

12th Accident Compensation Seminar 2009

Rising to the Challenge



Institute of Actuaries of Australia

Melbourne • 22nd – 24th November 2009

12th Accident Compensation Seminar 2009 Rising to the Challenge

Melbourne 22nd – 24th November 2009



Institute of Actuaries of Australia



To Fault or Not to Fault That is the Question?

Nick Allsop, Hardik Dalal and Peter McCarthy

12th Accident Compensation Seminar 2009

Rising to the Challenge

Melbourne 22nd – 24th November 2009



Institute of Actuaries of Australia



End the poverty of disability
SMH, 4th October 2009

Disability insurance a real reform
The Australian, 12th September 2009

“a national disgrace”

Bill Shorten MP

“(NDIS)...the answer – the obvious visionary answer”
The Australian, 30th March 2009



Agenda

1. Impact of moving to a no fault scheme
2. Scheme design considerations
3. Environmental considerations



1. Impact of moving to a no fault scheme

Cost Impact

- Absolute cost will most likely increase
- Claims cost change will depend on benefit structure – cost saving opportunity
- Dependent on claim profile of new claimants
- Business/overhead costs
- Cost transfers
- Claims cost will double



1. Impact of moving to a no fault scheme

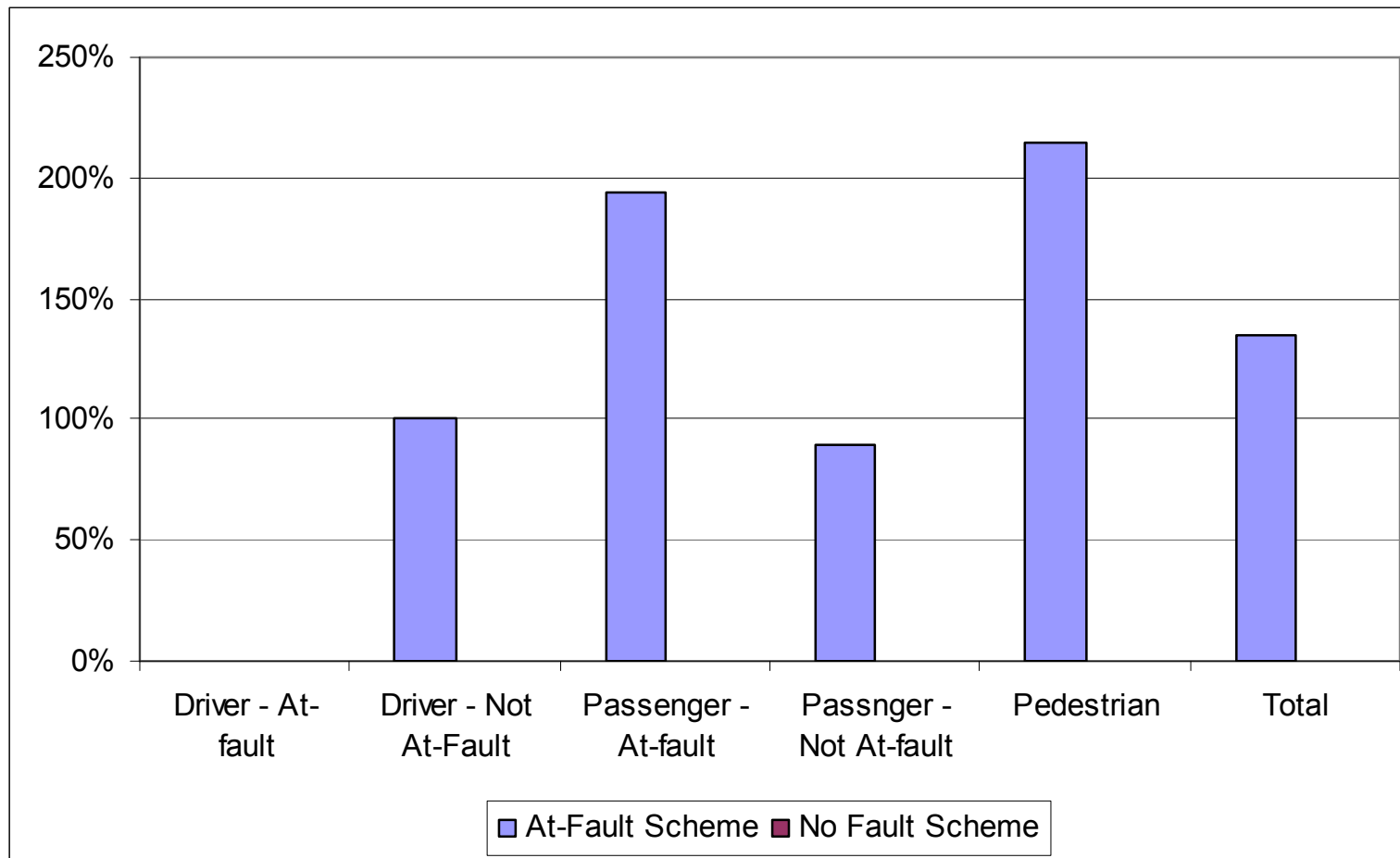
Scheme utilisation

- Casualties → hospitalisations → claims
- Potential 60% increase in claims
- Additional claims from existing claimant categories



1. Impact of moving to a no fault scheme

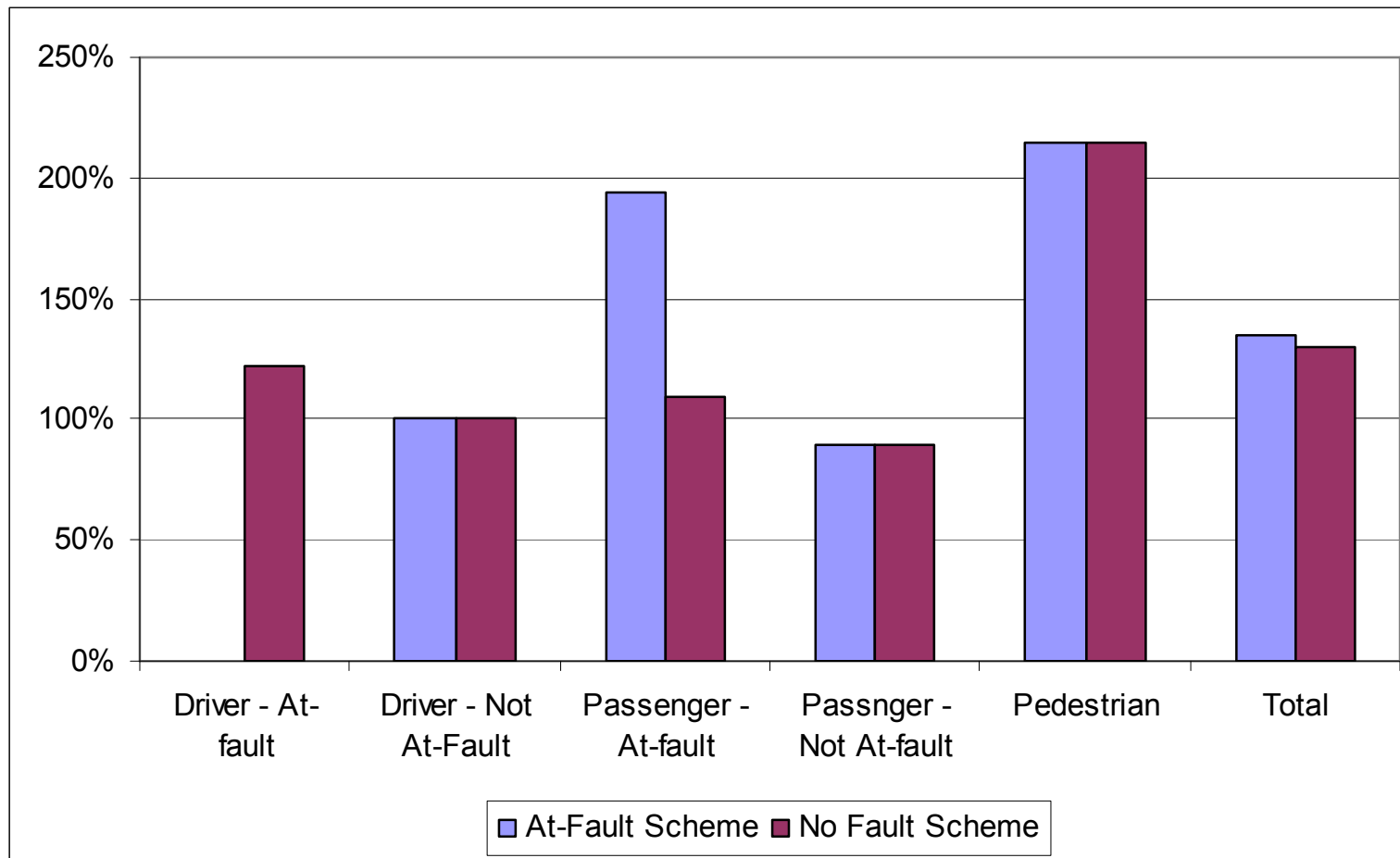
At-fault scheme - claim size relativities





