

12th Accident Compensation Seminar 2009

Rising to the Challenge



Institute of Actuaries of Australia

Melbourne • 22nd – 24th November 2009

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CTP Schemes Comparison

CTP Working Group

**Paul Driessen
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Neil Donlevy
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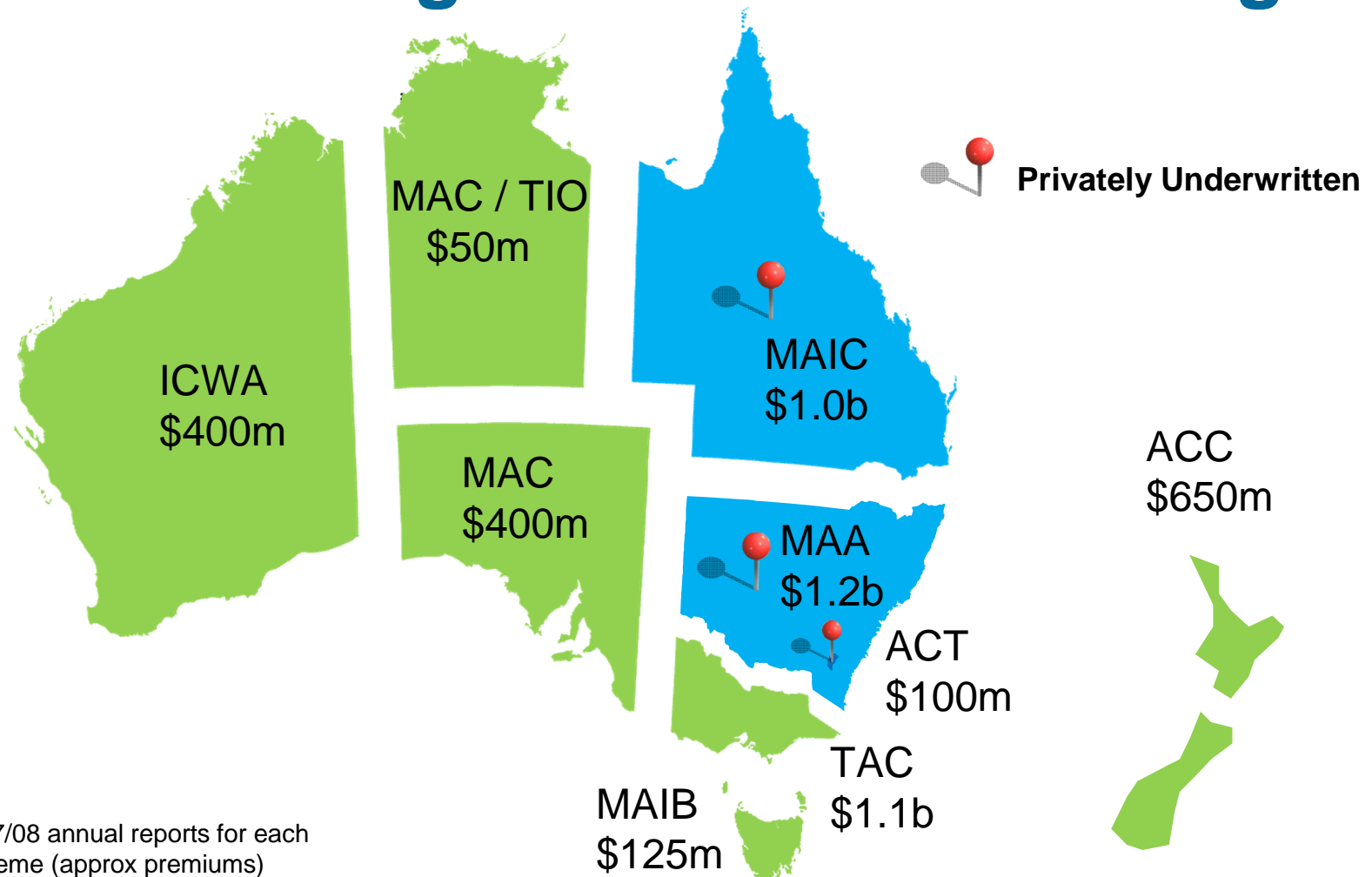
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Scheme Background – Underwriting



Source: 2007/08 annual reports for each Scheme (approx premiums)

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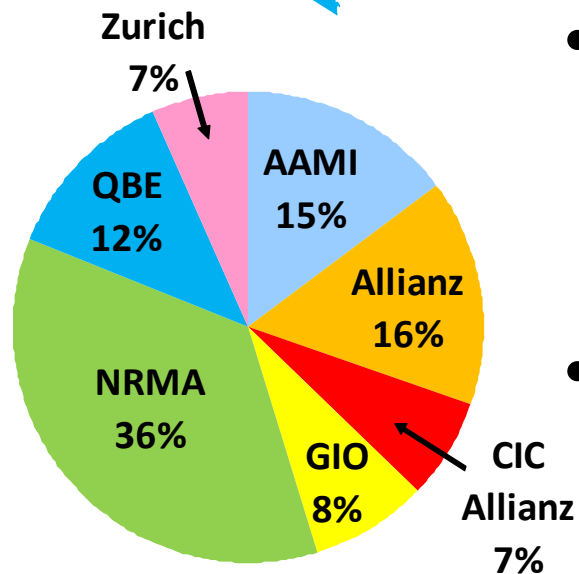
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New South Wales – Recent Changes



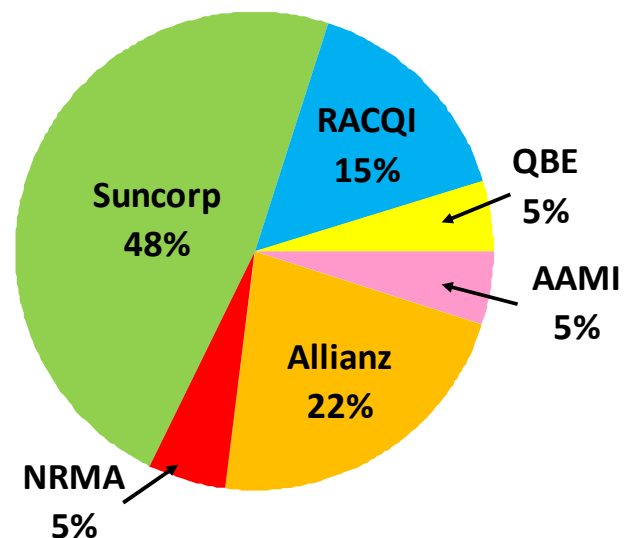
- MACA 2006
 - Blameless accidents receive compensation from 1 Oct 2007
 - LTCS available to adults from 1 Oct 2007
- MACA 2007
 - Increased ANF threshold to \$5,000 from \$500
 - ANF now allows for past loss of earnings
- 2009 amendments
 - Bulk billing extended to any person injured in a motor vehicle accident

Source: 2007/08 annual reports for MAA and MAIC



Queensland – Current Changes

- Bill designed to introduce indexation to general damages limits and caps
- Other changes, including recognition of:
 - Loss of consortium
 - Gratuitous services





ACT – Recent Changes



- Changes designed to improve the efficiency of the Scheme
 - e.g. caps applied to legal fees for small claims
- Regulatory focus on introducing competition

NRMA
100%

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Northern Territory – Recent Changes



- Removal of common law rights
- Greater access to attendant care benefits
- Non-medical benefits may be reduced in certain circumstances
 - e.g. not wearing helmet



Other States – Recent Changes

- Always ongoing refinements
- For example:
 - WA - payments for transporting injured persons
 - Victoria - safety net income benefit for severe injuries (Nov 2007)
 - Tasmania - counselling benefits now paid





New Zealand – Recent Changes

- Injury Prevention, Rehabilitation, and Compensation Act (the 'IPRC Act')
- For example - expanded eligibility and entitlement provisions for weekly compensation
- Injury Prevention, Rehabilitation, and Compensation Amendment Bill and the "Stock Take".
We'll know more in February 2010



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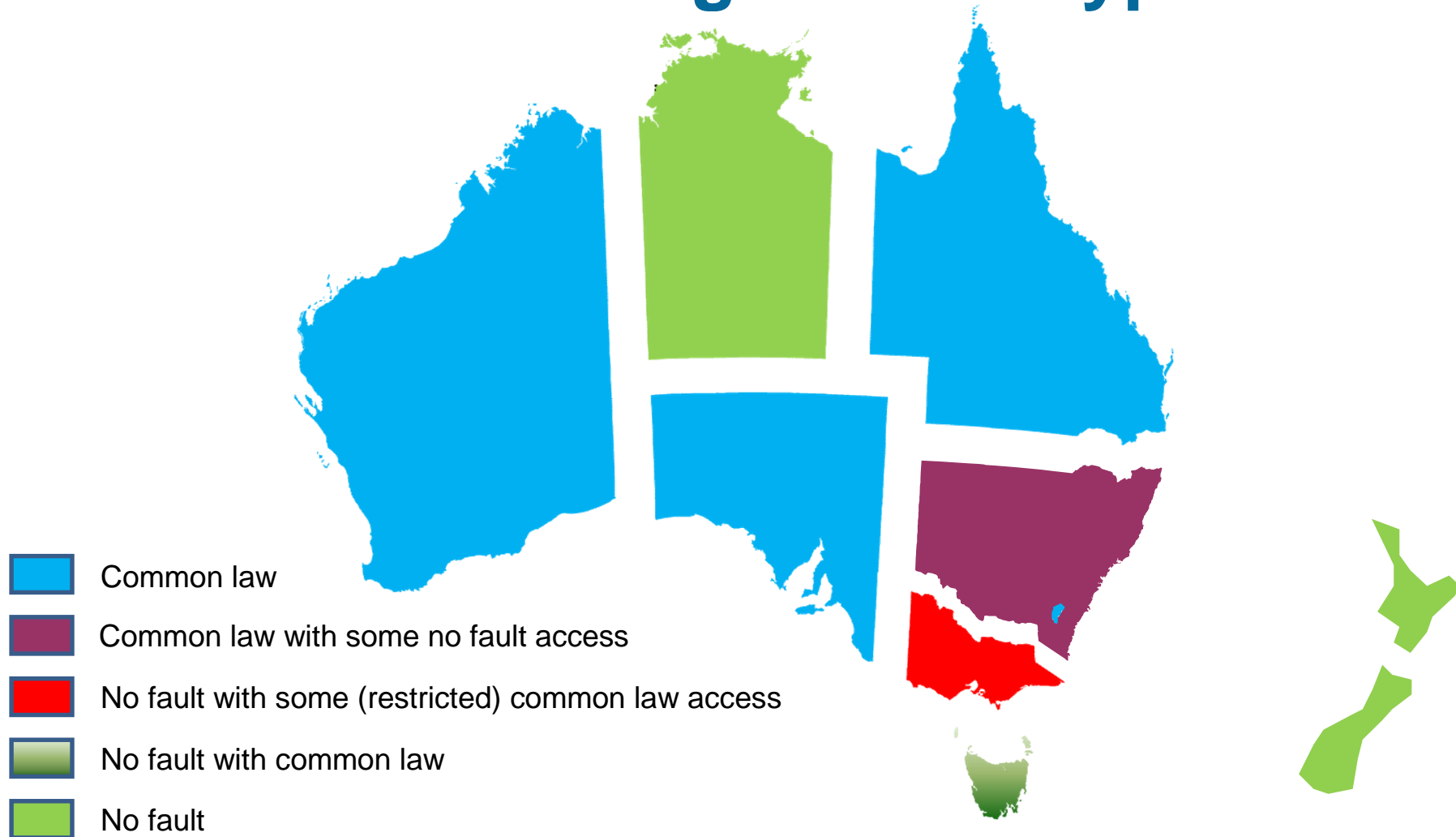
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Scheme Background – Types



