

28 November – 1 December 2004

Xth Accident Compensation Seminar

2004



Institute of Actuaries of Australia

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Motor Vehicle Accident Scheme Comparisons

Chris Latham



Institute of Actuaries of Australia



Presentation Overview

- **Purpose** : review recent experience of the motor vehicle accident schemes in Australia & New Zealand
- **Data** : experience from publicly available statistics to June 2003 / June 2004. The Schemes themselves will be able to comment further in their scheme reports.
- **Methodology** : index type comparison where possible to highlight similarities and differences in recent experience
- **Thank you** : to the Schemes and in particular Victorian TAC for providing and collating this information
- **Be wary** : direct comparisons may be misleading



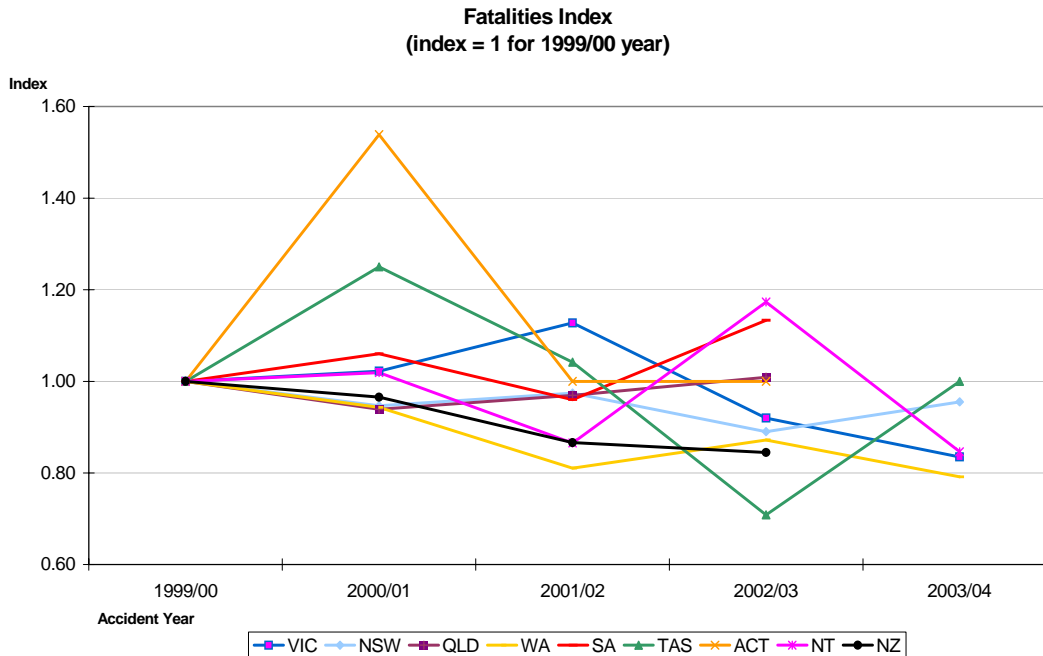
Scheme Overview

- Examining 9 Schemes across Australia and New Zealand
- Schemes all have different coverage, legislative foundation and administrative arrangements

| Underwriter | No fault scheme | | Common law | |
|----------------|-----------------|--------------|------------|--------------|
| | No Common Law | Common Law | Modified | Unrestricted |
| Government | NZ | VIC, TAS, NT | SA, WA | ACT |
| Private Sector | | | NSW, QLD | |



