

Injury Schemes Seminar

Balancing Outcomes

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Sheraton Mirage Gold Coast



MAIB Scheme Update 2013

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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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Scheme Features

History

- MAIB came into existence on 1 December 1974
- Compensation under scheme
 - Statutory Benefits (No Fault)
 - Common Law damages
- Daily care benefits (Tasmanian equivalent of LTCS)
 - Introduced May 1991
 - Unlimited reasonable treatment and care
 - Threshold - 2 hours care per day indefinitely



Scheme Features

Statutory Benefits

- medical and hospital expenses
 - rehabilitation
 - attendant care costs
 - death benefits
 - disability allowance (80% coverage of lost earnings – up to a time limit)
- Statutory limit of \$400,000 (\$500,000 if hospitalised for 4 days)
 - Exclusions for “No Fault” claims (including Long term care)
 - Drivers of unregistered vehicles
 - Various serious offences involving a Motor Vehicle
 - Some off-road (unregistered) vehicles
 - Motor Racing
 - DUI
 - Coverage
 - Driving or riding anywhere - not just on a Public Road



Scheme Features

Common Law

- No thresholds for bringing claim
- Some limitations prescribed by Civil Liability Act (Tort reform)
 - General Damages – minor restrictions on small claims
 - Economic Loss- 3 x AWE
 - No Gratuitous Care
 - 5% discount rate
 - Statutory reductions for failure to wear seat belts



Scheme Features

Key Risks

- Investments markets –
 - Volatility
 - Bond rates
- Government Policy / Regulatory Changes –
 - NDIS/NIIS
 - Limitation /Civil Liability Act changes
- Plaintiff Lawyer advertising (developing risk) – Pressure on Common Law Damages



Scheme Features

NIIS Impact

- Tasmanian Government agreed to minimum benchmarks for catastrophic motor accident injuries

BUT

- Has chosen to retain the following aspects of the CTP scheme
 - Exclusions
 - Threshold (daily care)
- Amendments have been made to include interstate residents (ie to cover all those catastrophically injured within the jurisdiction)- Minimal financial impact over the long term



Premiums

Premiums

- Regulated pricing – review every 4 years by the Tasmanian Economic Regulator (TER).
- Based on recommendations – Premiums Order is made specifying maximum premium rates for vehicle classes and maximum yearly increases.
- Last review 2013 –
 - MAIB advocated for AWOTE increases.
 - TER recommended -
 - initial 7.4% decrease (from 1 December 2013);
 - AWOTE increases for years 2-4;
 - Additional increases in years 2-4 for Motorcycles, Taxis and Luxury Hire cars and Off Road Vehicles;
 - Additional decreases in years 2-4 for Medium Passenger Vehicles (up to 16 seats)
- In the last 8 years there has been only one premium increase (3.5% in 2009).



Premiums

Premiums cont.

- Government increased Stamp Duty from \$6 to \$20 in 2012
- Motor Car premium (class 1) as at 1 July 2013 - \$ 344 (incl GST excl S/Duty)
- Motor Car premium (class 1) as at 1 Dec 2013 - \$ 318 (" " " ")



Claims Management

Prompt Claims Management

- Applications for benefits processed on day of receipt
- Initial contact with claimant on day of receipt of claim
- Minimal movement of claim between claims officers

Assessment of entitlements

- Eligibility criteria (as per governing legislation)
- IT system flags caps and limits

Regular claims reviews

- all claims peer reviewed every 6 months

Customer service

- code of conduct/customer service charter
- Customer satisfaction rating – 84.3%



Claims Management

Existence of both Statutory Benefits and Common Law assists in managing claimant rehabilitation.

Outcome-

- Claimant "loss" reduced through early rehabilitation
- Already compensated for majority of loss
- Less incentive to bring a Common Law claim

Long term care –

- Damages awards for significant injuries are not high (no award for care)
- Threshold of 2 hours care per day is easily identified



Claims Management

Specialist services outsourced

- Specialist Facilities Manager (for MAIB's 3 high care needs facilities) (retendered 2012)
- Panel(2) of Attendant Care providers (expanded from single provider) (retendered 2012)
- Specialist panels for
 - Legal
 - Rehabilitation (retendered in 2013)
 - Investigations (retendered in 2013)
- Contracted Equipment Provider (retendered 2012)