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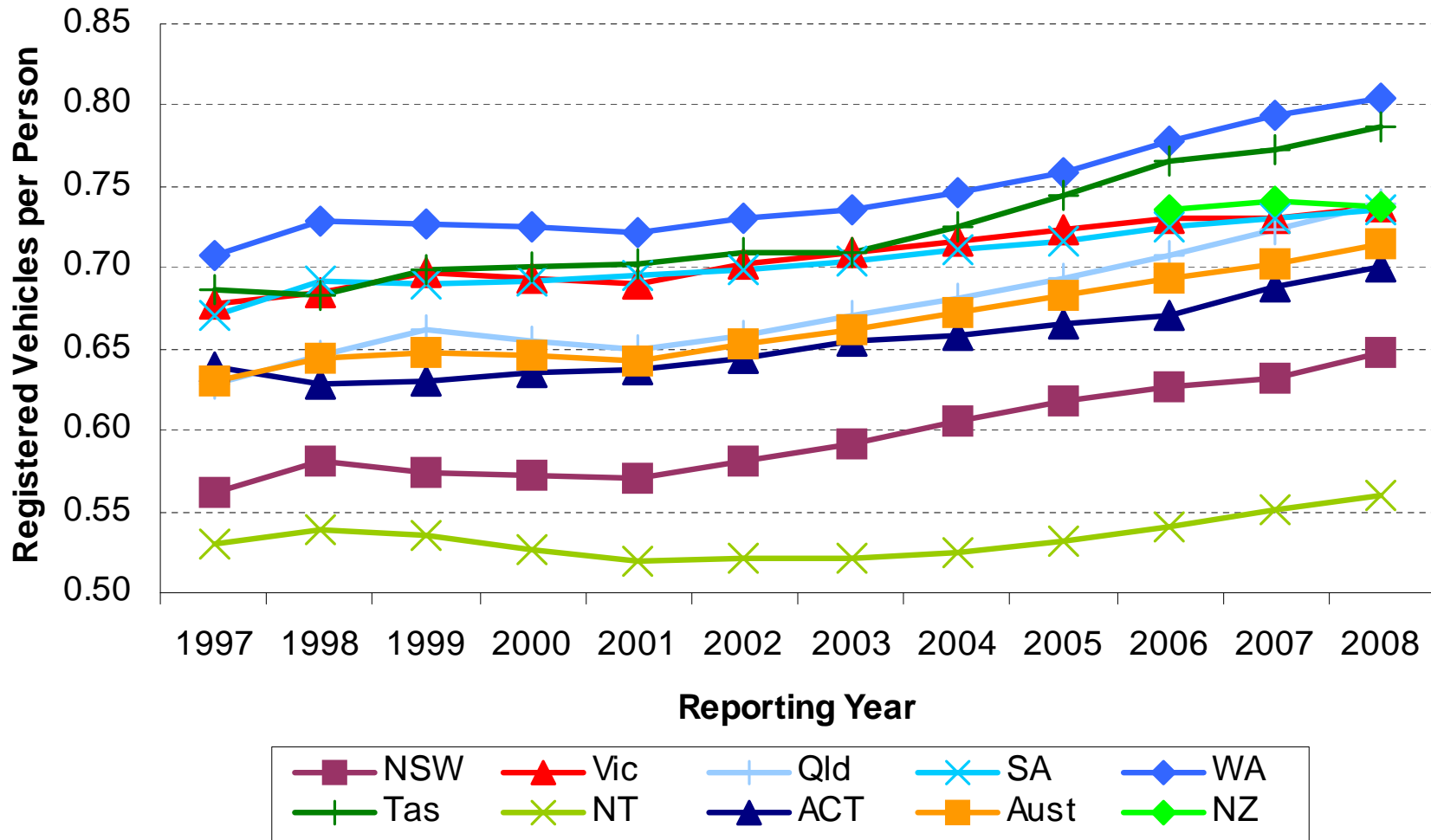
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Registered Vehicles per Person



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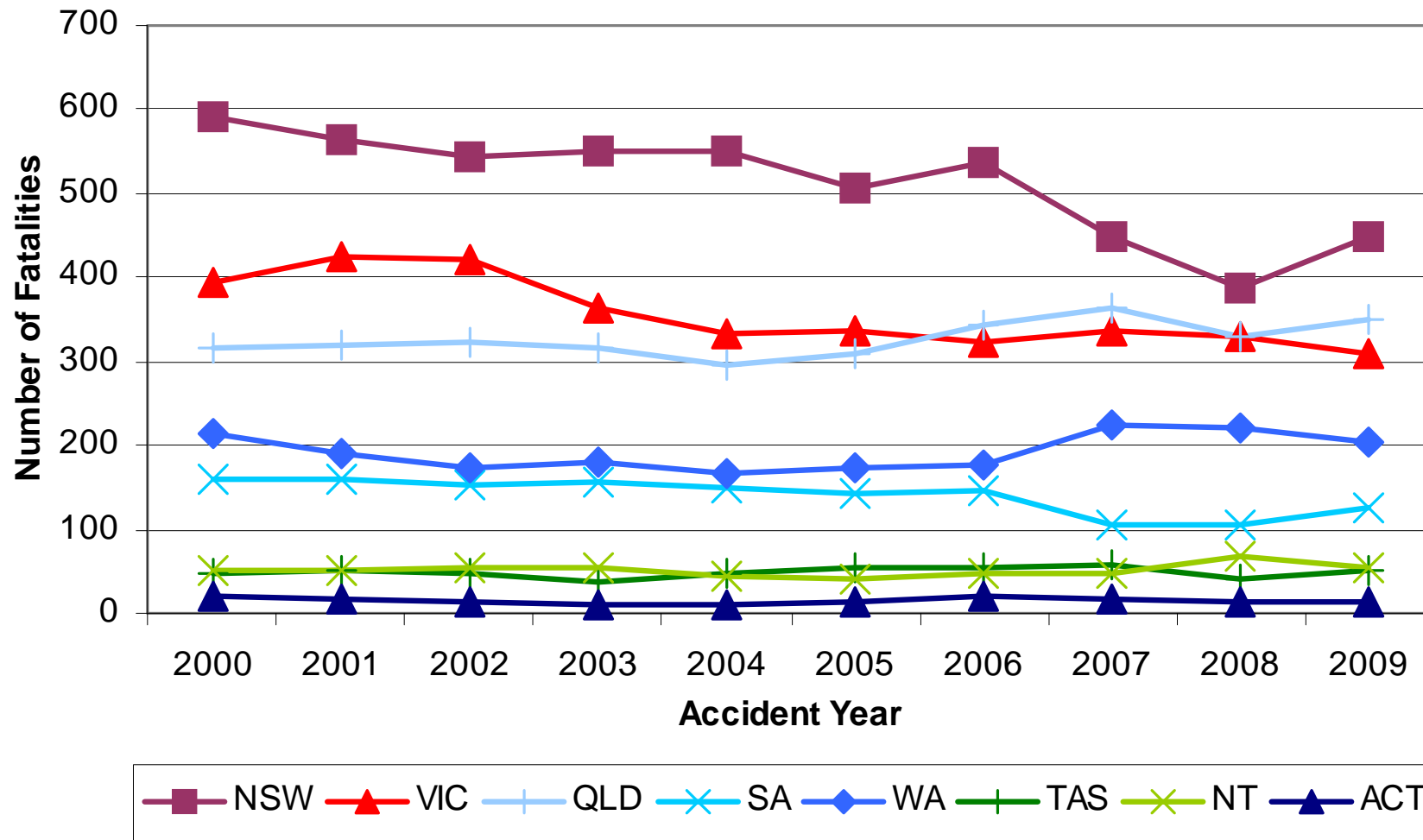
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Fatalities



Source: International Road Safety Comparisons: The 2007 Report (July 2009), Department of Infrastructure, Transport, Regional Development and Local Government

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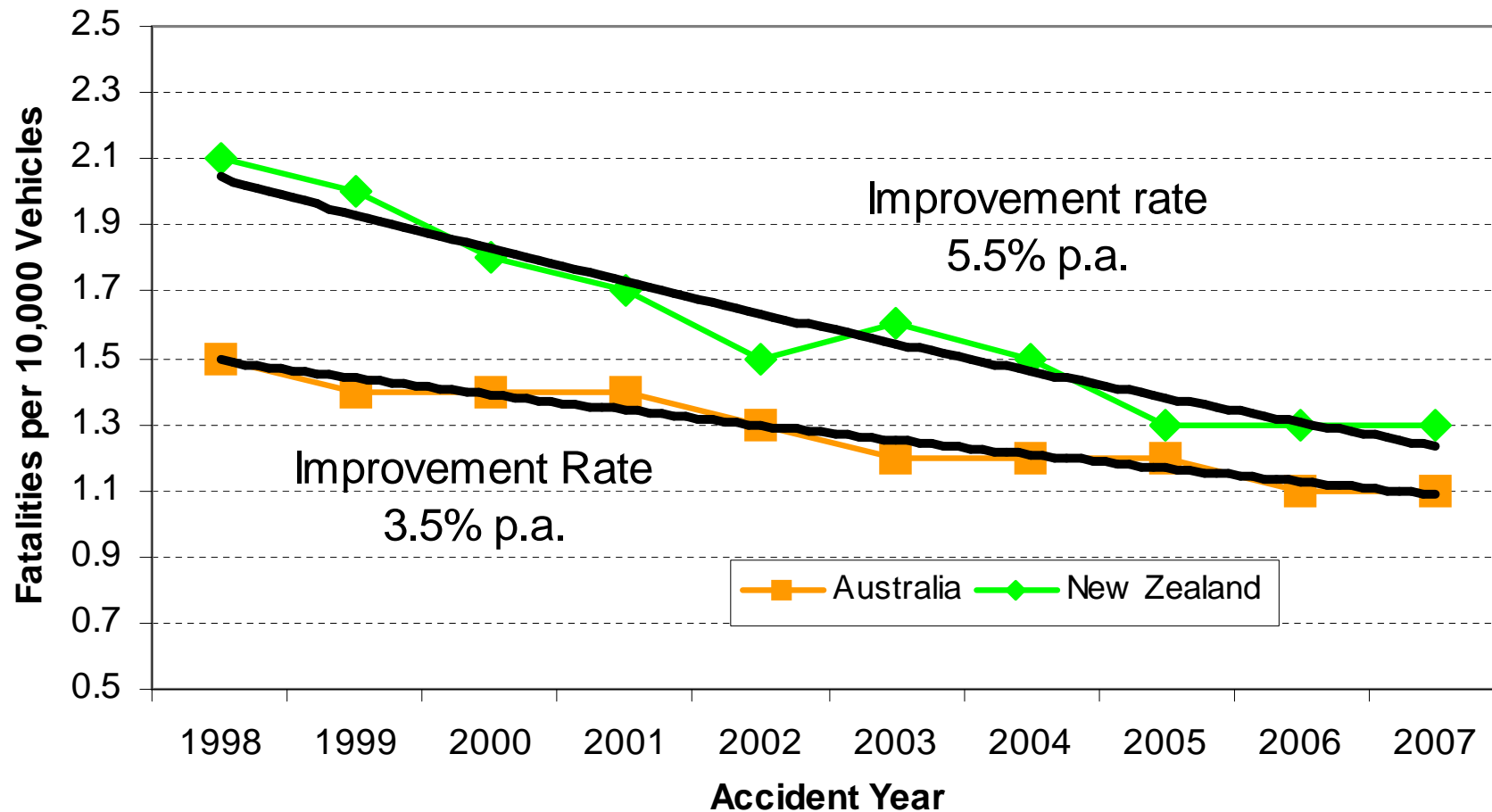


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Fatalities

Improvement in Fatality Rate - Ten Year Exponential Fit



Source: International Road Safety Comparisons: The 2007 Report (July 2009), Department of Infrastructure, Transport, Regional Development and Local Government

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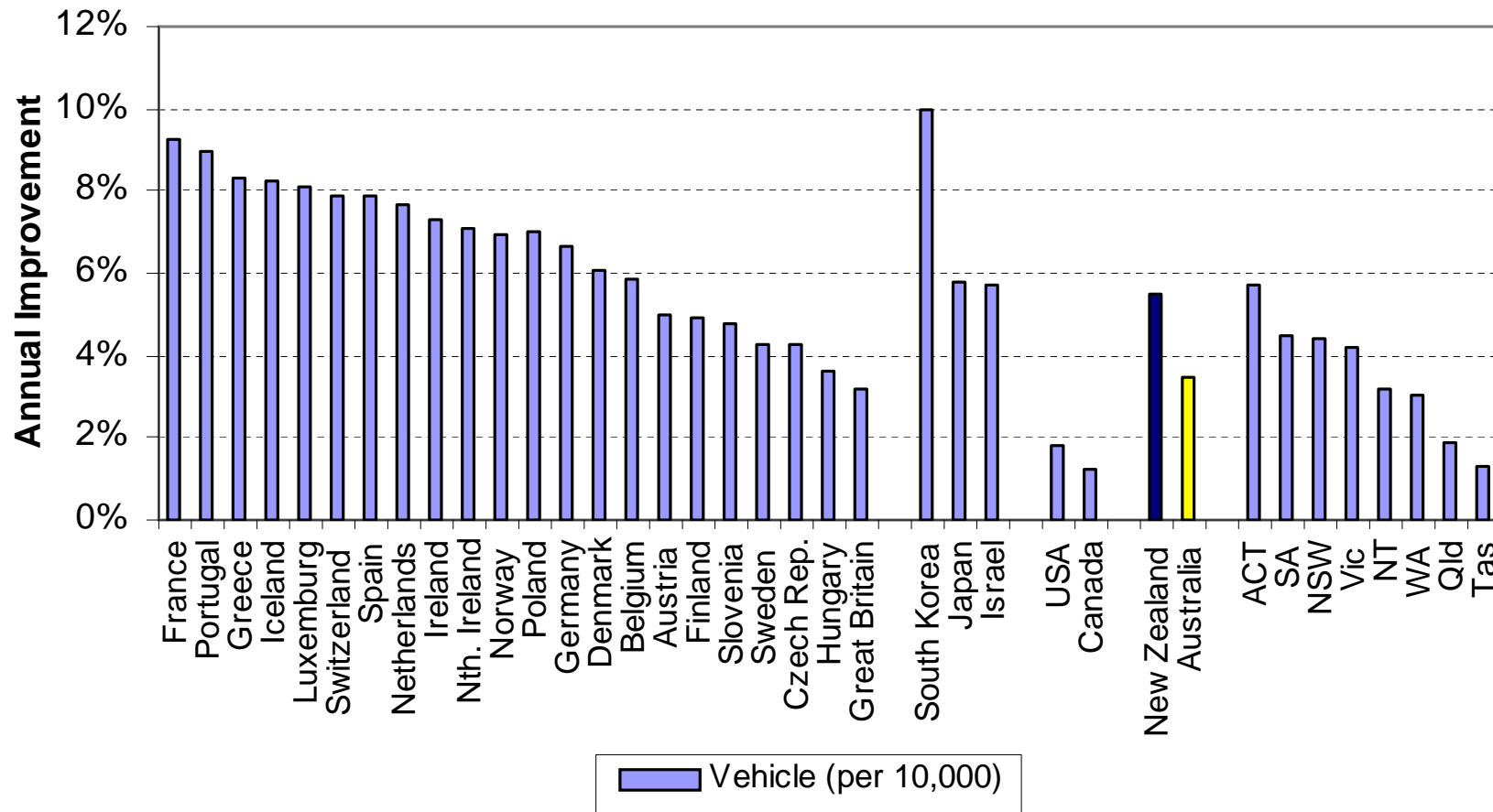


