

Change • Challenge • Opportunity

Injury & Disability Schemes Seminar



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NSW CTP Benefit Reform

Key Features and Challenges Ahead

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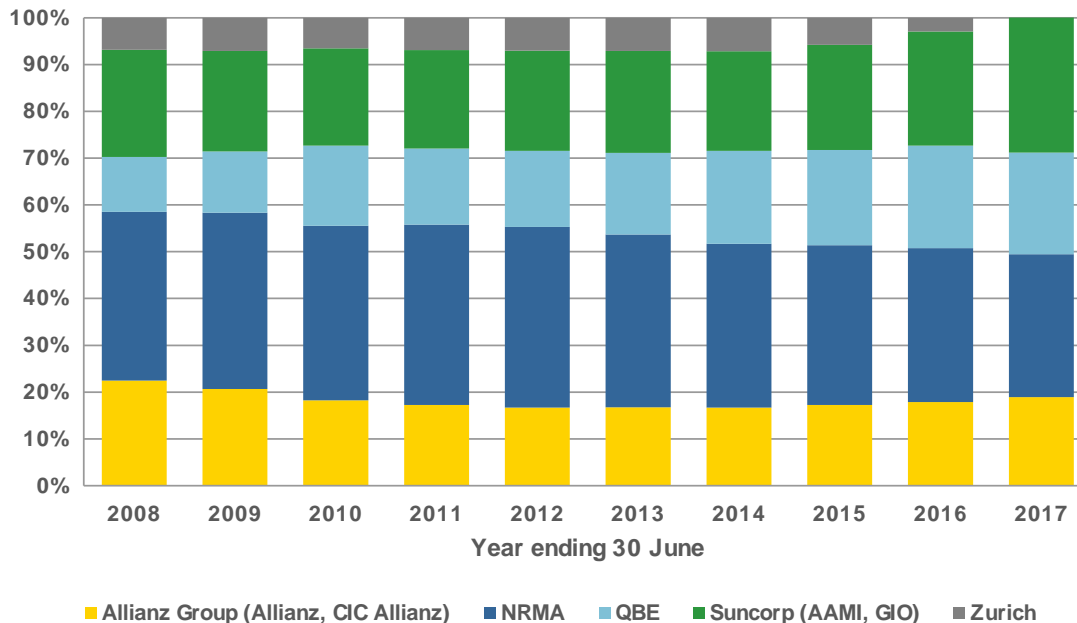
0. Introduction

1. NSW CTP Scheme update
2. Scheme reform
3. Key risks in the New Scheme
4. Conclusions



1. Scheme Update

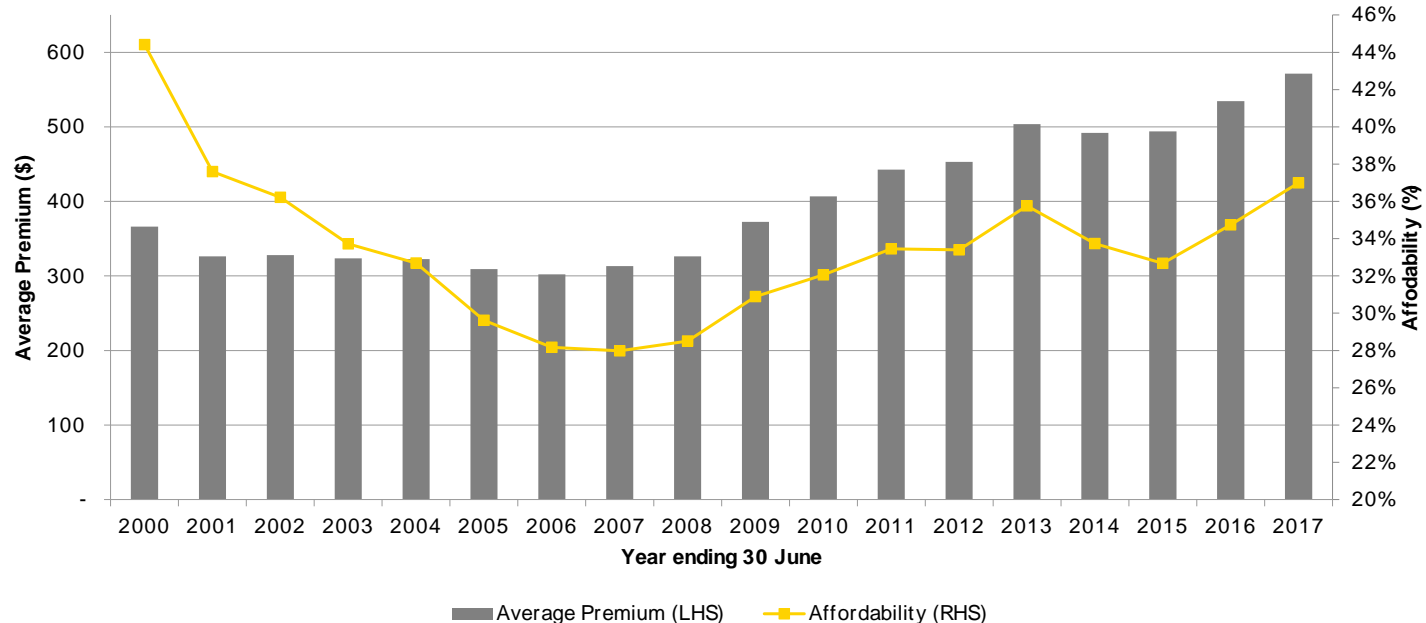
Market share by insurer group (based on written premium volume)





