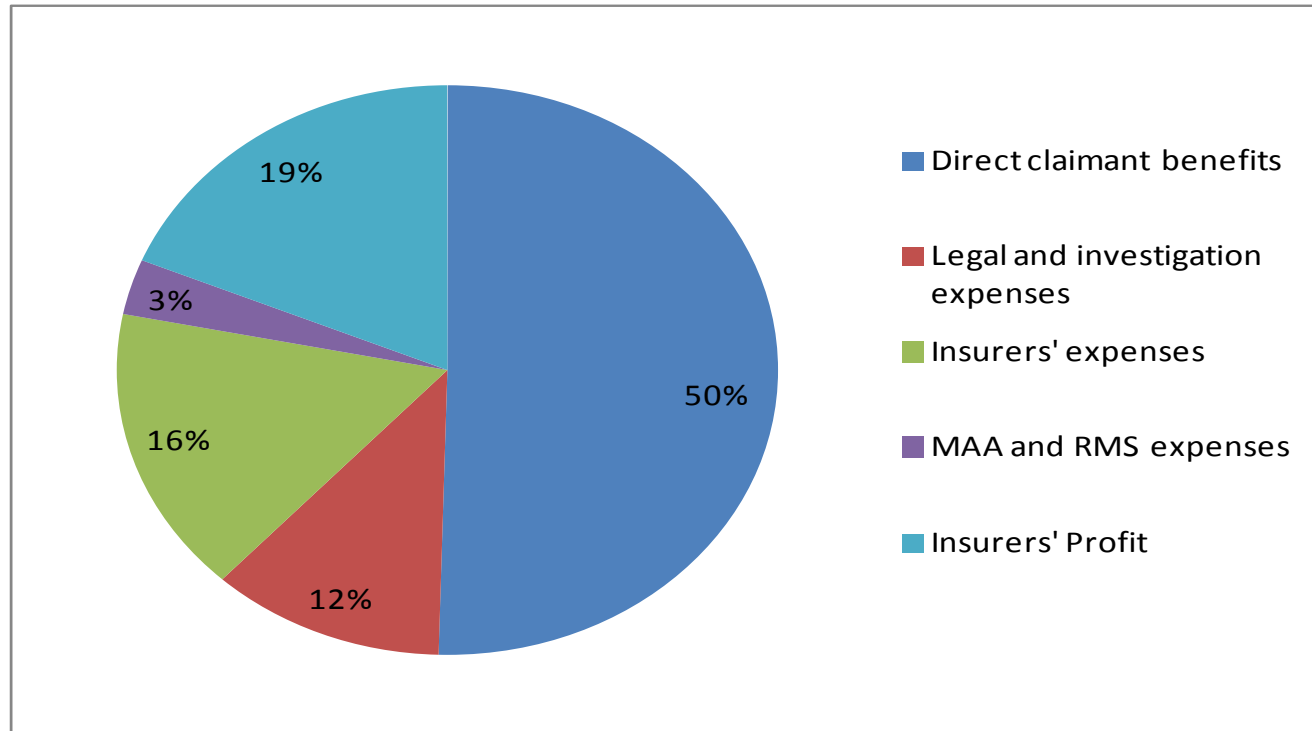


Average claim size (in 30 June 2012 values) for minor severity injuries legally represented