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Fatalities

Fatality Rate Improvement - Ten Year Exponential Trend (1998-2007)



Source: International Road Safety Comparisons: The 2007 Report (July 2009), Department of Infrastructure, Transport, Regional Development and Local Government

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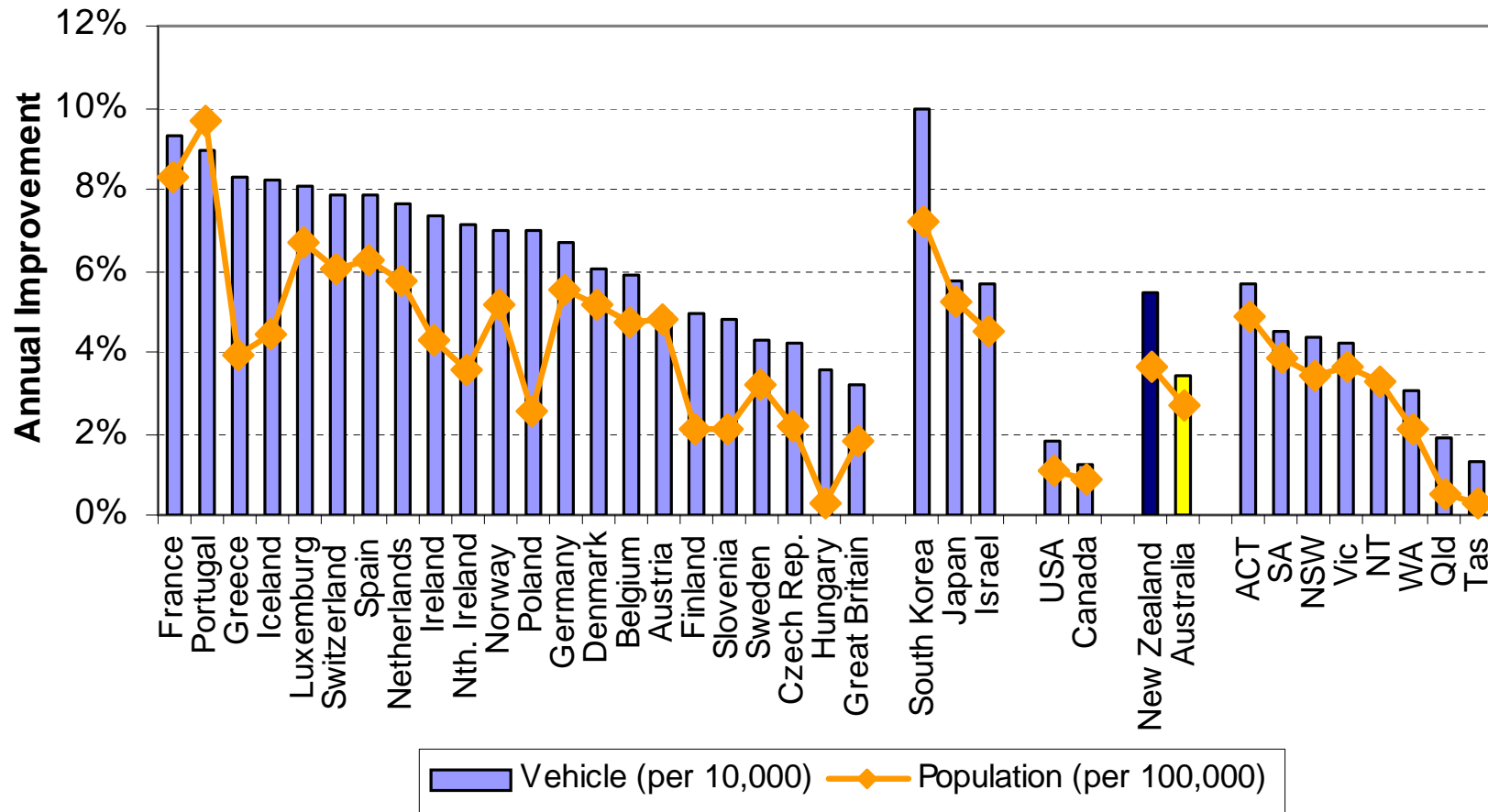


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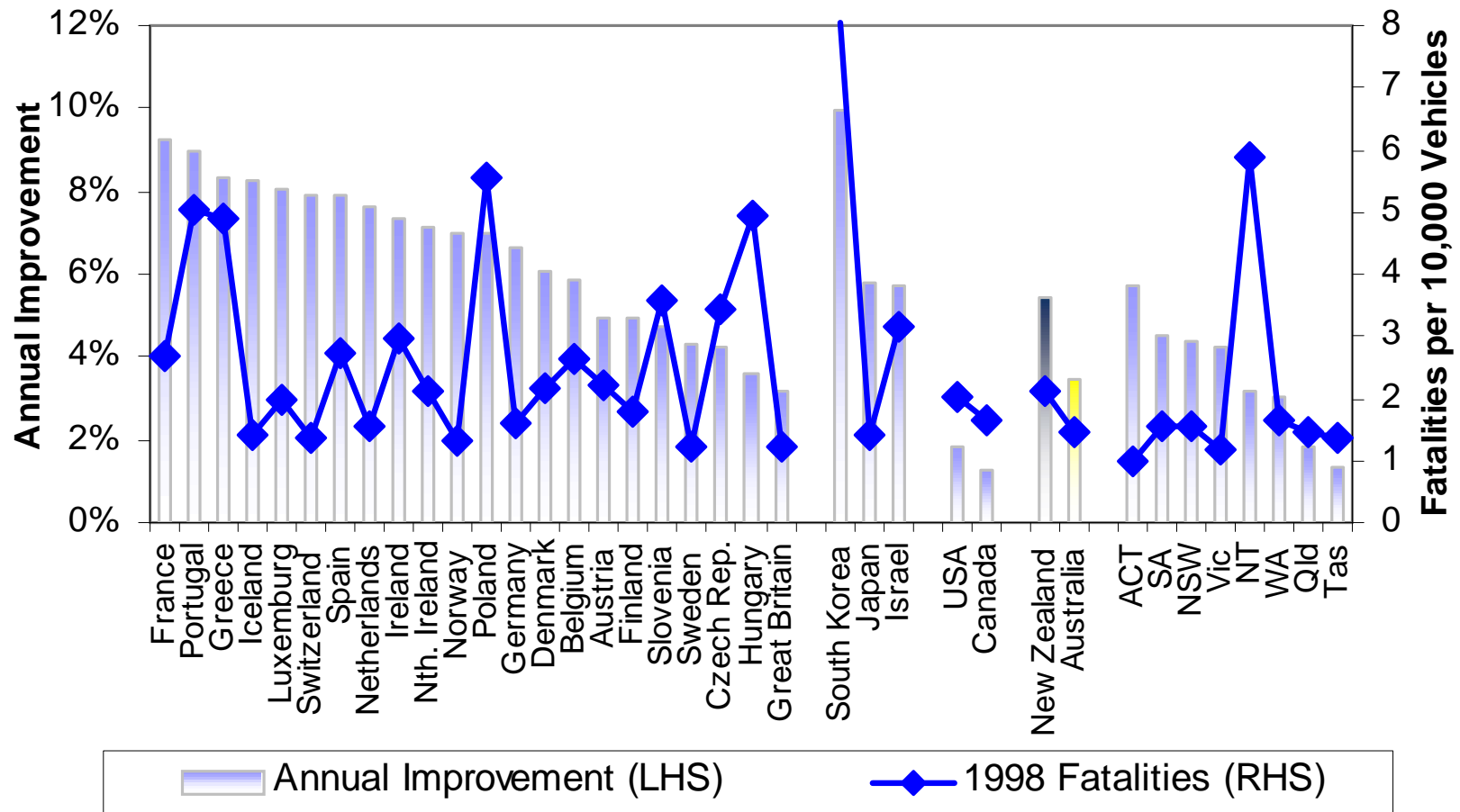


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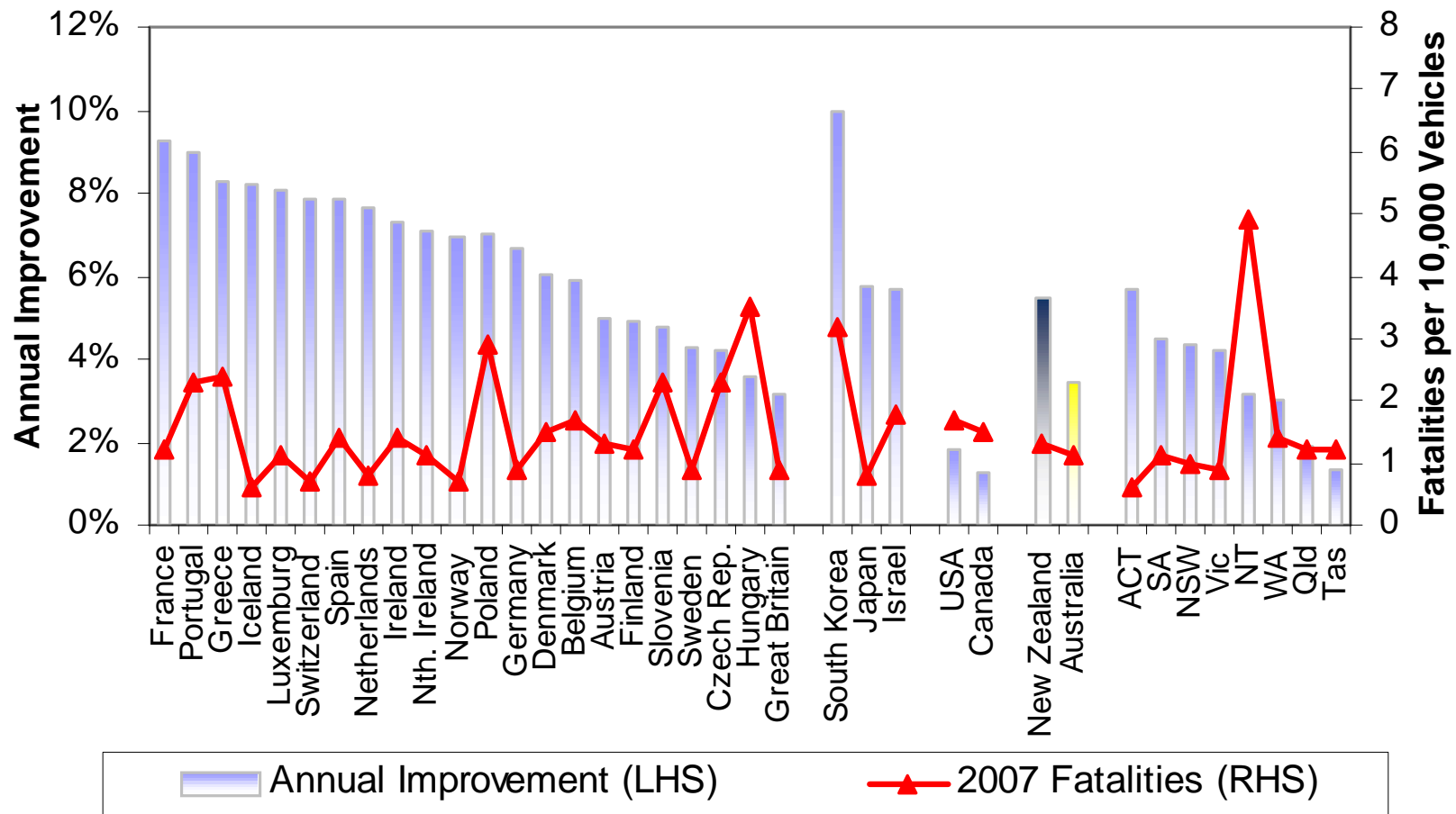


