



Institute of Actuaries of Australia

XIth Accident Compensation Seminar 2007

The NSW CTP Scheme

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Discussion

- The CTP market
- Price
- Claim frequency
- Superimposed inflation
- Insurer profit
- Further Reforms
- Questions

The CTP market

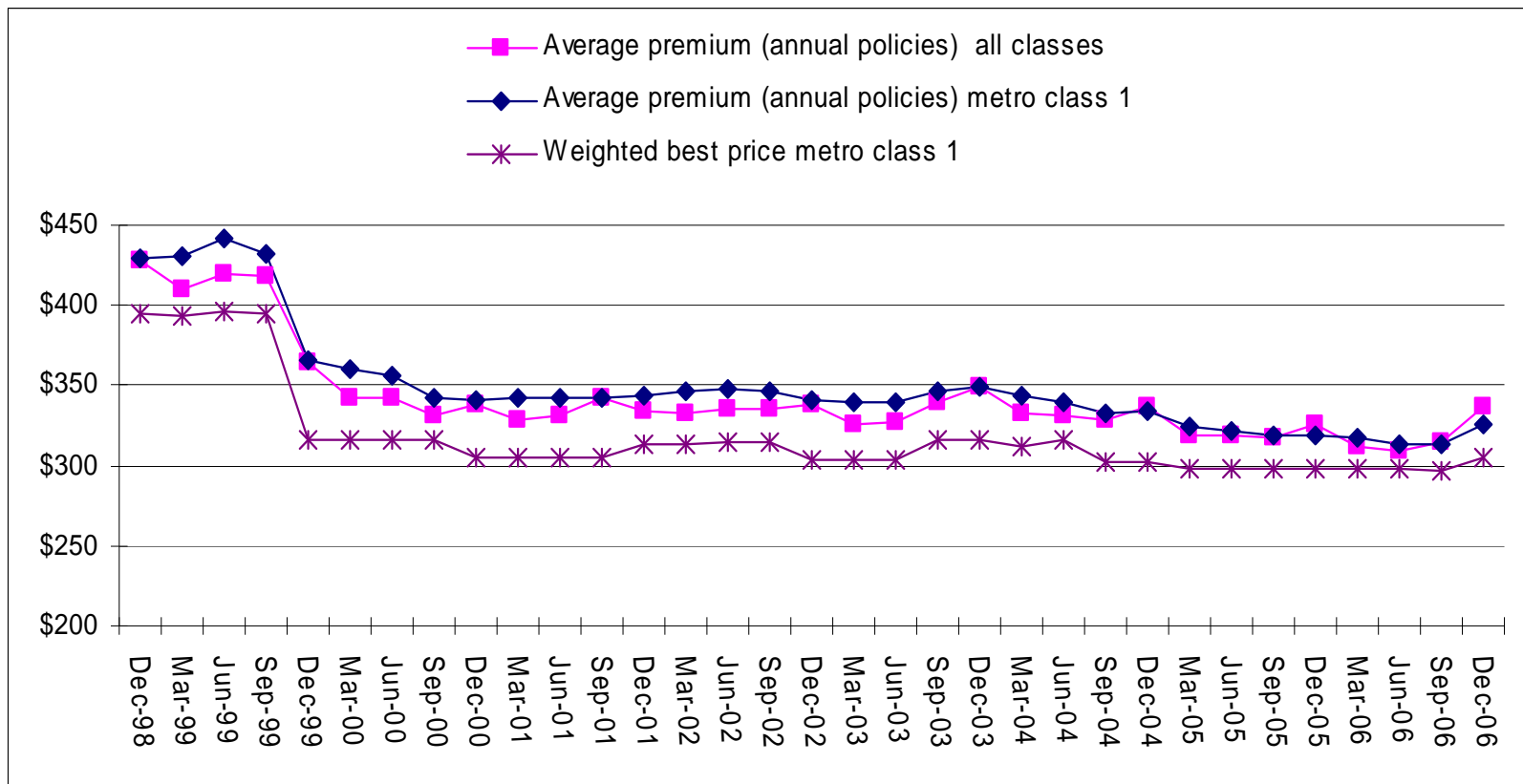
High level of competition as shown by:

