

12th Accident Compensation Seminar 2009 Rising to the Challenge

Melbourne 22nd – 24th November 2009



Institute of Actuaries of Australia



Large claims – ‘Where art thou?’

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Agenda

- Aims of the paper
- What is the issue
- Theories behind the experience
- Data sources
- Quantitative & qualitative evidence
- Risks to the future
- Conclusions



Aims of the paper

- Collate and examine industry data;
- Speculate reasons for observed experience;
- Supplement analysis with qualitative information;
- Formulate a view on the future for large claims.

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Rising to the Challenge

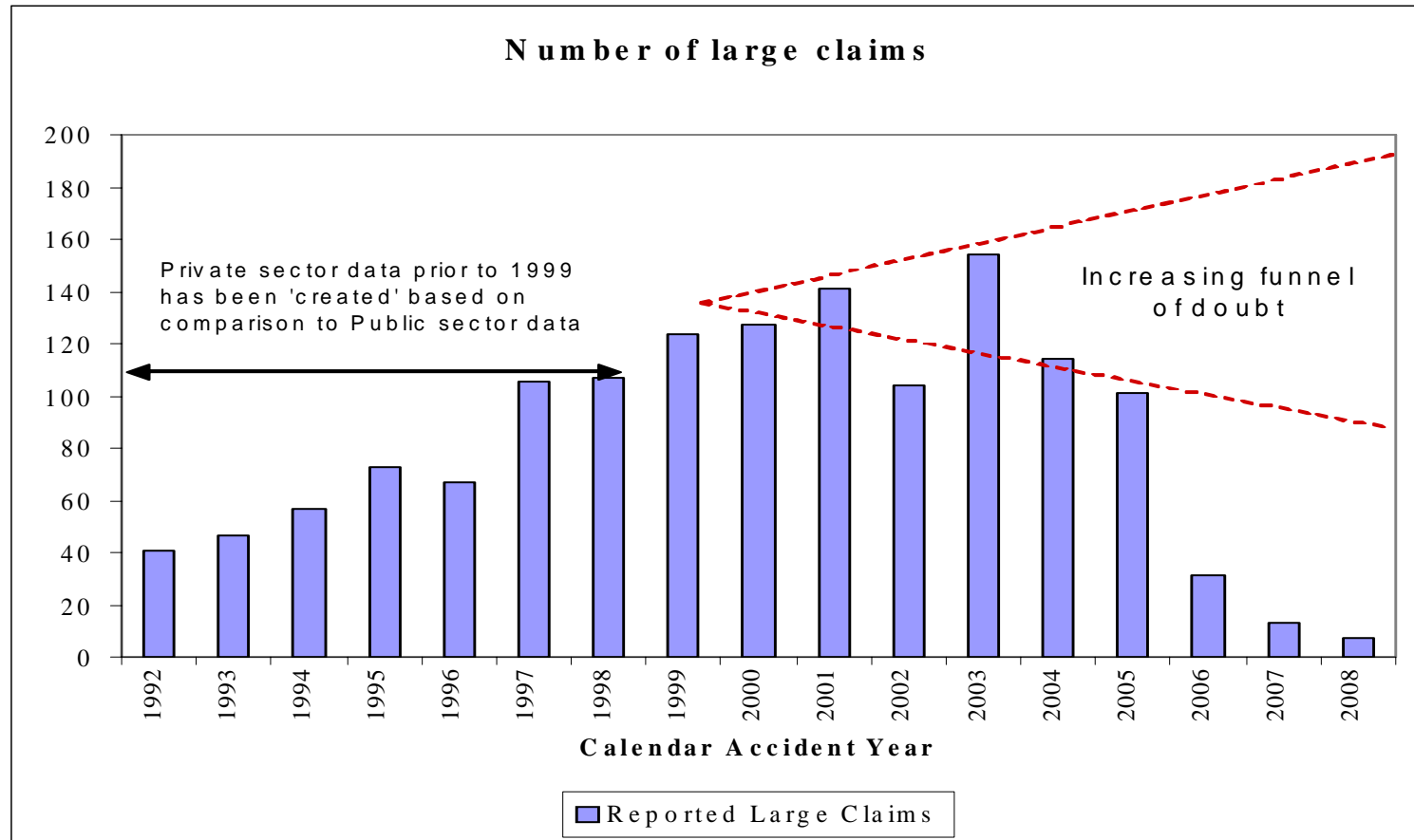
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What is the issue?