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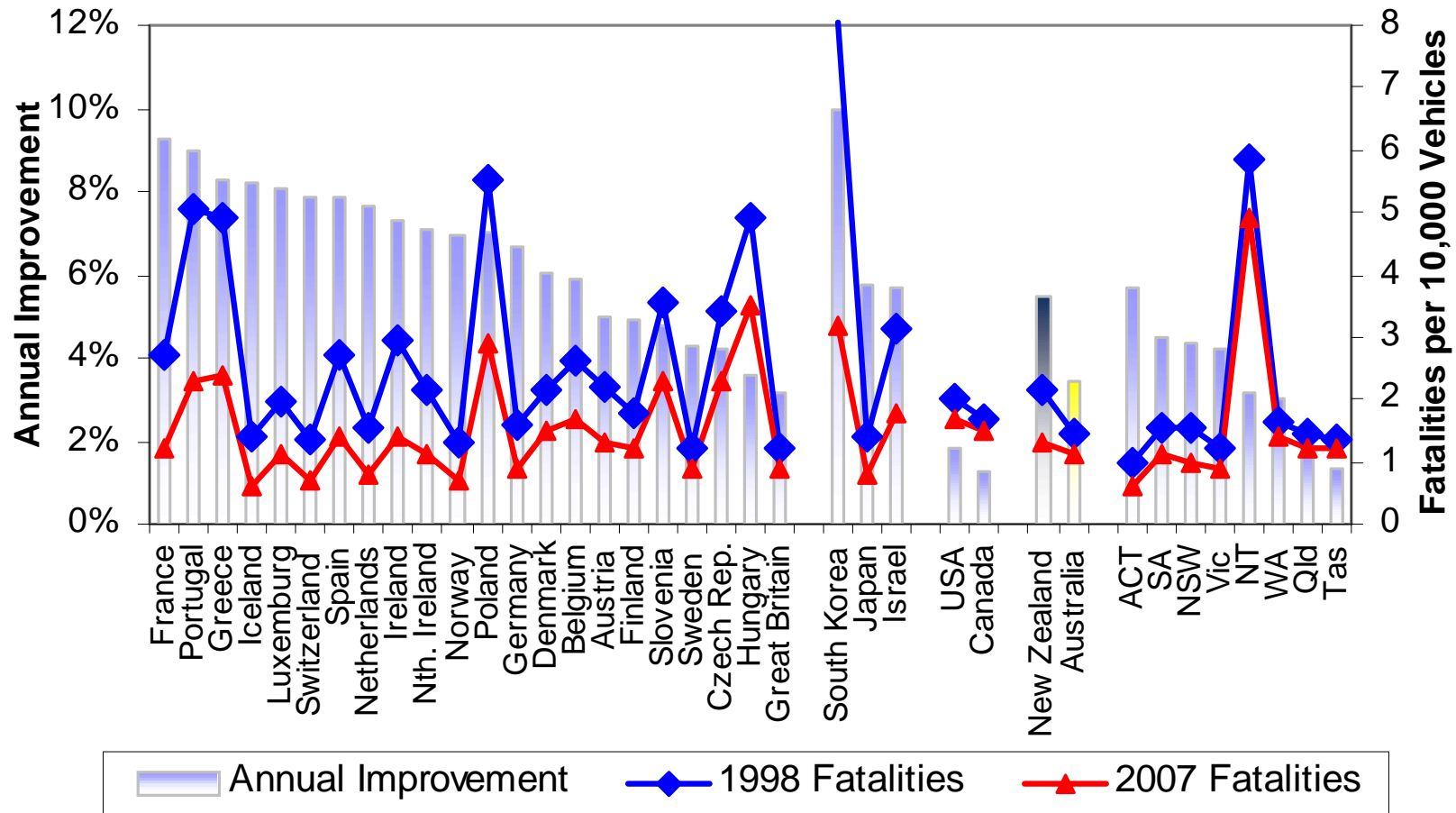


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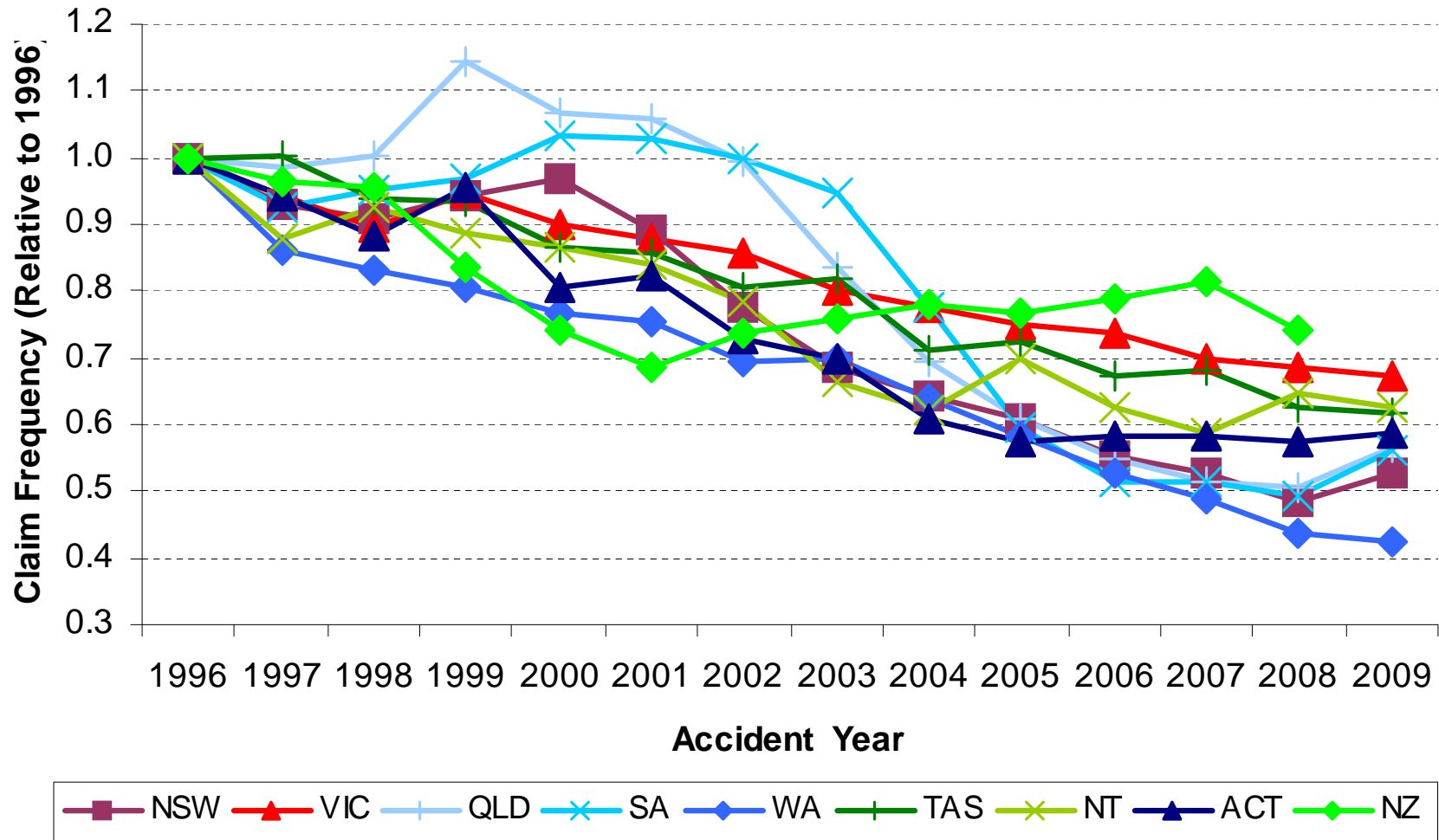
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Ultimate Claim Frequency Trend



Source: Claims data provided by each Scheme

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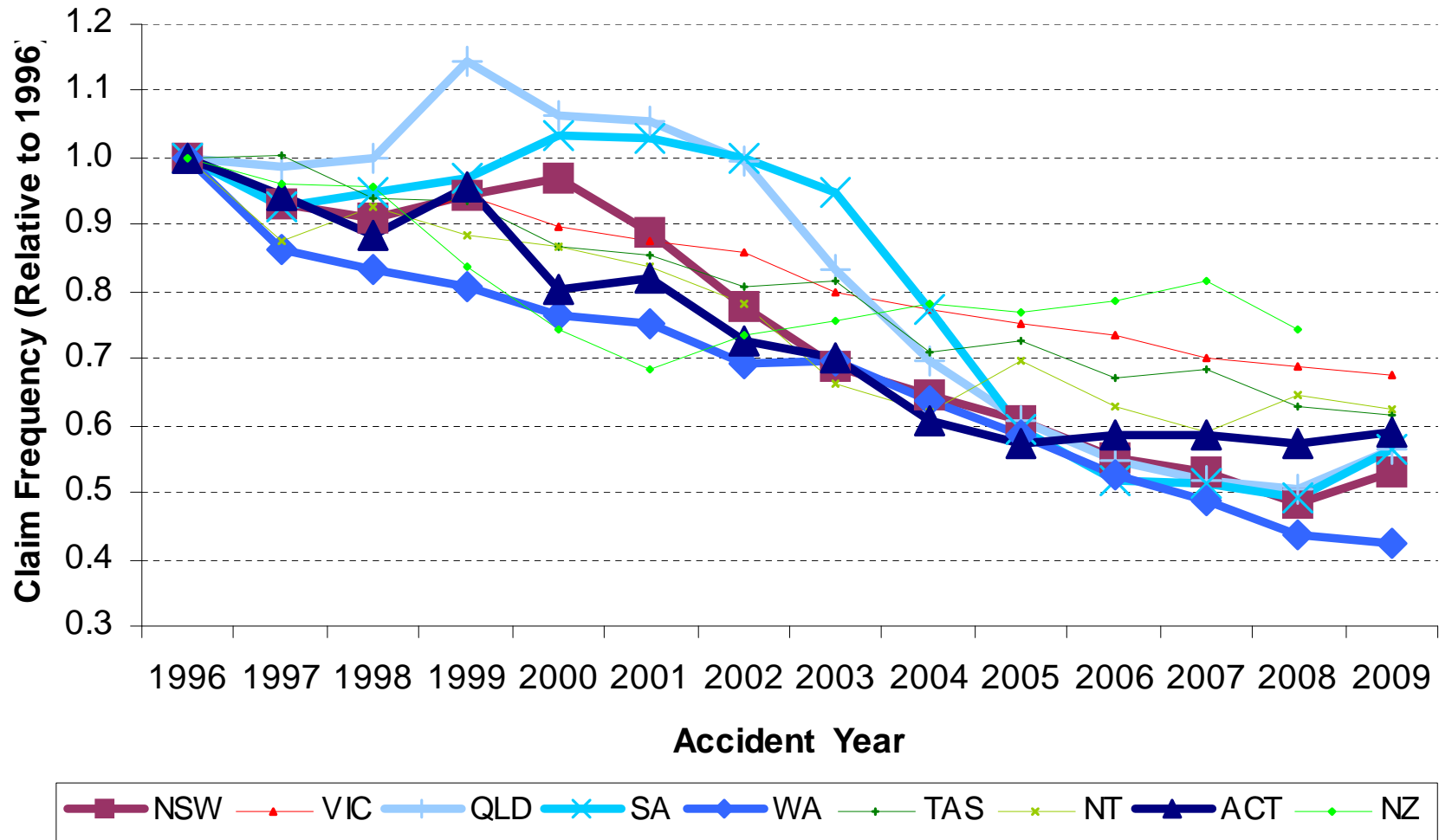
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Ultimate Claim Frequency Trend