- Market behaviour
- Price Changes

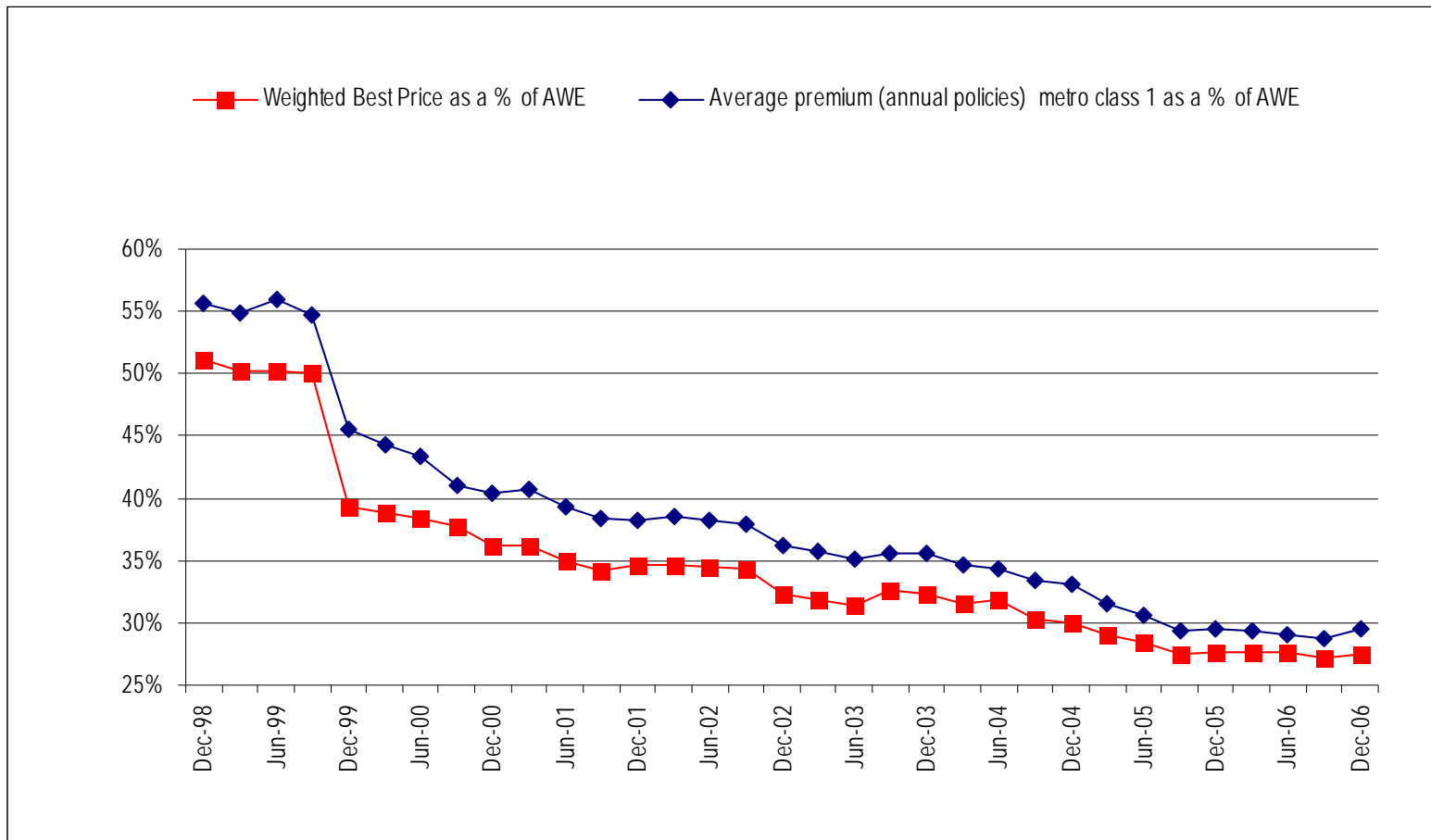
Market Share

Insurer	% market share Dec 2006
AAMI	15.2
Allianz CIC/Allianz	23.9
GIO	7.9
IAG	35.7
QBE	10.5
Zurich	6.8
Total	100.0

