



Institute of Actuaries of Australia

# XIth Accident Compensation Seminar 2007

## **Western Australian CTP Scheme Update**

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## INTRODUCTION

- Highlights - Past 3 Financial Years
- State of the Fund
- Premiums
- Claim Frequency
- Claims Costs
- Future Direction

## Highlights – Past 3 Years

- The Fund has maintained a fully funded status over the past three financial years [121%;132% and 129%]
- No Premium Increases for 2004/05 and 2005/06 and 10% reduction for most vehicle classes from 1 July 2006
- Gross Written Premium of \$326M in 2004, \$342M in 2005 and \$366M in 2006

- Amendments to The Motor Vehicle (Third Party Insurance) Act 1943:
  - **Premium Setting Process Amendments**
    - Ability to have more than one adjustment to the Scale of Premiums each financial year (effective 17/05/06)
  - **Single Vehicle Accidents – Employee Driver Claims**
    - Preventing the transfer of what are clearly worker's compensation claims costs to the CTP scheme (effective 1/07/06)
  - **Capping Economic Loss**
    - Capping of economic loss at 3 times average weekly earnings (effective 17/05/06)

- Amendments to the Limitations Act effective from 15 November 2005:
  - For an **adult**, 3 years from the date a person either first became aware of the injury, or became aware of symptom, clinical sign or manifestation of the injury
  - For a **minor under 15 years of age**, 6 years from when the minor either first became aware of the injury, or of the first symptom, clinical sign or manifestation of the injury



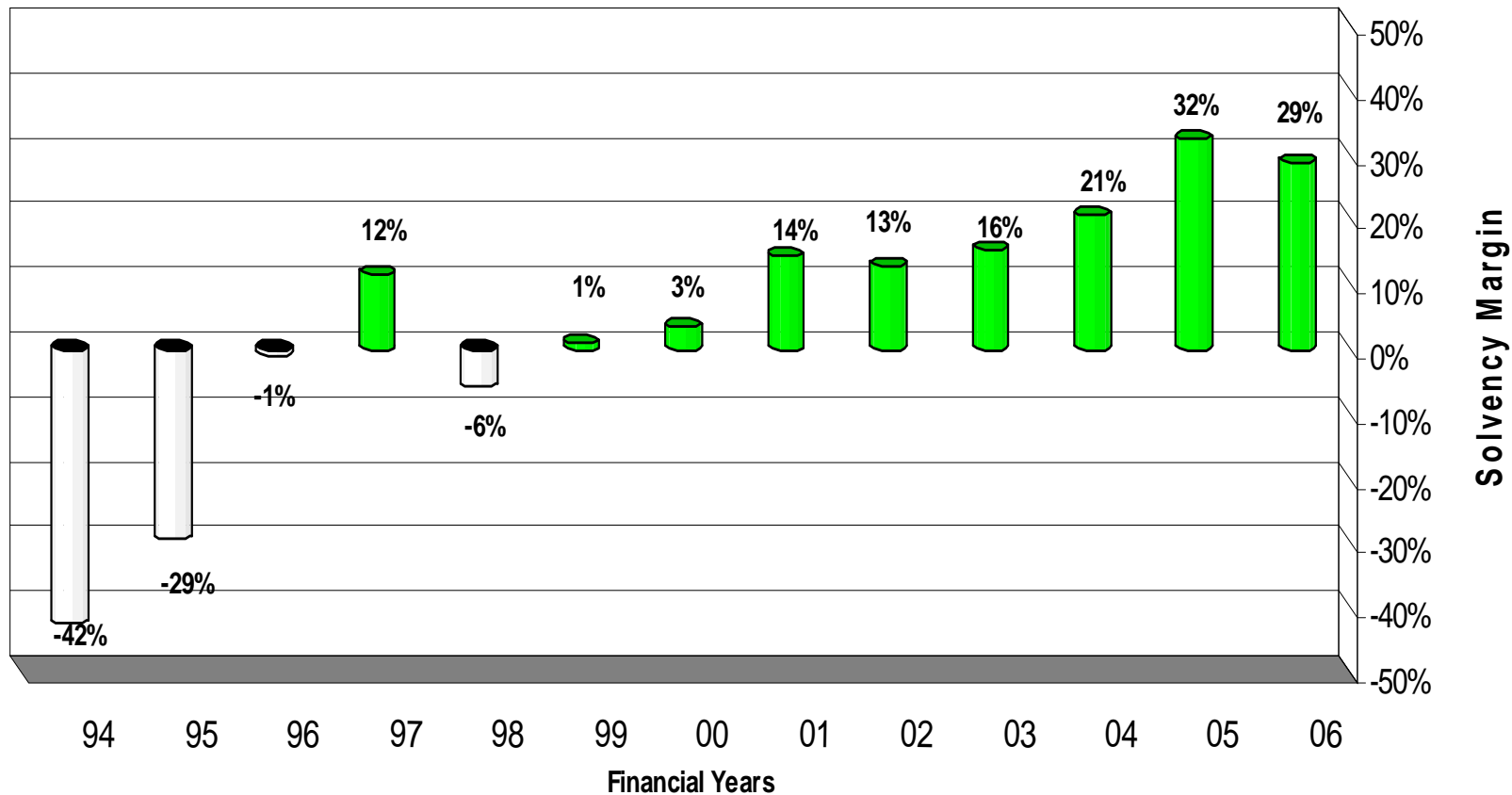
- for a minor between **15 - 18 years of age**, Court proceedings must be issued prior to the 21st birthday
- Dependency claims – 3 years from the date of death

