

28 November – 1 December 2004

Xth Accident Compensation Seminar

2004



Institute of Actuaries of Australia

 **ERNST & YOUNG**

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Group

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**Caring for people
catastrophically injured in a
motor accident.**



The Tasmanian Approach



Institute of Actuaries of Australia



Tasmania – “on top of the world”!





Scheme History

- A dual no fault/common law scheme commenced in Tasmania in 1974 by the enactment of the *Motor Accidents (Liabilities and Compensation) Act 1973* (“the Act”).
- The design of the scheme enjoyed bi-partisan political support.



Catastrophically Injured





Catastrophically Injured (cont)

- In 1991 the Act was amended so that people requiring at least two hours of Daily Care per day for an indefinite period are entitled to Daily Care statutory benefits (fault or no fault).
- No statutory limits on total amount payable as Daily Care.



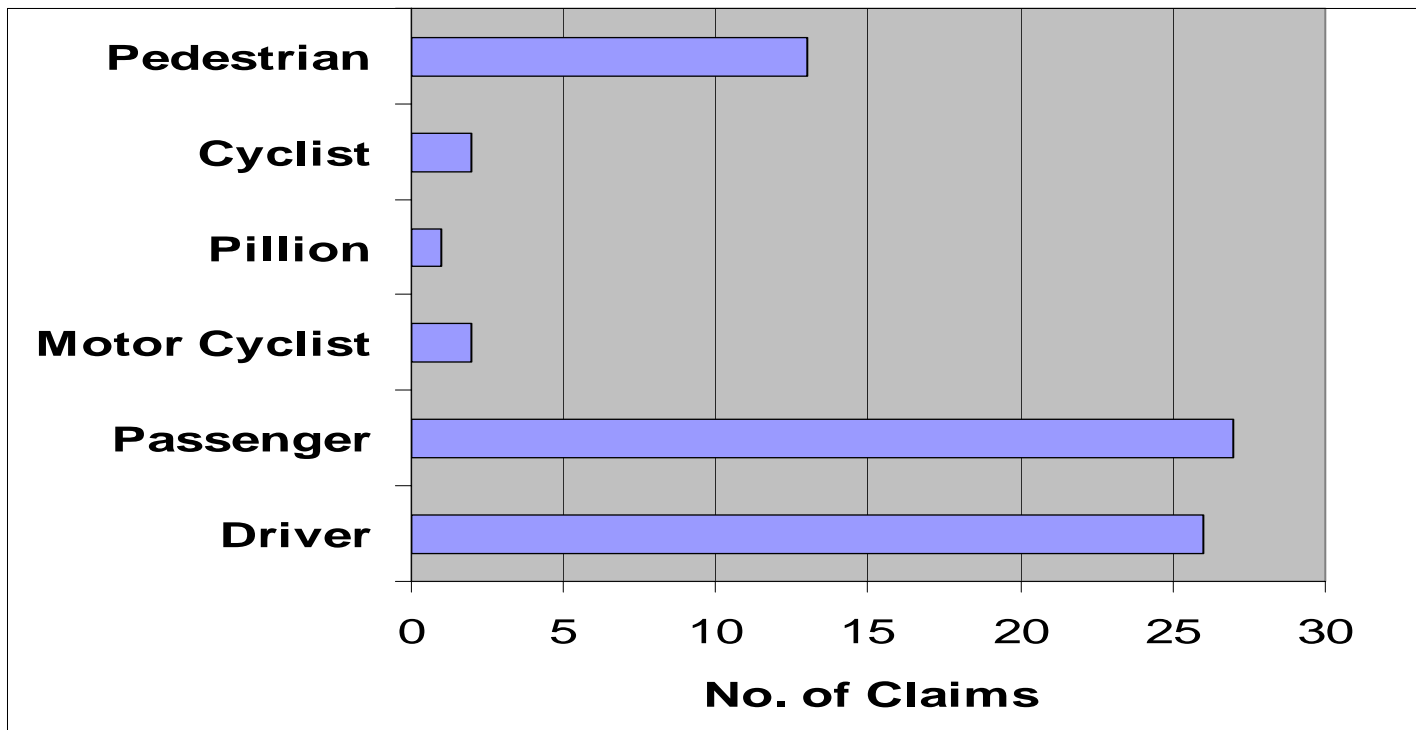
Catastrophically Injured (cont)

- Daily care means treatment, therapy, nursing services assistance, supervision, services for rehabilitation or other care.
- Courts are not permitted to include any amount in a damages award in respect of Daily Care (other heads of damage are settled in a Damages Award).