Average and best price premiums



Affordability of premium



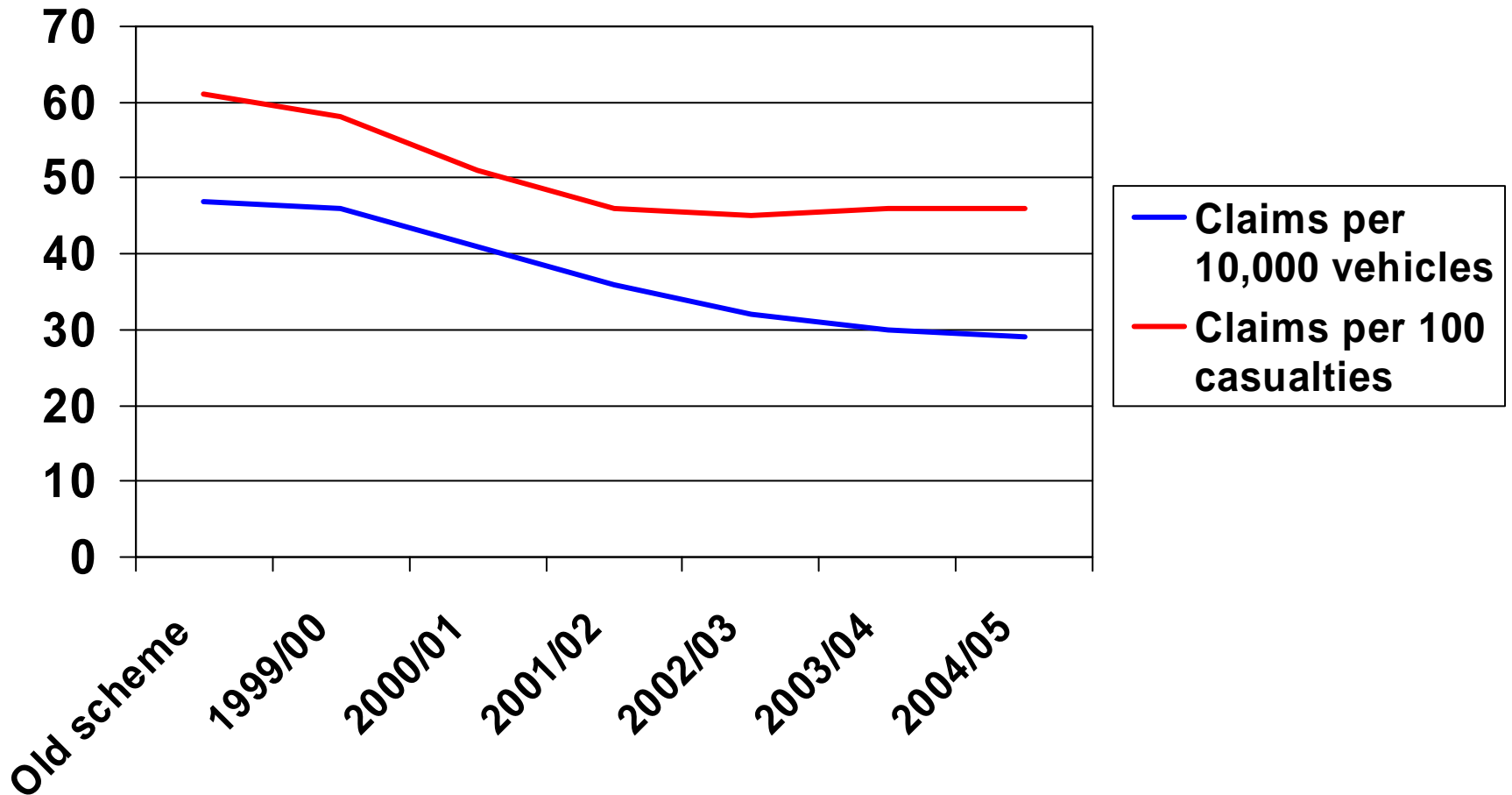
Premium composition before & after LTC

Component of Premium	April 2006		April 2007	
	\$	%	\$	%
Insurer risk premium	230	62	190	50
Net reinsurance costs	9	2	5	1
Acquisition costs	31	8	32	9
RTA commission	3	1	0	0
Bulk billing	11	3	0	0
MAA levy	8	2	22	6
Claim handling expenses	17	5	13	3
Profit margin	29	8	23	6
Unearned premium surplus run-off	0	0	-2	-1
LTC levy	0	0	68	18
GST	34	9	26	7
Total	373	100	376	100

Why is the market so competitive

- Risk premium assumption
- Investment returns
- AWE assumption
- Impact of LTCS scheme
- Claim frequency
- Superimposed inflation assumption

New scheme claim frequency



Superimposed inflation study

PWC study found:

- Average claim cost has increased 6 - 7% per year over recent years.
- This is primarily the result of a more severe injury mix due to decreases in minor claims and has occurred in the context of reduced claim frequency.
- Overall, superimposed inflation is low. Claims with similar injuries are receiving similar benefits over time.

Superimposed inflation study

- In addition:
- Some evidence of superimposed inflation in some low to moderate severity claims.
- Some evidence of greater access to future economic loss – although amounts received are low.
- No evidence of superimposed inflation for large claims.

Profit

Year end 30 Sep	Premiums written \$M	Acquisition costs \$M	Estimated ultimate claim costs \$M	Estimated profit \$M
2000	1,325	200	765	359 (27%)
2001	1,321	198	833	290 (22%)
2002	1,342	185	881	277 (21%)
2003	1,395	197	1,015	183 (13%)
2004	1,476	222	1,062	192 (13%)
2005	1,451	224	1,214	13 (1%)

Further Reforms

- Underwriting
 - More flexible pricing options
- Claim procedures
 - Mandatory exchange of information
 - Mandatory settlement conferences
 - Expand ANF
- Damages
 - Expand access to NEL and codify assessment

Questions