- Established a dedicated team to manage catastrophic injury claims;
  - Response to “specialisation” in WA jurisdiction amongst legal profession and allied medical services
  - Improved focus and response to needs of injured party, family and carers
  - Over time, greater awareness of rehabilitation during the various post-injury stages
  - long term care requirements

- The downward trend in claim frequency continues
- 11% reduction in number of outstanding claims between 2003 and 2006
- Outstanding Claims Provisions increased to \$1.183B in 2004; \$1.193B in 2005 and \$1.239B in 2006
- Gross Claims Payments of \$250M in 2004, \$268M in 2005 and \$298M in 2006



# State of the Fund



## State of the Fund – (cont)

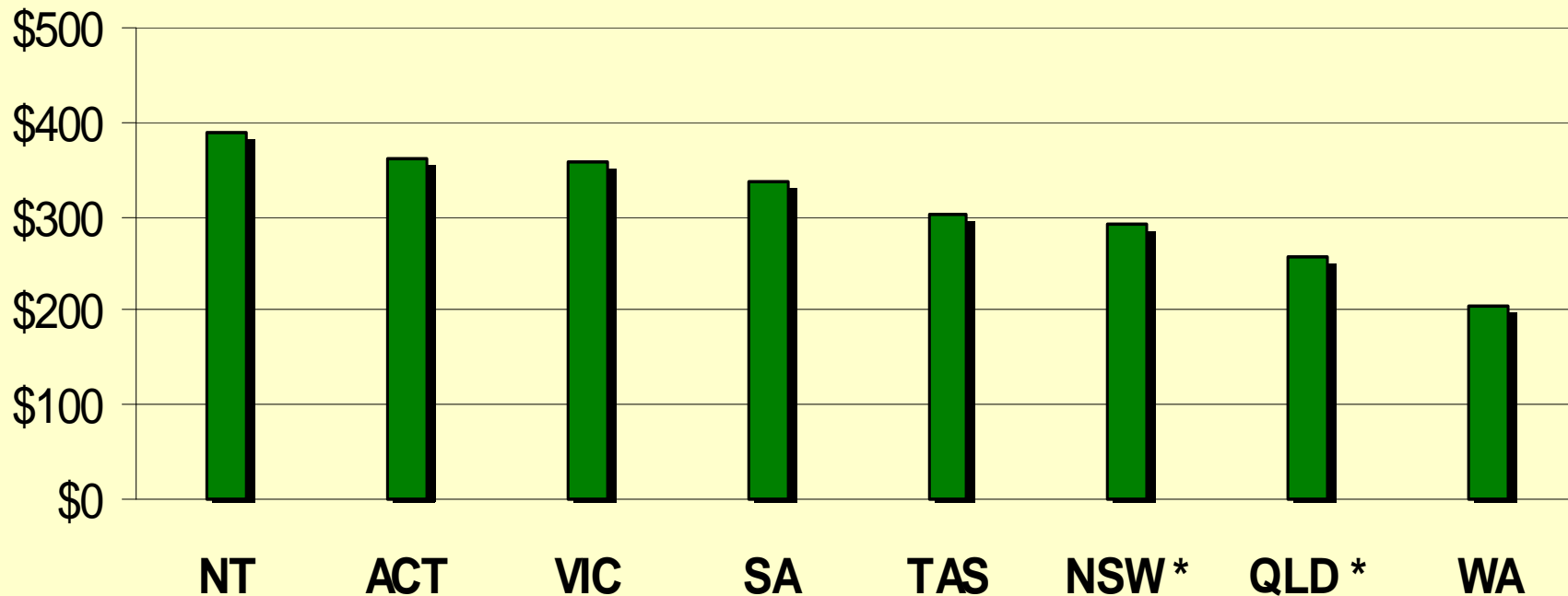
30-Jun	Liabilities (\$M)	Assets (\$M)	Surplus/ Deficit (\$M)	Funding %	Provisions for Outstanding Claims (\$M)
1996	691	684	-7	99%	585
1997	727	812	85	112%	633
1998	978	922	-56	94%	873
1999	1,043	1,052	9	101%	916
2000	1,139	1,179	39	103%	1,004
2001	1,124	1,286	162	114%	1,001
2002	1,170	1,321	151	113%	1,045
2003	1,214	1,402	188	116%	1,073
2004	1,338	1,615	277	121%	1,183
2005	1,408	1,865	457	132%	1,193