1. Scheme Update

Premium as a proportion of NSW Average Weekly Earnings

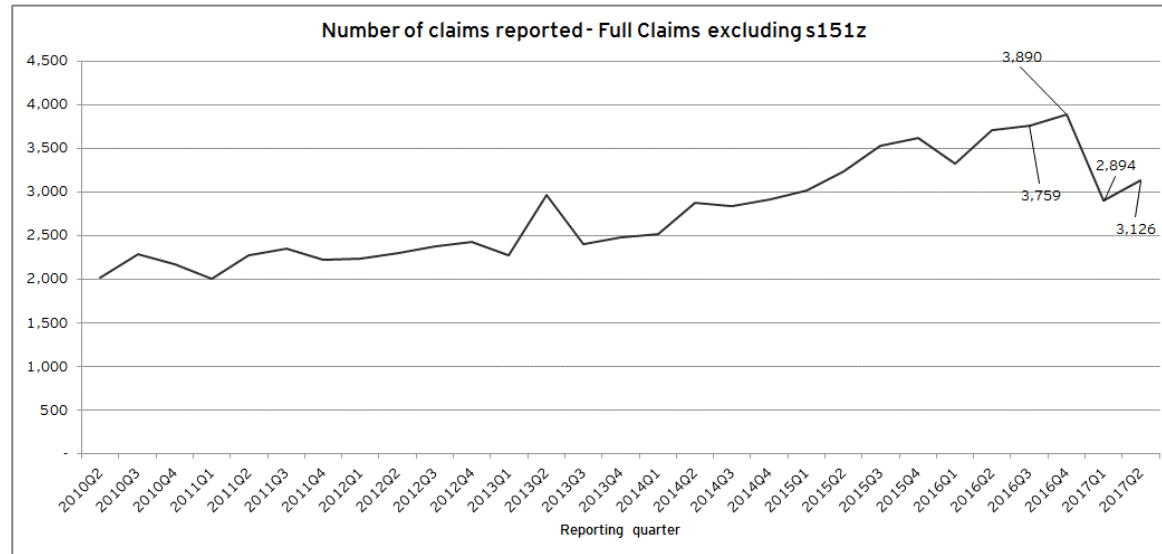




1. Scheme Update

Claim numbers

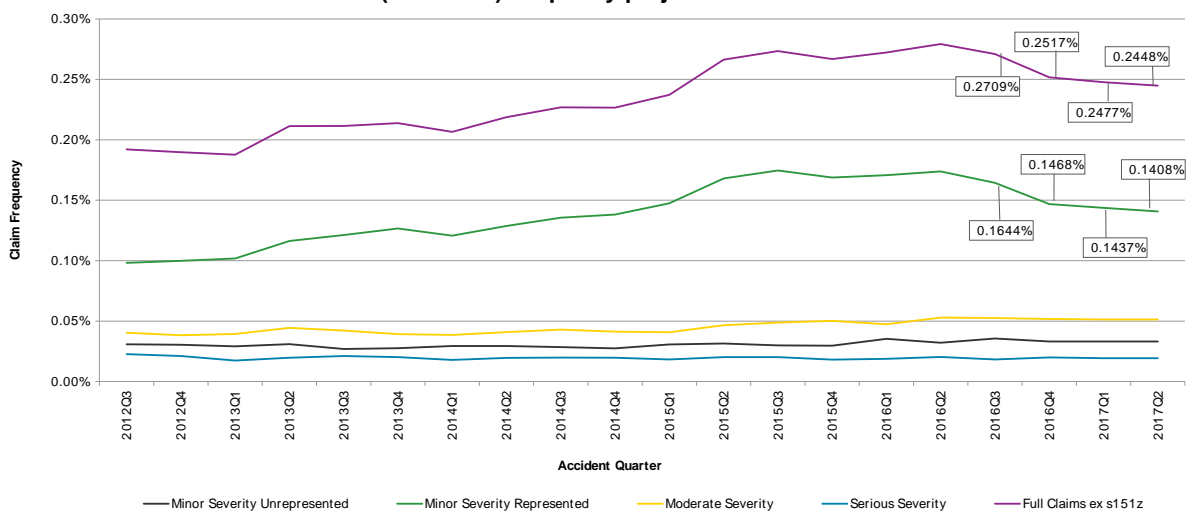
- Scheme experience continued to rise since the last update in 2015
- Claim reports in the last two quarters have been significantly lower than for two prior years
- The reduction has been driven by a fall in the number of minor severity claims with legal representation





