



# Superimposed Inflation Study of impact on premium rates

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## 1. Introduction

### 1.1 Purpose and scope of this paper

The purpose of this paper is to:

- a) give some visibility to the level of superimposed inflation being assumed in the pricing of a number of workers' compensation and compulsory third party schemes across Australia; and
- b) generate some discussion and debate within the industry around superimposed inflation, including why superimposed inflation assumptions will differ between schemes.

Regulators, underwriters, claims managers and actuaries all have a role to play in better understanding the level of superimposed inflation being priced into the premiums that individuals and corporations pay.

In this paper we estimate that there is \$495m in superimposed inflation allowances within the premiums for the seven schemes in this paper, with almost all of this amount concentrated in four schemes. This is a significant amount with little or no visibility to the general public.

Previous papers have addressed the definitions and drivers of superimposed inflation, as well as approaches for measuring superimposed inflation. We have deliberately avoided an overlap in scope.

With permission, we have collated the superimposed inflation assumptions used in premium setting for seven of the major Workers' Compensation ("WC") and Compulsory Third Party ("CTP") schemes across Australia. In addition, we have spoken with representatives from each of these schemes to understand their general views on the superimposed inflation allowances adopted.

Information provided to the authors for the purpose of this paper has been presented generically at a whole-of-scheme level, such as to remove the risk of breaches in commercial confidentiality possible with more granular data.

### 1.2 Structure of this paper

In Section 1 we present an introduction to our paper, including a background to superimposed inflation and what has been reported within previous industry papers. We also include our working definition for superimposed inflation.

In Section 2, we present the assumptions for superimposed inflation which have been made in the recent or current financial year premium setting exercises for the schemes listed below. We present this information as both a percentage, and as a dollar impact:

- New South Wales CTP ("NSW CTP")
- New South Wales WorkCover ("NSW WC")
- Queensland CTP ("Qld CTP")

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- WorkCover Queensland (“Old WC”)
- Transport Accident Commission (“Vic CTP”)
- Victorian WorkCover Authority (“Vic WC”)
- WorkCover Western Australia (“WA WC”)

(The abbreviations are included in brackets.)

Section 2 also includes some high level discussion on the observations we have made.

Section 3 includes comments on some likely causes of superimposed inflation and potential drivers for differences between schemes. Within this section we have also included some of the ideas and themes taken from our discussions with the scheme actuaries, regulators and scheme participants, including how benefit design affects superimposed inflation.

### **1.3 Overview of recent literature and how this paper fits in**

We have examined a selection of recent papers regarding superimposed inflation and have provided a short synopsis of each of these papers in Appendix A.

The papers written have included, amongst other items:

- Investigations into the existence of superimposed inflation and how it can be defined and measured;
- Discussion of the drivers of superimposed inflation; and
- Case studies to examine levels of superimposed inflation in historic data.

In this paper we are hoping to build on what’s been written so far, but as stated previously in Section 1.1, we have focused more on providing some visibility around the assumptions currently being set in the context of pricing.

### **1.4 Definitions of superimposed inflation**

The definitions of superimposed inflation have been well discussed in previous IAAust seminar presentations and papers. In particular, the 2011 paper by Gould and Atsu defines superimposed inflation in detail, building on the definitions listed in the 2007 paper by Pearson and Beynon.

These papers highlight that the definition used for super imposed inflation very much depends on the purpose of its use; e.g. whether it is being used by portfolio management who are wanting to understand the past level of superimposed inflation and drivers of experience, or whether it is being used within actuarial models to understand the potential future levels for pricing or reserving.

In our conversations with the various schemes, it has become apparent that the definition for superimposed inflation used is specific to each scheme. That is, the adopted definition is moulded by the approach taken, and the models utilised. Depending on the sophistication of the modelling performed, superimposed inflation may include the impact of altered frequency/utilisation. The measure of “normal

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inflation” also varies by state and, at times, by model as well. This could be summarised as “superimposed inflation is in the eye of the modeller”.

Given this potential for multiple interpretations of the definition of superimposed inflation, we will refer throughout this paper to a single working definition in relation to setting premium rates:

*Superimposed inflation is the growth in claims costs above that indicated by modelled claims costs including a normal inflation amount, which is included in the premium rates set.*

We have also assumed that superimposed inflation arises in “bursts” and that there is a cycle to observed superimposed inflation. The cycle occurs when a bout of high superimposed inflation rates arise, a response to that will be made to constrain the cause and lower the observed rate of superimposed inflation. Later on a new or different cause of superimposed inflation will lead to a new bout of high rates and the cycle begins again.