Theories

- Fewer serious injuries occurring; and/or
- Tort law reform impact; and/or
- Other factors, such as the favourable economic environment impacting the propensity to claim.



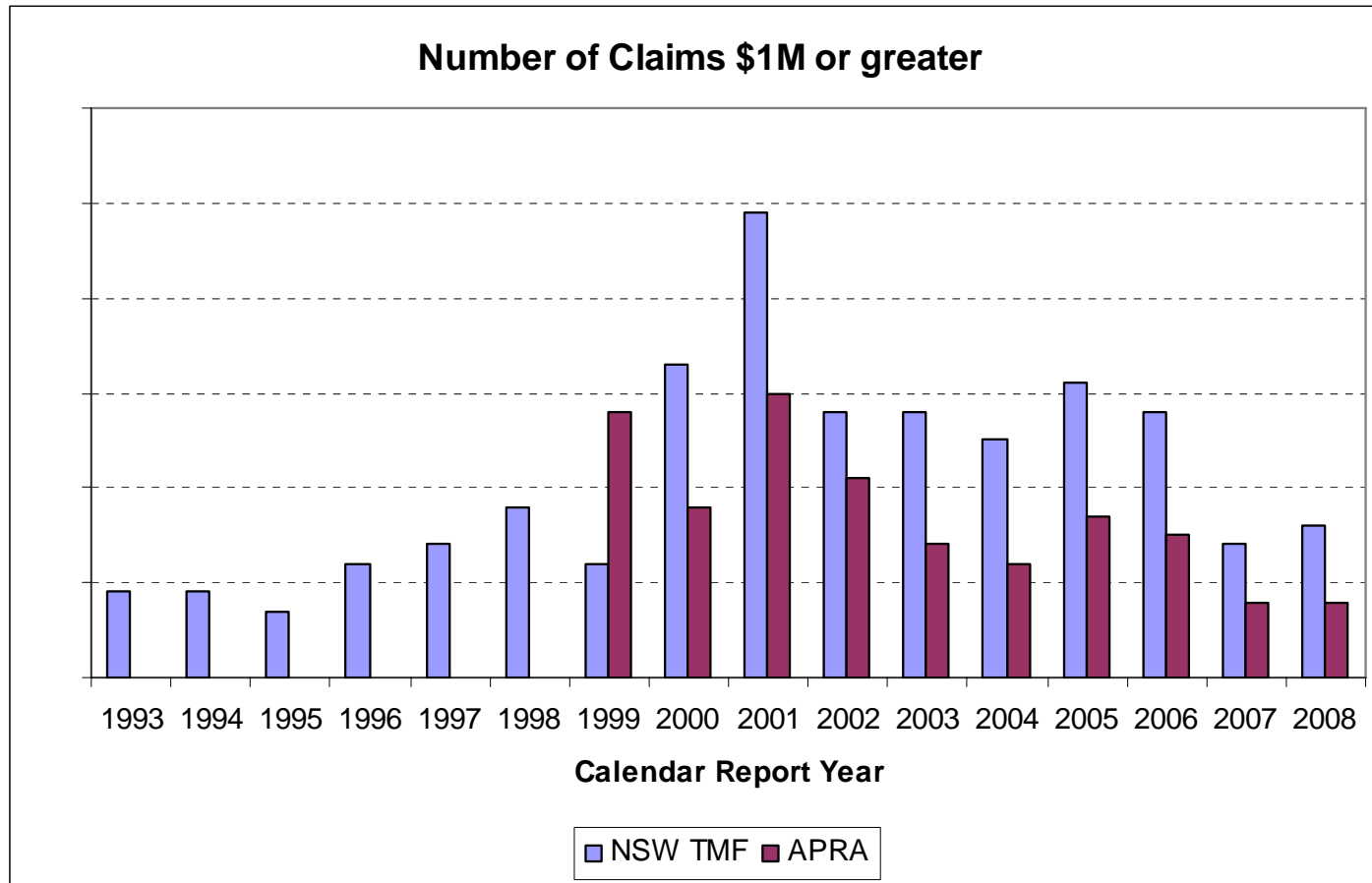
Data sources

- General Research
- APRA NCPD
- NSW TMF
- Avant Insurance



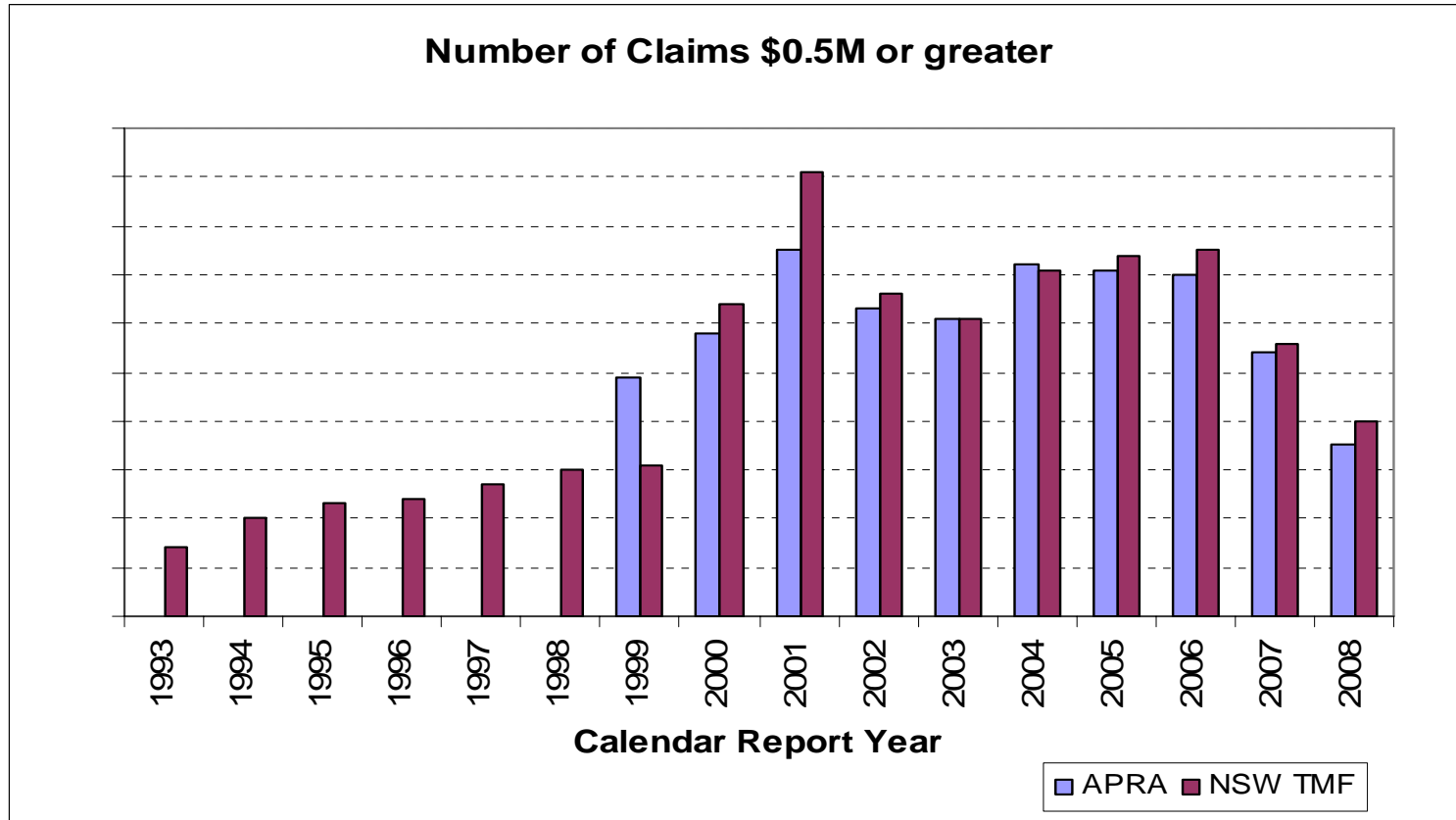


