



Institute of Actuaries of Australia

# XIth Accident Compensation Seminar 2007

## **Creating an Industry Database – A medical indemnity perspective**

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## Industry background

- Total of 6 insurers
  - 5 commenced as MDOs
  - 1 new commercial insurer
- 4 contribute to database
- Heavily regulated insurance products

## Characteristics of MII database

- State based insurers
- Inconsistencies in data collection
  - Implications for time required to develop database
- Claims reported well after incident
  - Cost of claims difficult to estimate accurately
  - Revised estimates result in fluctuations on annual basis

## **Geographically based insurers**

- Risk of identification of doctor
- Must be de-identified and not reported on geographically

## Industry participation

- Combined market share of those who do participate
- Impact on trends if there are late entrants
- Expansion of specifications to collect more relevant data
- Consistency of coding
- Large new entrants would need to recode
- Full participation reinforces validity

## Limitations of the data

- MIAA report specialty coverage:

- Anaesthetists
- Non-procedural GPs
- Procedural GPs
- General surgeons
- Obstetricians
- Gynaecologists
- Physicians
- Psychiatrists
- Neurosurgeons
- Orthopaedic surgeons
- Plastic surgeons and cosmetic surgeons

## Limitations of the data

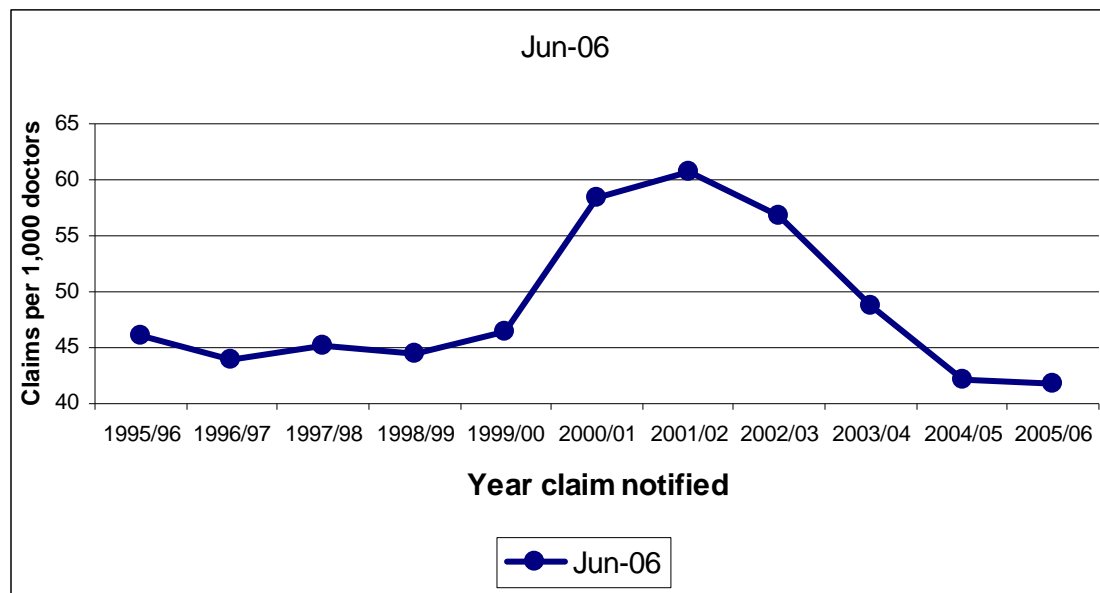
- More information sought by smaller groups than database can provide
  - Confidentiality of data
  - Size of group
  - Reliability of data

## Conclusions from the latest data

- Executive summary released on 2 April 2007
- Data analysed to 30 June 2006
- Shows continuing trends in
  - Decreasing frequency of claims
  - Decreasing size of claims
  - Decreasing average premiums paid