2006	1,527	1,969	442	129%	1,239

## Premium Rates

- Dual Premiums introduced in 2003/04 [following the end of GST transitional arrangements] for three classes of vehicle:
  - Class 1A – Cars & Wagons
  - Class 2 – Utilities and Trucks
  - Class 4 – Motor Cycles

- Nil premium increase in 2002/03
- Inflation linked increase of 4.4% in 2003/04
- Nil Premium increases in 2004/05 and 2005/06
- 10% Premium decrease for majority of vehicle classes for 2006/07

**Compulsory Third Party Insurance Premium Rates for a  
Private Motor Car (excl GST), Australia Wide  
as at 1 July 2006**



\* For Queensland and New South Wales, lowest premium on offer amongst private insurers is shown.



# HISTORY OF WA CTP PREMIUMS

<b>1 August 1996</b>	<b>\$192.00</b>
<b>1 August 1997</b>	<b>\$201.60</b>
<b>1 July 1997</b>	<b>\$214.15</b>
<b>1 July 1998</b>	<b>\$221.85</b>
<b>1 July 1999</b>	<b>\$238.45</b>
<b>1 July 2000</b>	<b>\$243.20</b>
<b>1 July 2001</b>	<b>\$221.09</b>
<b>1 July 2002</b>	<b>\$221.09</b>
<b>1 July 2003 *</b>	<b>\$227.50</b>
<b>1 July 2004</b>	<b>\$227.50</b>
<b>1 July 2005</b>	<b>\$227.50</b>
<b>1 July 2006</b>	<b>\$204.75</b>

