

# **12th Accident Compensation Seminar 2009** Rising to the Challenge

**Melbourne 22nd – 24th November 2009**



Institute of Actuaries of Australia



## **Motor Accident Commission Overview**

**Andrew Daniels, Chief Executive Officer**



## About MAC

### **MAC is South Australia's only Compulsory Third Party (CTP) insurer**

1. MAC compensates South Australian road crash victims for personal injury and pays out around AUD 400m each year
  - “At Fault” scheme
  - Claims management contracted to Allianz Australia Ltd
  - 6,000 claims processed each year
2. MAC manages South Australia's road safety communications program and funds projects aimed at reducing road trauma

### **Government Guarantee + AAA credit rating**

The Government of South Australia guarantees the liabilities of MAC's CTP Fund

MAC's credit risk is backed by the SA Government's AAA credit rating\*

\*(reaffirmed by Standard & Poors and Moody's, 4 June 2009)



# Financial Performance

Although MAC recorded a loss for 2008-09, a positive net asset position was retained.

Robust investment strategies and MAC's Asset Liability Model have helped minimise the impact of the investment market downturn on the CTP Scheme's level of solvency

## 2008/09 Financial Year:

<b>Loss:</b>	<b>AUD208m</b>	<b>(LY: AUD146m)</b>
<b>Assets to Liabilities:</b>	<b>103.4%</b>	<b>(LY: 115.3%)</b>
<b>Net Assets:</b>	<b>AUD70m</b>	<b>(LY: AUD278m)</b>



## Investments

Defensive position during a year of acute market volatility

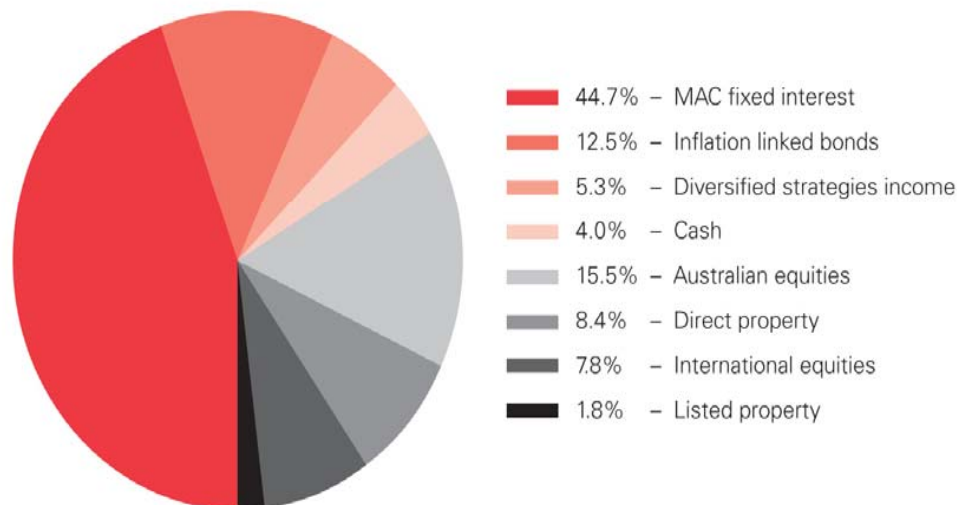
Total Market Value of the Investment Fund as at 30 June 2009: AUD 2.06b

**Net investment returns (to 30 June 09): -0.49%**

- The benchmark return for this period is -1.23%
- Therefore the MAC fund has out performed benchmark by +0.74%

### Strategic asset allocation

Current position as at 30 June 2009





## Liability Provisions

The level of reserves appropriately allows for outstanding liabilities and to counter any potential negative investment returns

	<b>Current</b>	<b>Non current</b>
<b>Outstanding Claims as at 30 June 2009</b>	<b>AUD421.1m</b>	<b>AUD1,407.0m</b>
<b>Outstanding Claims as at 30 June 2008</b>	<b>AUD385.5m</b>	<b>AUD1,250.4m</b>

Outstanding claims provision has increased by a total of AUD 192.2m due to:

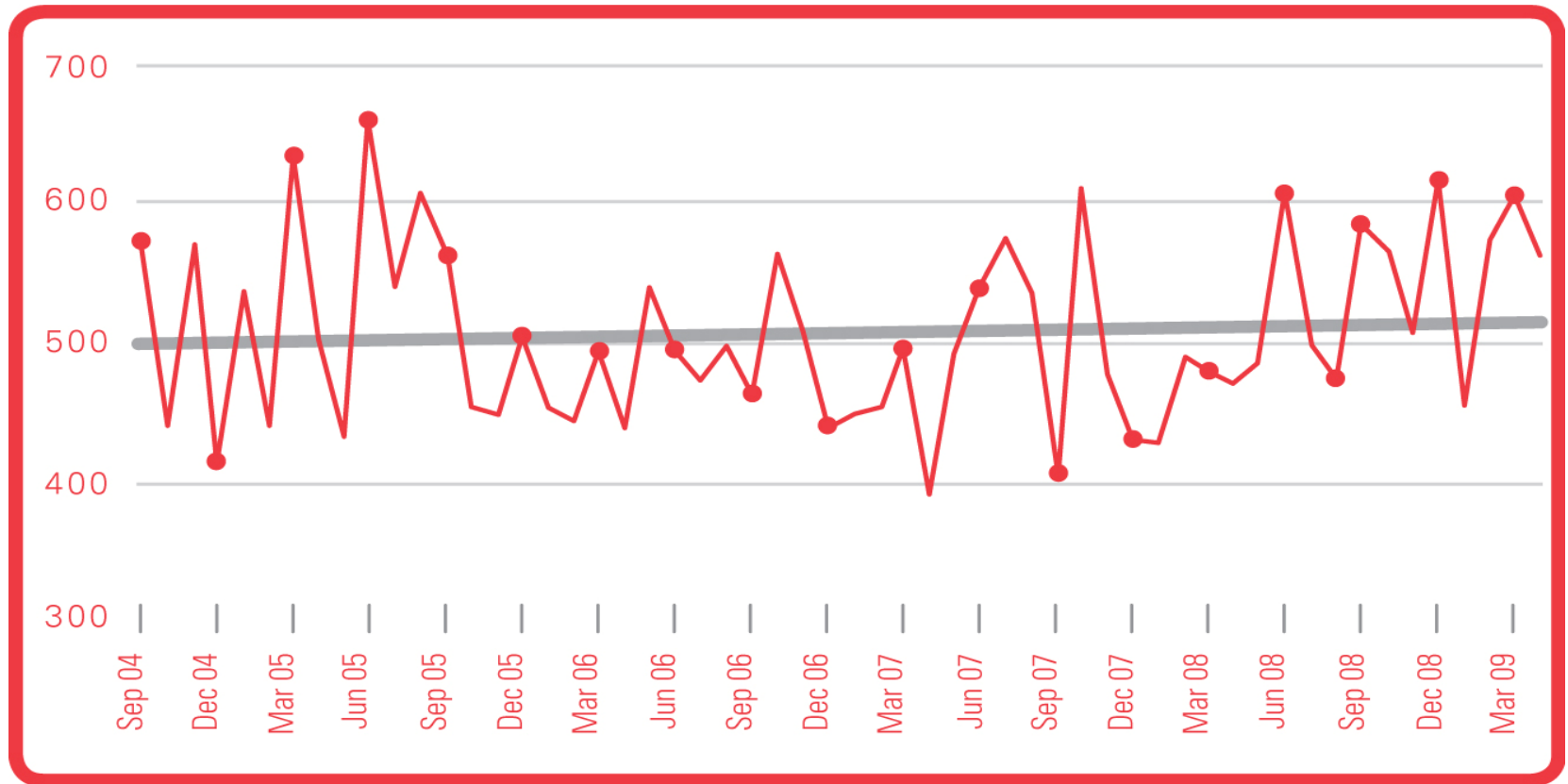
- Fall in the discount rate (from 6.7% to 5.1%) and wage inflation reduction – AUD39m
- Normal provision increase – AUD 100m