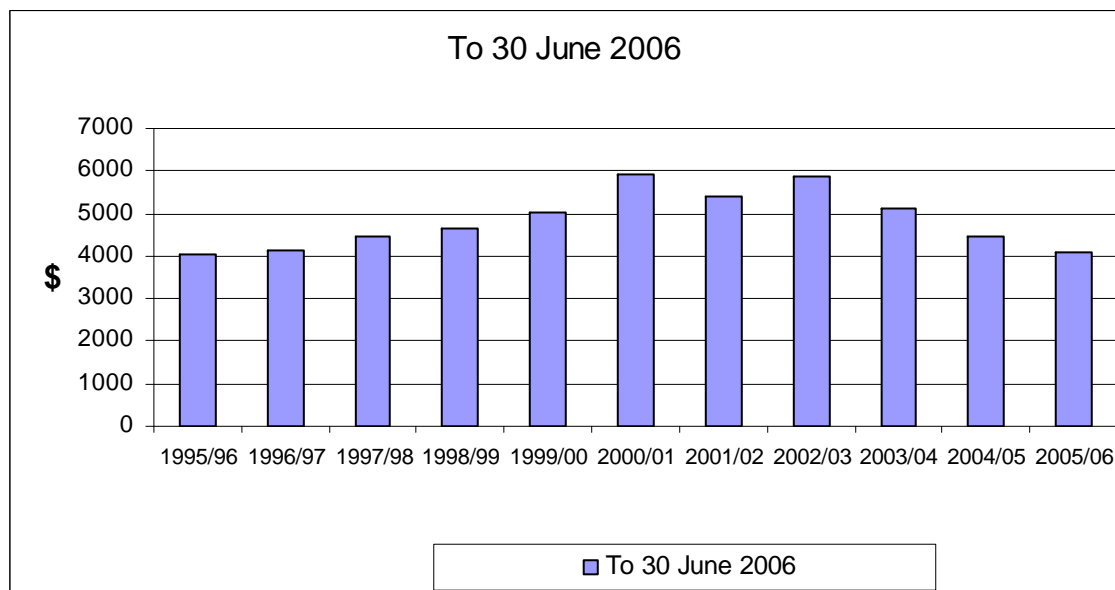
# Claim frequency by year



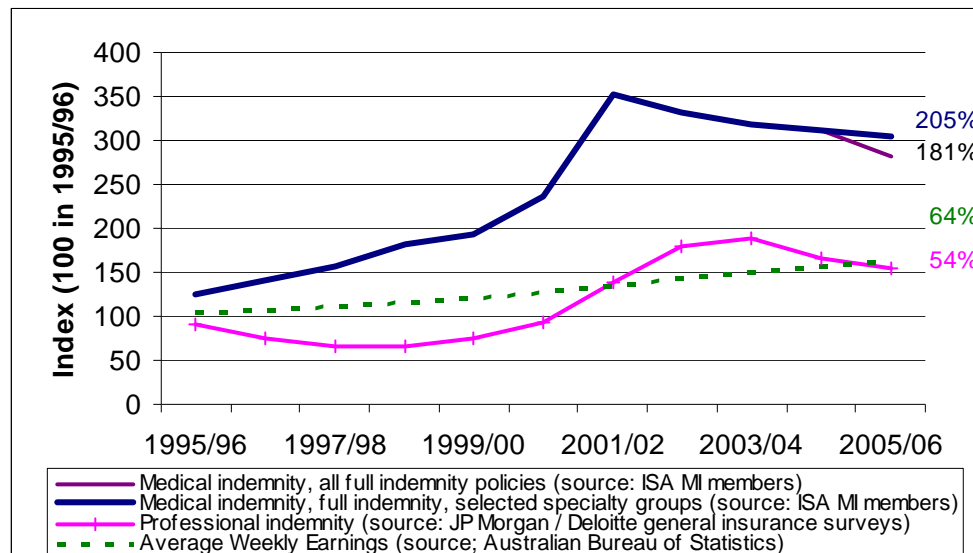
## Claim frequency change specialty groups

	Claims per 1,000 doctors reported in		
	1995/96	2003/04	Change
	-1997/98	-2005/06	
Anaesthetics	56	36	-36%
General practice - non-procedural	27	28	4%
General practice - procedural	63	76	21%
General surgery	159	111	-30%
Gynaecology no obstetrics	126	193	53%
Neurosurgery	382	191	-50%
Obstetrics (with or without gynaecology)	227	187	-18%
Orthopaedic surgery	256	167	-35%
Physician	33	20	-39%
Plastic surgery and cosmetic practice	238	423	78%
Psychiatry	33	28	-15%
Above specialty groups combined	54	46	-15%
Other	20	38	90%
All specialty groups	45	44	-2%