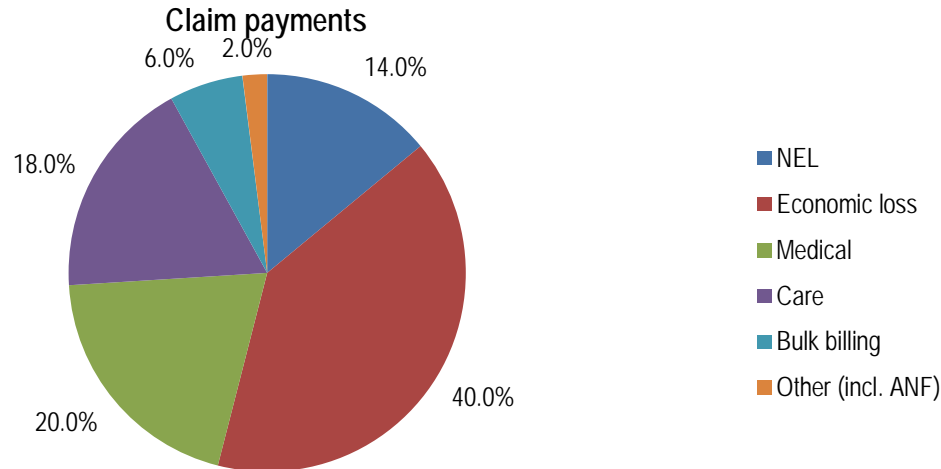


Distribution of Scheme funds 2000 - 2012





Heads of damage



- Care has dramatically increased as a benefit
- Other payment types have remained relatively stable

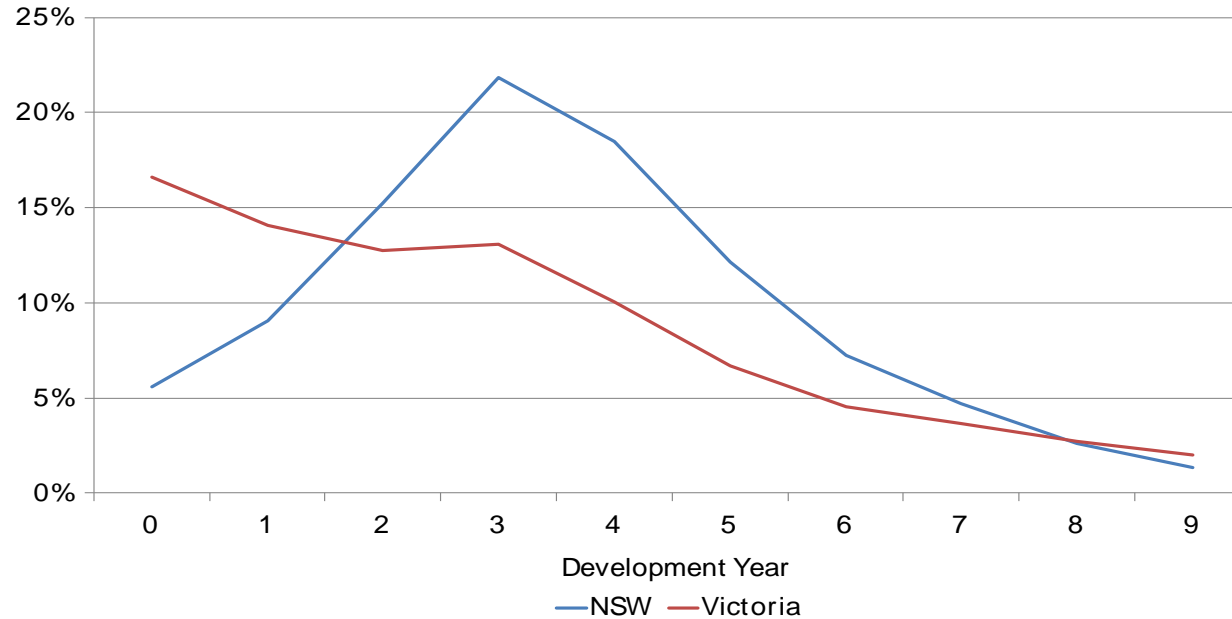
Notes:

1. Claim payments shown in the chart above are actuarial estimates derived from averages across underwriting years 2000 to 2010.
2. Claim payments include just compensation payments which make up 50% of the premium components. Non compensation payments (Legal and investigation) which make up 12% of premium components, are excluded from the chart.