Fatalities

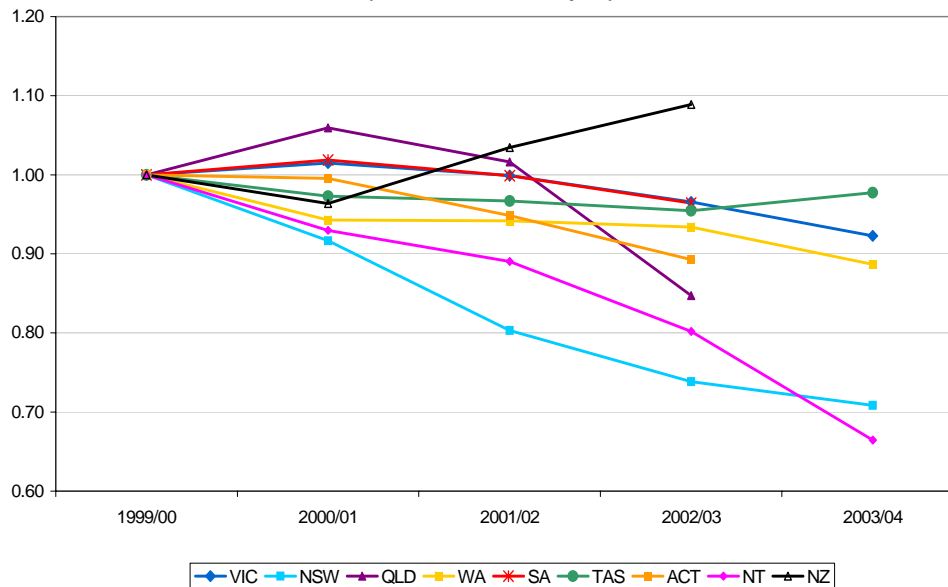


- Total across all schemes declined between 1999/00 and 2002/03 by an average 2% p.a.
- NZ had most significant improvement, 16% in 3 years.
- SA went against the total trend, recording more fatalities in 2002/03 than in 1999/00
- Significant variation in ACT and NT due to small numbers involved



Claim Numbers - All

Claim Number Index
(index = 1 for 1999/00 year)

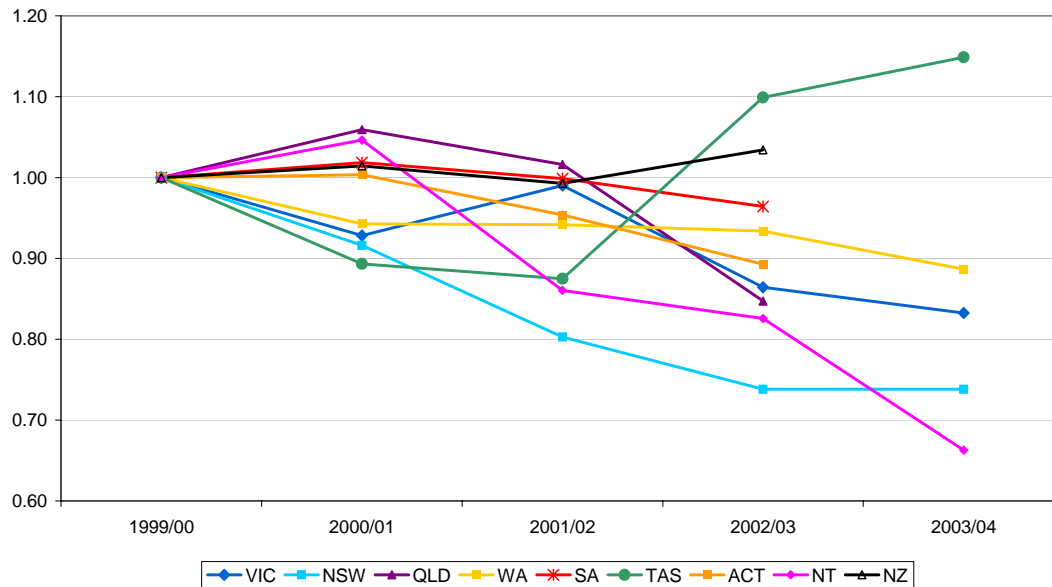


- In aggregate 5% reduction in claim numbers between 1999/00 and 2002/03
- NZ actually had 10% increase in that period
- NSW and the NT have shown a strong, sustained downward trend
- QLD experience has been more mixed, deterioration in 2000/01 then dramatic reduction in 2002/03, partially attributed to Legislative changes.
- Other states generally experienced small reductions in claim numbers from 1999/00 to 2002/03



Claim Numbers – Common Law

Common Law Claim Number Index
(index = 1 for 1999/00 year)