Experience by Report Year



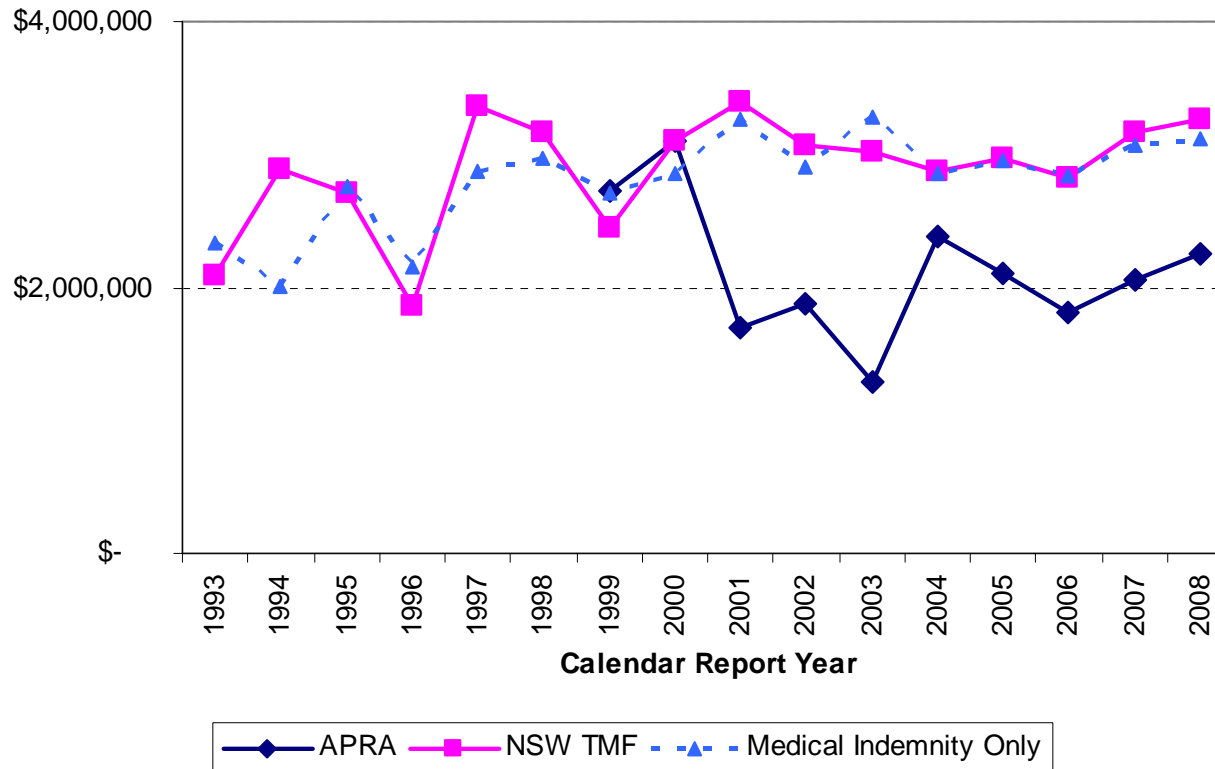


Experience for \$0.5M and greater





Average Cost of Claims \$1.0M plus