Claims costs paid out by year post injury

Percentage of claims costs paid out by year post-injury (excluding LTCS claims)





Scheme improvement projects

NSW Government committed to designing an efficient and affordable Scheme

- Enhancing MAA regulatory role
- Improving the claimant experience
- Simplifying and improving the purchase of Green Slips
- Reducing friction and other Scheme costs
- Improving the dispute resolution processes

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Lifetime Care and Support Scheme NSW

- No fault scheme for people seriously injured in motor accidents in NSW
- Provides reasonable and necessary treatment, rehabilitation and care
- Commenced October 2006 for children and October 2007 for adults
- Administered by the Lifetime Care and Support Authority (LTCSA)
 - An Agency of Safety, Return to Work and Support Division (SRWSD)



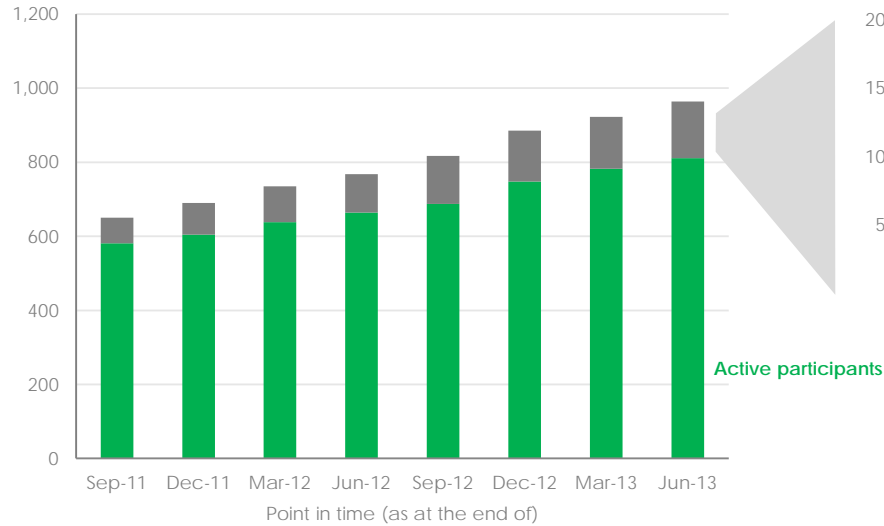
Lifetime Care and Support Scheme NSW

- 965 participants accepted into Scheme since 1 October 2006
 - 142 interim participants who recovered and not lifetime
 - 27 deceased
 - 796 current participants of which 438 are lifetime participants
 - Now approximately 185 participants a year (originally 160)
- 71% participants are male
- 76% participants have a brain injury
- 11 participants with amputations, 4 burns and 1 vision loss

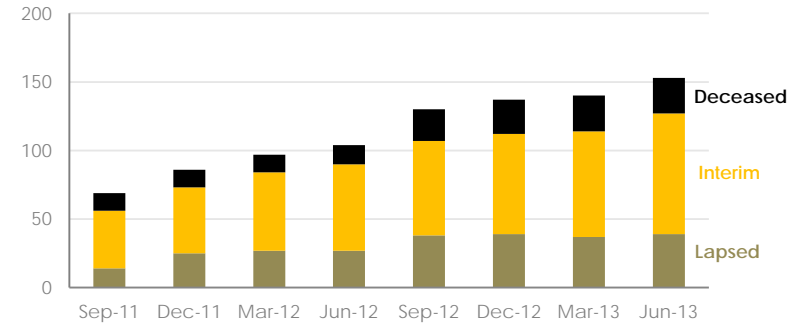


Reported participants

Reported participants



Inactive participants





Scheme Liabilities

- Mean term of liabilities is 25 years
 - Plateau of cash flow and liability in approx 60 years
- Outstanding claims liability of \$2.07 billion
- Latest annual incurred cost is \$410 million
- Overall average cost per participant is \$2.23 million
 - (range \$500,000 to \$10,000,000)
- Funded by a levy on CTP motorists, calculated as a percentage of premium



Scheme Risks

- Still small
 - Long tail (size of liability compared to annual revenue cash flow– currently 5:1 but will increase to 25:1)
 - Solvency
- Movement of eligibility threshold
- Investment return



Scheme Risks

- Superimposed inflation
 - Escalation of what services are “reasonable and necessary”
 - Attendant care
 - Gratuitous care legal challenge
 - paying family as carers
 - cost and availability of attendant care workers



Scheme Volatility

- Very high quarter to quarter volatility with average claim cost per quarter varying from \$1.5m to \$3m or quarterly liability varying from \$40m to \$140m
- Participant numbers
 - Volatility quarterly, but reasonable stable on annual basis
- Severity of injuries
 - Severity distribution of brain injury important as 76% participants have a brain injury.
 - Recovery pattern, service usage over time and impact of aging still uncertain.