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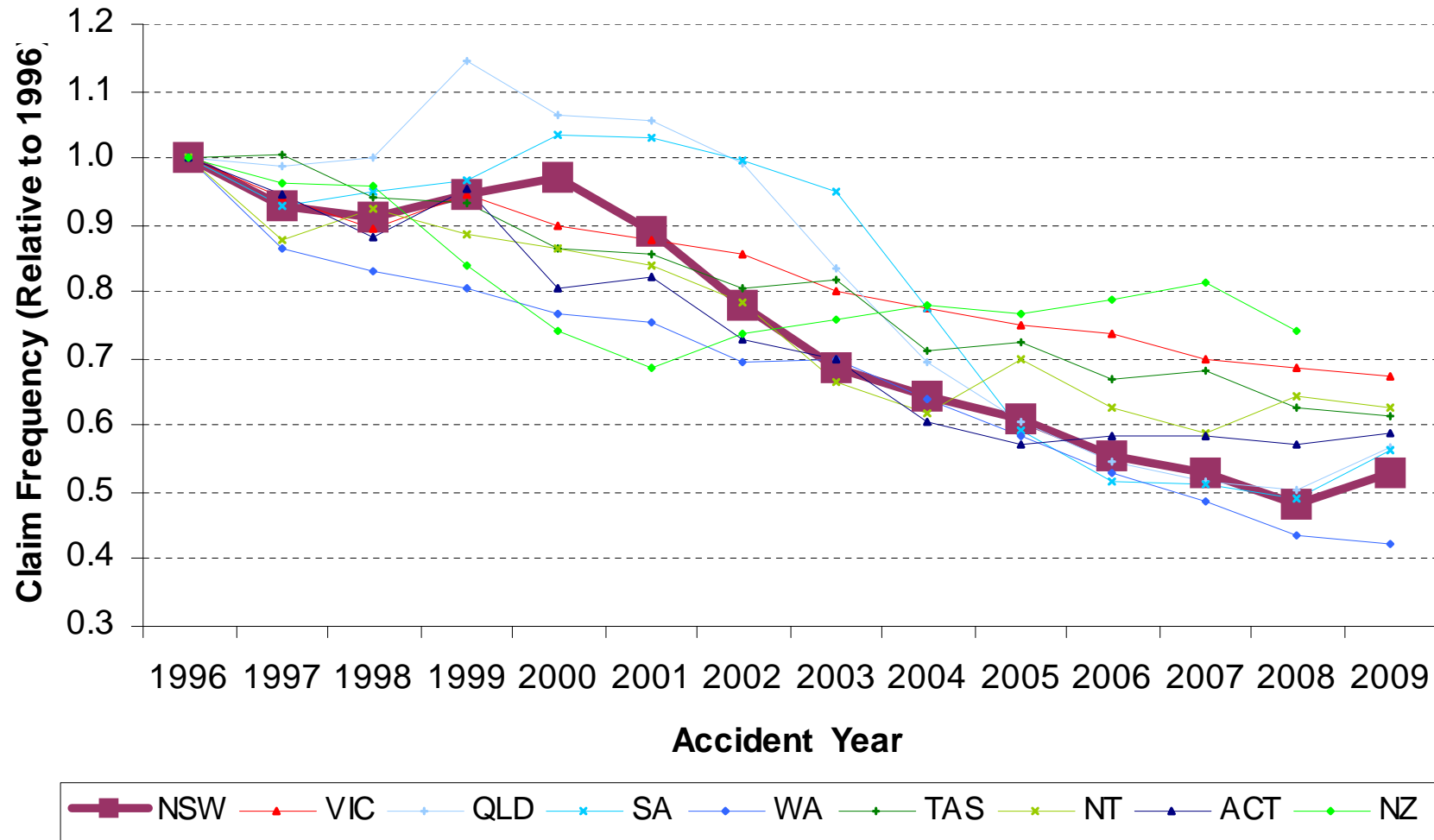
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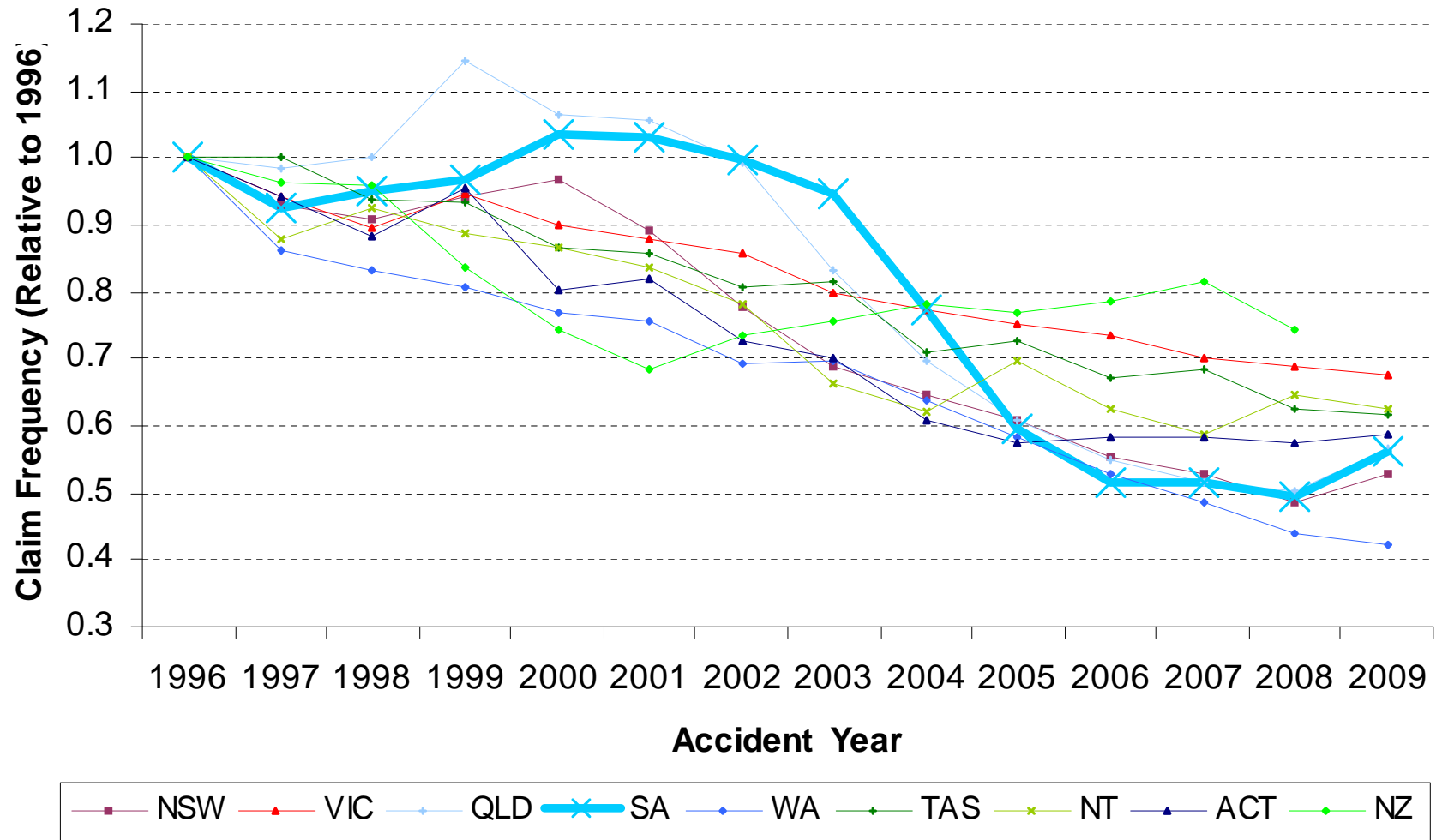
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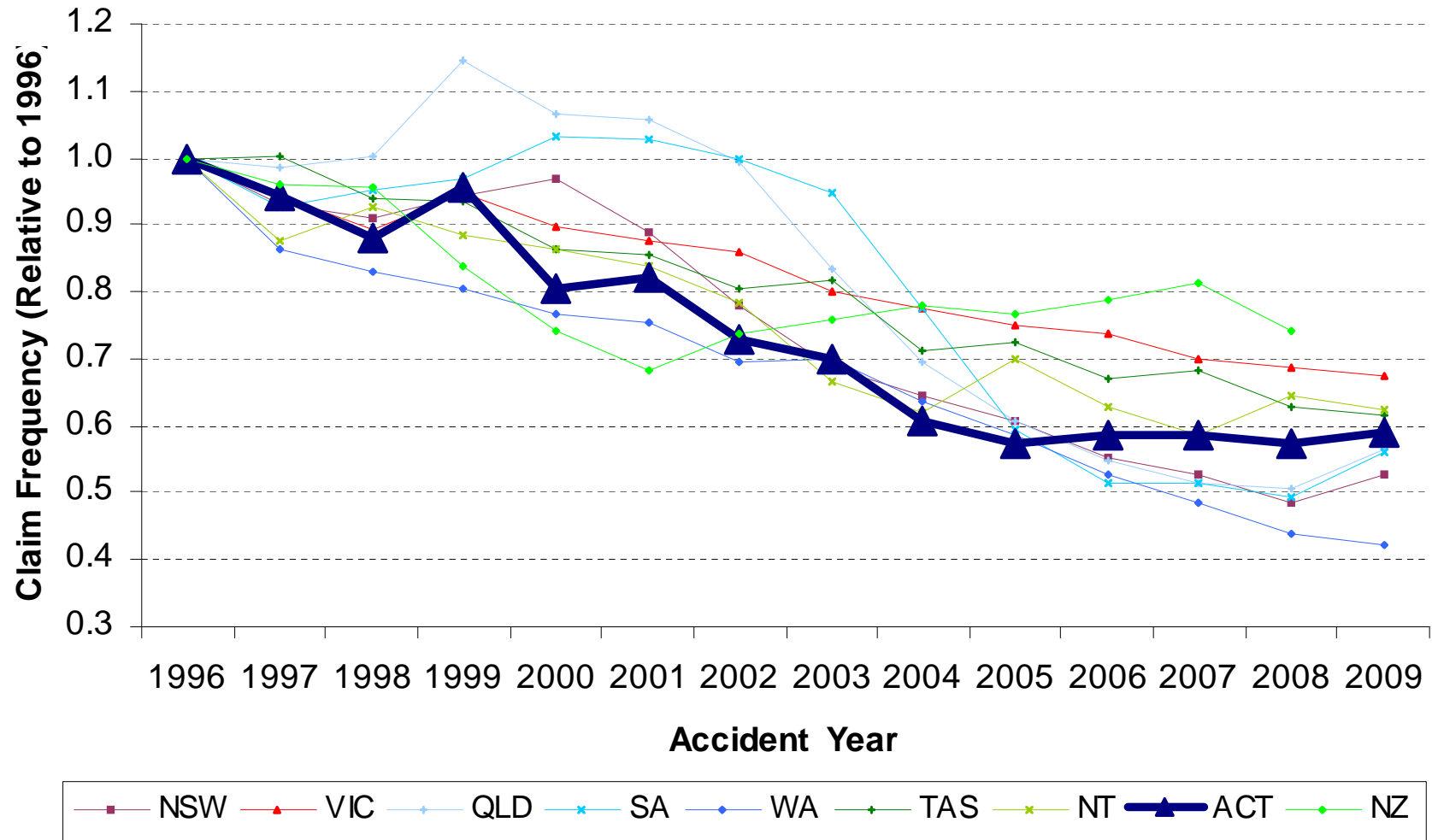
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Ultimate Claim Frequency Trend



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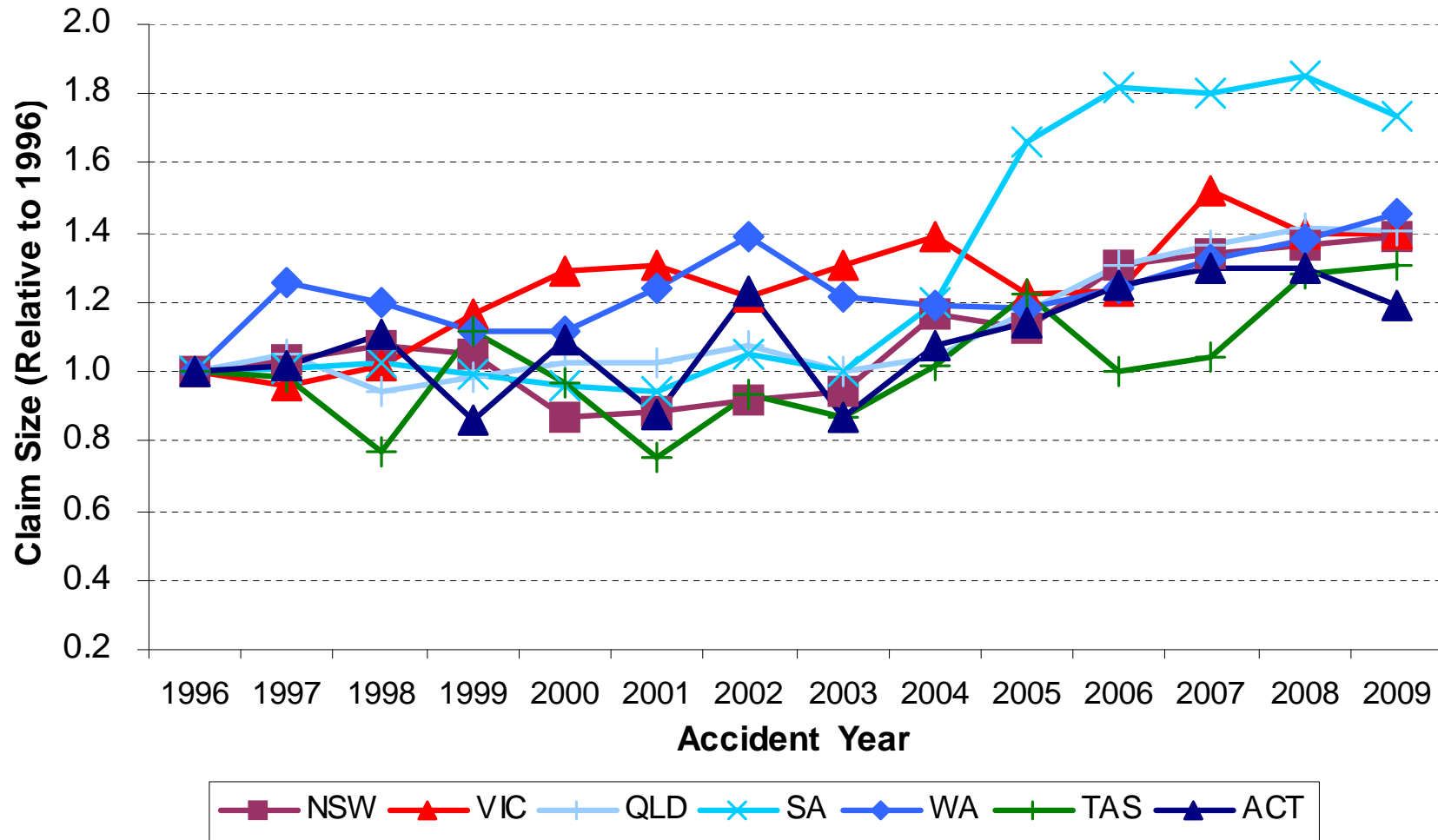
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Average Claim Size Trend