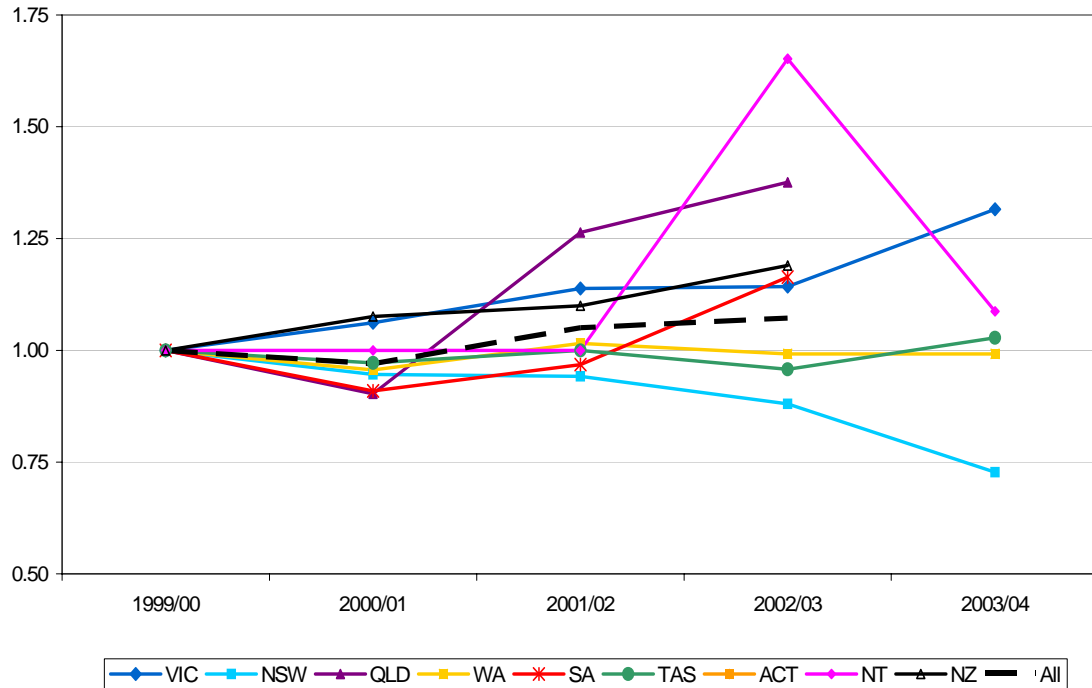


- Significant reduction in NSW and NT claims since 1999/00
- Small decreases in most other states
- Tasmania experience volatile, recent increases mean numbers now above 1994/95 to 1995/96 levels.



Claim Payments - All

Claim Payments Index
(index = 1 in 1999/00 year)

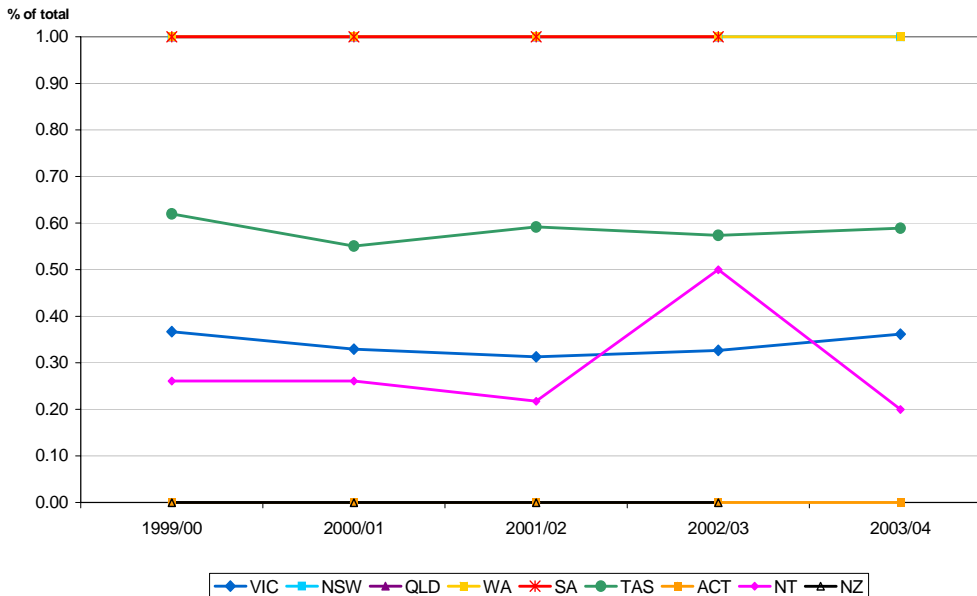


- QLD experienced a very sharp increase from 2000/01 to 2001/02
- NSW experienced reductions since 1999/00, increasing each year.
- No data was available for the ACT