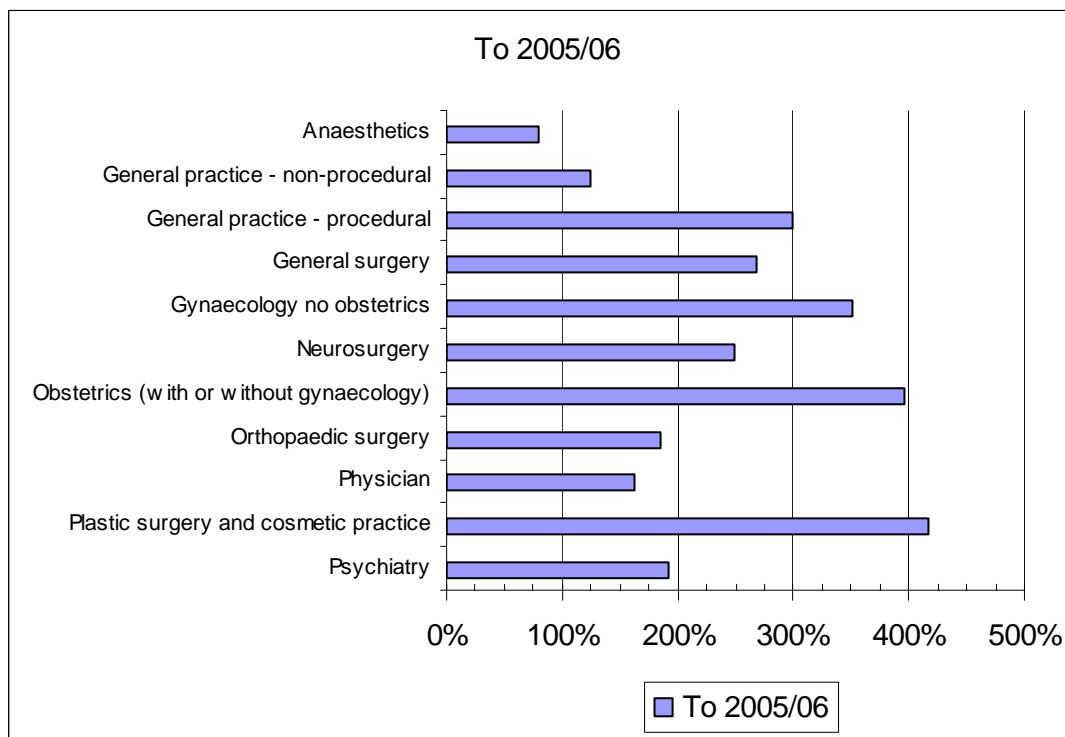
# Average (actuarial undiscounted) claim cost per policy (all policies)



