

Injury Schemes Seminar

Balancing Outcomes

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Telematics – Impacts on CTP and WC

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Agenda for today

The Future - A Potential Scenario

What is Telematics?

Who in the world is using Telematics?

Which one? CTP and WC?

Separating the exposure from the claims

Telematics Impacts on Exposure

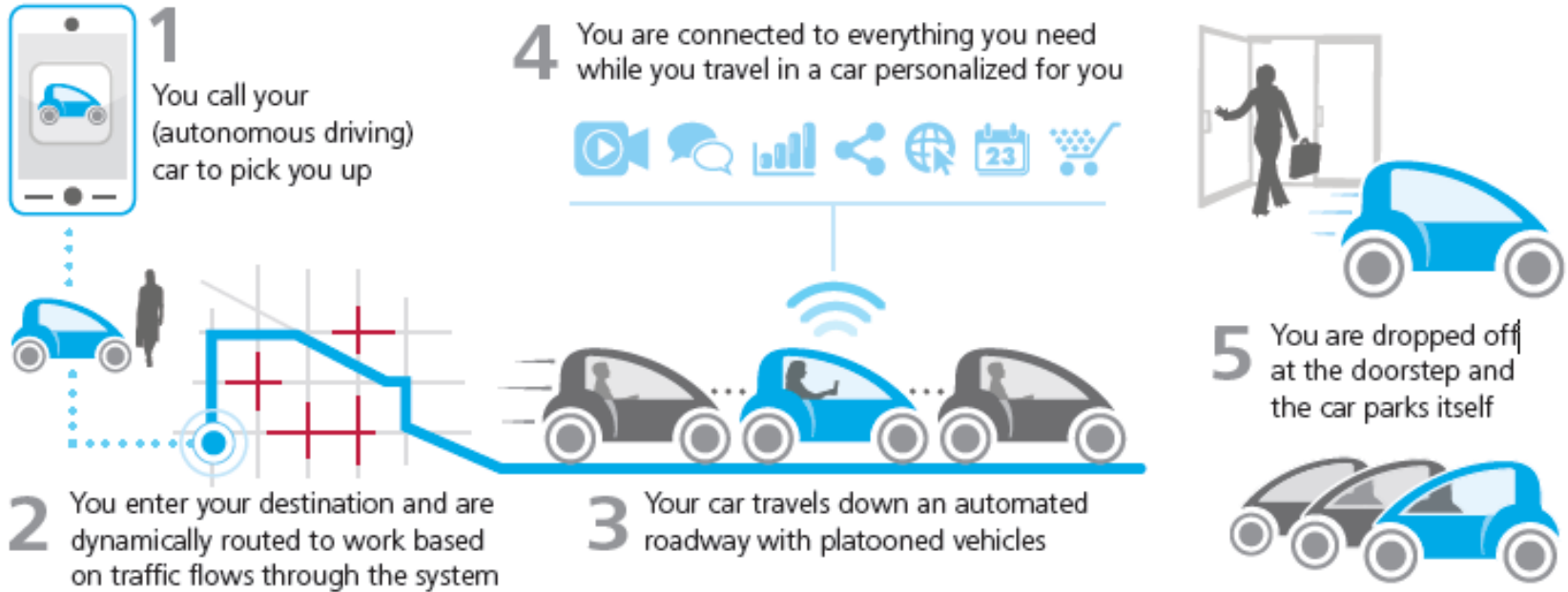
Telematics Impacts on Claims

Next Steps



The Future – A Potential Scenario

THE INTERNET OF CARS





What is Telematics?

