

28 November – 1 December 2004

Xth Accident Compensation Seminar

2004



Institute of Actuaries of Australia

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The Queensland Scheme **An Insurer Perspective**

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Institute of Actuaries of Australia



The Suspense Movie Scenario

- The History
 - scheme reform in 2000
- The Suspense
 - spiraling prices following these reforms

\$357

\$285 \$288 \$299 \$307 \$321 \$330 \$344 \$355

- The Apparent Defeat of the Demons

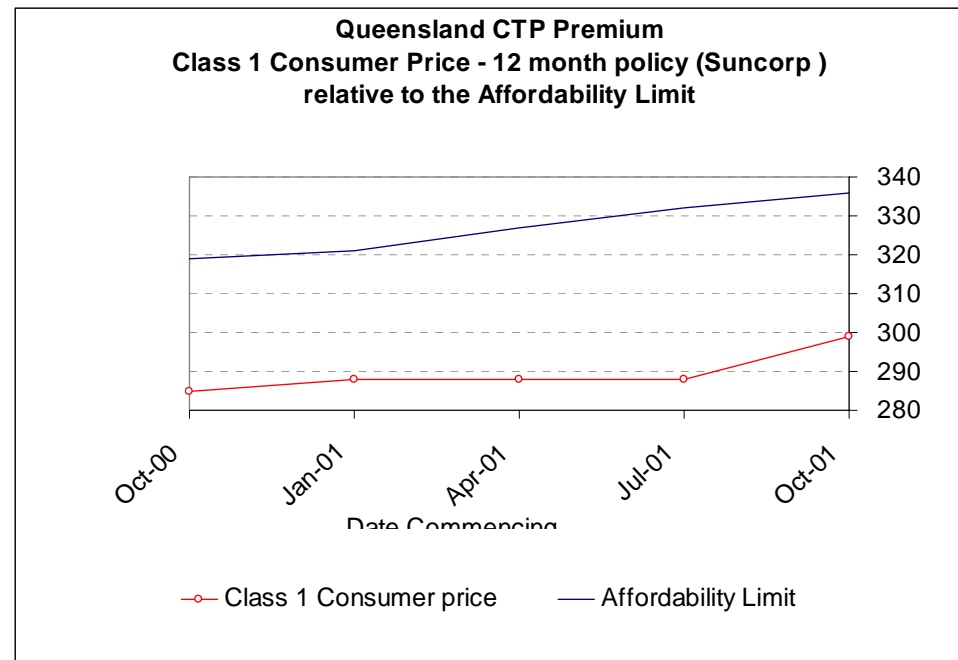
- CLA reform in late 2002
- Is the Demon still alive?





Setting the Scene

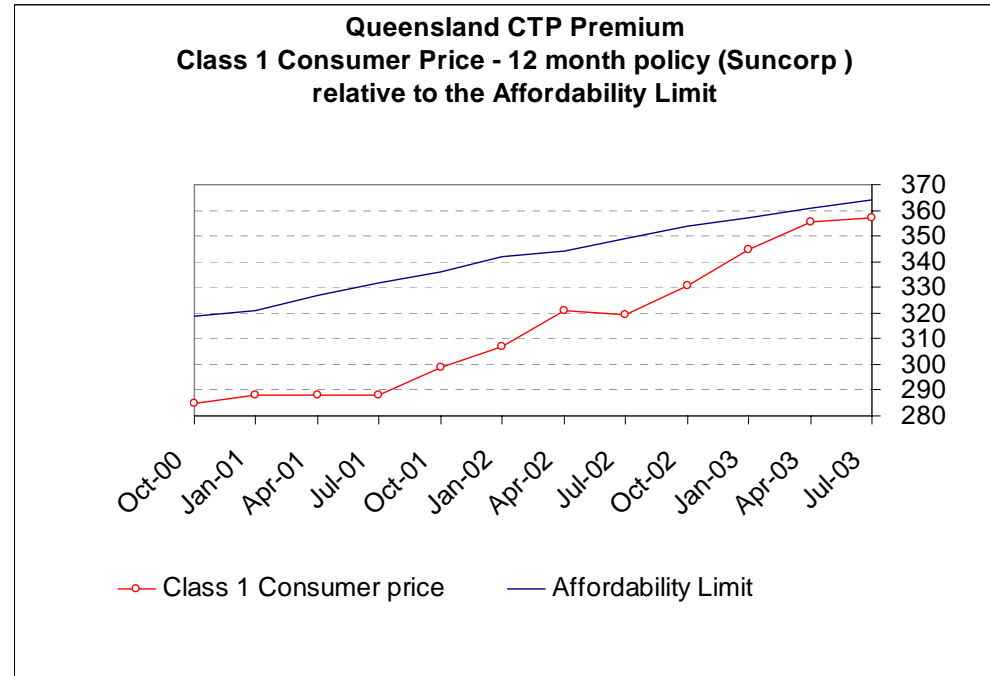
- In the 2000 reforms the affordability index was introduced.
- Pricing remained stable over a period of time.
- In 2001 the first signs of trouble is evidenced in the pricing.





