



Injury Schemes Seminar*

Balancing Outcomes

10–12 November 2013
Sheraton Mirage Gold Coast

* Formerly the Accident Compensation Seminar



**Actuaries
Institute**

**Call for Papers
and Presentations**

SYNOPSIS

A RAMBLE: SOME ACTUARIAL ISSUES WITH THE VALUATION OF INJURY SCHEMES

Michael Playford

Key words: Risk free discount rates, risk margins, superimposed inflation, claim handling expenses

Purpose of your paper: The author intends to be just a bit controversial, to challenge the status quo, and make some observations based on his experience on several actuarial issues associated with the valuation of accident compensation schemes in an attempt to get people to think about things. Issues include: risk free discount rates, risk margins, claim handling expenses and superimposed inflation.

Synopsis: This paper provides some thoughts by the author on several issues where he feels either the status quo approach to valuing government owned accident compensation schemes needs to be challenged or he struggles to know how to best address some particular

The author struggles with the concept of what a risk free discount rate actually means in the context of a government owned accident compensation scheme and the proxy typically adopted based on observed yields on Commonwealth Government Securities.

Similarly the role of a risk margin for Government owned schemes which are able, and often do, operate with a deficit is another perplexing issue to the author. What should the capital standards be for a government owned accident compensation scheme?

The author then intends to make some observations on his experience with some other challenging valuation assumptions including claim handling expenses, superimposed inflation, and mortality and morbidity assumptions for catastrophically injured claimants.