1. Impact of moving to a no fault scheme

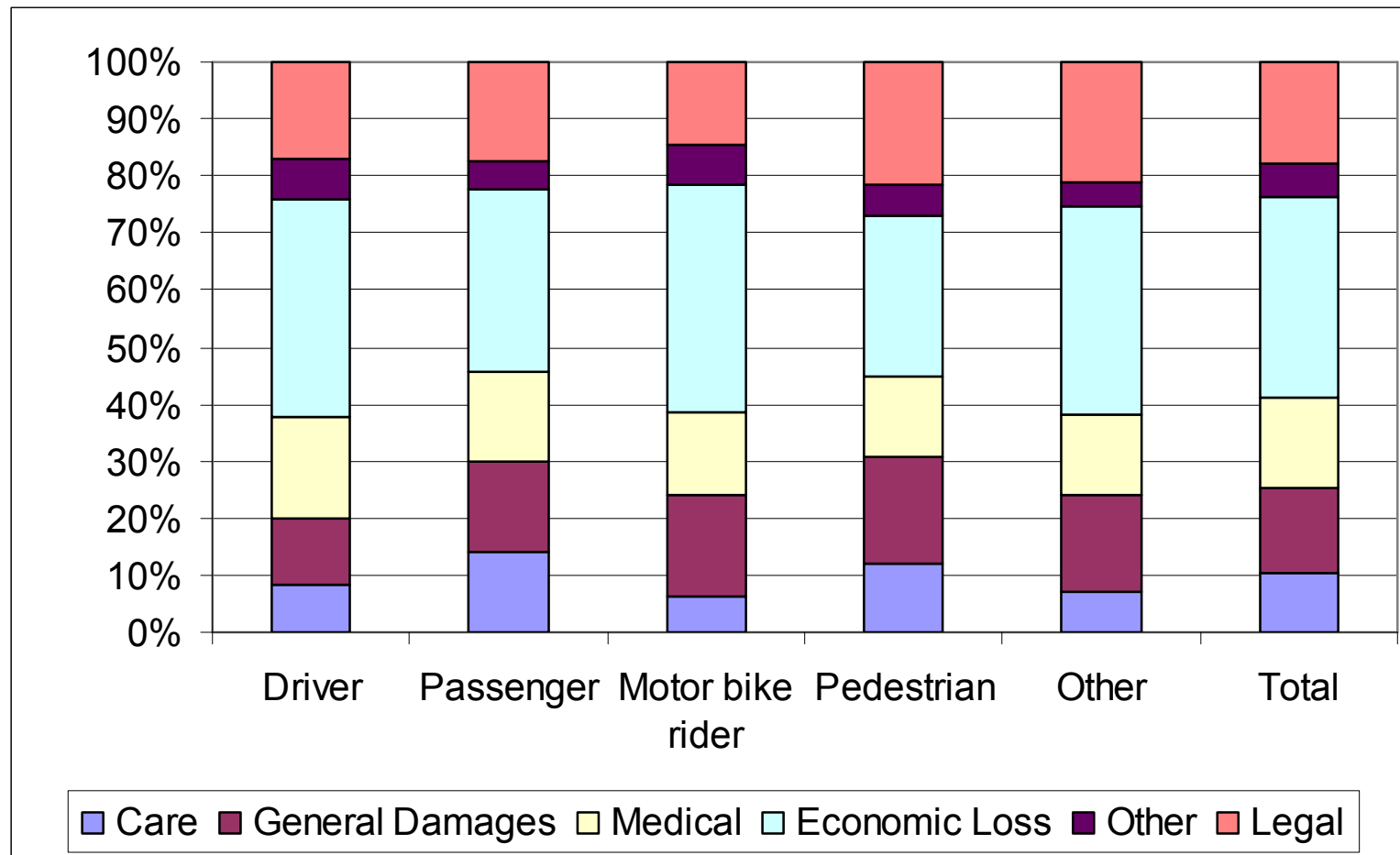
No fault scheme – claim size relativities