Daily Care Profile

- Numbers
 - Approximately 8 catastrophically injured people per year
 - Currently 71 people qualify for Daily Care





Daily Care - Profile (cont)

- Demographics

Age

<10	7
11-20	19
21 – 30	16
31 – 40	9
41 – 50	6
51 – 60	5
61 +	9

Sex

Male	42
Female	29



Daily Care – Profile (cont)

- Injury Type
 - *Acquired Brain Injury* - 51
 - *Spinal Cord Injury* - 17
 - *Orthopaedic* - 2
 - *Burn* - 1
- Injuries caused by the negligence of another - 43
- Injuries sustained on a no fault basis - 28



Daily Care – Profile (cont)

Scenario

- 18 year old with an ABI (estimated 53 years to live)
- 20 year old quadriplegic (estimated 45 years to live)

Liability estimates

uninflated/undiscounted

- \$12 Million
- \$7.7 Million



Daily Care – Profile (cont)

- As at 30/06/04 Daily Care liabilities represented 53% of total liabilities (*this is expected to rise in the short term*)
- Average \$3.0 to \$3.5 million (inflated and discounted)



Daily Care - Key People

- Client and family
- Future Care Team comprising three (3) specialist MAIB claims staff
- Rehabilitation Hospital Team



Daily Care - Key People (cont)

- Case Managers
 - *MAIB purchases external case management for time limited periods*
 - *It is an episodic model which provides intensive support during times of significant change in client needs and/or circumstances*
- Rehabilitation Providers
- Attendant Care Providers



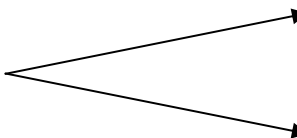
Daily Care - File Reviews

- Daily Care files are reviewed:
 - every three months for two years;
 - every six months for one year; and
 - annually until closure of the file.
- Accurate information is required:
 - Actuarial liability estimates;
 - Reinsurance calculations;
 - Rehabilitation and maintenance; and
 - Common law settlements (where applicable).



Daily Care - Housing

Injured persons decide:

- Return to home;
- MAIB owned group house 
 - Cay-lea
 - Neena
- MAIB owned self contained units
(1, 2 & 3 brm)

Daily Care services are provided in all housing choices.



Daily Care – Housing (cont)

- MAIB owned group houses provide residence for six people who primarily suffer traumatic brain injury.
- MAIB self-contained units are available for short or long-term residency and respite care.



Daily Care – Attendant Care

Injured persons decide:

- Reimburse reasonable attendant care costs incurred by the injured person.

OR

- Provide attendant care services directly to the injured person by engaging contractors.



- Only 10 minutes from Neena



- Only 10 minutes from
Cay-lea



- Tasmania's world famous lakes and fauna – a short distance away!



Case Study

- Dale was involved in an accident at the age of 25 and suffered traumatic brain injury.
(accepted as requiring Daily Care)

Prognosis
Hospitalised (24 hrs/day)
25 years to live

Liability (uninflated/undiscounted)
\$5.3M

- For the next 21 months Dale lived in the group house at Neena.

Prognosis
Neena Group House (24 hrs/day)
46 years to live

Liability (uninflated/undiscounted)
\$8.3M



Case Study (cont)

- Following further medical intervention (neurosurgery) plus rehabilitation Dale has been able to become more independent.

Prognosis
Neena Self-Contained Unit (56 hrs/wk)
46 years to live

Liability (uninflated/undiscounted)
\$5.8M

- Undertakes vocational rehabilitation and takes on voluntary work placements.