Claim Payments – Common Law Proportion

Percentage of Common Law payments to total payments



- NSW, QLD, WA and SA all have 100% common law payments
- NZ has 0% common law payments, and 100% no-fault payments
- No data is available for the ACT
- Level of common law payments has reduced slightly in Vic and Tasmania
- Benefit design dominates the total level of common law payments for each scheme



Premium Setting Method

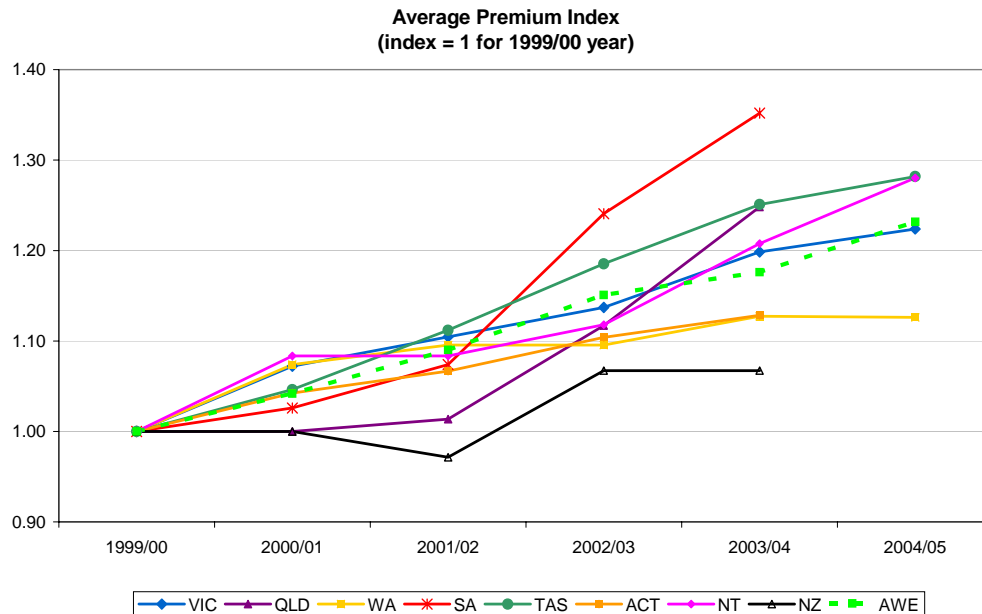
- Premium setting approach varies by jurisdiction

| | File and write | File, within limits set by authority | Set by state government or relevant authority |
|--------|----------------|---|---|
| Scheme | NSW | QLD | ACT, NT, NZ, VIC, SA, WA, |

- All schemes use vehicle type as a risk factor
- In addition, some jurisdictions use other risk factors including: zone discounts, pensioner concessions and individual risk rating



Premiums – Average metro



- NSW data omitted as not available in equivalent form
- SA has seen the most significant rises in premium
- Premium increases in NZ, WA, and the ACT were below the level of increase in AWE, the other state were in line with AWE or a little higher.