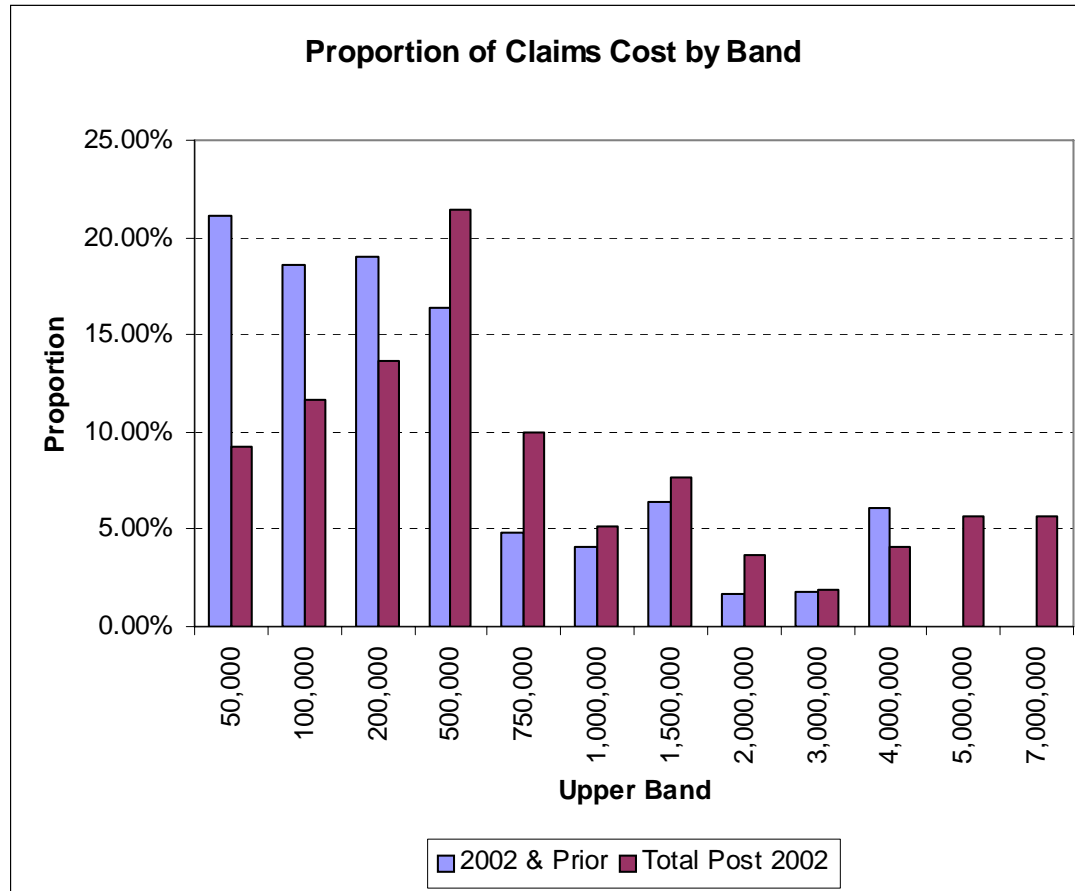


Qualitative Evidence

- Literary Reviews
- Interviews
 - Global economic conditions
 - Impact of the reforms
 - Improved risk management