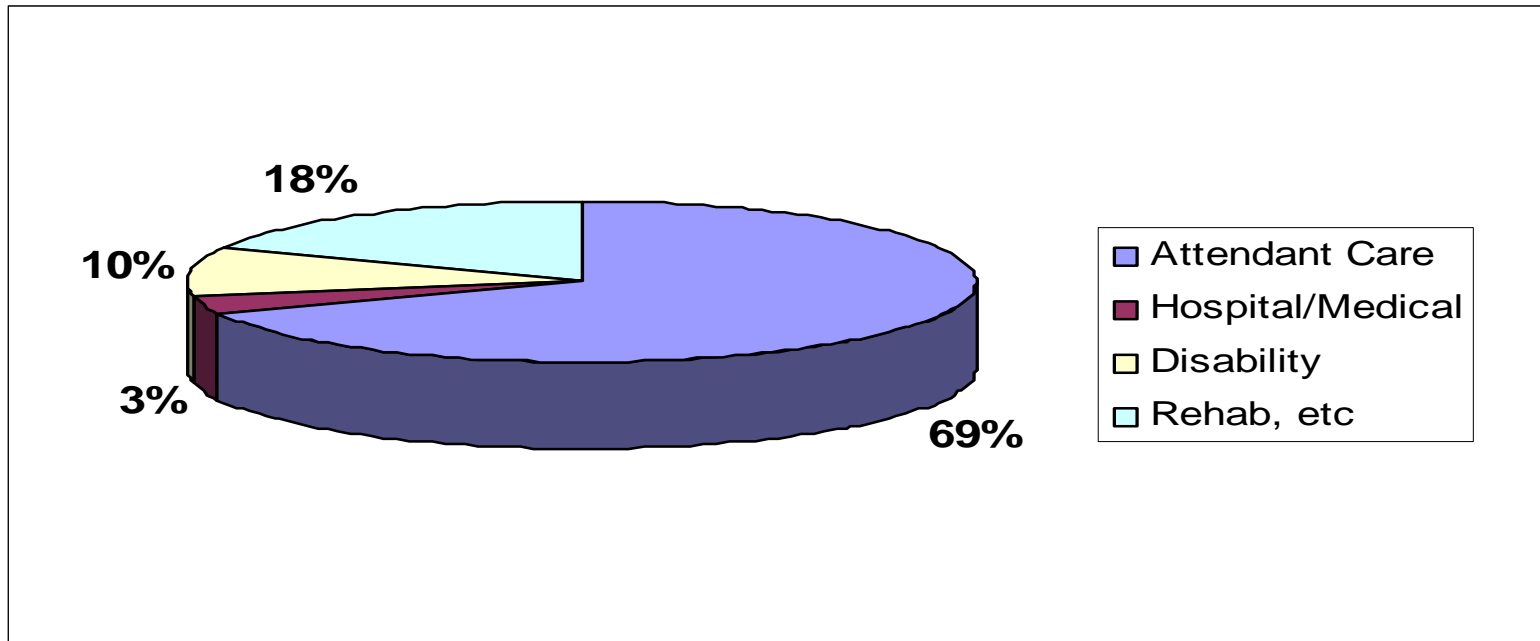
Prognosis
Neena Self-Contained Unit (35 hrs/wk)
49 years to live

Liability (uninflated/undiscounted)
\$4.1M



Case Study (cont)

- Expenditure for the financial year ending 30/6/04 was \$243,000.





- Win/Win Outcome
 - *Independence gained*
 - *Attendant care hours reduced*
 - *Liability estimates decrease*
- Dale's recovery continues.....





Scheme Benefits

- Appropriate life time care for the catastrophically injured.
- Structure of scheme (being no fault with a common law overlay):
 - *Shifts the focus away from the adversarial issues prevalent in common law only schemes; and*
 - *Enhances early intervention practice.*
- Funding requirements are balanced to some extent:
 - *the savings generated where a person dies or makes a better then expected recovery assist to offset increased expenditure due to the higher care needs of others.*



Scheme Benefits (cont)

- Expertise in managing claims and providing appropriate care results in better outcomes for the catastrophically injured.
- Purpose built facilities bring about economies of scale.
- Programs can be designed to assist more than just one person.



Scheme Challenges

It is **L**ong tail insurance with a capital “L”

- **Risks**
 - *Assumption risks*
 - *Investment risk*
 - *Reinsurance risk*
- **Superimposed Inflation**
- **Prudential Margins**
- Difficulties in dealing with family members who harbour grief as a result of the tragic injuries
- Availability of facilities and carers
- Duty of Care
- Managing Providers



- Why not visit Tassie?



Better still ...
- Bring your own car
and we can worry less!!

 **SPIRIT OF TASMANIA**
Let your spirit take you