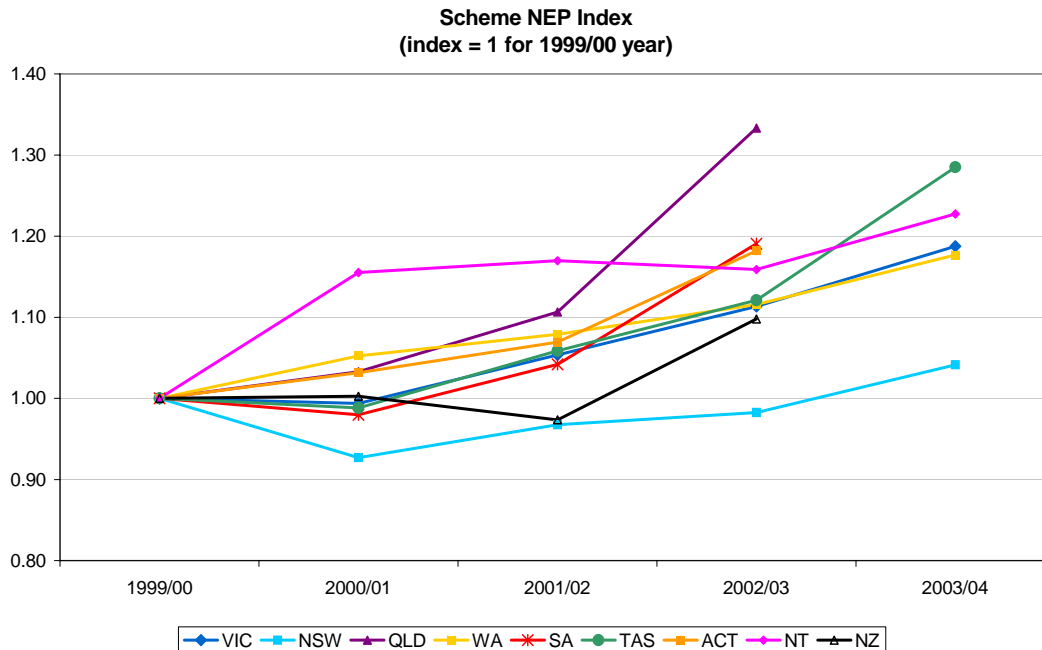
Financial Position

The next section provides an indication of the financial position of each scheme, covering the following items:

- Net earned premium
- Net profit
- Investment return
- Net surplus or deficit
- Funding level



Financial Position – Net Earned Premium

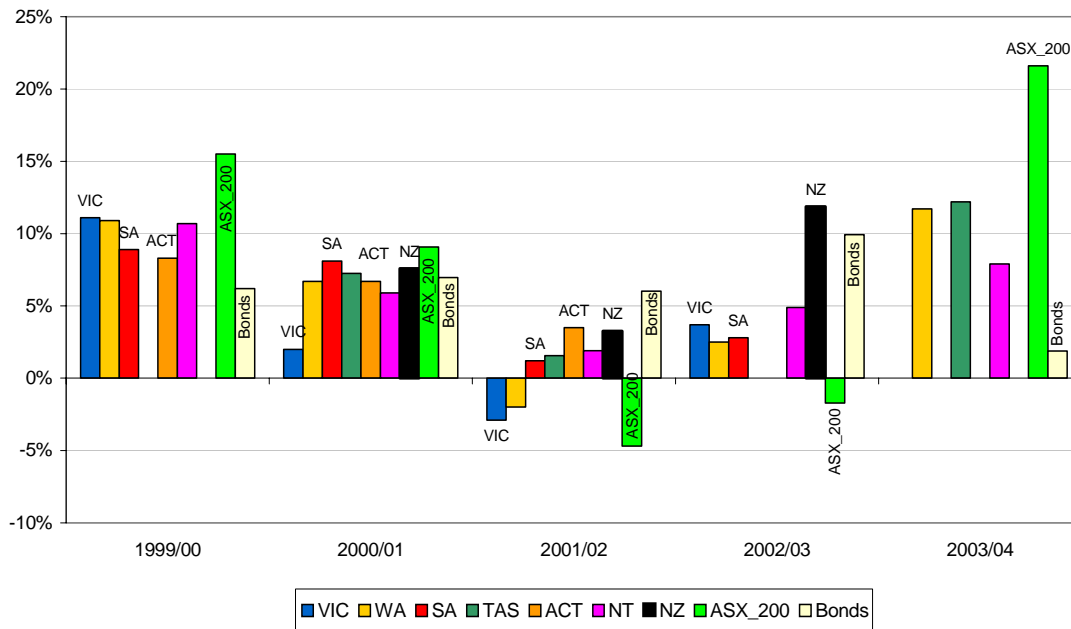


- Qld has experienced very strong growth in 2002/03
- NSW and NT have experienced more stable NEP over the years 2000/01 to 2002/03.
- General increases of around 4% pa (on average) for the other states