Source: Claims data provided by each Scheme

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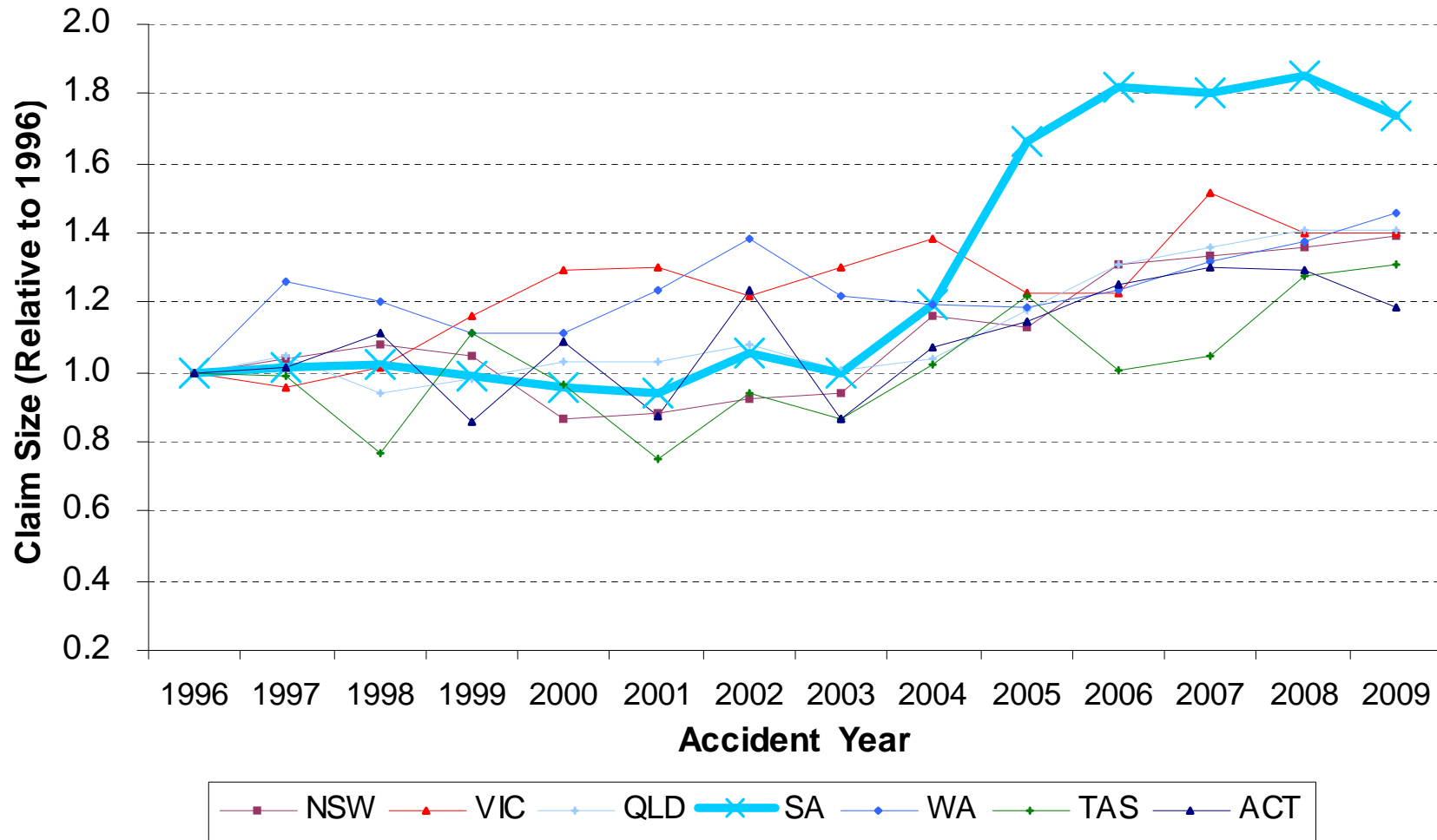
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Average Claim Size Trend



Source: Claims data provided by each Scheme

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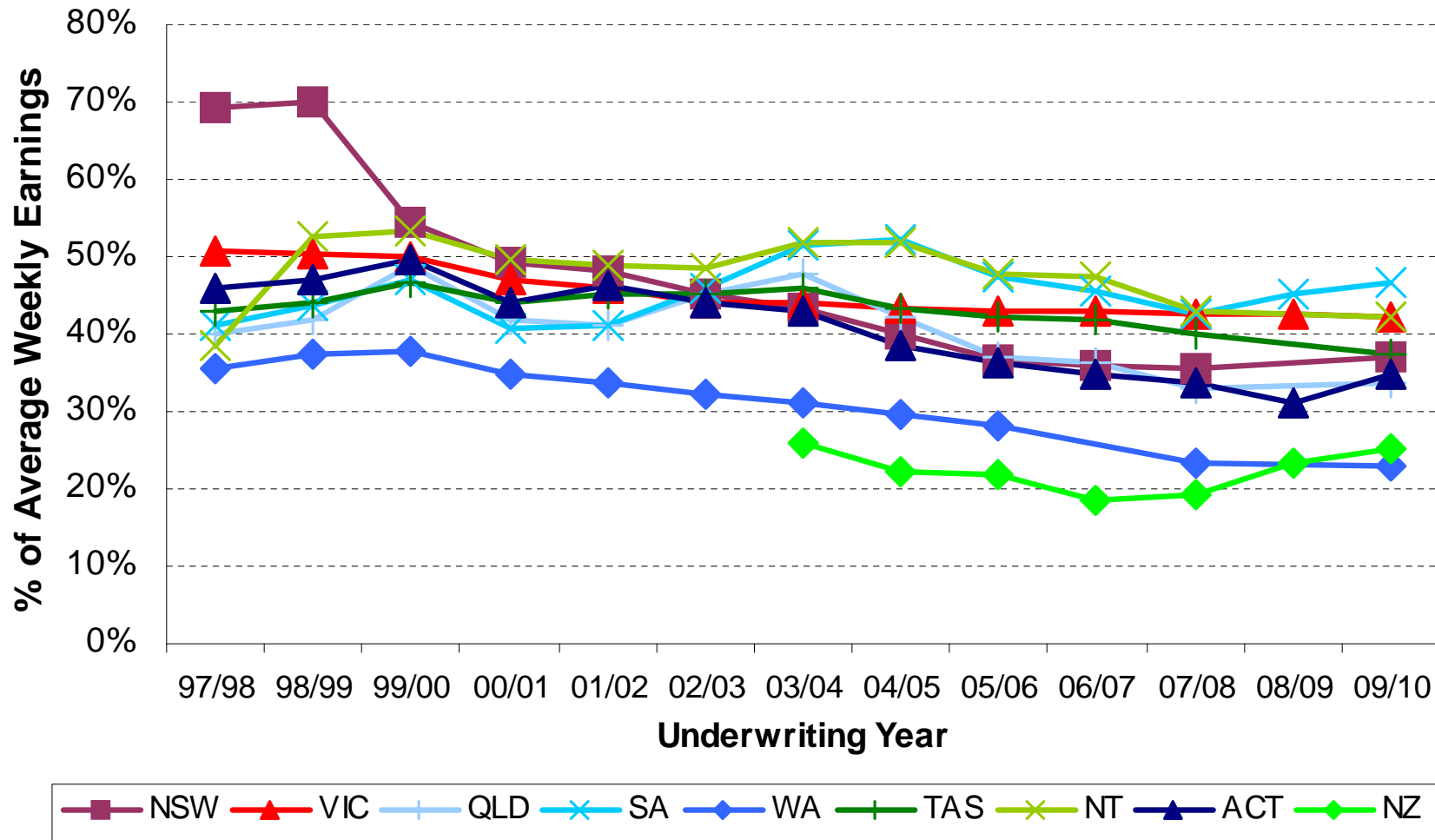
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Affordability – Premiums as % AWE



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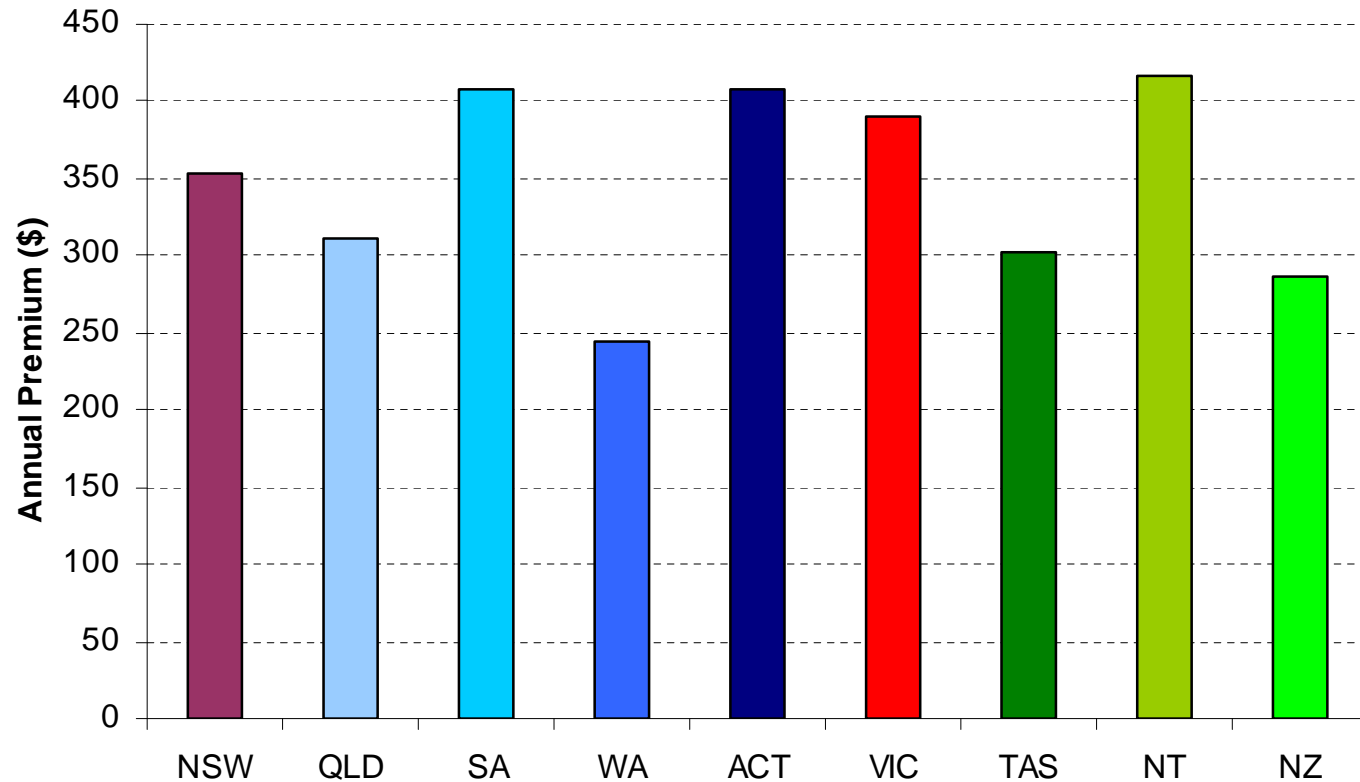
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2009/10 Premiums



Common law



Common law with some no fault access



No fault with some (restricted) common law access



No fault with common law



No fault



Premium Setting

- **Similarities:**
 - Discounted central estimate of claims and expenses
 - Allowance for profit margin/risk margin
 - Actuarial involvement
- **Differences:**
 - Fund view vs. Prospective accident year view
 - Discount rate
 - Actuarial guidance