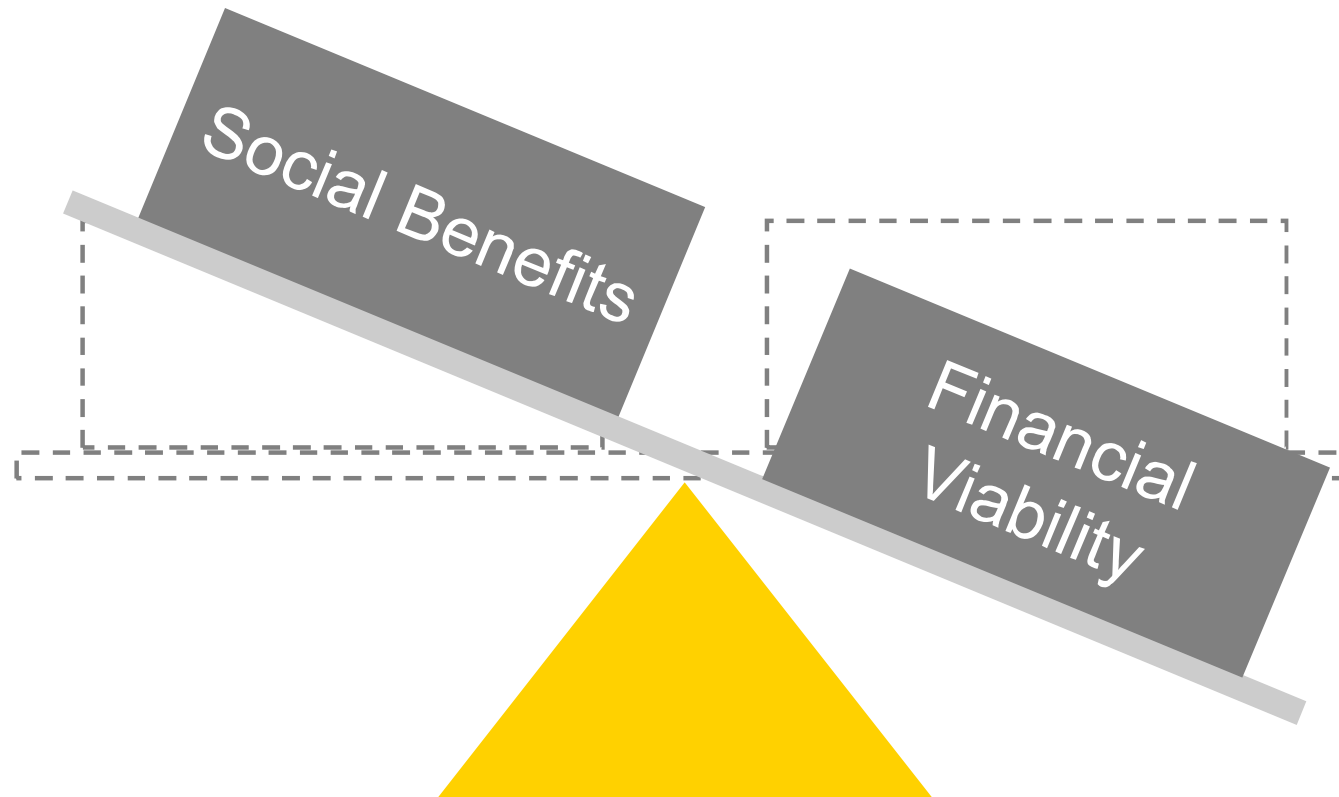
1. Impact of moving to a no fault scheme