### 1.5 Causes of actual superimposed inflation

Superimposed inflation can be driven by a wide variety of causes. It is of course possible for there to be periods of deflation, for example due to government interventions and legislative reforms. At a more granular level, these causes can be broken into claim frequency, utilisation and severity impacts. Again, these causes have been well discussed in previous papers and can include:

- Regulatory changes, for example step or indexed increases in court awards;
- Legal precedents, for example reinterpretation of legislation giving rise to new landmark cases;
- Medical cost inflation outpacing, e.g. AWE or CPI;
- A change in policyholder behaviour;
- Changes to internal claims management or underwriting practices; and
- Other economic and social changes.

The extent to which these are attributed to superimposed inflation then depends on the degree to which each of these are already allowed for within the actuarial model.

### 1.6 Considerations in the selection of future superimposed inflation rate assumptions

Assumptions for future superimposed inflation rates are selected in actuarial modelling for both pricing and reserving. From our review of recent literature (see Appendix A), best practice for selecting these assumptions would include:

- Completing a review of historic superimposed inflation; this might include a quantitative analysis with some qualitative overlay; and
- Consideration of the drivers of superimposed inflation that could occur in the future.

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Often this will include discussions with Claims Managers, Underwriters and Portfolio Managers.

The 2011 paper by Gould and Atsu compares this methodology to the process suggested for setting risk margins in the 2008 paper (by Marshall, Collings, Hodson & O'Dowd), where there is both a quantitative aspect to the process and also a qualitative risk assessment overlay.

We do not intend to go into any detail around the potential methods for examining historic or future superimposed inflation. However we do note that a large number of considerations need to be taken into account to set superimposed inflation assumptions and as such the selection of these assumptions will inevitably be subjective and heavily dependent on the modelling approach adopted.

## 2 Superimposed inflation assumptions currently being used in premium setting

### 2.1 Overall findings

The table below provides estimated **total superimposed inflation allowances in the premiums** of each scheme, both as a % of premium and as a total dollar amount. The equivalent annual rate of superimposed inflation is shown in parentheses. The information shown for each scheme reflects the average explicit superimposed inflation allowance across all payment and model types for the current/most recent financial year.

**Table 1: Comparison of superimposed inflation allowances across schemes**

Scheme	Superimposed inflation allowance		Scheme Underwriter
	% of Premium	Dollar (\$m)	
NSW CTP*	12.0% (2.6% pa)	216	Private
NSW WC	0.0% (0.0% pa)	Nil	Public
Qld CTP*	9.8% (2.5% pa)	83	Private
Qld WC	1.4% (0.5% pa)	20	Public
Vic CTP	8.1% (1.25% pa)	72	Public
Vic WC	0.2% (< 0.1% pa)	3	Public
WA WC*	11.9% (4.7% pa)	101	Private
<b>Across Schemes</b>	<b>6.2%</b>	<b>495</b>	

\*The scheme rates are shown to provide confidentiality to private insurers.

**Please note that care needs to be taken in comparing the above assumptions between schemes and any comparisons are indicative only.** That is, as these estimates will have been generated using differing approaches (consistent with the way each scheme estimates claim costs in the premium rates). These differing approaches mean that some schemes will have included certain items within superimposed inflation and others will have estimated these items separately.

The superimposed inflation allowances shown in the table above reflect the **technical premium rate** (which is calculated by the actuarial modelling), **rather than the actual premium rate** charged to policyholders in each scheme. NSW CTP would be the exception where the above rate is indicative of the superimposed inflation allowance in actual premiums.

### 2.2 High level observations

While we have only documented pricing assumptions at a point in time our high level observations are:

- the three CTP schemes and WA WC have notably higher assumptions for superimposed inflation rates;
- the three publicly underwritten workers' compensation schemes (NSW WC, Qld WC and Vic WC) have a low/negligible superimposed inflation allowance, whereas the privately underwritten workers' compensation scheme (WA WC) has a higher rate; and
- the three privately underwritten schemes have a superimposed inflation allowance in near or above 10%.

### 3 Issues that influence the level of Superimposed Inflation

The actual rates of superimposed inflation will be heavily influenced by the legislative entitlements and how the scheme is managed and in particular how the claims are managed.

The level of superimposed inflation selected for pricing may also be influenced by differences in the modelling approach and in how the schemes are underwritten (public vs private).