Severity of brain injury

- Care and Needs Scale (CANS)
 - Levels 1 to 7
 - Level 7 – most severely injured, 24 hours of care a day
 - Level 6 – 20 to 23 hours of care a day
 - Level 5 – 12 to 19 hours of care a day
 - Level 4 – up to 11 hours of care a day, can be left alone overnight
 - Level 3 – can be left alone a few days a week
- Changing CANS score as participant improves



Development years for CANS

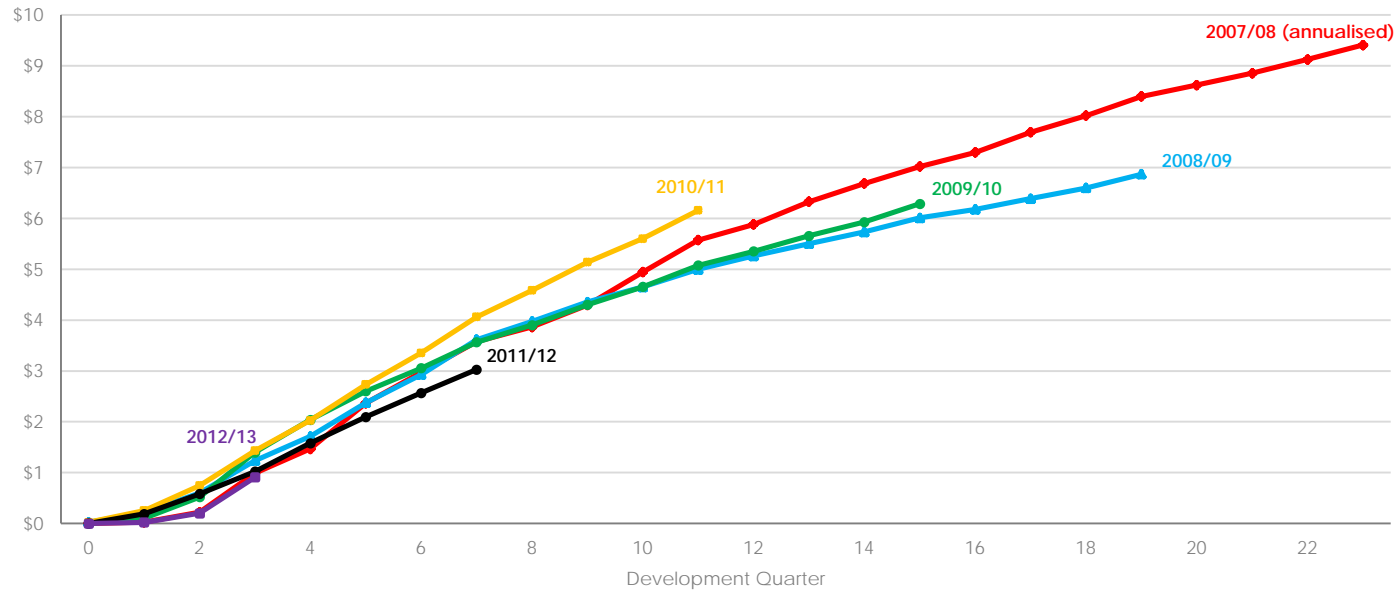
Number of CANS 7 - by accident year cohort