Claims Cost by Band



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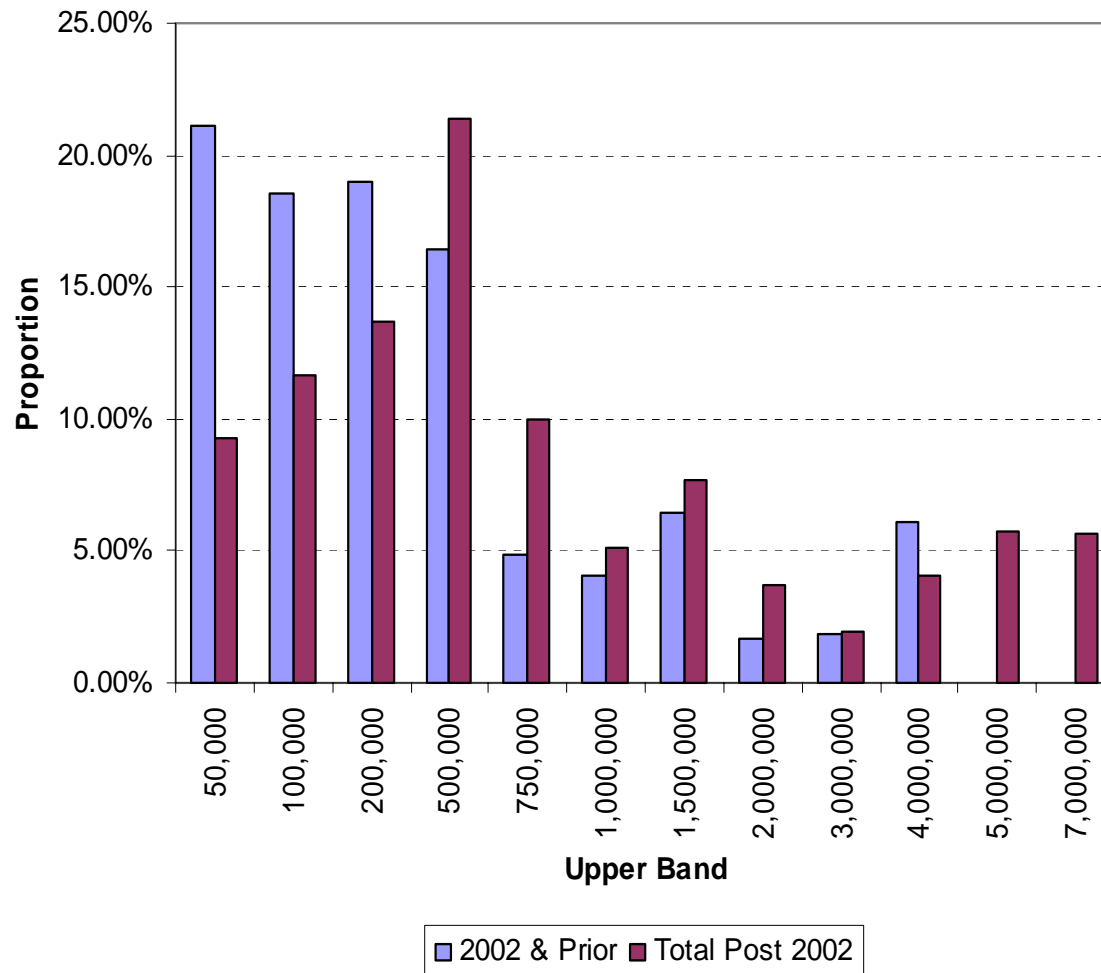