1. Scheme Update

Full claims (ex S151z) frequency projections as at June 2017



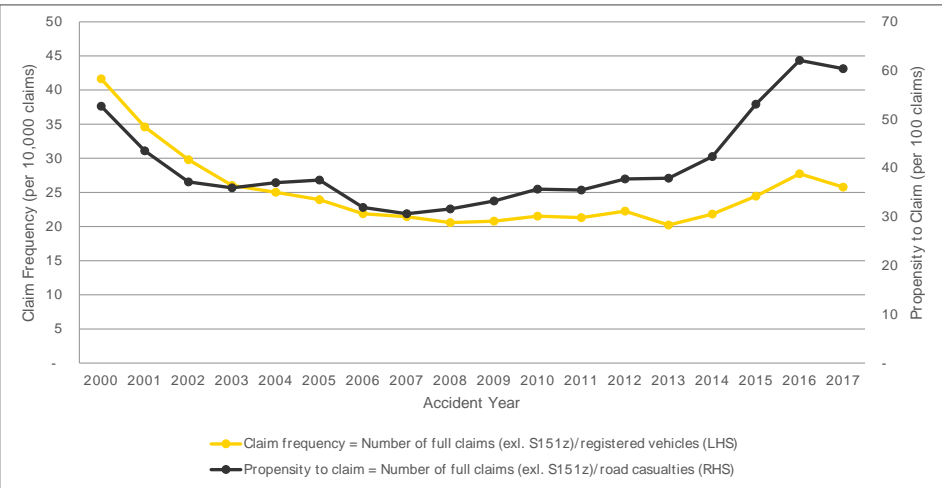
Claim frequency

- Consistent with claims numbers, after significant increases in claims frequency since 2012, the 2017 experience indicates a reversal in this trend
- The decrease in minor severity legally represented claims has been partially offset by an increase in the frequency for moderate severity claims, with the potential for higher scheme costs as a result

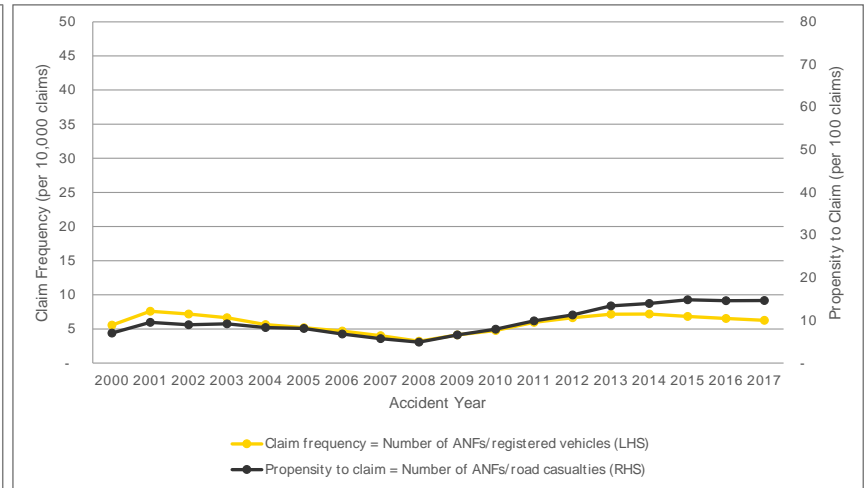


1. Scheme Update

Claim frequency & Propensity



Claims frequency per 10,000 vehicles and the propensity to claim since 2000 for [Full claims](#) (excl. Workers comp recoveries)