The Suspense Builds

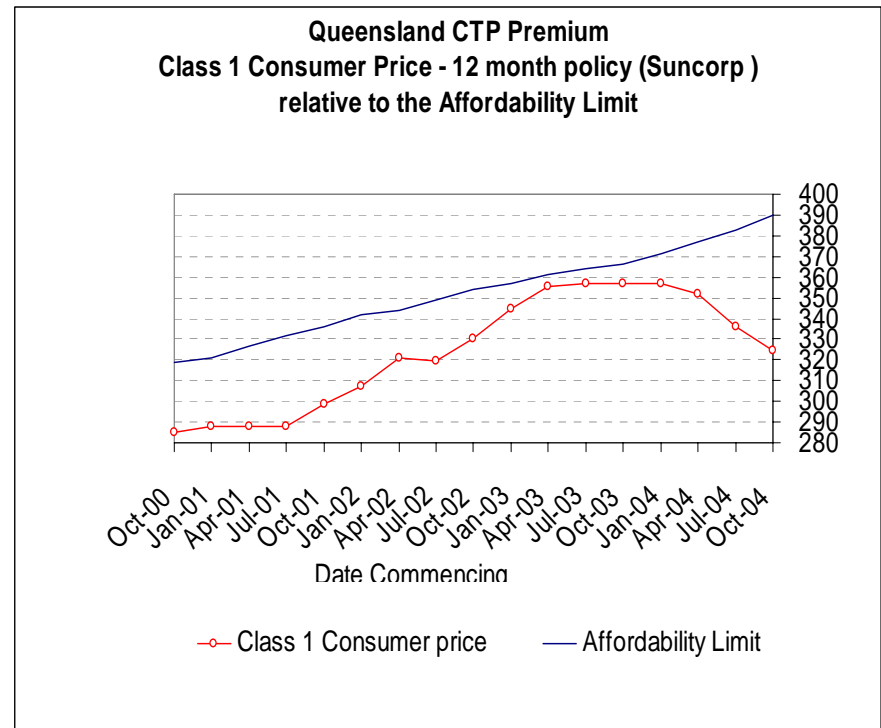
- Premiums climbed sharply from 2001.
- Serious concerns of breaching the affordability index emerge in 2003.





Defeating the Demons

- 2002 CLA reforms appear to have had the desired impact.
- Pricing stabilised in 2003 and began to fall.





The Hand Grabbing the Ankle

- It is still early days.
- The sequel can still be made.





Casting for the Sequel

“The Return of the Bad Old Days”

- The Baddie Shortlist
 - The Insurer
 - The Plaintiff Lawyers & the Courts
 - The Regulator
 - The Weather
 - The Media and Community Sentiment
 - The X Factor





Scene 1 - “Pricing”

- The relevance of the Affordability Index
- The relevance of the ceiling
- Strategy to Price at Ceiling
- Class Anomalies
- Profit Margin