SLAs in place to ensure quality and consistency of service



Claims Management

Claims

Claim numbers continuing to drop

- 2012 (record low) – 2707
- 2013 increased slightly to 2839 (second lowest)
- Open claims count at near record low - 2749
- Claim frequency – 5.99 per 1000 vehicles

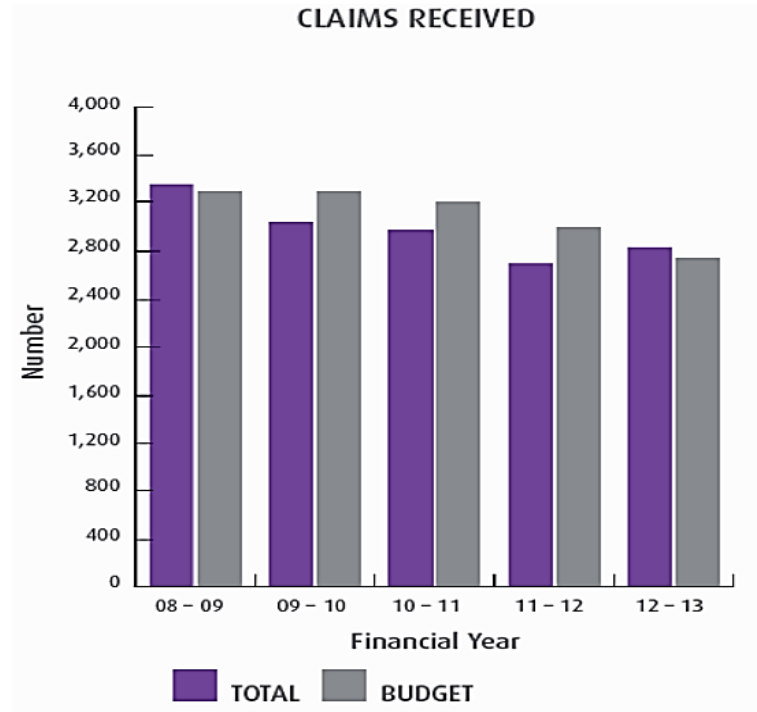
Statutory Benefits payments stable - \$42.9M

Common Law Damages payments stable

- Average claims are increasing
- No superimposed inflationary pressures (although potential pressure due to recent Supreme Court general damages decision)