We comment further on each of these issues below:

#### 3.1 Legislative differences between the schemes

In this paper we do not intend to summarise the differences in legislation between each scheme as there are various reports which have already reported these. However we would like to highlight that the legislative features of each scheme are different with some having a greater focus on supporting long term injured people through ongoing weekly entitlements and medical costs (e.g. Vic WC and Vic CTP) and others more focussed on resolving matters through common law or settlements (e.g. Qld CTP, NSW CTP and Qld WC).

#### 3.2 How the scheme is managed

A common theme which arose through our discussions was the impact on superimposed inflation by how the scheme is managed. A high level of superimposed inflation warrants a deeper investigation to understand the issues driving it. A deeper insight should also trigger a comprehensive management response and possibly changes to the modelling approach.

The history of the Work Capacity Test in the Vic WC scheme illustrates the point. While the Work Capacity Test in Vic WC existed in the legislation, prior to 2000 it wasn't being systematically administered. The actuarial valuations highlighted the challenges being faced with claimants continuing on weekly entitlements through the 130 week work capacity test gateway and beyond. The regulatory response was to design and implement a thorough and consistent process which led to substantial reductions in liabilities & premium rates and ultimately modelling changes.

##### 3.2.1 Use of Clinical Panel

Vic WC and Vic CTP utilise a panel of health care professionals from a range of health disciplines (the "clinical panel"). The clinical panel engages with the health care providers to discuss the appropriateness, frequency and duration of the treatment provided. These reviews are performed with the aim of ensuring treatment levels are reasonable and in line with best practice principles, therefore minimising over-servicing.

The clinical panel began with physiotherapists but has now expanded to include psychologists, osteopaths, chiropractors, pharmacists, audiologists and a range of medical practitioners. The panel has also recently been engaging with orthopaedic

surgeons on the topic of spinal surgery. The range of health care professionals on the clinical panel and its utilisation has evolved over time as its value and opportunities were recognised.

### 3.2.2 Regular monitoring of superimposed inflation

Monitoring of claims costs and the actions driven from that monitoring can be expected to impact on the superimposed inflation allowance adopted. Although monitoring takes place across the schemes, we have highlighted two examples below:

#### ***Victoria – Workers' Compensation***

In Vic WC, the monitoring regime looks for trends in recent data. This is then used to propose actions for the claims management agents. A combination of relationships with the agents and remuneration model ensures agents work with Vic WC to address identified issues.

#### ***Queensland – CTP***

Alongside the quarterly analysis and monitoring supported by the scheme actuary, MAIC also holds claims performance monitoring meetings with claims management from the individual insurers. These meetings allow MAIC to gain a much more granular view of claims management trends and to collect anecdotal evidence from insurers. Over time, these meetings allow MAIC to compare experience and practices between insurers.

### 3.2.3 Legislative measures designed to contain superimposed inflation

In recent years there have been some significant legislative measures which have been designed to impact schemes' liabilities. We don't intend to provide a comprehensive summary but have selected some interesting aspects with respect to a few of the schemes.

#### ***Queensland – CTP***

The introduction of the ISV (Injury Severity Value) mechanism and the introduction of anti-touting legislation have had a material impact on total claims costs at the beginning of this century. The ISV determines the general damages by equating medical evidence to a scale of points (1 for low severity up to 100 for extreme severity) that are then converted to a dollar amount via a sliding scale.

#### ***New South Wales – Workers' Compensation***

Over the last 10-15 years there have been significant legislative reforms in order to make the NSW WorkCover scheme more robust to the effects of superimposed inflation. In particular there have been significant legislative reforms in 2012. The reforms over recent years include:

- Encouragement of early reporting of injuries to enable early interventions, in order to ensure that injuries are treated quickly and before they can worsen;

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- The use of impairment levels as key criteria to access, or continue to access, many benefits;
- Dispute minimisation;
- Whole person impairment (WPI) status can no longer be reassessed. There is now only one assessment which will determine the benefits. This should also minimise disputes;
- Implementation of a Work Capacity Test, 12 month medical cut off, and 20/30% WPI test at the 5 year mark.

### **Queensland – Workers' Compensation**

In 2013 a 5% WPI threshold (on AMA5) was introduced for entitlement to common law benefits. We understand that WorkCover Queensland will be monitoring emerging Impairment/common law experience to understand if the superimposed inflation allowance should be altered.