Further, the Outstanding Claims provision includes an extra risk margin of 16% ( i.e. AUD180m)

This is based on the APRA prudential standard GPS 310 for 80% probability of sufficiency



## Monthly CTP Insurance Claims



Insured vehicles in 2008-09 - 1.25m

Claims per insured vehicles – 5.2 per 1,000 vehicles



# CTP Claims Management

## New Initiatives

1. Incentive program introduced for our Claims Manager, Allianz Australia Ltd
  - optimising current arrangements to enhance service, whilst contributing to claim savings
2. Collaboration with Novita (the provider of post traumatic health services to children in SA)
  - maximising the recovery of children catastrophically injured in motor vehicle crashes
3. Review of current “Future Care” models and applying new cost effective models
  - Reviewing the care services provided on all large claims using the SA Government funded Disability Information Research Centre (DIRC)
  - e.g. Major Claim settlement for a claimant realised savings of 50% down to AUD \$3m
4. Shift in emphasis for negotiated settlements



# CTP Scheme Improvements

Three year MAC Strategic Plan incorporating a CTP Scheme design review to ascertain potential savings not requiring legislative amendment. This review targets changes to claim management practices and our key provider arrangements.

A range of legislative amendments, that includes the prevention of international forum shopping and the recovery of claims costs via the chain of responsibility for a breach of the driver/fatigue related laws in the heavy transport industry, are targeted for Parliament later this year.

Other initiatives include:

- MAC, the SA Police Force and Department of Transport have united to implement strategies to reduce unsafe driving behaviours and therefore CTP claims
- Targeted reduction in unregistered (uninsured) vehicles by strengthening enforcement and penalties. Includes new Automatic Number Plate Recognition cameras
- Review of Graduated Licensing Scheme for young, novice drivers



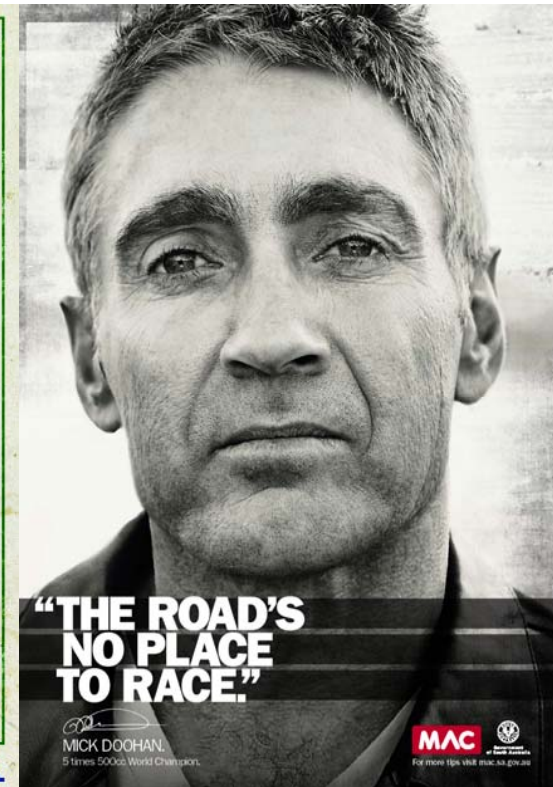
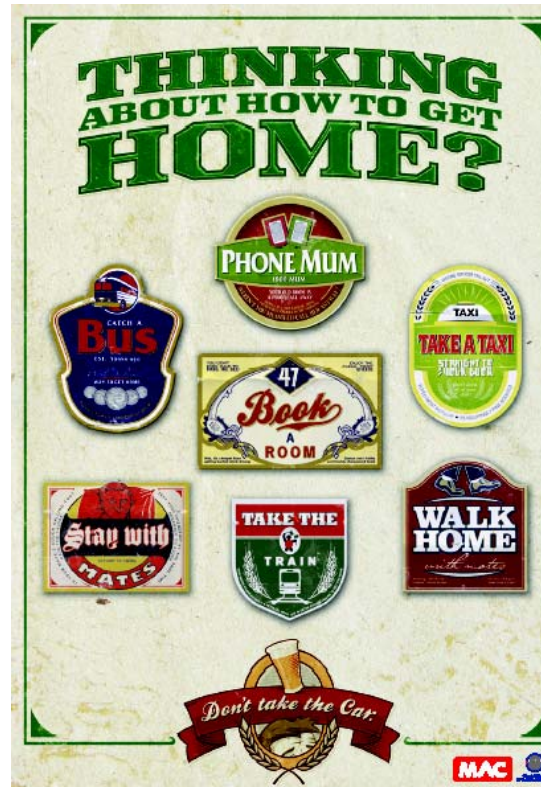