Financial Position – Investment Returns

Investment Returns

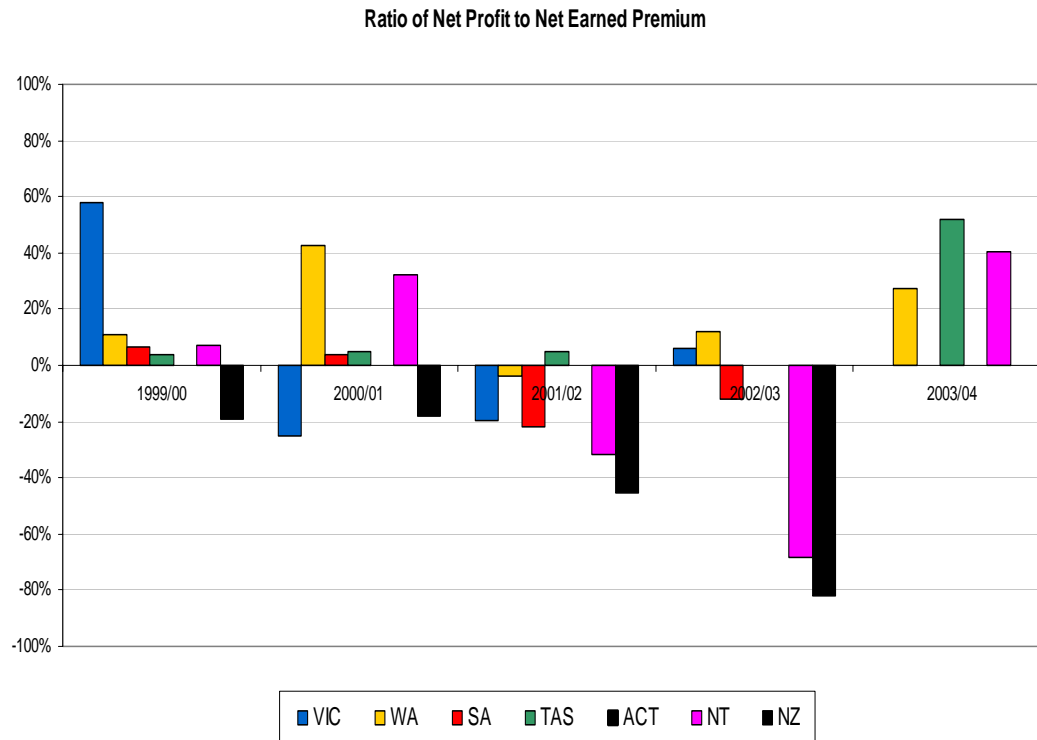


Bonds: Source UBS Australia Treasury All Return

- Compared to the returns on the ASX-200 (accumulation index) and the return on government bonds.
- Doesn't take into account the investment strategies and asset allocation of each scheme
- All schemes outperformed the ASX-200 in the 2001/02 and 2002/03 financial years, but underperformed in 2003-04
- The Victorian scheme experienced relatively poor investment returns in 2000/01 and 2001/02, followed by a relative improvement in 2002/03. Victoria may have a different investment strategy to the other schemes.
- Bonds outperformed equities in 2001/02 and 2002/03