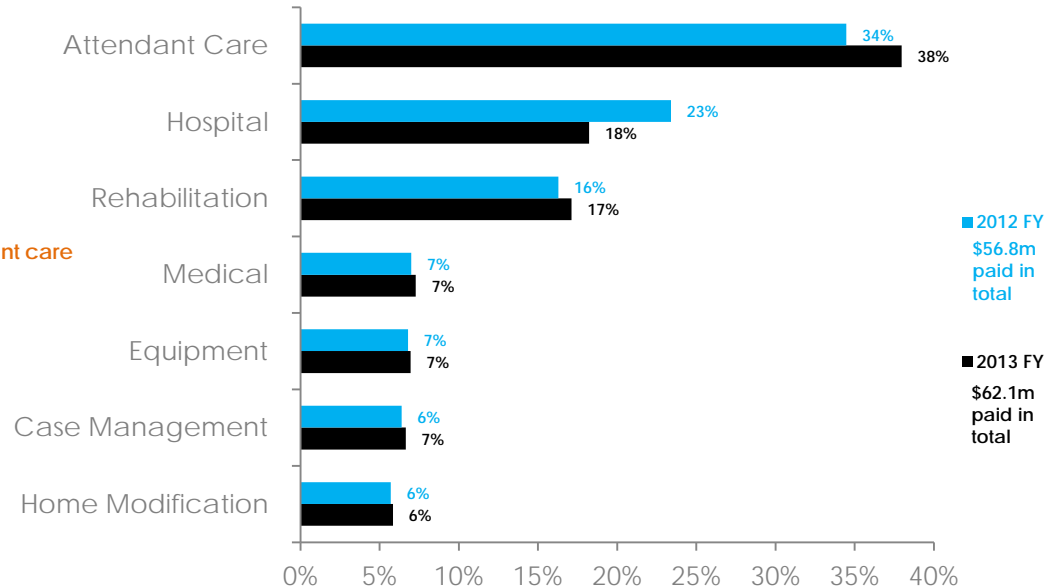
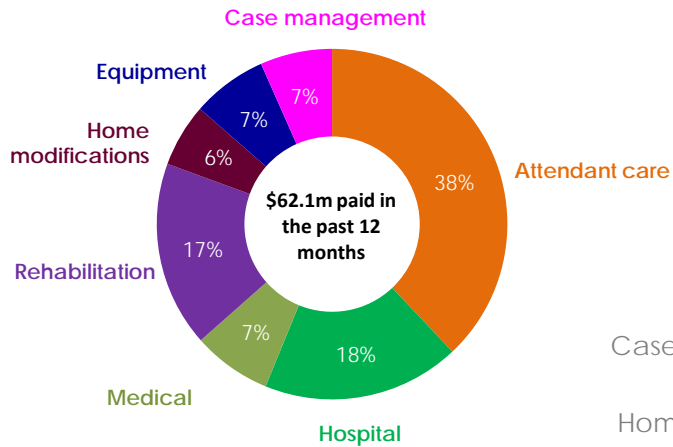
Payments per motor vehicle – brain injury

Brain injuries





Current expenditure





Attendant Care

- Will ultimately make up around 75% of full cost model
- Approximately 38% of current participants receiving attendant care services
- Approximately 73% of lifetime participants have receive attendant care services at any one time
- Participants are requesting approximately 60% of care they are assessed as requiring



Trends

- Spinal cord injury numbers as expected, but number of incomplete injuries increasing compared with complete
- Slightly older cohort of participants
 - Slight increase in % of participants with a brain injury over 35
 - Slight increase in % of participants with a spinal cord injury over 55
- Increasing complexity of “eligibility” decisions
 - Causation issues e.g. did stroke cause mva or stroke result from mva
 - Co-morbidities of mental health, drug and alcohol, dementia
 - Complex late applications



LTCS Initiatives

- Person-centred approaches
 - Move to increasing participants' choice and control over their life and services
 - Increasing focus on assisting participants to set their own goals
 - Direct funding pilots
- Improving employment outcomes for participants with brain and spinal cord injury
- Increasing opportunities for participants to have a say
- Increasing links with other disability programs



LTCS Focus next 3 years

- Continued focus on scheme solvency
- Increase alignment of SRWSD schemes
- National Injury Insurance Scheme (NIIS)
- Greater focus on health and social outcomes
- Continued focus on developing a more person centred approach
- Growing internal and industry capacity to support expected growth



Questions?

- www.maa.nsw.gov.au
- www.lifetimecare.nsw.gov.au