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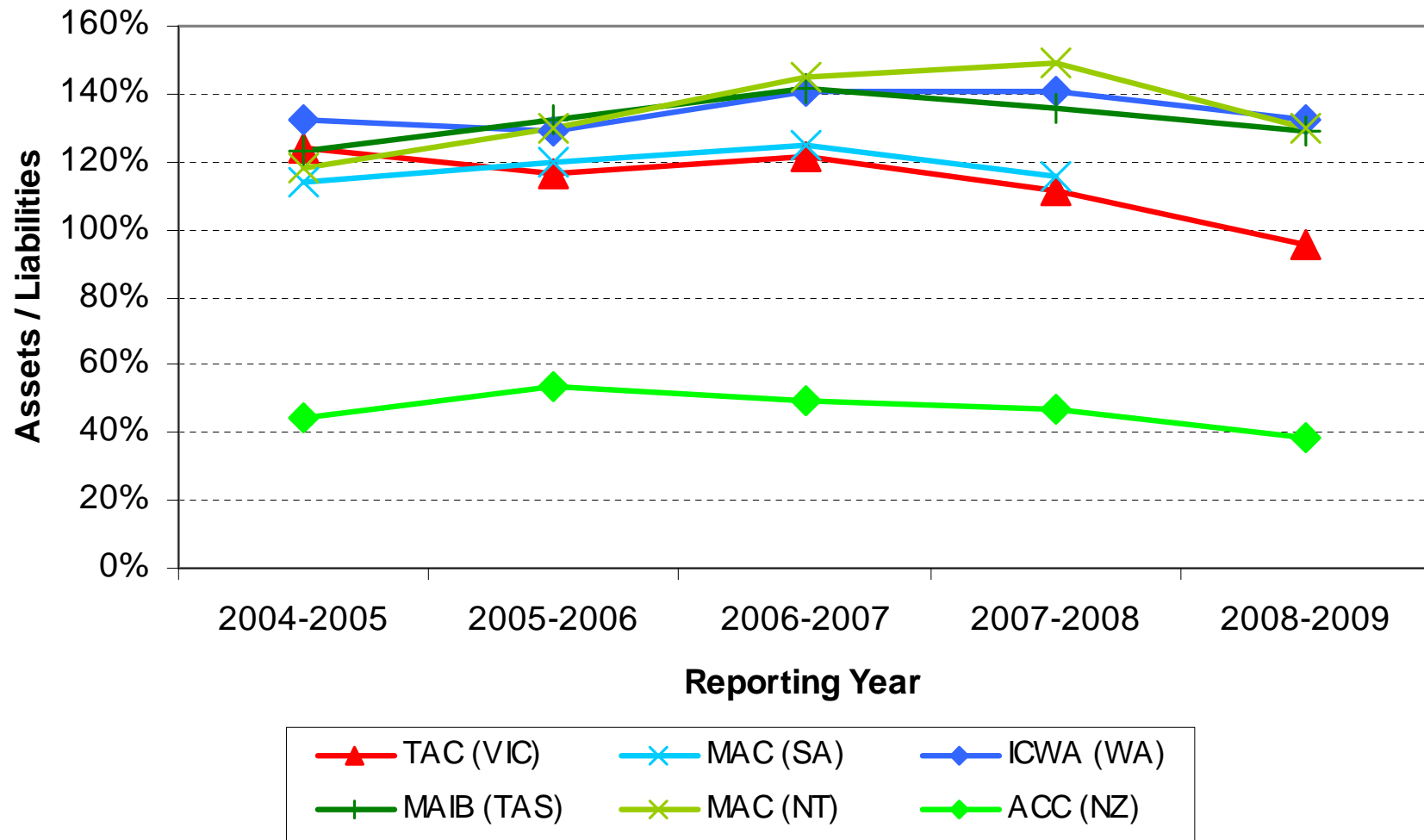
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Funding Ratio



Source: Scheme Annual Reports

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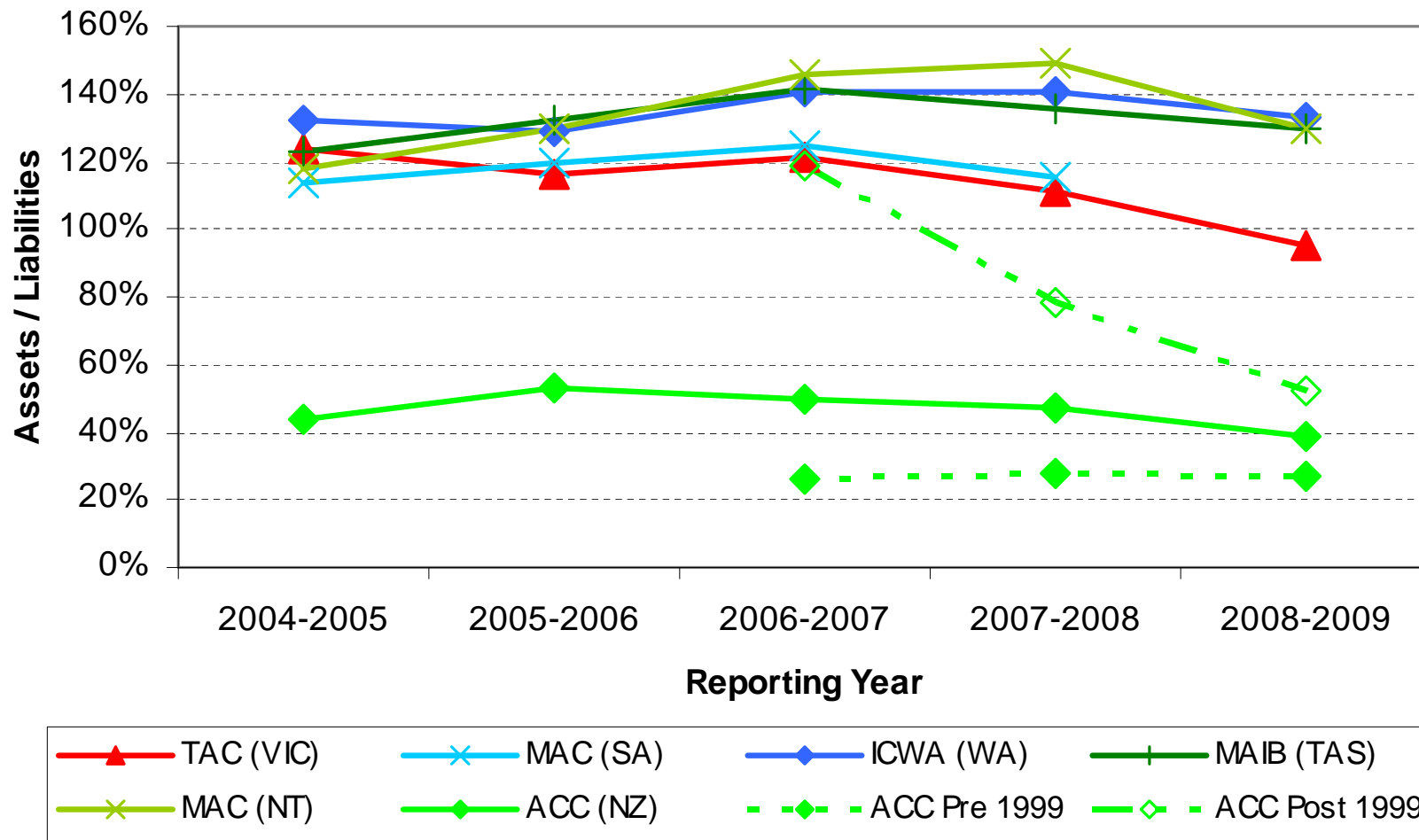
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Funding Ratio



Source: Scheme Annual Reports

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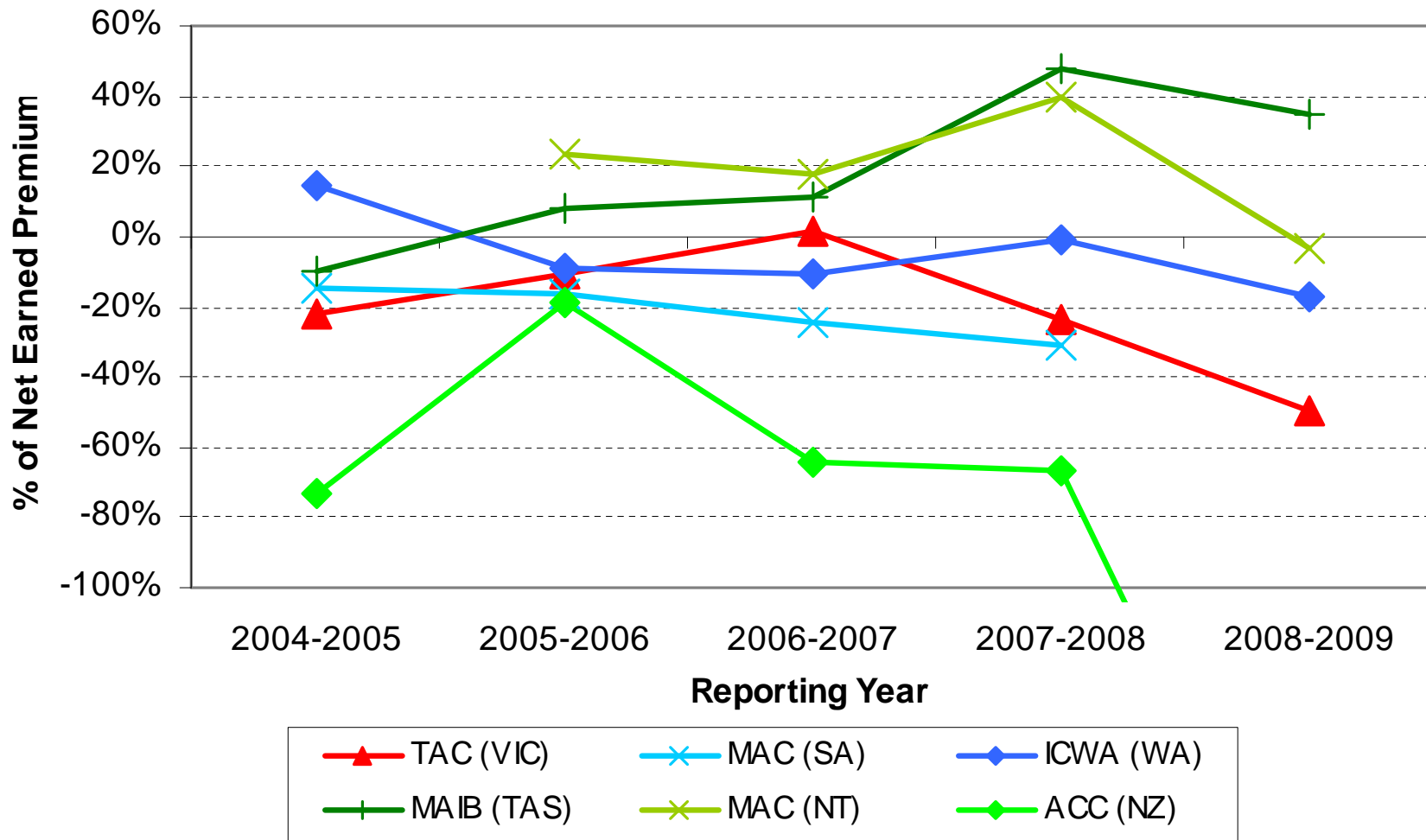
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Underwriting Result



Source: Scheme Annual Reports

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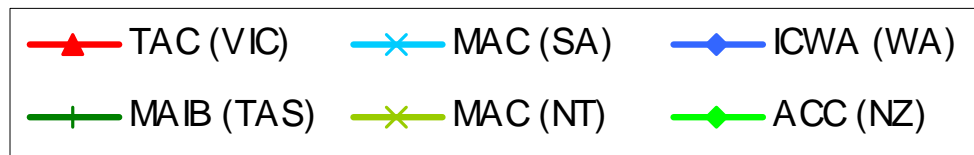
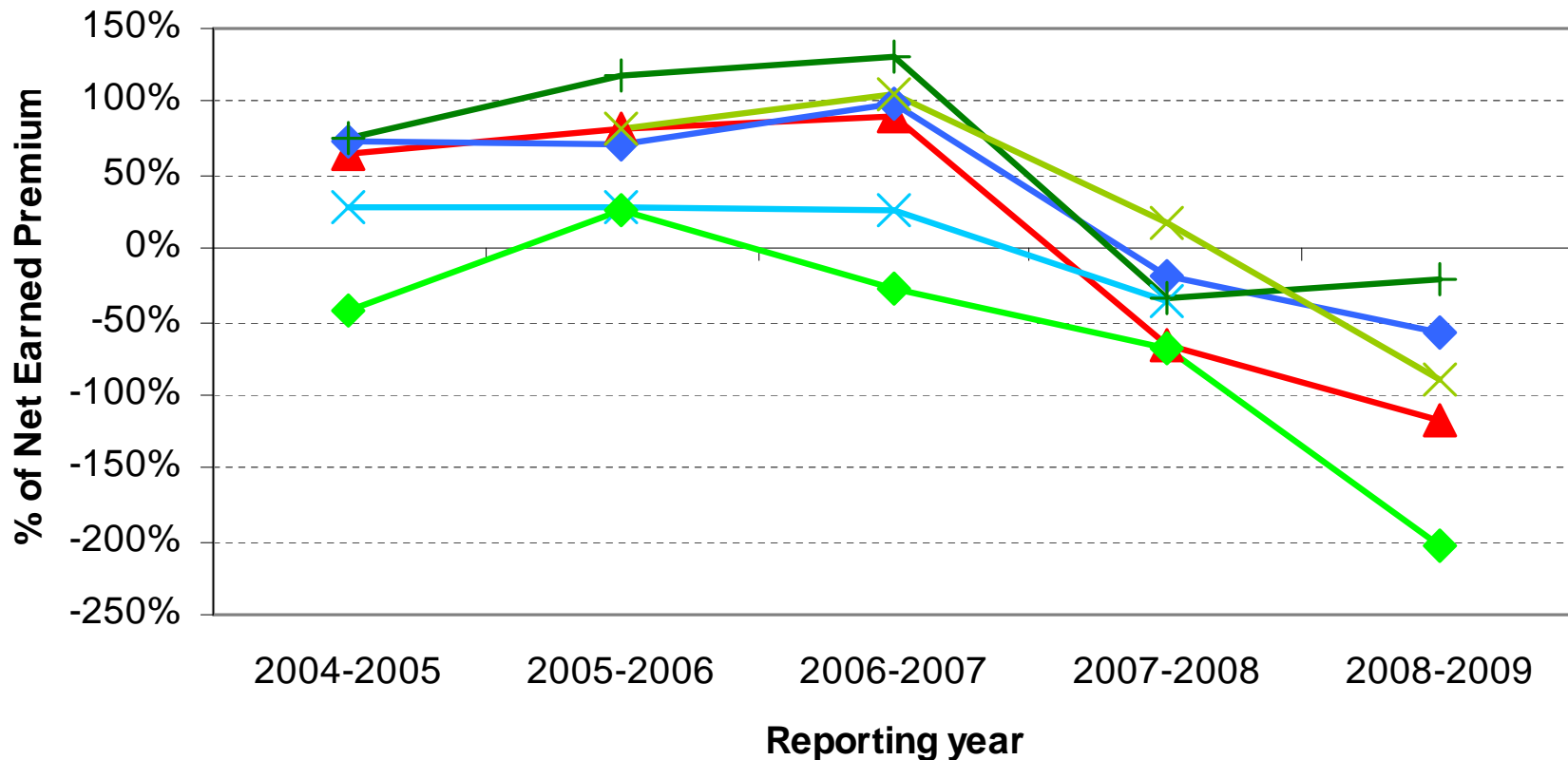
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Profit (Pre Tax)