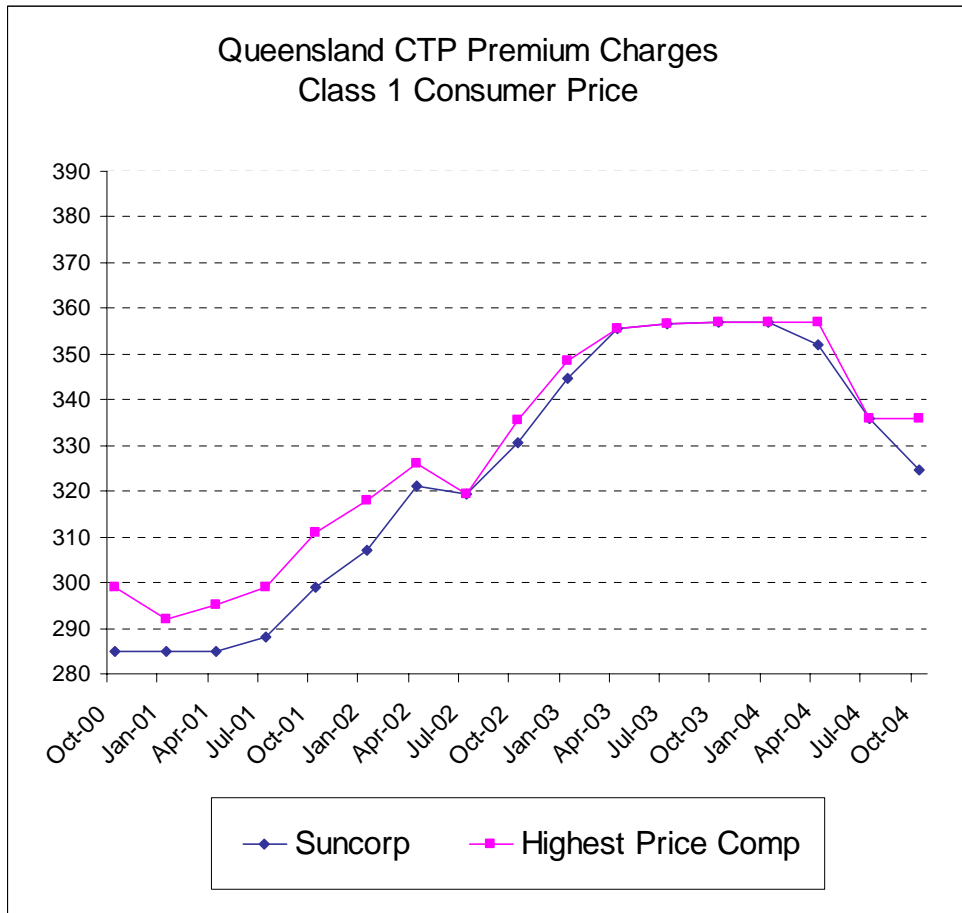
Scene 2 - “Competition”