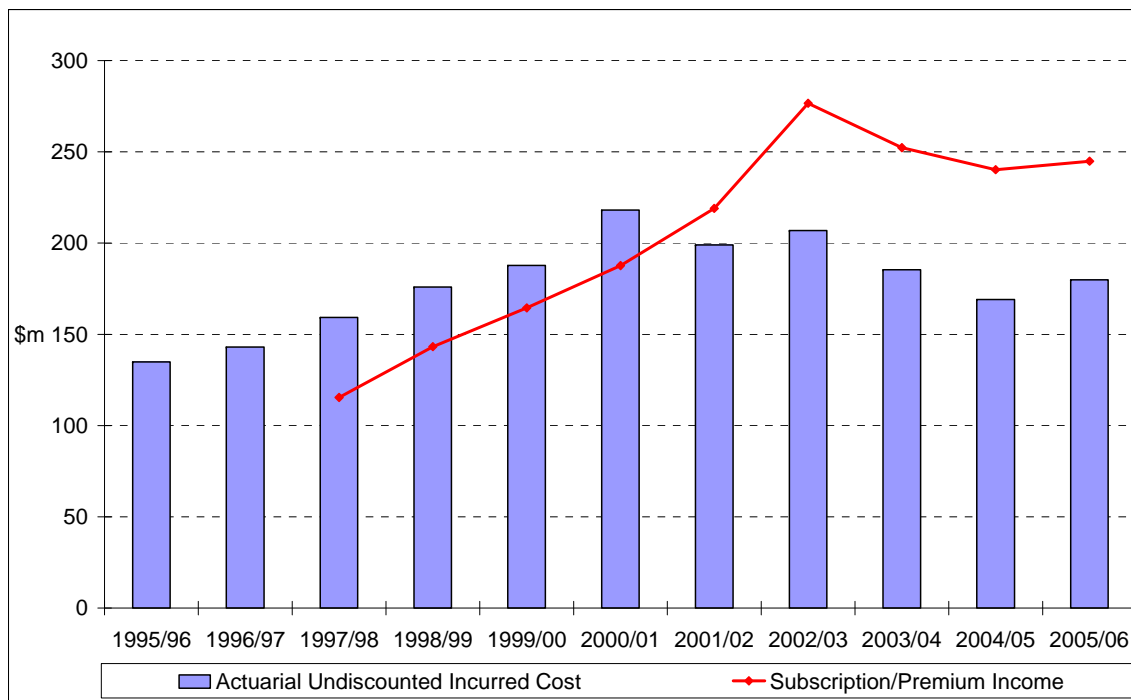
# Average increases in cost of indemnity cover to practitioners



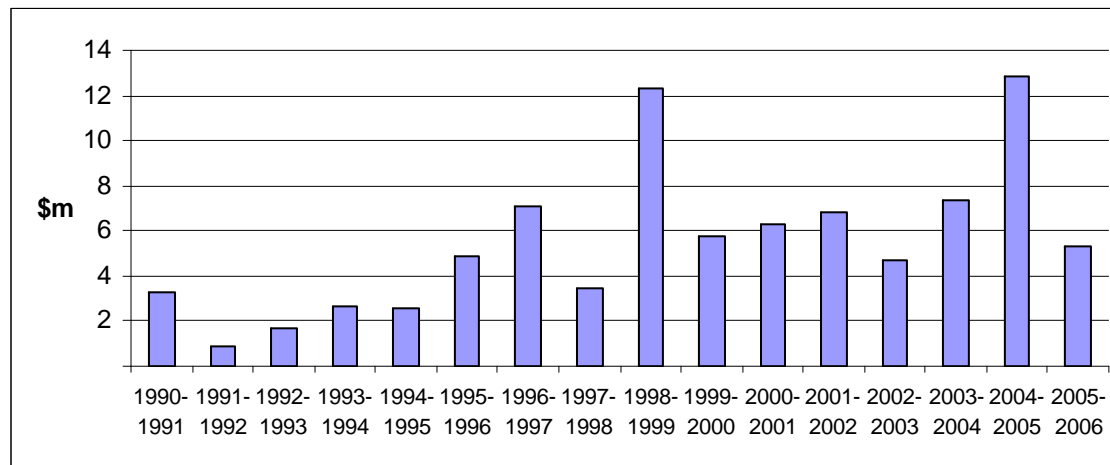
# Cumulative premium increases by specialty from 1995/96 to 2005/2006



# Premium income vs actuarial undiscounted cost of claims



# Largest claim settled in each financial year since 1990/91



## Lessons for other classes

- Recognise limitations
  - Caveats and limitations need to be clearly stated
  - Unrealistic expectations need to be avoided
  - Commercial sensitivity must be recognised



## Lessons for other classes

- Involve all participants
  - Easier if everyone starts at commencement of database
  - Allows all industry participants to be better informed on claims trends

## Lessons for other classes

- Have plenty of time
  - MIIAA first report published in March 2004 on data to 30 June 2003
  - Continued revision of specifications
  - Report content agreement takes time
  - Cross checking of data

## Lessons for other classes

- Communicate what can't be concluded from the data
  - Too detailed analysis is not possible and can be dangerous

## Conclusion

- Driver for development
  - Crisis helps
- Champion
  - Someone needs to take the running
- Cost/benefit analysis
  - Costs high, but benefits greater
- Time – it wont happen overnight!
- Refinement over time