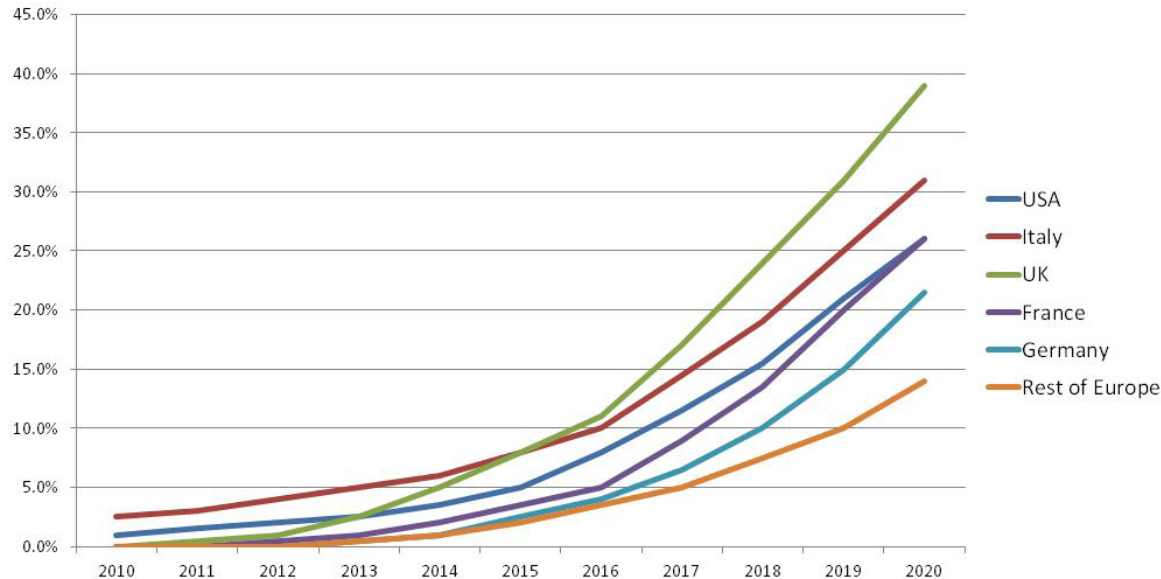


- Telematics describes the process of long-distance transmission of computer-based information
- We look at where the transmission is sourced from within road vehicles
- Patents for using telematics as part of motor insurance were first filed in 1995 and 1996.
- Telematics represents a **paradigm shift in terms of availability of driving behaviour data**



Who in the World is using Telematics?

- A tale of three countries: Italy, the UK and the US



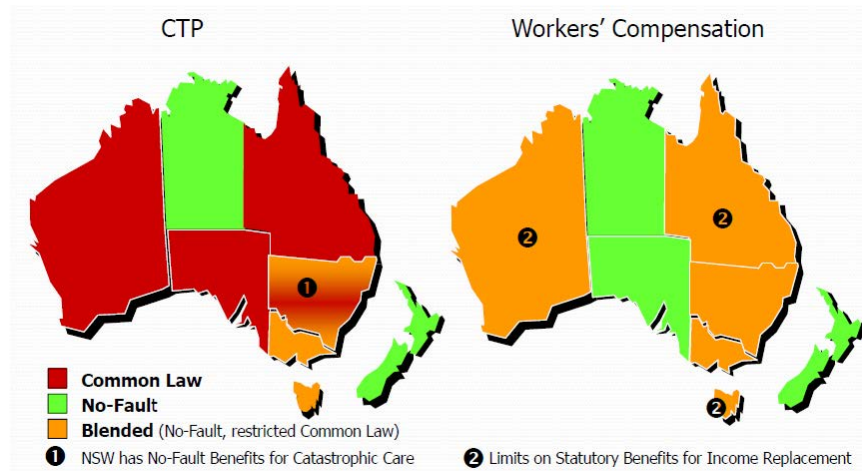
Source: Ptolemus, 2012

- What about Australia?



Which one? CTP or WC?

- Impact of Telematics will differ between CTP and WC and between states.
- Motor accidents where personal injury has occurred may lead to CTP claims, WC claims or both.
- Main criteria relating to whether the motor vehicle injury arose from a **work-related activity** and if **fault** was established.
- Fault-based differences exist by State impacting proportion of injuries receiving benefits.