- Is there competition?
- Price competition
- Market Switch Rates



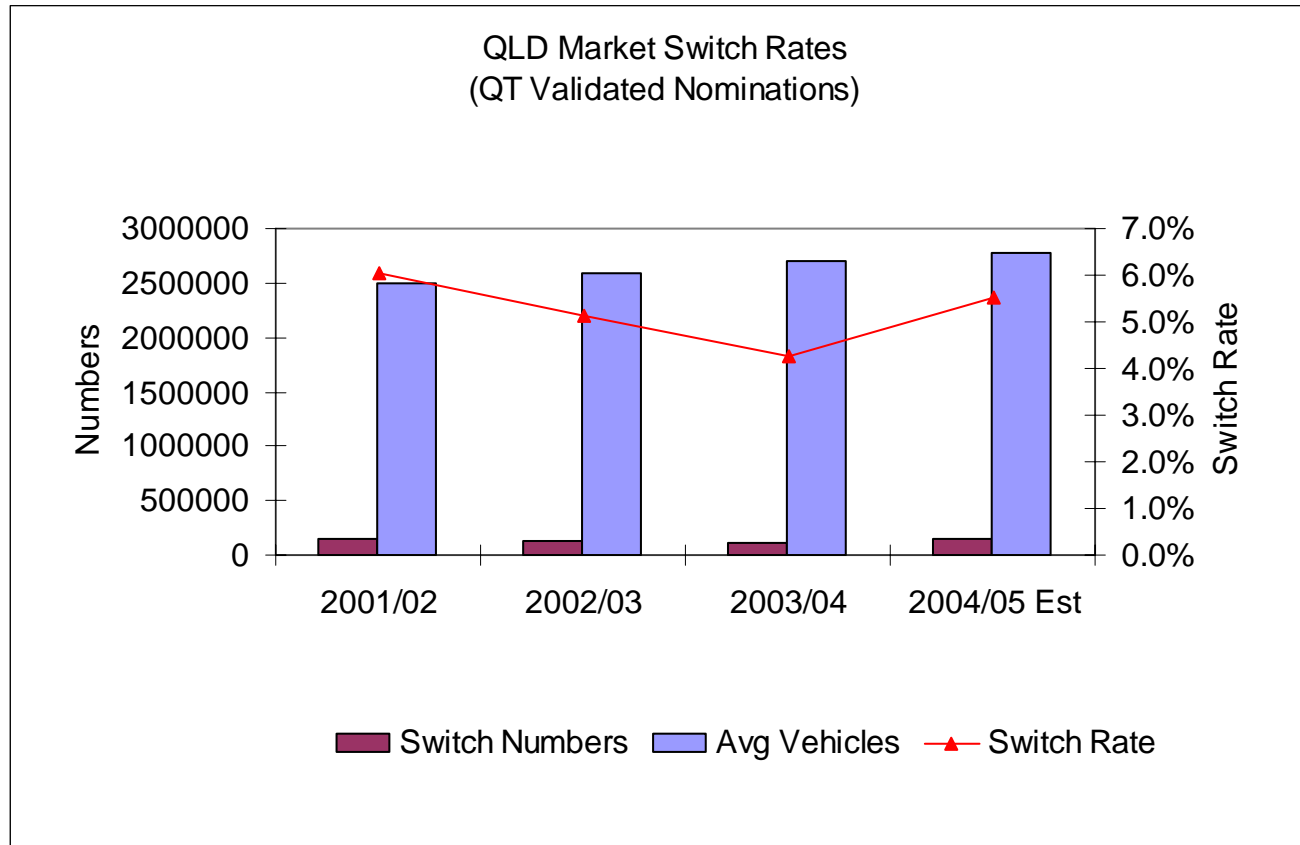


Competition on Price





Market Switch Rates



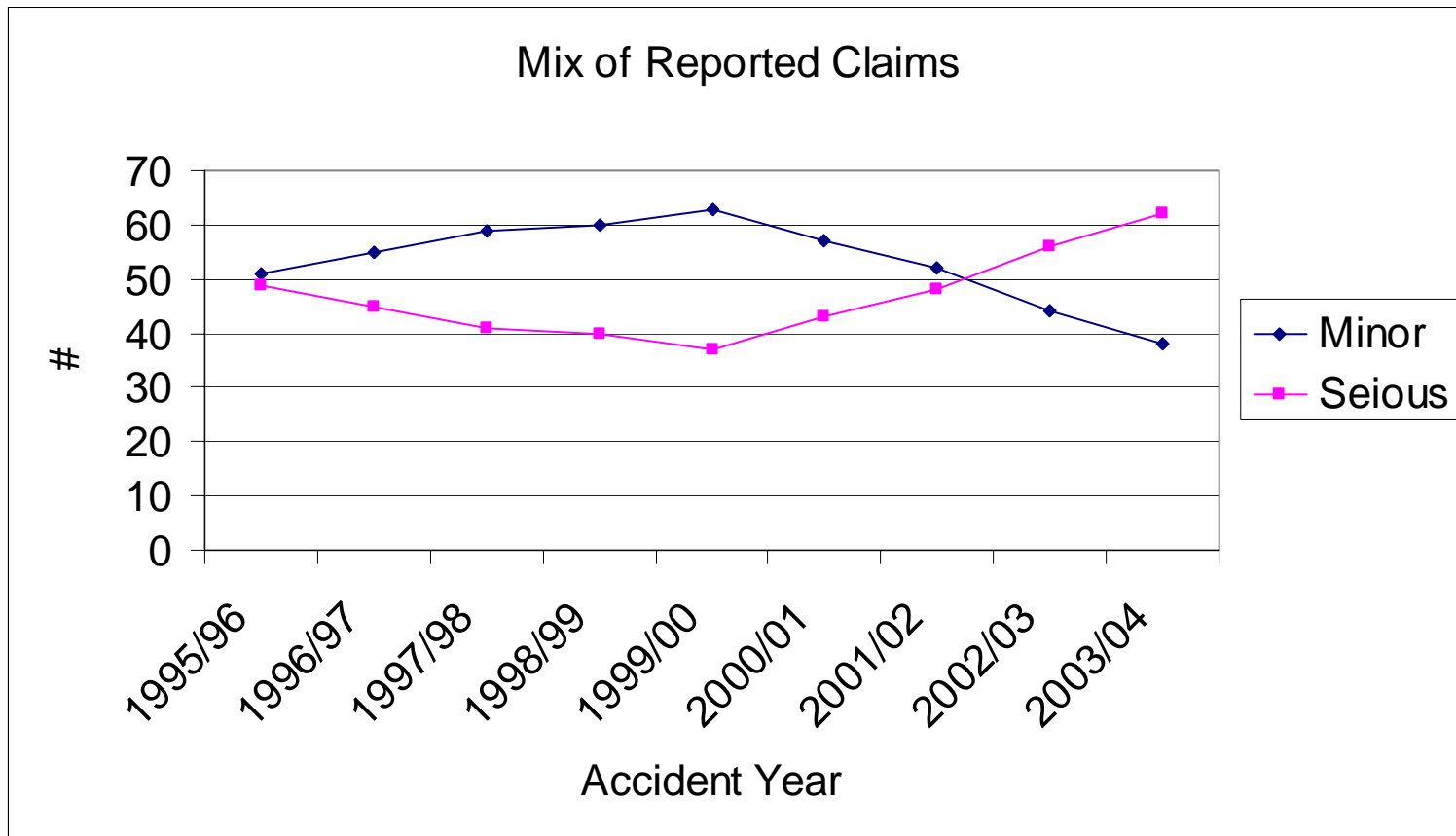


Scene 3 - Claims - What lies beneath?





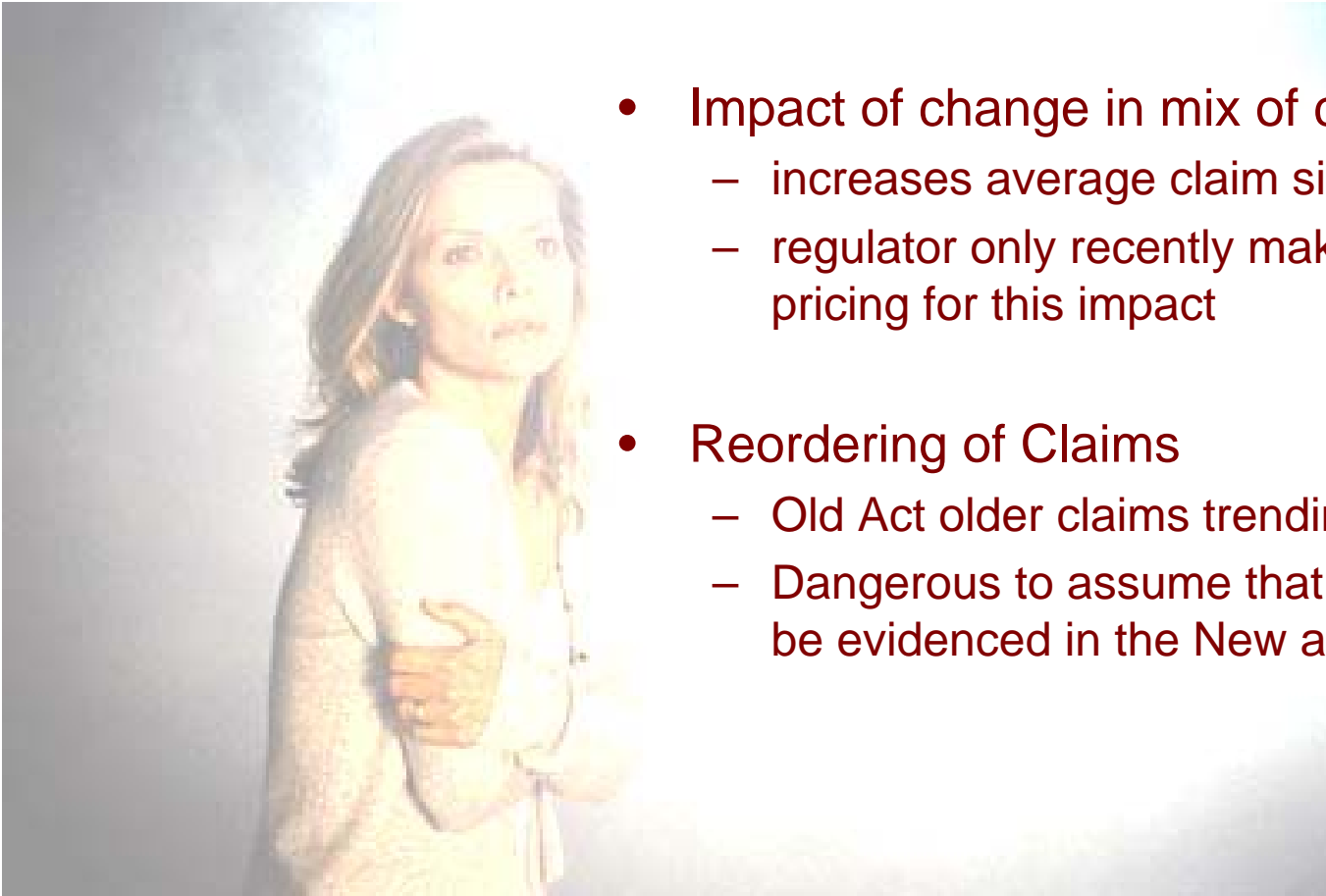
Frequency





Average Claim Size

- Impact of change in mix of claims
 - increases average claim size
 - regulator only recently making allowance in pricing for this impact
- Reordering of Claims
 - Old Act older claims trending down.
 - Dangerous to assume that same trend will be evidenced in the New act.