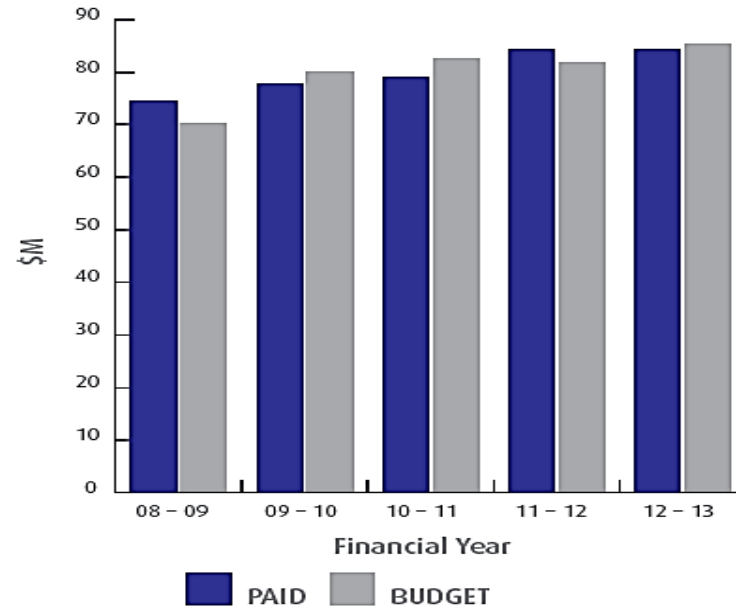
Claims Management





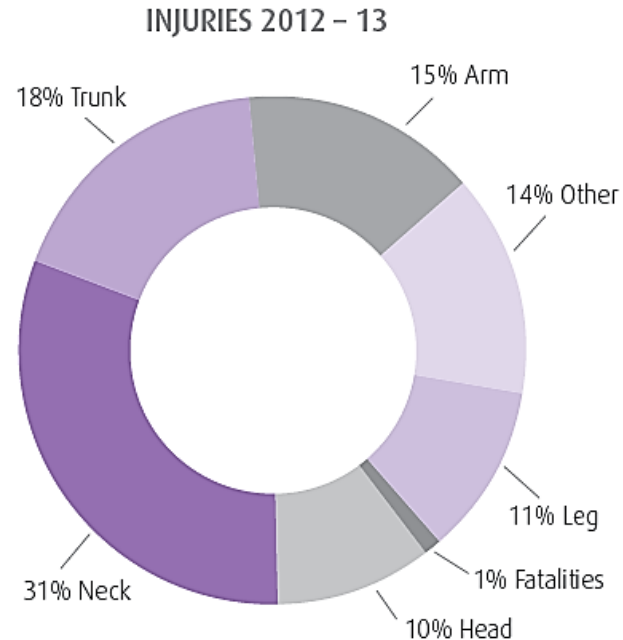
Claims Management

CLAIM PAYMENTS





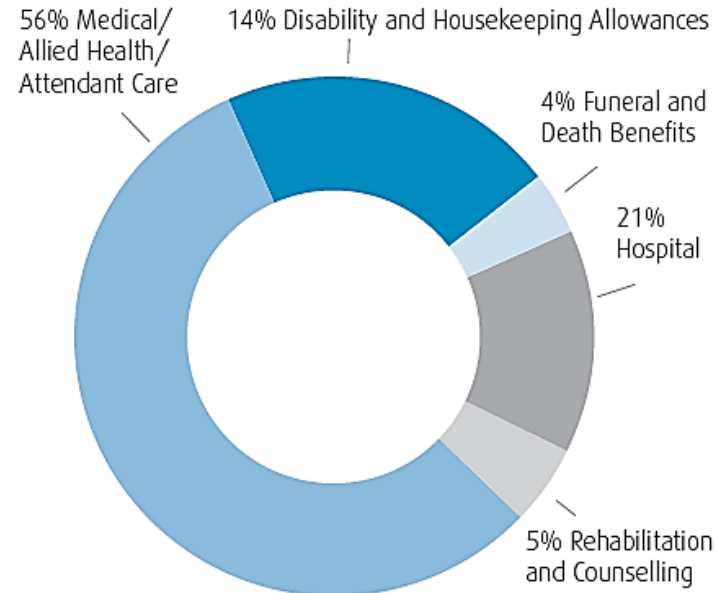
Claims Management





Claims Management

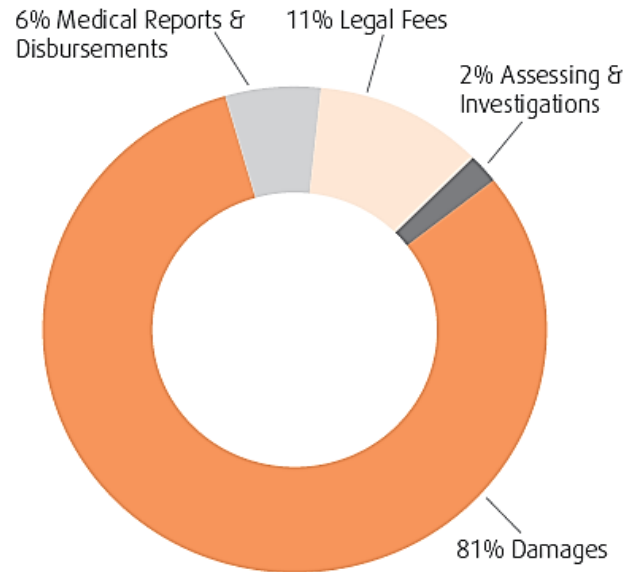
SCHEDULED BENEFITS PAYMENTS 2012 - 13





Claims Management

COMMON LAW PAYMENTS 2012 - 13





Daily Care

Specialist team manages daily care claims

- Catastrophically injured
- Potential daily care claims
- Children with head injuries

Small caseloads

- Caseloads of approx. 50 claims

New claims

- Anticipate 8 claims per year
- Total claims has remained largely unchanged due to deaths of daily care claimants



Daily Care

Reserves

- Reviewed at least annually
- Actuarial valuation based on individual claims

Support needs assessments of injury related care and support was introduced in 2010

Purpose built care facilities and housing in Hobart, Launceston and Ulverstone.