### **3.3 Modelling Approach**

#### **3.3.1 Actuarial Modelling**

The superimposed inflation rate assumed for premium setting depends on the model being used. There are significant differences between the levels of superimposed inflation between different types of model, as some models allow for different superimposed inflation impacts implicitly.

The level of superimposed inflation will then also fluctuate between schemes as different schemes will be using a blend of different models.

Under the Vic CTP modelling, the vast majority of the superimposed inflation allowance relates to attendant care. Almost 1/3 of the superimposed inflation allowance relates to increases in the hourly rates (in excess of cpi) for attendant care and another 1/3 relates to growth in the amount of attendant care required by claimants.

This contrasts with the approach to modelling benefits under NSW WC, where allowances for GDP growth, wages growth and continuance rates have removed the need for an explicit superimposed inflation allowance in the premium. So the approach to modelling benefits has a direct impact on the explicit superimposed inflation allowance adopted.

#### **3.3.2 Short term vs. long term views**

As stated in Section 1.4, based on historic experience, superimposed inflation is generally expected to follow a cycle where periods of high rates of superimposed inflation are followed by periods of low rates (even negative rates).

The value of superimposed inflation is affected by the term over which it is assessed. A long term view of the expected future superimposed inflation would look at the average rate of superimposed inflation across the whole cycle (however long that may be). A short term view of the superimposed inflation rate would look to predict

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the rate expected in the near future, and could be expected to move significantly over the cycle.

The approach to selecting a term for the superimposed inflation allowance is likely to be affected by the intention for the current premiums to fully fund the claims arising from those premiums. A short term view (that precludes intentionally building up a capital buffer) is more likely to be associated with an acceptance that a deficit can occur in funding claims costs. A longer term view is consistent with a desire to ensure that the current premiums will be sufficient to fund claims costs arising from those premiums, with any excess superimposed inflation allowance over actual being seen as an accumulating buffer against future superimposed inflation (at least by some schemes).

### 3.3.3 Loading for superimposed inflation within the profit margin

Another aspect that could influence the level of explicit superimposed inflation allowance is the extent that each scheme considers that superimposed inflation is believed to be suitably included in the profit margin. That is, the profit margin built into a premium can be considered as compensation for uncertain claims costs, and that superimposed inflation is just one source of uncertainty. Providing the profit margin is sufficiently large to compensate for all forms of uncertainty, then proponents would argue that no further allowance for superimposed inflation would be required.

This is an area that we understand the actuarial profession has no single view on. This issue would normally only impact the privately underwritten schemes.

### 3.4 Publicly vs. privately underwritten schemes

There are a number of mechanisms that may lead to a different approach in setting superimposed inflation assumptions between a publicly and a privately underwritten scheme. These include:

#### 3.4.1 Privately underwritten schemes

The selection of superimposed inflation allowance for a **privately underwritten scheme** may be affected by:

- Inability to operate with a deficit: A publicly underwritten scheme can effectively continue to operate even if it is technically insolvent, where a privately underwritten scheme cannot. Profit/loss will be considered earned by each private insurer in the period it is recognised and as such any surplus is not considered available to the scheme to be “recycled” into future years.
- Less ability to change scheme design: Unlike a publicly underwritten scheme, privately underwritten schemes do not have the ability to make alterations to scheme design if the scheme is making a loss, e.g. in a high superimposed inflation environment.

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- Prudential supervision: APRA, through its prudential supervisory role, will encourage premium rates to be set at a level that will ensure there is a sufficient chance of funding the claims cost.
- Accounting standards: In particular the Liability Adequacy Test (“LAT”) will encourage the setting of premium rates that should have a strong probability of being sufficient to fund the claims costs arising from the written premium, including the risk of superimposed inflation.
- Legislation and professional standards For NSW CTP, the Fully Funded Premium test in section 27(8) of the Motor Accidents Compensation Act (“MACA”) will encourage the inclusion of a superimposed inflation allowance, and is specifically prescribed in Section 4.5.1 of Professional Standard 310 (“PS310”).
- Analysis and reporting of performance: Market discipline through the regular scrutiny of a private insurer’s performance, e.g. by investors, will encourage adequate premium rates be set and ultimately a suitable allowance for superimposed inflation in the premium rates charged by insurers.
- Risk of anti-selection: Private underwriters are aware of the risk of anti-selection within the scheme (encouraging some caution in selecting a premium rate). Competitive forces within such a scheme will act to mitigate (to some degree) any such caution.
- Small portfolios: With multiple insurers operating within a scheme an insurer’s portfolio may be too small to give a good view of emerging superimposed inflation. This uncertainty in emerging claim costs may encourage caution in setting premium rates or alternatively unwarranted optimism.
- Delays in legislative changes: Private insurers are aware of the time required for implementation of legislative solutions to address superimposed inflation and may not be prepared to underwrite at a loss.