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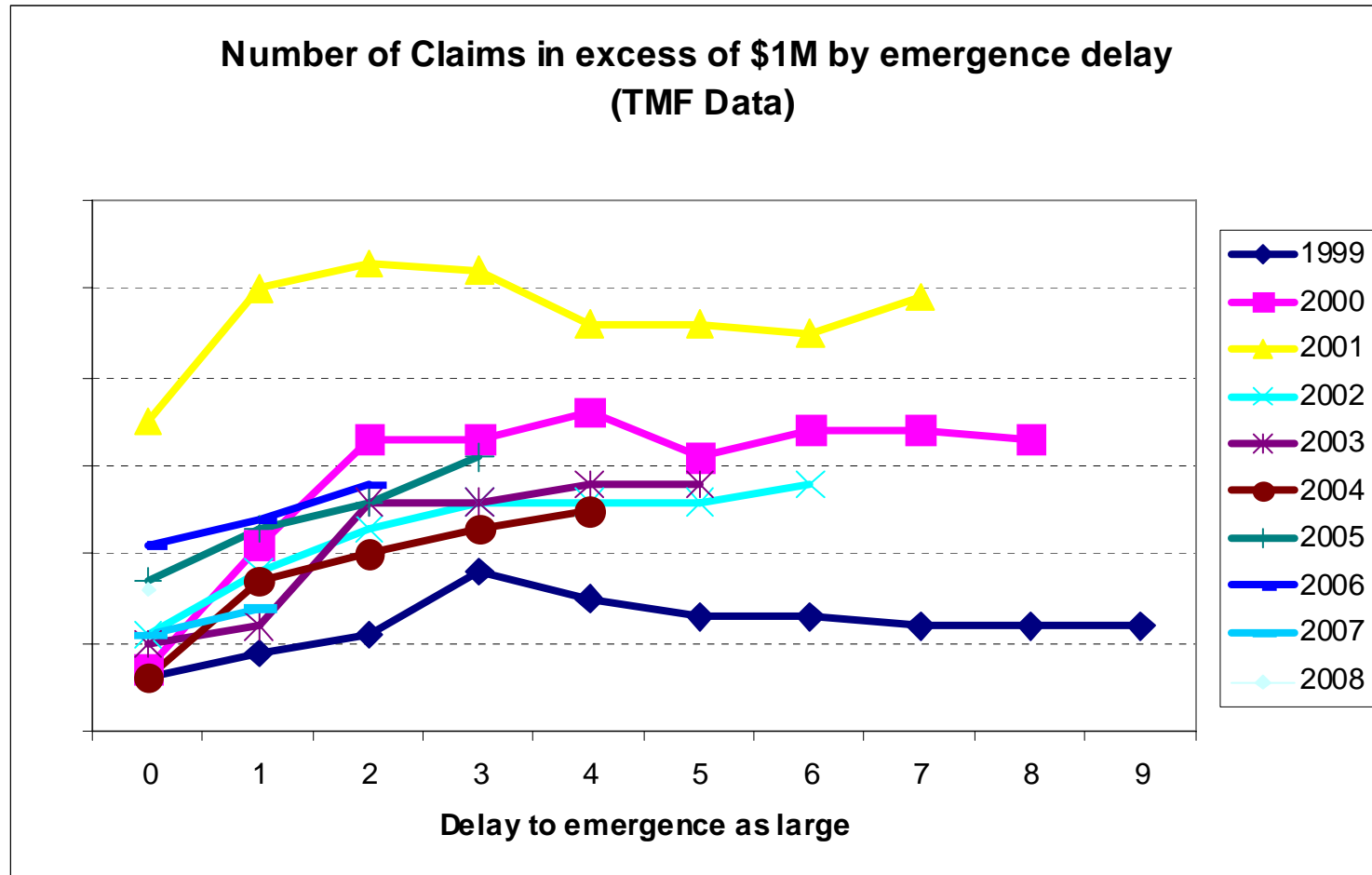