# MAC and Road Safety

MAC manages South Australia's road safety advertising and communications

It also invests in sponsorships and infrastructure projects

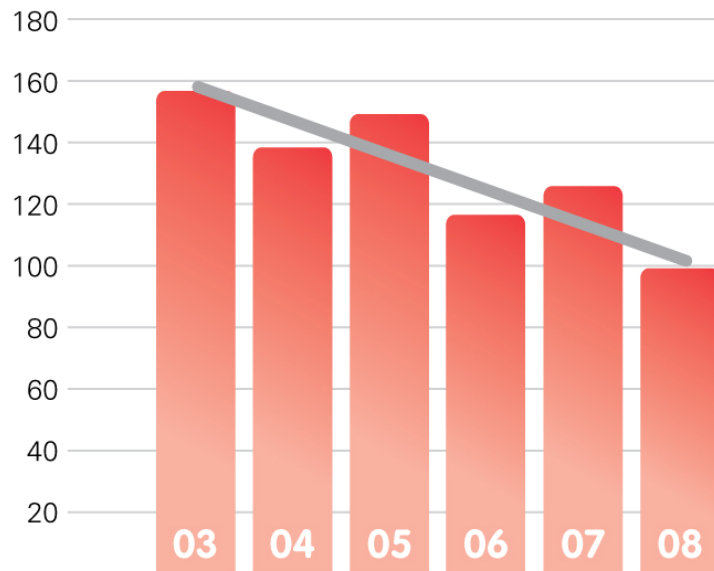
Together with police enforcement and legislative measures, MAC's annual AUD8.5m investment plays a key role to influence road user attitudes and behaviours





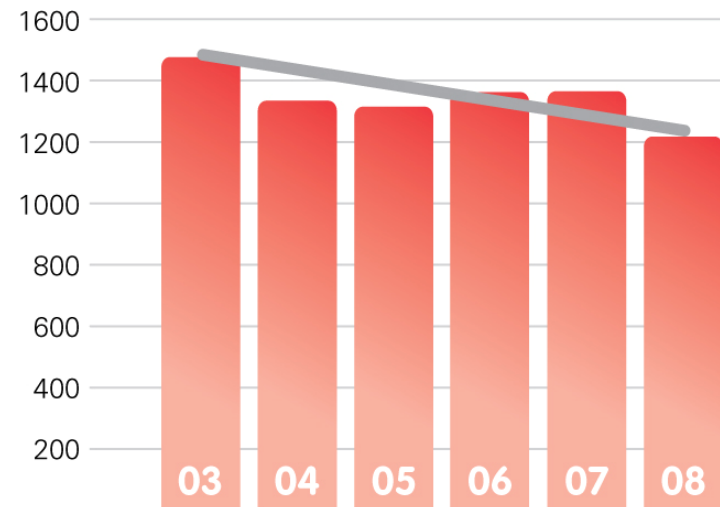
## South Australia's Road Toll

**Fatalities**



> **99** fatalities in 2008  
(down from 125 in 2007)

**Injuries**



> **1213** serious injuries in 2008  
(down from 1361 in 2007)

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## Summary

- Strong team managing the CTP Fund
- Government Guarantee & AAA credit rating
- Sound financial position
- Stable cost base
- Conservative provisioning
- Focus on minimising claim costs and negotiating successful outcomes
- Road safety emphasis to prevent road crashes, thereby minimising claims