### 3.4.2 Publicly underwritten schemes

While many of the above issues may also apply to publicly underwritten schemes to varying degrees the selection of superimposed inflation allowance for a **publicly underwritten scheme** may be affected by:

- Ability to operate with a deficit: Publicly underwritten schemes have the ability to price for the whole superimposed inflation cycle. As such there will be a longer term mindset to risks to the scheme.
- Increased ability to alter scheme design: A publicly underwritten scheme may be more readily able to alter scheme design in light of significant superimposed inflation;
- Regulatory Oversight: The regulatory approach and intensity adopted to a publically underwritten scheme may vary from APRA’s approach for private insurers.

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- Retrospective funding: Publicly underwritten schemes have the ability to price for the whole superimposed inflation cycle, rather than looking to set premiums which ensure that each discrete period is sufficiently funded by itself.
- Social benefits: Adding a large prudential buffer to premiums is seen as an inefficient use of society's funds; particularly in light of the previous point.
- Access to the full scheme experience and history: This may provide a more complete picture against which to model superimposed inflation evident in claim costs.

## 4 Conclusion

### 4.1 Final Thoughts

A high level summary of our findings is set out below:

- The explicit superimposed inflation allowance made for premium setting (across all payment and model types for the current/recent financial year) for the seven schemes investigated varies from 0% through to over 10%.
- There are a wide range of factors which drive these assumptions, including the model(s) being used.
- The legislative environment and how the scheme is managed is a key issue impacting on the level of superimposed inflation.
- We have estimated that there is an explicit allowance in current premiums of approximately \$495m for the seven schemes reviewed.

### 4.2 Challenge

During the writing of this paper, there were several key challenges for the industry which we thought deserved stating separately:

1. *At what level should the superimposed inflation allowance trigger action by the scheme?*
2. *Should the profit margin be used to absorb variability in superimposed inflation in privately underwritten schemes? If so, does this alter the level that the profit margin should be set at?*
3. *Has the actuarial profession taken the “easy path” in relation to modelling claims cost, in some schemes, by relying too heavily on a catch all superimposed inflation assumption?*
4. *Whilst the authors do appreciate the support from the schemes in writing this paper, we believe information on premium components should be publicly available.*

### 4.3 Acknowledgements

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**WorkCover WA**

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### Appendix A: Reference listing and Literature Review

We have captured in the table below a selection of papers written around superimposed inflation over the last ten years including a brief synopsis of each one:

<p>Superimposed Inflation – an elusive concept; November 2011; Alex Gould &amp; Kwame Atsu.</p>	<p>This paper sought to provide an explanation of superimposed inflation which was more easily understandable and to provide more clarity in the approaches that can be used to examine superimposed inflation.</p> <p>The paper starts by defining superimposed inflation and explaining its drivers. It then discusses methods for assessing superimposed inflation and compares some of the quantitative methods. The paper finishes with a case study of superimposed inflation rates provided to the Motor Accident Authority by insurers in rate filing and comparing these with annual measured superimposed inflation.</p>
<p>Measuring and Understanding Superimposed Inflation in CTP Schemes; November 2009; Karen Cutter</p>	<p>This paper explores superimposed inflation in CTP schemes using NSW &amp; Qld CTP schemes as case studies.</p> <p>In particular this paper describes two tools that actuaries can use to identify and attempt to measure superimposed inflation (either a relatively sophisticated actuarial model or a comparable claims model) and applies these to the NSW and QLD CTP schemes.</p> <p>This paper also describes possible reasons for superimposed inflation in NSW and Queensland and discusses problems actuaries face in measuring superimposed inflation.</p>
<p>Superimposed Inflation – Australian Accident Compensation Landscape in 2007; April 2007; Pearson and Beynon</p>	<p>This paper sought to “paint a picture” of the superimposed inflation landscape for Australian workers’ compensation schemes in 2007.</p> <p>The paper starts by providing the results of a publication search on superimposed inflation, including international studies and where superimposed inflation is referred to in international accounting regulation.</p> <p>The paper then goes on to present results of investigations in which superimposed inflation had previously been measured. This started with the results of three previous studies which examine and measure superimposed inflation (two Australian and one international). It then presented the results of two case studies conducted by the authors on levels of superimposed inflation observed in the NSW CTP scheme and the Western Australian Workers’ Compensation schemes during the nineties, plus information on the drivers for what has been observed.</p> <p>Finally this paper presented the results of a survey of each of the Australian accident compensation schemes and also a number of actuaries for their views and attitudes to superimposed inflation.</p>