Payment type mix – at fault scheme





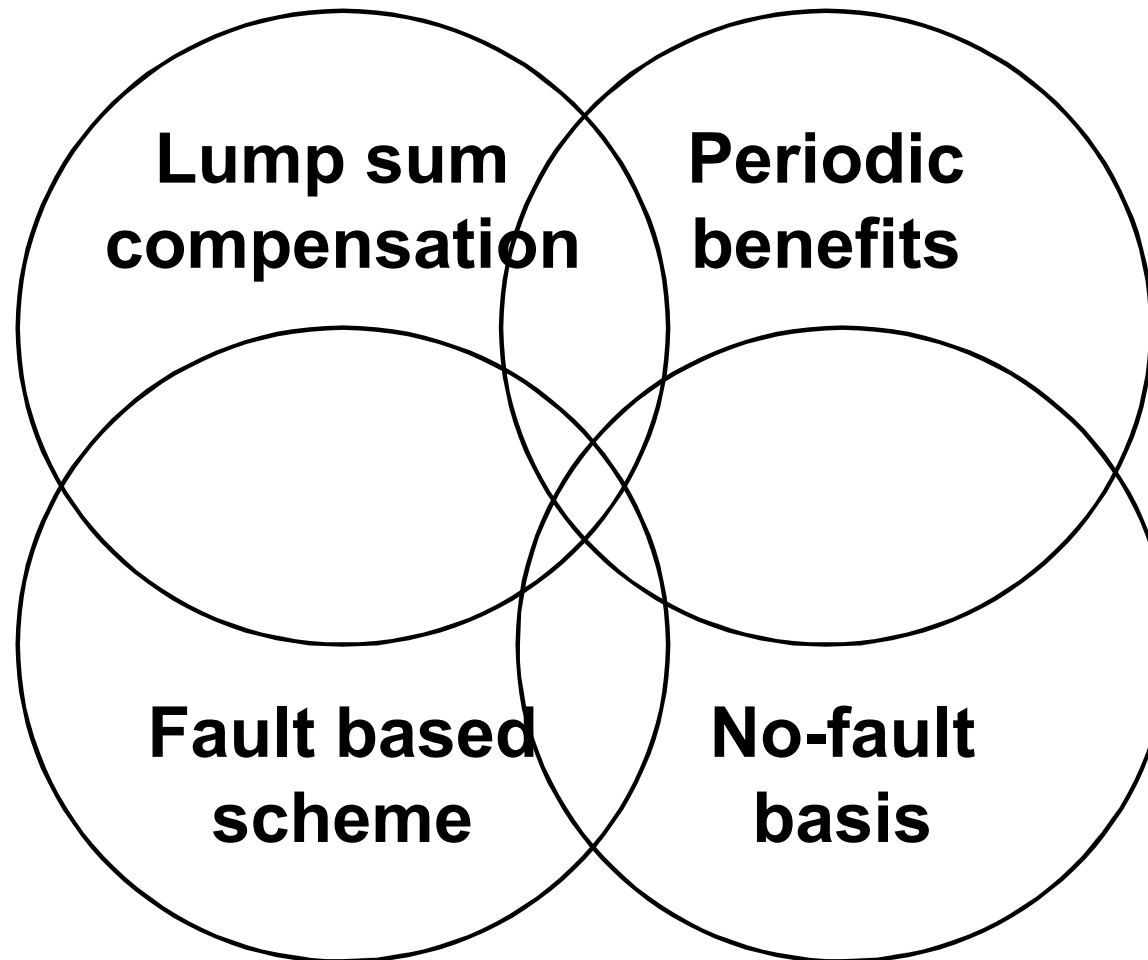
2. Scheme design considerations



What's the right balance?



2. Scheme design considerations



Structure versus benefit delivery



3. Environmental considerations

Scheme stakeholders:

- Scheme managers/administrators
- Policyholders
- Claimants/injured parties
- Insurers
- Politicians
- Lawyers
- Medical professionals



Summary

- Potentially significant cost increase
- Social benefits vs financial viability
- Differing impact on multiple stakeholders
- Issues need to be considered in advance
- Minimise adverse or unexpected outcomes