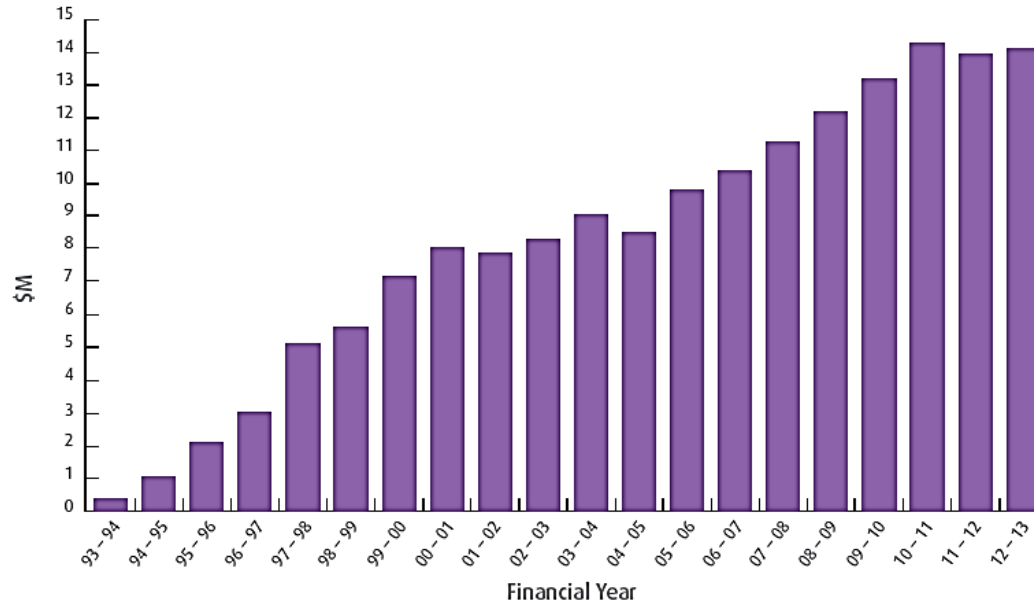
Daily Care

- Support Needs Assessments panel introduced in February 2010.
 - Standardised assessment tool
 - Evidence based
 - Clear support program
 - FIM (Functional Independence Measure)
- Substantial saving achieved through reduction of care hours.
- July 2013 –
 - Trained SNA panel in FAM (Functional Activity Measure)
 - Further saving already identified
 - Expanded SNA form



Daily Care

FUTURE CARE PAYMENTS





Financial Position

MAIB strives to maintain a balance between-

- premium and investment income,
- the cost of claims ,and
- the requirement to achieve a sustainable commercial rate of return that maximises value for the State.



Financial Position

2012/13 Year

- Net Profit - \$147.5M (record) (\$207.8M before tax)
- Net investment revenue - \$172.9M
- Net investment return – 15.5%
- Claims Cost - \$83.9M
- Net Premium income - \$ 133.2M (1% vehicle growth)
- Underwriting result - \$45.3M
- Investment Portfolio - \$1.311B
- Outstanding Claims Liability - \$ 901.9M



Financial Position





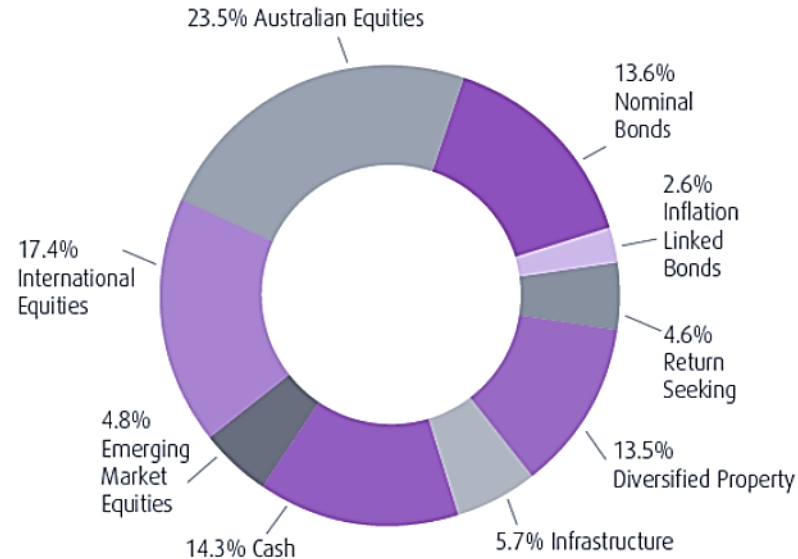
Financial Position – Investment Philosophy