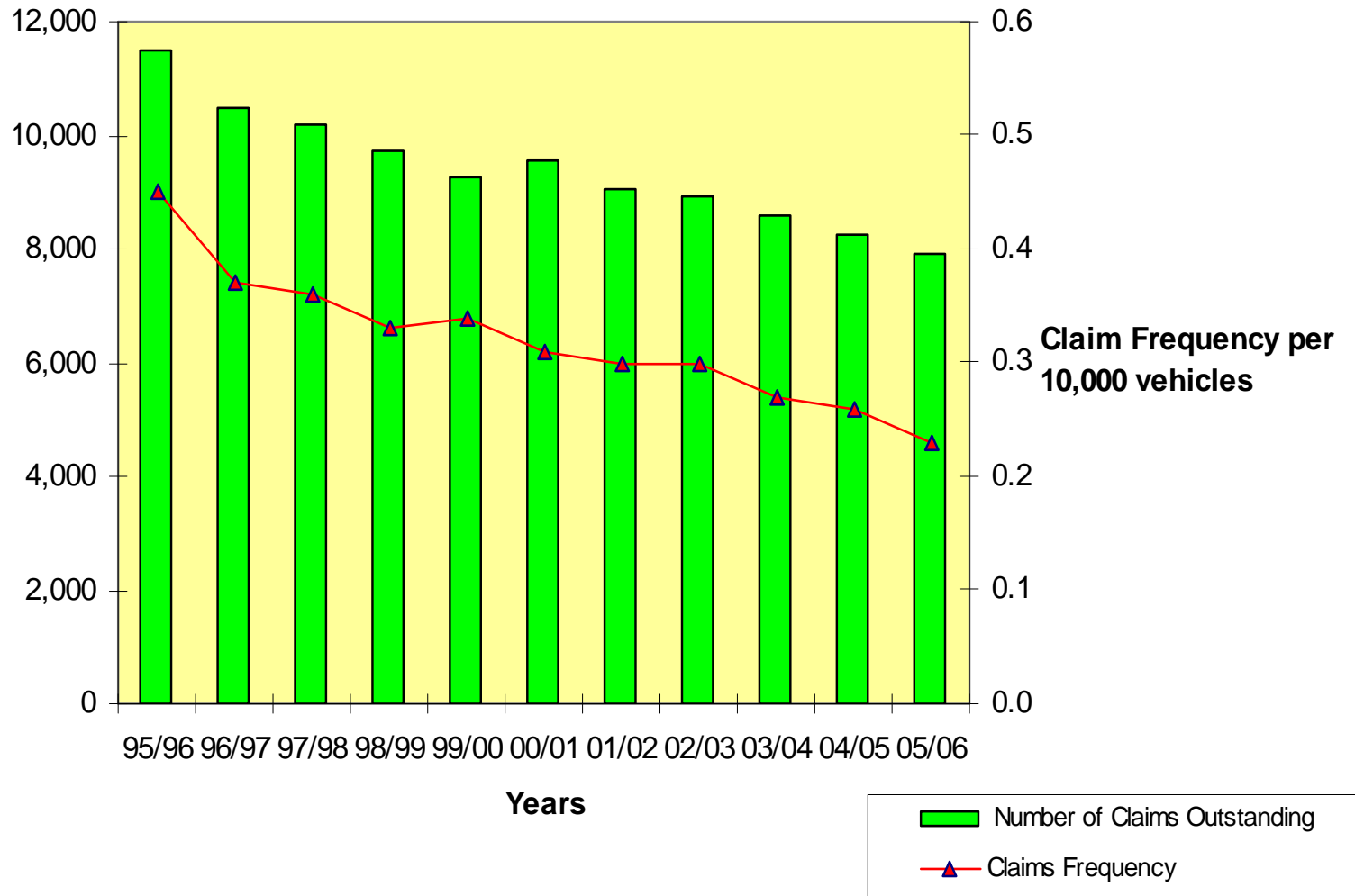
**From 1 July 2003 premium quoted is for a "Private" motor car**

## Claim Frequency

<b>Financial Year</b>	<b>Reported Claims</b>	<b>*Number of Registered Vehicles</b>	<b>% of Claims to Registered Vehicles</b>
<b>1996/97</b>	<b>5,810</b>	<b>1,286,568</b>	<b>0.45</b>
<b>1997/98</b>	<b>5,912</b>	<b>1,343,673</b>	<b>0.44</b>
<b>1998/99</b>	<b>5,558</b>	<b>1,379,679</b>	<b>0.40</b>
<b>1999/00</b>	<b>5,724</b>	<b>1,392,871</b>	<b>0.41</b>
<b>2000/01</b>	<b>5,397</b>	<b>1,415,893</b>	<b>0.38</b>
<b>2001/02</b>	<b>5,390</b>	<b>1,444,446</b>	<b>0.37</b>
<b>2002/03</b>	<b>5,164</b>	<b>1,477,161</b>	<b>0.35</b>
<b>2003/04</b>	<b>5,075</b>	<b>1,523,578</b>	<b>0.33</b>
<b>2004/05</b>	<b>4,949</b>	<b>1,556,272</b>	<b>0.32</b>
<b>2005/06</b>	<b>4,503</b>	<b>1,619,936</b>	<b>0.28</b>