Source: Fronsko, 2011

Schemes	Type	Proportion of motor injuries who receive insurance benefits
ACC NZ (includes both entitlement and non-entitlement claims) injuries	'no fault'	88%
Victoria TAC	'no fault'	78%
Canada	mixture of fault, no fault	50%
United States	mixture of fault, no fault	40 to 50%
NSW	fault-based	40%

Source: Tess, 2008

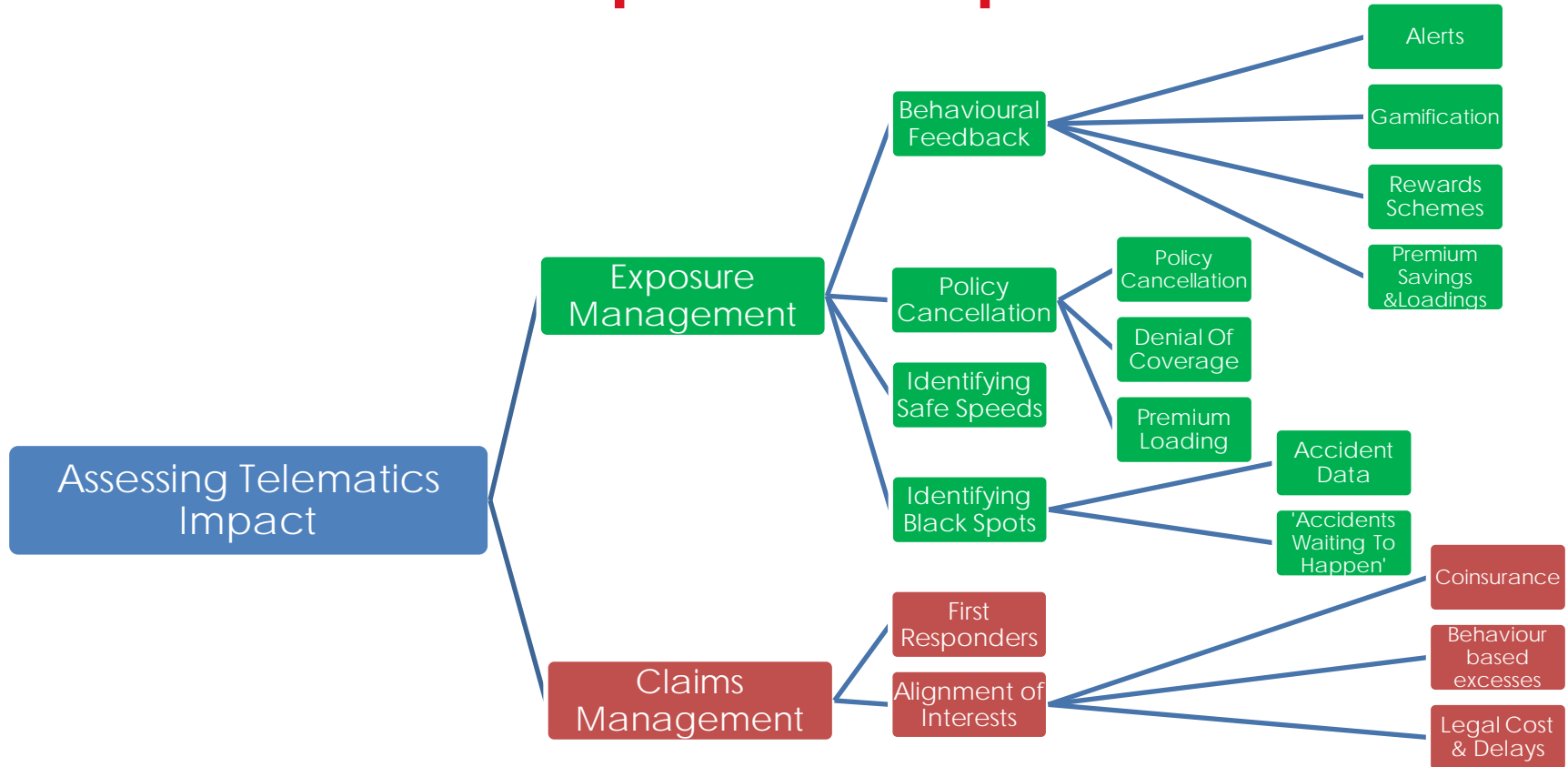


Separating the Exposure from the Claims

- We view that Telematics will impact CTP and WC in two distinct but connected areas
 - I. **Exposure Management:** Drivers' exposure to motor accidents
 - ➔ Impacts on CTP and WC **claims frequency**
 - II. **Claims Management:** If a motor accidents has occurred and a CTP or WC claim is lodged, how will telematics affect claims management?
 - ➔ Impacts on CTP and WC **claims frequency and severity.**