In writing this paper, we also found the following papers useful:

<p>Inflation Risk in General Insurance; 2010; De Ravin &amp; Fowlds</p>	<p>This paper discusses the implications of inflation risk in the context of general insurance. It acknowledges that many of the discussed points have no widely accepted and agreed solutions.</p>
<p>Claims inflation – Uses and Abuses; GIRO 2005; Simon Brickman, Will Forster &amp; Simon Sheaf</p>	<p>This paper considers claims inflation in UK liability classes and US professional negligence. The authors conducted a survey of claims inflation assumptions in use. The paper concludes with a discussion of a number of methods for estimating claims inflation, including some of the common pitfalls when determining claims inflation assumptions</p>

**Appendix B: Superimposed inflation estimates by Scheme**

**New South Wales CTP: Motor Accidents Authority of NSW**

The MAA have estimated a weighted average of the superimposed inflation assumptions from recently filed premiums (Sept 2014) at 2.6% pa over a mean term of around 5 years. This equates to \$216m out of \$1.8bn of premium taken from the 2012/13 annual report (available at <http://www.maa.nsw.gov.au/default.aspx?MenuID=136>).

**New South Wales Workers' Compensation: WorkCover NSW**

The Scheme Actuary has confirmed that there is no explicit superimposed inflation allowance in the break even premium.

**Queensland CTP: Motor Accident Insurance Commission**

MAIC have included an explicit superimposed inflation allowance of 2.5% pa over a mean term of 3.8 years, from the July 2014 underwriting quarter. This equates to an allowance of 9.8% of the risk premium, calculated for the mid-point of the floor and ceiling premiums defined for that quarter. When combined with the components below this gives an estimated annual risk premium of \$929m. The components are shown in the table below:

Component	Value	Comment
Frequency	0.187%	
Average Claim Size	\$114,647	
Superimposed Inflation Rate	2.5% pa	
Wage inflation to investment returns gap	-0.3% pa	A negative value infers wage inflation greater than investment returns.
Estimated vehicles insured	3.9m	

**Queensland Workers' Compensation: WorkCover Qld**

WorkCover Qld have estimated the superimposed inflation allowance at 1.35% of premium for the 2014/15 year. As a result of recent scheme changes and good performance the scheme premium rate has reduced and on this new basis the super imposed allowance on premium translates to \$20 million.

**Victorian CTP: Transport Accident Commission**

The TAC have estimated that the aggregate allowance for superimposed inflation as a % of a year of claims cost as 8.1%. With over 70% of this due to the care component – both increased utilisation and hourly rates in excess of CPI. This estimation is across 13 different types of payments, using a combination of models and measures of “normal” inflation.

The superimposed inflation allowance equates to \$72.4m out of a total estimated annual claim cost of \$965.0m. The calculation of the technical claims costs help inform the level of funding that can be expected from the premiums charged.

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### **Victorian Workers' Compensation: Victorian WorkCover Authority**

The VWA have estimated that the superimposed inflation included in the breakeven premium at \$3m or 0.2%.

### **Western Australian Workers' Compensation: WorkCover WA**

WorkCover WA have available online a copy of the actuarial assessment of premium rates report ([http://www.workcover.wa.gov.au/NR/rdonlyres/34FF4D6C-0575-49B5-A3E4-BAA850FF237A/0/201415WorkCover\\_ActuarialAssessment\\_PremiumRates\\_FullReport.pdf](http://www.workcover.wa.gov.au/NR/rdonlyres/34FF4D6C-0575-49B5-A3E4-BAA850FF237A/0/201415WorkCover_ActuarialAssessment_PremiumRates_FullReport.pdf)) that is quite informative. The report identifies a superimposed inflation rate of 4.7% pa and an approximate term of 2.4 – 2.5 years (implied from the sensitivity analysis) to give a total allowance of 11.9% of the risk cost of claims (\$949m).

The authors commend WorkCover WA for making such an informative report available. The other scheme authorities have been generous in letting the authors access equivalent information, but we believe that much of this information would ideally be readily available to the public.