\* Excludes Caravans and Trailers

**Claims Frequency & Number Outstanding**



## Average Cost per Claim Closed

<b>Financial Year</b>	<b>Claims Payments (\$M)</b>	<b>Claims Closed</b>	<b>Average Cost Per Claim Closed (\$'s)</b>
<b>1996</b>	<b>180</b>	<b>6,189</b>	<b>29,015</b>
<b>1997</b>	<b>216</b>	<b>6,790</b>	<b>31,872</b>
<b>1998</b>	<b>231</b>	<b>6,224</b>	<b>37,114</b>
<b>1999</b>	<b>228</b>	<b>5,962</b>	<b>38,154</b>
<b>2000</b>	<b>252</b>	<b>6,173</b>	<b>40,776</b>
<b>2001</b>	<b>241</b>	<b>5,145</b>	<b>46,816</b>
<b>2002</b>	<b>256</b>	<b>5,925</b>	<b>43,155</b>
<b>2003</b>	<b>250</b>	<b>5,482</b>	<b>45,604</b>
<b>2004</b>	<b>250</b>	<b>5,385</b>	<b>46,425</b>
<b>2005</b>	<b>267</b>	<b>5,295</b>	<b>50,425</b>
<b>2006</b>	<b>298</b>	<b>4,851</b>	<b>61,431</b>

# Claims Payments by Payment Types

	03/04 %	04/05	05/06
<b>Ambulance</b>	1.4%	1.5%	1.5%
<b>Costs - Defendant</b>	2.9%	2.6%	2.9%
<b>Costs - Plaintiff</b>	6.8%	6.3%	5.9%
<b>Medical Costs</b>	8.7%	9.4%	8.9%
<b>Future Econ. Loss</b>	19.9%	18.4%	19.5%
<b>Future Medical Ex.</b>	3.5%	3.6%	3.3%
<b>Gratuitous Services</b>	3.4%	3.1%	4.1%
<b>Past &amp; Future Care</b>	4.1%	7.3%	7.8%
<b>Hospital &amp; Emergency Treatment</b>	5.5%	6.4%	6.6%
<b>Interest</b>	0.2%	0.1%	0.5%
<b>Investigations</b>	0.8%	0.9%	0.8%
<b>Loss of Amenities</b>	23.2%	21.5%	20.7%
<b>Past Econ Loss</b>	10.5%	9.9%	10.2%
<b>Sundries</b>	9.1%	8.8%	7.2%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



## Future Directions

- Continue to provide financial support to the Office of Road Safety to implement the State's road safety strategy
- Particular focus on ensuring effective road safety education is provided to children and young people up to 20 years of age throughout Western Australia [The aim is to promote safe driving practices and consequently reduce death and injury resulting from motor vehicle crashes]

## Future Directions – (cont)

- Maintain affordability of CTP premiums for WA motorists
- Continue to focus on ensuring that the claims system treats claimants fairly and delivers equitable compensation

## Future Directions – (cont)

- Continue to enhance the workflow/imaging technology to further improve the claims management process and enhance productivity and customer service outcomes
- Continue to explore strategies designed to prevent, detect, investigate and prosecute Fraud

## Future Directions - (cont)

- Given the strong financial position of the Fund, consider and evaluate potential means of broadening the benefits available under the scheme, while maintaining premiums at affordable levels
  - (e.g. “no-fault” benefits in relation to:
    - long term care needs for the catastrophically injured;
    - certain minors;
    - and victims of inevitable accidents

THE END

