

28 November – 1 December 2004

Xth Accident Compensation Seminar

2004



Institute of Actuaries of Australia

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THE SOUTH AUSTRALIAN CTP SCHEME - WHERE TO FROM HERE? AND WHY?

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CURRENT STATUS

	2004	2003
Net earned premium	\$346.407m	\$304.782m
Net incurred claims	\$300.201m	\$314.234m
Assets	\$1,524.117m	\$1,301.599m
Liabilities	\$1,408.599m	\$1,297.396m
Funding	108.2%	100.3%



2003-04 IN RETROSPECT

- Allianz is into its 2nd year as claims manager.
- During transition:
 - Focus on stability of process while new staff and replacement systems came up to speed.
- Issues:
 - SGIC staff transfers
 - Legacy data & IP ownership problems



2003-04 IN RETROSPECT

Transition (cont)

- Stakeholder relations – providing early assurance that process was carefully planned and all foreseeable issues were covered, but ready to handle any unforeseen problems
- Constant consultation during transition with key stakeholders – APLA, Law Society, AMA, Government etc



CURRENT STATUS

- 'Business as usual' has now given way to review and improvement.
- Some remaining issues with medical fees, reports etc to be tidied up.
- Settlement rates & claim duration improving after dips in 2003-04.



LOOKING FORWARD...

- Investment market volatility is a solvency issue
- Falling claim rates but....
- Falls seem to be in minor claims – major claims appear to be occurring at a consistent rate
- Therefore major claims increasing as proportion
- Future care emerging as major liability growth



WHERE TO NOW? THE SHORT TERM

Review of scheme and agent performance reporting regime:

- Improved data quality, access & scope
- More risk-focused KPIs being developed
- In-house ad hoc data analysis & reporting capability
- Prognostic & diagnostic capability
- Claims manager service levels



WHERE TO NOW? THE SHORT TERM

- Streamline the claims management and pre-trial conference processes to further improve settlement rates and average outstanding claim duration.
- Close liaison with APLA to secure agreement on protocols leading up to settlements.
- The intention is to allow more & better resources to focus on major (high liability) claims.



WHERE TO NOW? THE MEDIUM TERM

- Legal panel performance reporting system will:
 - Monitor costs incurred as well as paid.
 - Use data extracted directly from firms' systems.
 - Allow on-line review of panel performance against KPIs & contract terms.
 - Provide on-line view of status of litigation.
 - Allow assessment of AAL's management of the panel



WHERE TO NOW? THE MEDIUM TERM

Claims management approach:

- Improved estimating (eg psychosocial)
- More pro-active, better communication
- Increased use of workflow and imaging technology to improve discipline
- Greater focus on risk/liability in resource allocation decisions
- Greater focus on staff performance via KPIs
- Risk-directed internal audit program



WHERE TO NOW? THE LONGER TERM

- Maintain high levels of service & outcomes through competitive tendering for services.
- Strike and maintain the balance between the being the prudent and diligent regulator and the business partner of service providers.
- Maintain and further improve Government confidence in MAC's management of the scheme.



MAC'S LONG TERM OBJECTIVES

- Continue to build on sound funding position
- Achieve and consistently maintain 'sufficient solvency'
- Reduce the relative cost of CTP insurance in SA without artificially reducing benefits
- Maintain scheme equity
- Make a visible contribution to the reduction in road trauma



WHY?

MAC's VIEW OF FUTURE IMPERATIVES

- Investment market and interest rate uncertainty call for prudent and conservative funds management
- Experience elsewhere has taught all scheme managers that buoyant investment returns should not be allowed to conceal poor liability management in the 'bottom line'



MAC's VIEW OF FUTURE IMPERATIVES

- Reducing claim numbers may not bring a reduction in liability – severe injuries will continue to occur
- It is the equitable control of the growth of certain types of damages that will best preserve our scheme's health.
- Fault-based schemes are assisted to some extent by the recent spate of civil liabilities laws and changing judicial views on negligence, but this may change.



MAC's VIEW OF FUTURE IMPERATIVES

- CTP legislation must keep pace with social norms:
 - Drink driving
 - Use of mobile phones while driving
 - Hooners
 - Chain of responsibility/drug use in heavy transport
- These things are rejected by the majority of society and social insurance schemes need to be able to reflect this



THANK YOU



**Government
of South Australia**



**MOTOR ACCIDENT
COMMISSION**

QUESTIONS?