Proportion of settlement relating to legal costs



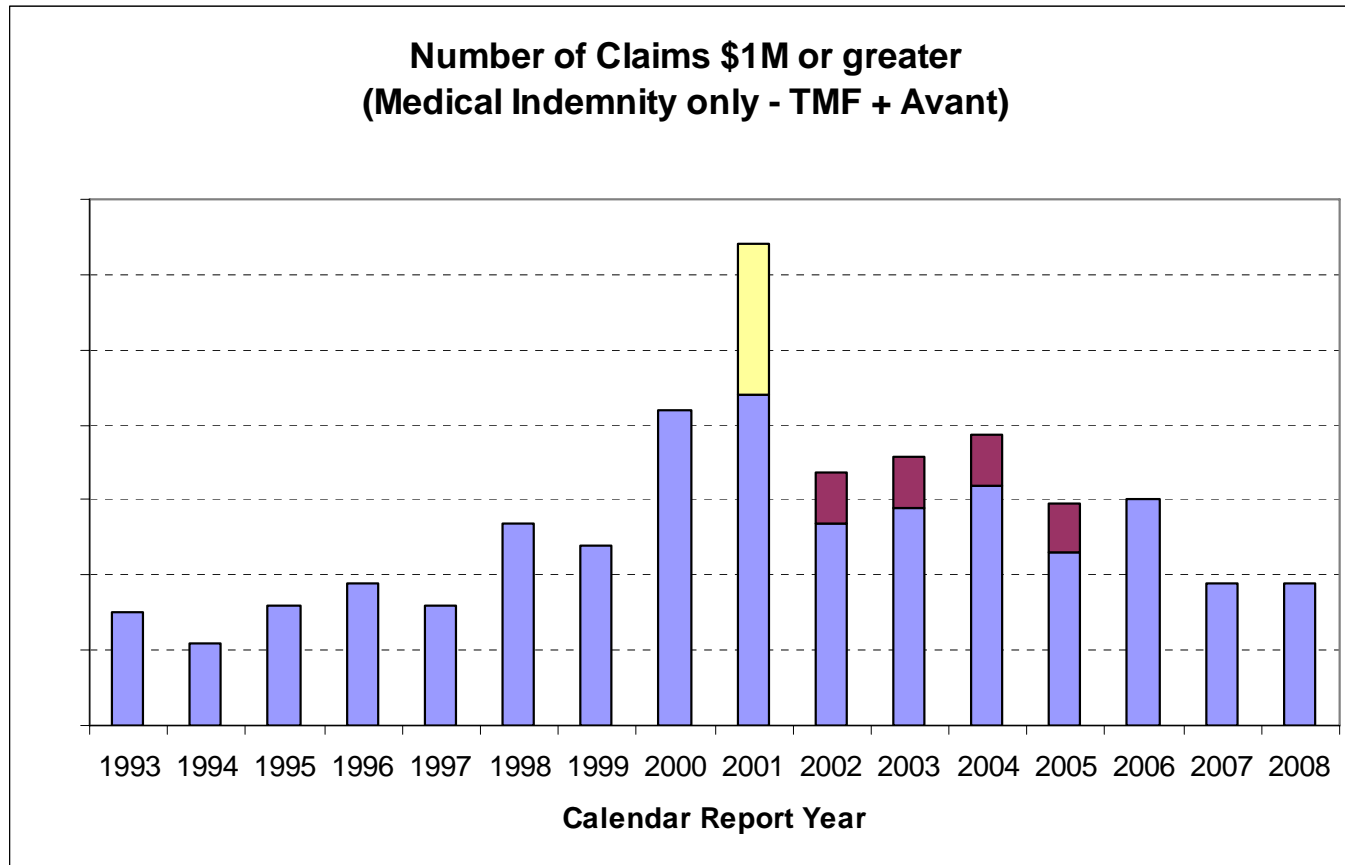


Maturity of Experience - TMF





Reallocation of 2001 experience





Risks to future experience

- Public Hospital Funding
- Recent Judgements
- Life expectancy improvements
- Plaintiff Lawyer creativity
- General unwinding of the reforms
- Economic slowdown
- Government stimulus- construction industry



Conclusion

- Evidence indicates in excess of 20% saving on large claim numbers
- Unlikely to be reforms alone impacting experience
- Remains a need to be cautious – don't forget the lessons of the past