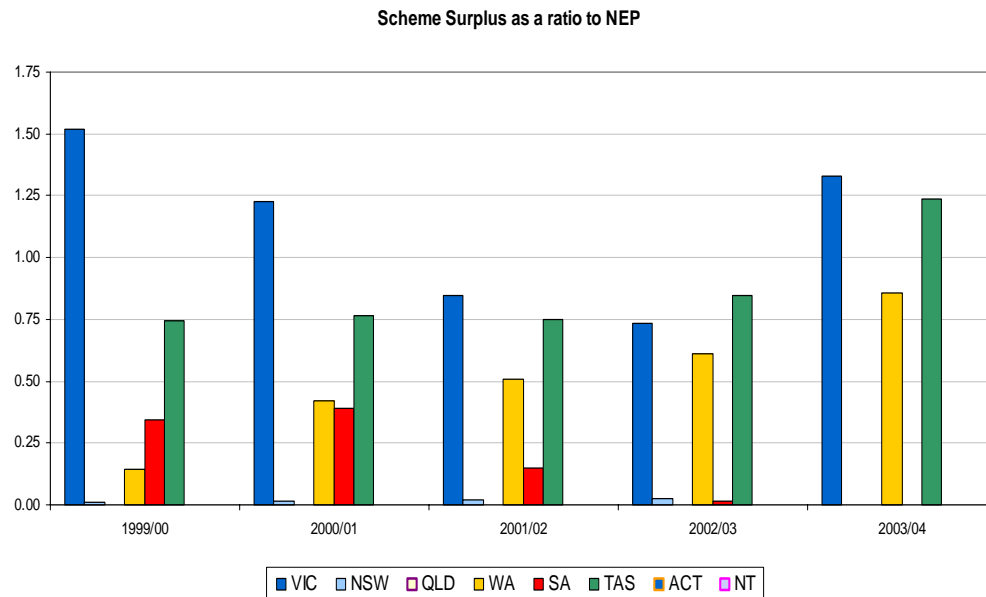
Financial Position – Net Profit



- Net profit to NEP has varied significantly over time and between the schemes.



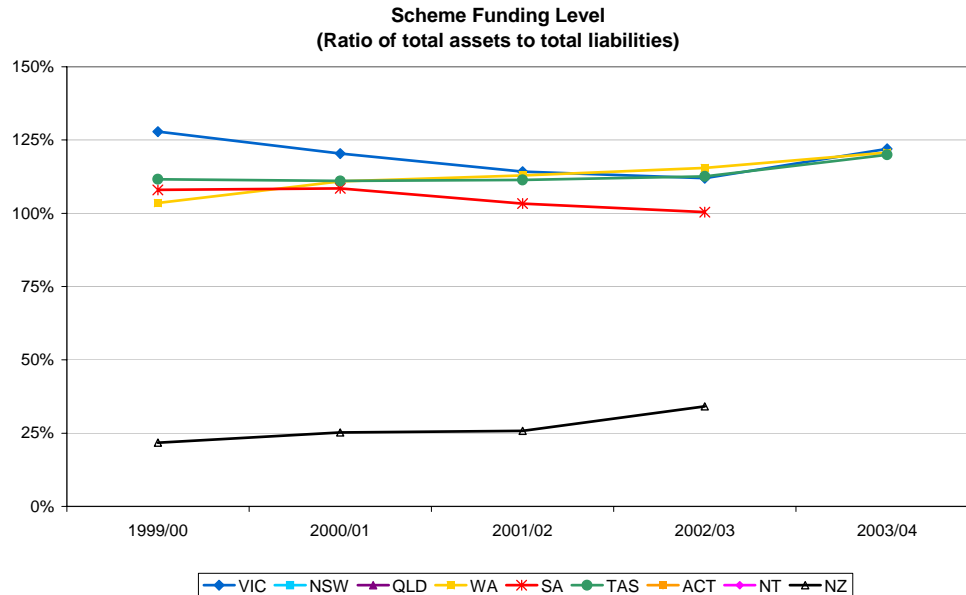
Financial Position – Surplus / Deficit



- Surplus calculated as total assets – total liabilities, scaled to NEP
- NZ has come from an unfunded position, so is currently recording a deficit, and hence not shown on this graph. This deficit is being reduced over time.
- The Victorian surplus ratio was steadily to 2002/03 but has picked up in 2003/04.
- WA has shown an increase in the ratio of surplus to NEP



Financial Position – Funding Level



- NZ is strengthening, but note that it has come from an unfunded basis
- Slopes for each scheme is relatively flat, indicating that it generally takes a long time to change the funding position.
- Victoria and SA have shown a small decline in funding position over the past 3/4 years
- Tasmania and WA have shown small increases in their funding positions



Questions / Comments?



