



Institute of Actuaries of Australia

# XIth Accident Compensation Seminar 2007

## **THE SOUTH AUSTRALIAN CTP SCHEME – WHERE TO FROM HERE? AND WHY?**

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## CURRENT STATUS - FINANCE

	2006	2005
Net earned premium	\$385.6m	\$378.0m
Net incurred claims	\$368.7m	\$358.4m
Assets	\$1,954.2m	\$1,788.7m
Liabilities	\$1,629.5m	\$1,569.7m
Funding (Assets/Liabilities)	119.9%	114.0%

## **CURRENT STATUS – CLAIMS MANAGEMENT**

- ‘Business as usual’ has now given way to review and improvement.
- New CTP Services Contract future currently being determined.
- Active claims management strategy implemented by Allianz.
- Elimination of Terrorism Cover

## 2005-06 IN RETROSPECT

- Allianz is into its 4<sup>th</sup> year as claims manager.
- Allianz continues to deliver effective results as claims manager:
  - Claim file audits showing processes are sound.
  - Has achieved & maintained 81% rate of settlements by informal means for 2006-07 YTD.
  - Only 12.2% of active claims per month have proceedings issued. Only 0.1% listed for trial.
  - Average claims duration decreasing.

## 2005-06 IN RETROSPECT (Cont'd)

- Allianz continues to invest in IT initiatives, e.g.:
  - On-line data access and reporting to MAC
  - Exploring Fraud analysis and investigations case management systems
  - Incorporating file allocation functionality for the allocation of claims to Defendant solicitors and Investigations panel firms
  - Continuing to develop the capability of the ACES claims management system

## 2005-06 IN RETROSPECT (Cont'd)

- Carefully managing stakeholder interests, e.g.:
  - Lawyers - regular consultation with both plaintiff and defendant lawyers on issues of interest; positive response to Crash Seminars.
  - Motoring representative groups.
  - Medical - Issues with gazetted medical fees resolved.

## 2005-06 IN RETROSPECT (Cont'd)

- Refinements to Allianz contract – original contract revised
- Tender of recovery arrangements for first time (completed April 2006)
- Tender of investigation services completed- smaller, more manageable, focussed panel.
- Legal panel term extended by one year.

## 2005-06 IN RETROSPECT (Cont'd)

- SA Centre for Trauma & Injury Recovery - TRACsa
  - Established November 2005
  - Objectives:
    - Improving health outcomes
    - Early focus on soft tissue injuries
    - Return to work initiatives
    - Education of stakeholders
    - Research work has commenced
    - Information Management Systems under construction



## LOOKING FORWARD..

- Maintaining sufficient solvency – Asset Liability Model
- Continued high claim finalisation rates without upward pressure on settlement costs
- Future Care major issue – Cost increases can be significant, although recent statistics show relative stability.

# WHERE TO NOW? THE SHORT TERM

## Road Safety

- MAC is now responsible for managing and implementing the State's Road Safety Communications program.
- Higher public profile & strategic influence on road safety debate
- Speed limit reductions have contributed to reduced road casualties
- Increased numbers of red light/speed cameras
- Improved measures to detect drink drivers, excessive speed, unregistered/uninsured, tail-gating etc.

# WHERE TO NOW? THE SHORT TERM

## Claims Management

- Review of scheme and agent claim performance reporting regime.
- Streamline the claims management and pre-trial conference processes to further improve settlement rates and average outstanding claim duration.
- To increase the resources responsible for managing major (high liability) claims.

## WHERE TO NOW? THE MEDIUM TERM

### Trauma & Injury Recovery South Australia (TRACsa)

- Improve health outcomes
- Improve return to work aspirations
- Improve interface between claims management and health and legal provider
- Participating Provider Network

## WHERE TO NOW? THE MEDIUM TERM

- Claims management approach:
  - Collaboration with TRACsa on developing Best Practice Claims Management
  - Developing early claims strategies in consultation with Plaintiff solicitors
  - Focus on claim streaming

# WHERE TO NOW? THE MEDIUM TERM

## Claims

- Continuing to look for opportunities to improve scheme performance:
  - Legislative improvements under consideration:
    - Prescribed claim form
    - Medical evidence
    - Recovery against insured:
      - reduce Blood Alcohol Concentration from .15% to .08%
      - Use of mobile phone
    - Chain of responsibility in heavy transport
    - Sanctions against uncooperative insured
    - Scheme coverage - ‘...arising from the use of a motor vehicle...’

## MAC'S LONG TERM OBJECTIVES

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

## 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.
- Increased funding for road safety campaigns to influence road users' attitudes and behaviours.
- Improved health (recovery) outcomes for road crash victims from TRACsa programs.
- Long term care – the great unknown.

**THANKYOU**

**QUESTIONS**