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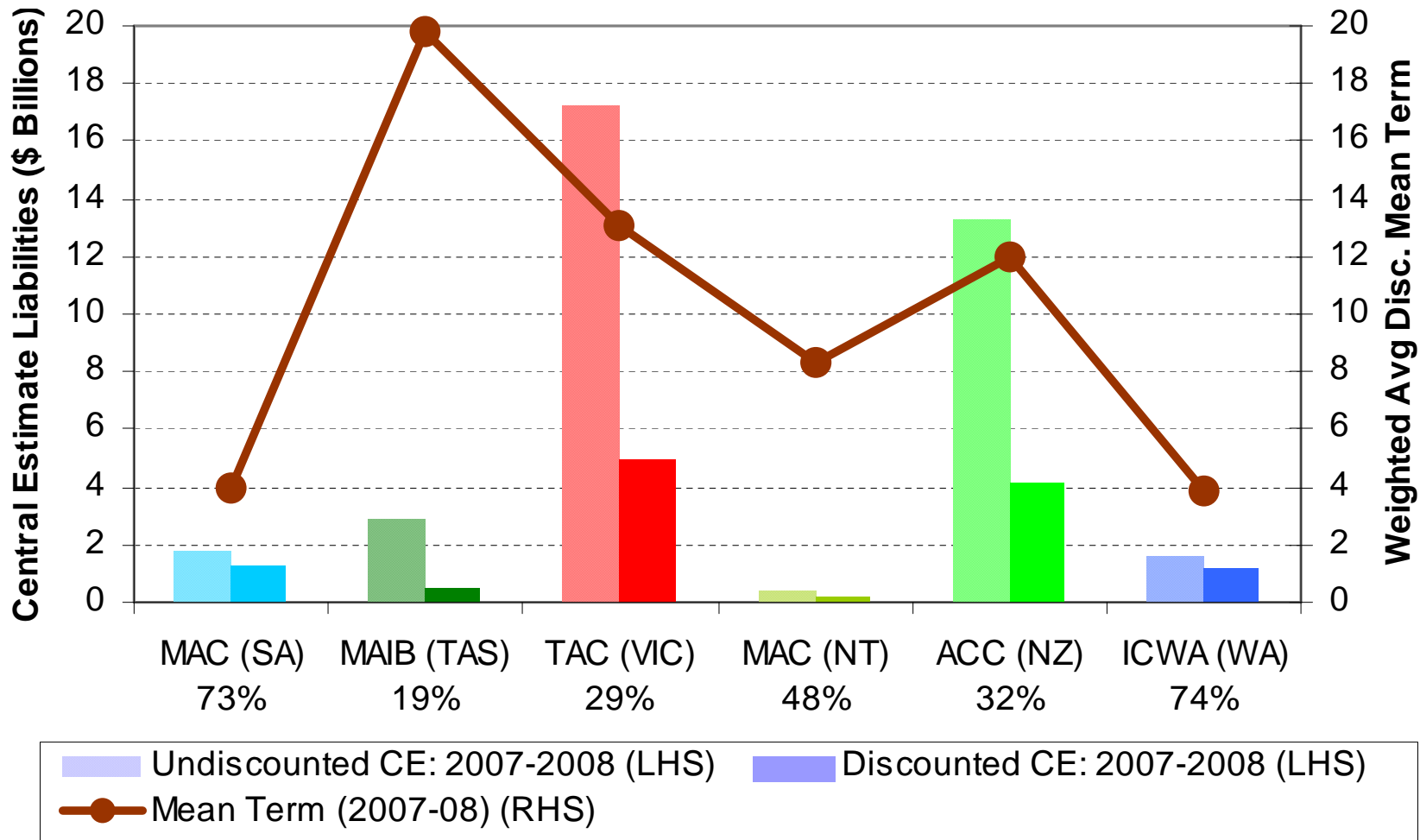
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Discounting Effect



Source: Scheme Annual Reports

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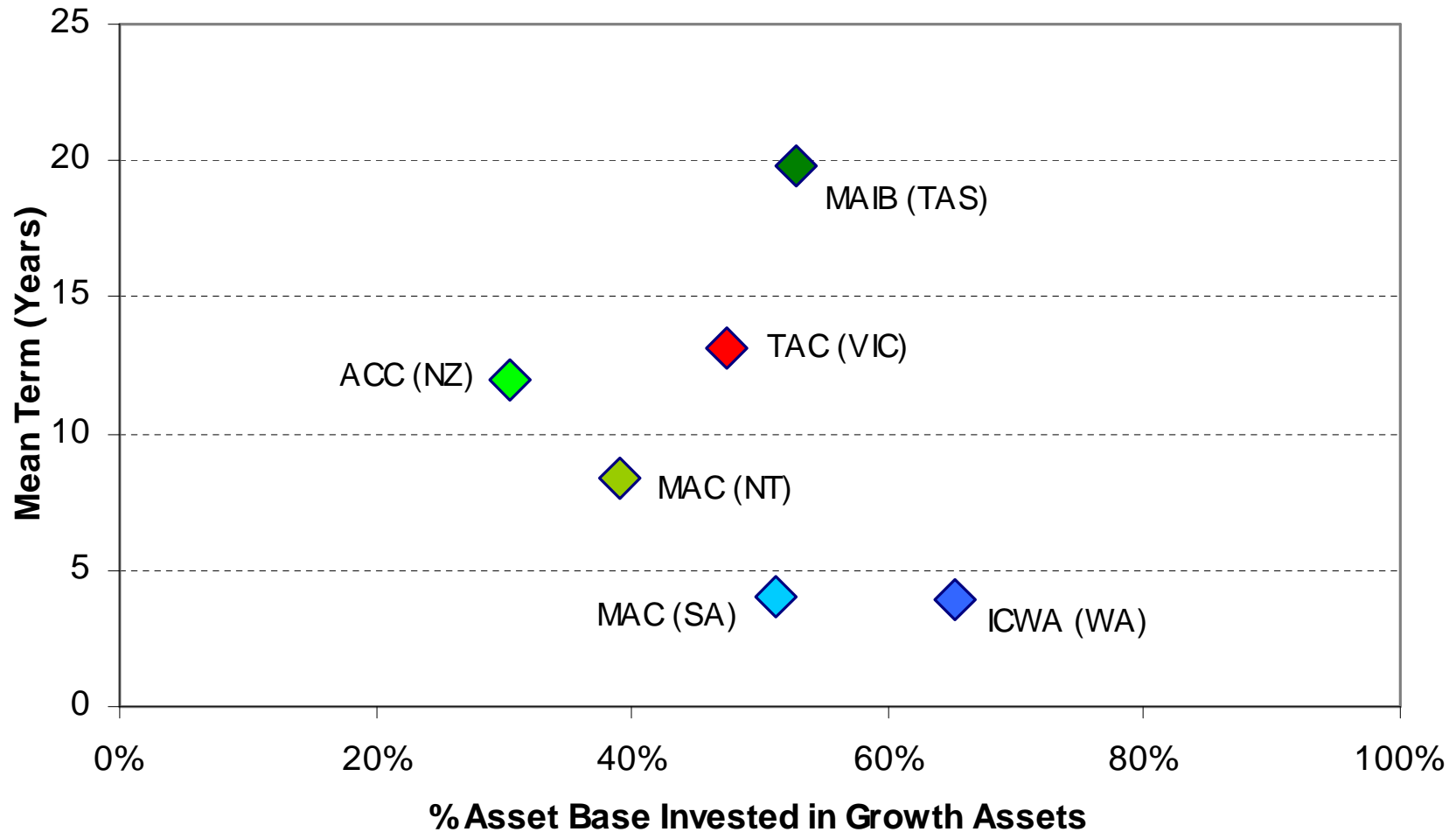
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Investment Mix



Source: Scheme Annual Reports

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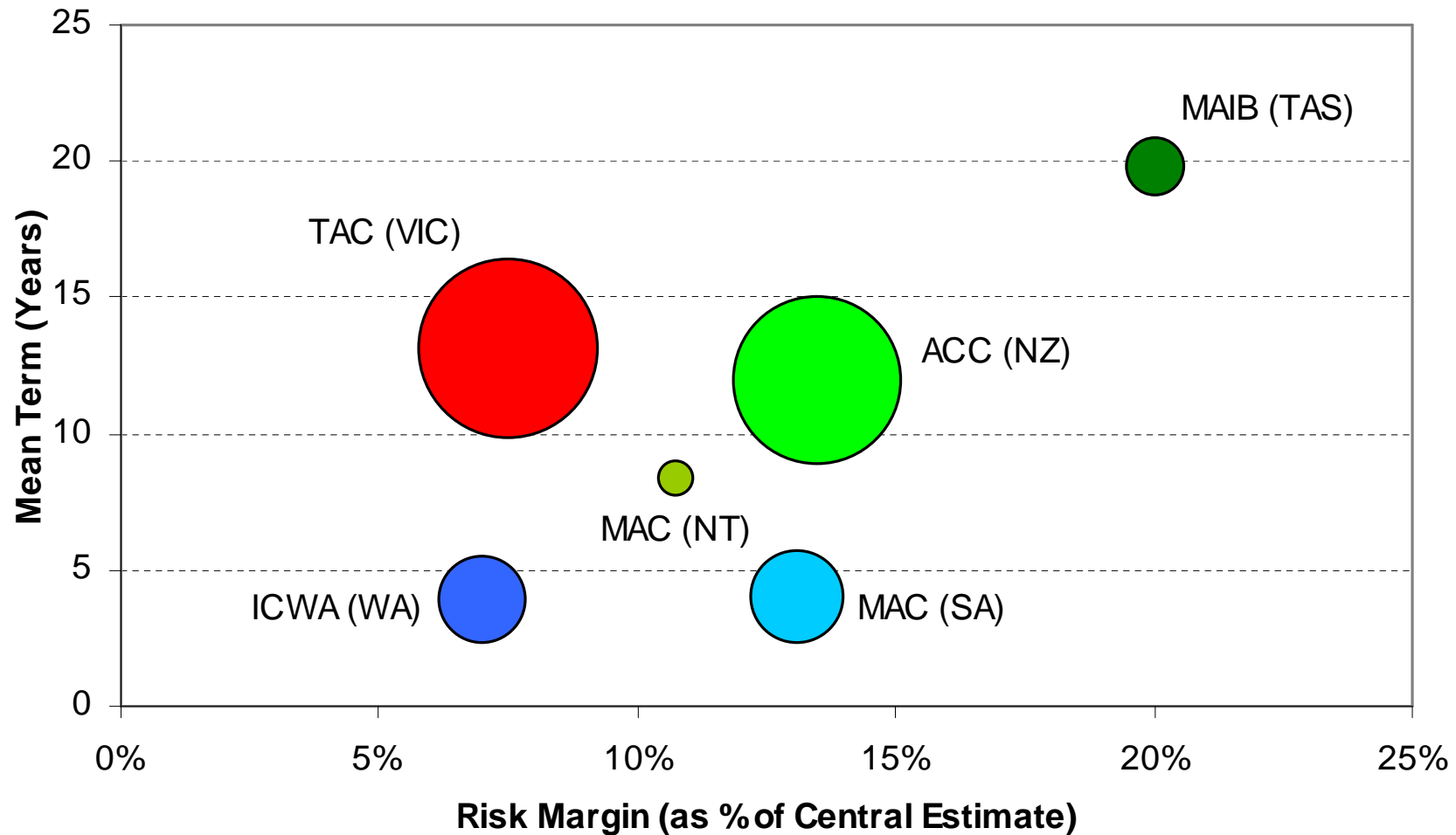
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Risk Margins (75% PoS)



Source: Scheme Annual Reports (SA has been restated to 75% level from 80% level shown in Annual Report)

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Summary

- Schemes change continually
- General trends
- Premiums have been kept affordable
- GFC has impacted funding positions
- Schemes are all very different



Questions for the Future

- Can frequency continue to fall?
- Further moves to no-fault?
- Harmonisation of benefits?
- Periodic payments vs. lump sums?
- Investment mix changes (reduce volatility)?
- Premium levels?