CLA Reforms

The ISV

- Hidden motives
- A judicial discretion
- A further judicial discretion
- Multiple Injuries
- The unknown





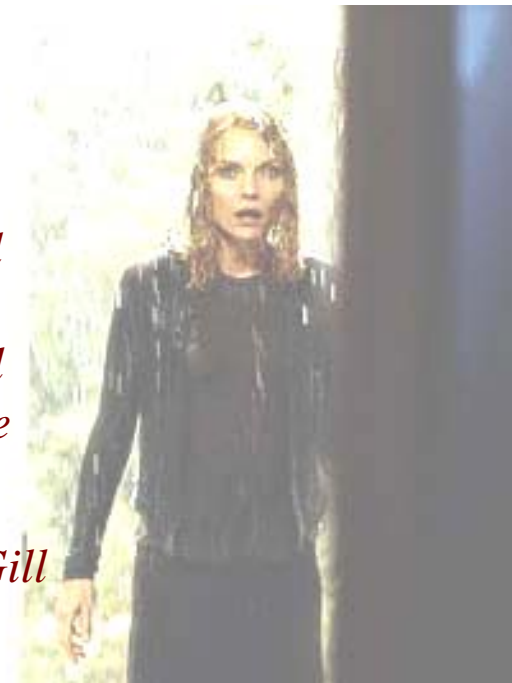
CLA Reforms

The ISV

- Hidden motives
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- Multiple Injuries
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One could perhaps be cynical, and suggest that the real objective was to substantially reduce awards of general damages in a number of areas ... I can only hope that the Court of Appeal will in due course ensure that that objective is also a failure.

Judge McGill





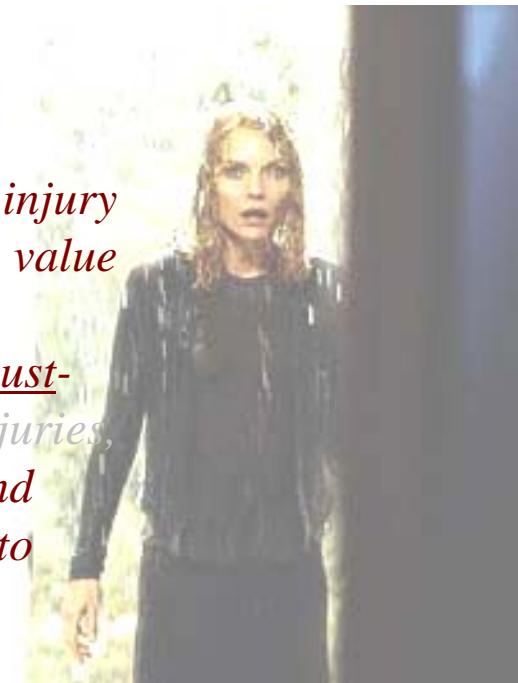
CLA Reforms

The ISV

- Hidden motives
- A judicial discretion
- A further judicial discretion
- Multiple Injuries
- The unknown

(1) If general damages are to be awarded by a court in relation to an injury arising after 1 December 2002, the court must assess an injury scale value as follows-

- (c) In assessing the injury scale value, the court is to consider must-*
- (i) Assess the range of injury scale values for similar injuries, prescribed under any rules provided under a regulation; and*
 - (ii) Have regard to the injury scale values attributed given to similar injuries in prior previous proceedings.*





CLA Reforms

The ISV

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“... a court must consider ...”





CLA Reforms

The ISV

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CLA Reforms

The ISV

- Hidden motives
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[The ISV] ... also seems to me to make very little provision for the fact that some injuries are very painful, sometimes even in circumstances where there is little physical impairment, and that pain can be more unpleasant and more disabling in its own way than significant but pain-free physical impairment.

Judge McGill





Reform in the Qld Scheme

Stages

1994 - pre-proceedings process

2000 - Formal resolution process &
some damages limitation

2003 - Further limitation of damages,
re-definition of negligence &
statutory contribution





Writing The Happy Ending

- Stability has returned.
- All the potential baddies have just as much chance of being cast as the white knight in shining armour.
- This role can be shared as the success is the responsibility of all.
- Needs to be supported by effective legislation.