- Ensure investments achieve long-term real growth to maintain an acceptable level of solvency.
- 35% / 65% defensive / growth asset split
- Diversified portfolio-
 - nine (9) different classes,
 - both in Australia and overseas,
 - nineteen (20) Fund Managers



Financial Position – Investment Philosophy

ASSET ALLOCATIONS at 30 JUNE 2013



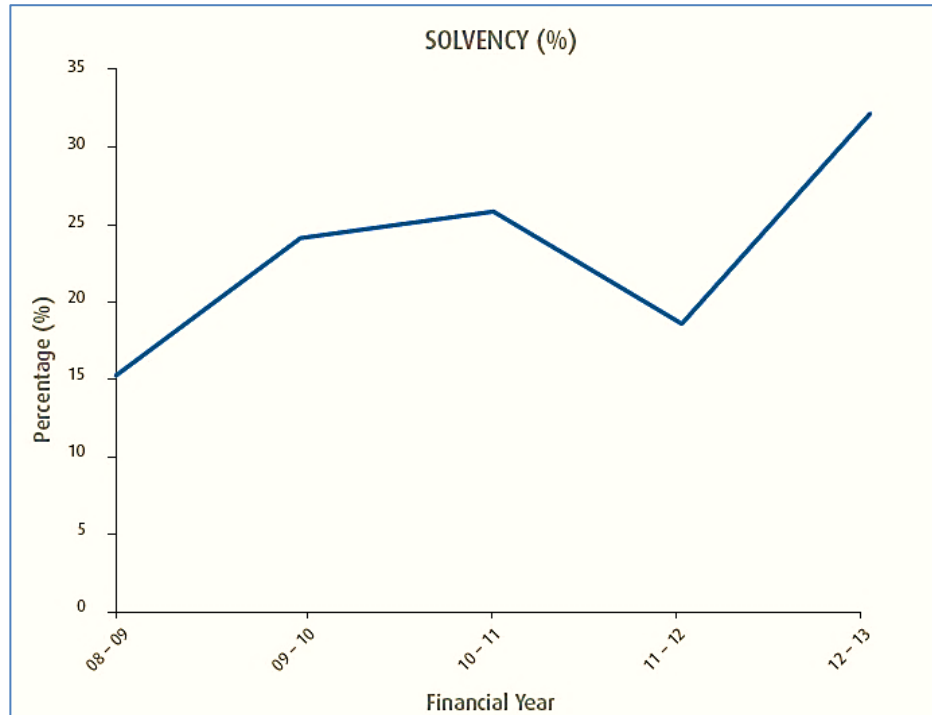


Financial Position - Solvency

- MAIB not regulated by the Australian Prudential Regulatory Authority (APRA)
- APRA minimum capital requirement standards for insurers do not apply to MAIB, but the MAIB does have regard to them in determining an appropriate solvency range.
- Solvency calculated by dividing outstanding claims liabilities by net assets (including a prudential margin of 20%)
- Set target solvency in the range 20% - 25% (presently under review considering new prudential capital standards introduced by APRA)
- MAIB has dropped below its solvency target range twice in the last 8 years (2009 and 2012)
- Solvency at as 30 June 2013 – 31.9%



Financial Position - Solvency





Sponsorships

- Road Safety Advisor Council (formerly Road Safety Task Force) since 1996
- Motorcycle Safety Strategy
- Infrastructure
- Injury Prevention and Management Foundation