Telematics Aspects of Exposure & Claims

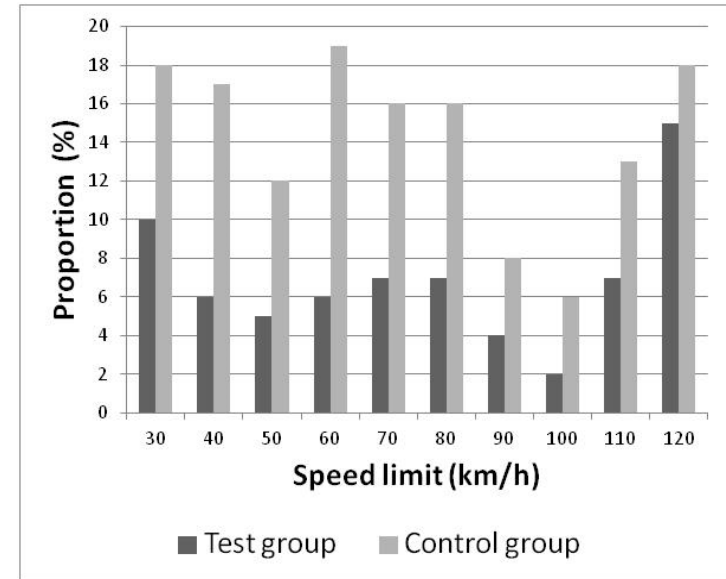




Exposure Management - Behavioural Feedback



- It is possible to **change driver behaviour** by providing alerts, economic incentives and gamification and thereby reducing crash risk.
- A Swedish Transport Administration and Folksam Insurance Group study (graph) showed how drivers in the test group with telematics fitted in the car tended to speed less than the control group with no telematics units fitted.



Source: Stigson, 2013



Exposure Management – Policy Cancellation



- Policy Cancellation, Denial Of Coverage and Premium Loading
 - UK best practice involves insurers cancelling policies where extreme driving is detected
 - In Australia, there are restrictions on cancelling policies or denying coverage and rules on premium rates and relativities, reducing the effectiveness of telematics benefits



Exposure Management - Identifying safe speeds



- Aggregate profile of actual drivers' speeds in different terrains can be obtained.
- Profile can be stratified, allowing for the time of day and weather conditions
- If the majority of people are travelling well below the speed limit, does this suggests the safe speed may be below the actual speed limit (and vice versa)?
- Providing evidence for testing minimum and maximum speed limits





Exposure Management

- Identifying black spots



- Currently community can nominate Black Spot sites to be considered.
- Black Spot Sites Funding Eligibility includes criteria for [1] individual sites [2] lengths of road and [3] 'Accidents waiting to happen'
- Telematics **records location** of the accident site
 - Can be cross referenced to insurance accident and casualty data
- Telematics can **identify higher risk areas**:
 - where there is hard braking
 - more frequent activation of ABS or stability control systems



Claims Management - First Responders



- Identify major accident has occurred
→ First responders despatched to the accident site.
- Example: E-call to be implemented within the European Union by 2015, trigger mechanism is airbag deployment or impact sensors.

“emergency services’ response time would be reduced by 50% in rural areas and 40% in urban areas, leading to a reduction of fatalities estimated to be between 2% and 10%, and reduction of severity of injuries between 2% and 15%, depending on the country considered.” (European Commission, 2011)

- Who should have the first contact? The Ambulance or the Insurer?



Claims Management - Alignment of Interests

- Claims Leakage (fault based schemes)
 - Coinsurance
 - Behaviour based excesses
 - Reducing legal costs and settlement delays





Next Steps

- Further research into the area
- Drawing on overseas experience



Thank You. Question Time.