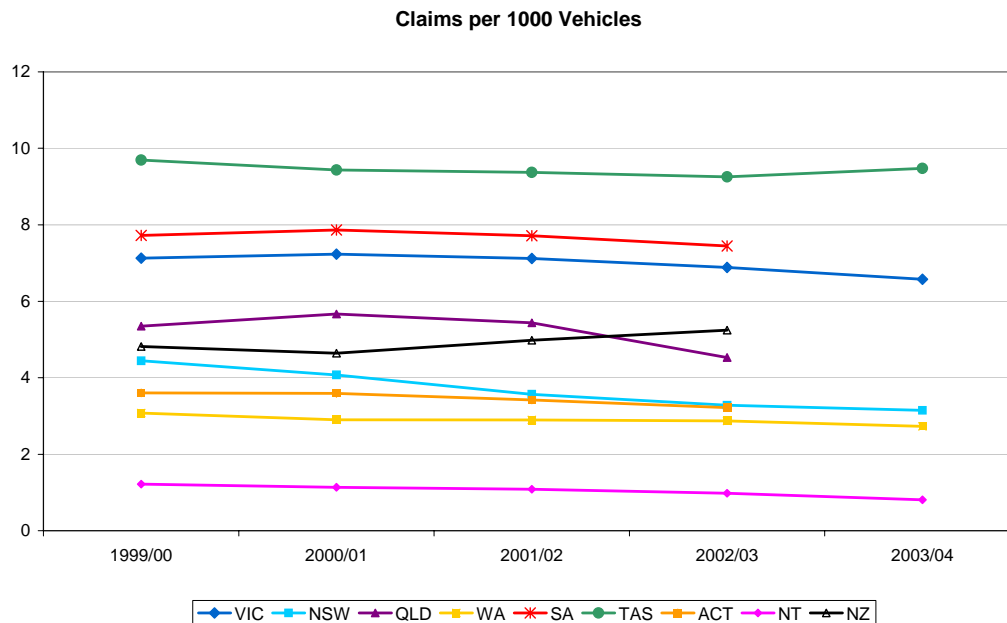
Numbers of Registered Vehicles



Numbers of accidents or casualties



Claims per 1000 vehicles



- Graph based on estimated exposure data only
- Comments to be added later



Number of open claims

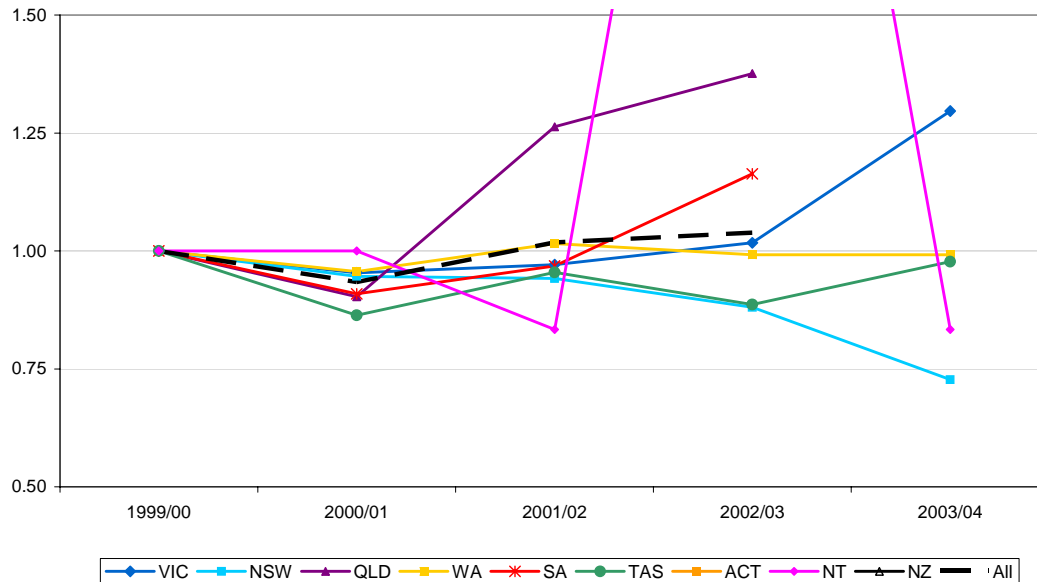


Number of finalised claims



Claim Payments – Common Law

Common Law Claim Payments Index
(index = 1 in 1999/00 year)



- Comments to be added after investigation of NZ data
- Slide may be deleted if does not add value



Recent Scheme Changes

- WA: Journey claims are no longer covered by the Insurance Commission of Western Australia (ICWA)



Claims payments by heads of damage



Financial Position – Net Incurred Claims