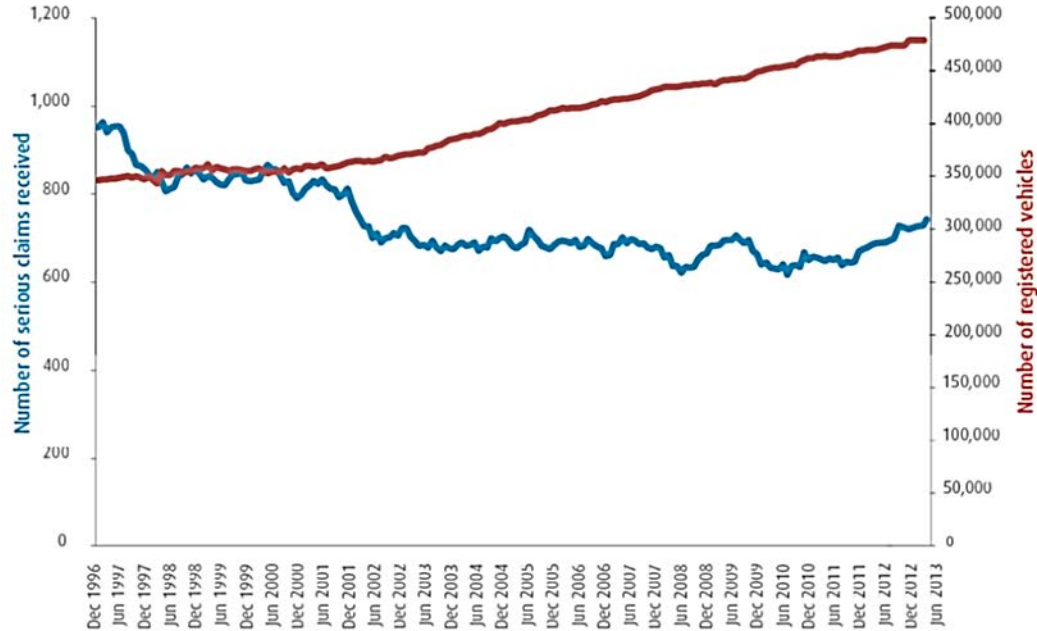
Road Safety Advisory Council

- Partnership – Police, DIER, MAIB
- Reviewed every three years (Review due 2014)
- Funding – approx. \$40 million since 1996
- Main areas covered-
 - Driver education (Real Mates campaign)
 - Additional Police personnel (road safety enforcement)
 - Automatic Number Plate Recognition (identifies and reduces unregistered vehicles)



Road Safety – Serious Claims

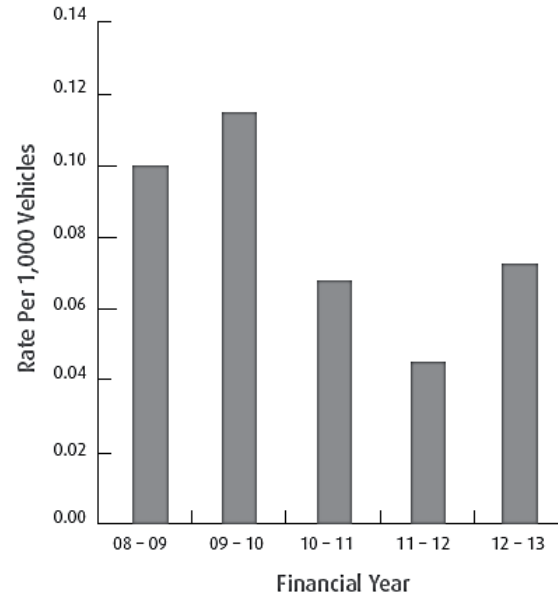
SERIOUS CLAIMS VERSUS REGISTERED VEHICLES





Road Safety - Fatalities

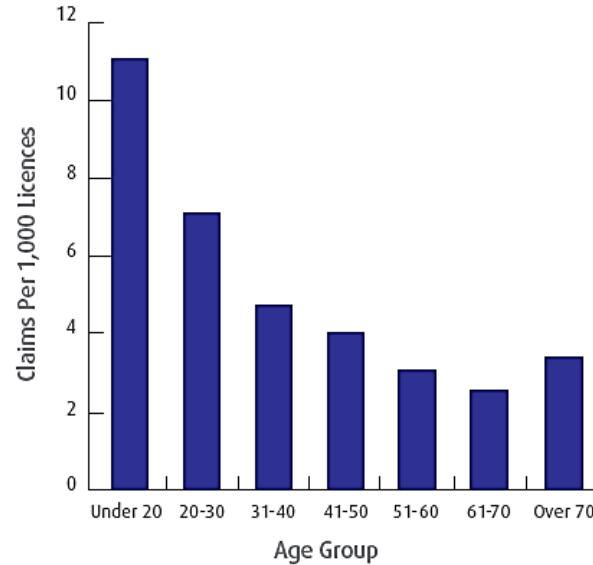
FATALITIES PER 1,000 VEHICLES





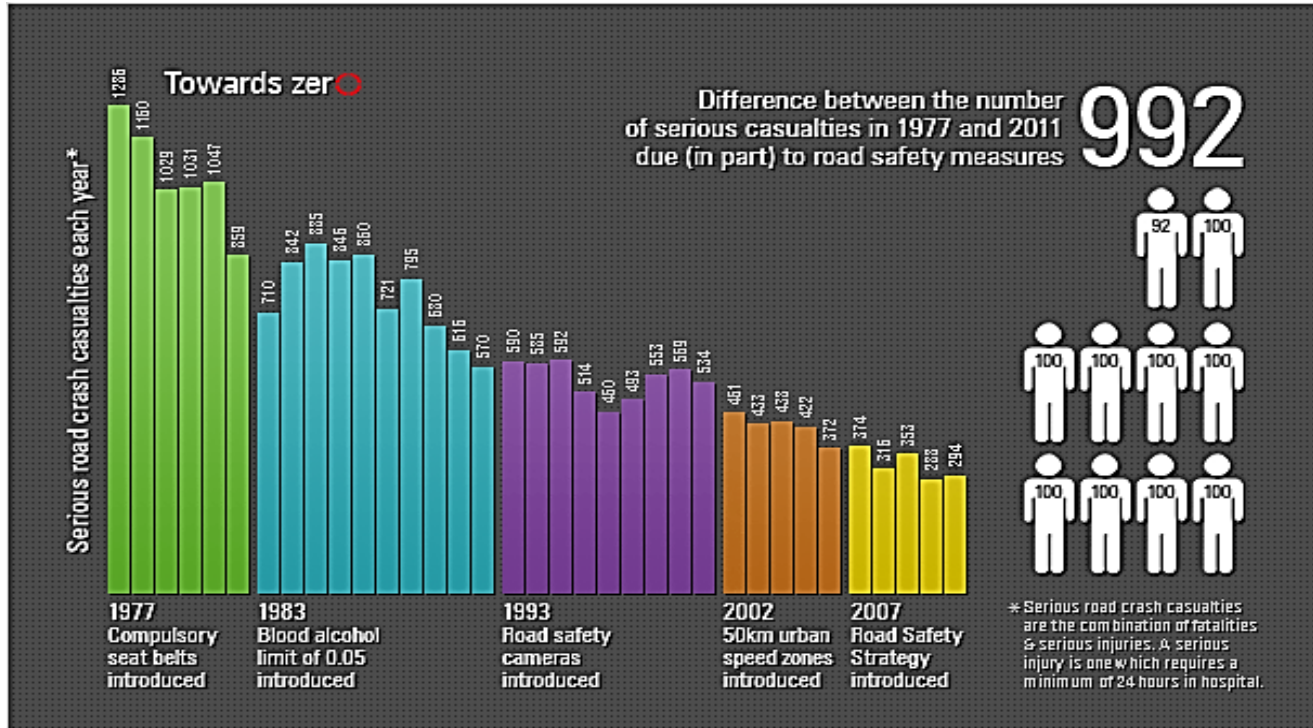
Road Safety -Age Group Statistics

DRIVER CLAIMS PER 1,000 LICENCES 2012 - 13





Road Safety - Improvement



Source -RSAC



Injury Prevention and Management Foundation

Established as part of the Scheme legislation.

Objectives :

- promote measures that will reduce the number and severity of accidents;
- support measures that will lead to a better outcome for those suffering injury; and
- lend support to organisations dedicated to the care of persons who have been seriously injured as the result of a motor accident.

Up to 1% of gross premium income is set aside for project funding.

Support 6 to 10 programs each year – including medical research , driver training , emergency rescue.



Summary

- Long established CTP scheme providing “No Fault” benefits and Common Law
- Minor changes to account for NIIS
- Over 20 Years of daily care regime (LTCS)
- Prudently managed and fully funded scheme
- Low claim numbers and stable costs
- Arguably Australia’s most cost effective and affordable CTP scheme