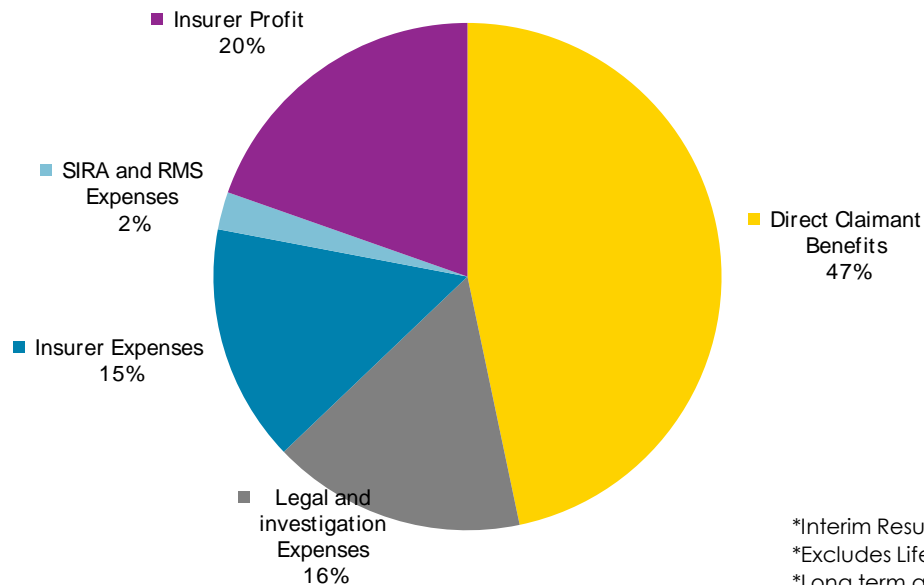
Claims frequency per 10,000 vehicles and the propensity to claim since 2000 for [ANFs](#) (excl. Workers comp recoveries)

* 2017 results utilise estimated casualties numbers



1. Scheme Update

Distribution of CTP Scheme funds



*Interim Results

*Excludes Lifetime Care and Support

*Long term average 2000-2017 ending 30 June



1. Scheme Update

Scheme Initiatives

- Claims Cost Disclosure
 - Visibility of detailed legal costs
- Motor Accidents Insurance Regulation updates
 - Contracting out limits to settlements over \$50,000
- NSW CTP Fraud Taskforce (Strikeforce Ravens)
- Exit of Zurich from the NSW CTP market in 2016
- New CTP Scheme from 1 December 2017



2. Scheme reform: drivers

- 4 key issues emerged during 2008 – 2015
 - Premium increases and affordability pressure
 - Efficiency of the scheme
 - Timeliness of payments to claimant
 - Fraud and exaggerated claims
- These drivers became the basis of the reform objectives as outlined in the NSW government's Options and Position papers

2. Scheme reform: selected option

- Best addresses the objectives for a CTP scheme
- Most preferred option by stakeholders and members of public that made submissions
- Addresses concerns about:
 - Timeliness of benefit payments
 - Poor efficiency of the scheme
- Improves health outcomes by faster access to services through no-fault coverage
- Will deliver a substantial reduction in average premiums
- Will substantially reduce the incentives for fraudulent/exaggerated claims
- Recognised that the national trend is towards statutory benefits where this provides the most effectiveness in injury recovery
- Brings some degree of consistency with NSW WC scheme and other CTP schemes nationally



2. Scheme reform: selected option

Reform objectives	New scheme objectives	Current scheme
Increasing the proportion of benefits provided to the most seriously injured road users	60% of total premium (excl levies and GST) going to the injured in benefits	Approximately 45% of total premium (excl levies and GST) goes to the injured in benefits
	70% of claims cost going to seriously injured claimants [whole person impairment (WPI) > 10%]	Less than 50% of claims cost currently goes to seriously injured claimants (down from 63% in 2001)
Reducing the time it takes to resolve a claim	45% of defined benefits paid in year 1 and a further 10% in year 2	6% of benefits paid in year 1 and a further 16% paid in year 2
	Total of 55% of all defined benefits paid by year 2	Total of 22% of scheme benefits paid by year 2
Reducing opportunities for claims fraud and exaggeration	Lump sums paid only for serious injuries; empowered regulator	Lump sum paid for all claims
Reducing the cost of Green Slip premiums	Significant reduction in the average price for all vehicles	Based on recent trends average premiums could increase up to \$90 over the coming year

** Source: On the road to a better CTP scheme : CTP reform position paper, SIRA*

2. Scheme reform: objectives

- Move towards defined benefits
 - Encourages faster initial treatments and income support providing quicker return to life/work - timeliness
 - No fault coverage:
 - Ongoing treatment and care if required
 - Increased coverage of scheme
 - Reduced immediate liability dispute points and associated costs – timeliness & cost
 - Reduces the incentives for claimants pushing for higher than needed benefits, changing claimants and service provider behaviours
 - Defined Benefit schemes tend to be more stable and have higher scheme efficiency

2. Scheme reform: objectives

- Thresholds put into place to limit access to common law damages:
 - Provides for majority of scheme benefits towards more seriously injured claimants
 - Creates less opportunities for fraudulent/exaggerated claims than the current scheme
 - Reduces incentives for small claims, resulting in lower claim frequency



2. Scheme reform: benefits

Defined Benefits

- ▶ Loss of earnings
- ▶ Treatment (medical, rehabilitation and allied health)
- ▶ Commercial care

- ▶ No fault basis
- ▶ Minor injury assessment
- ▶ Fitness for work assessments

Common Law

- ▶ Future loss of earnings
- ▶ Non-economic loss
- ▶ Legal services
- ▶ Death benefits
- ▶ S151z

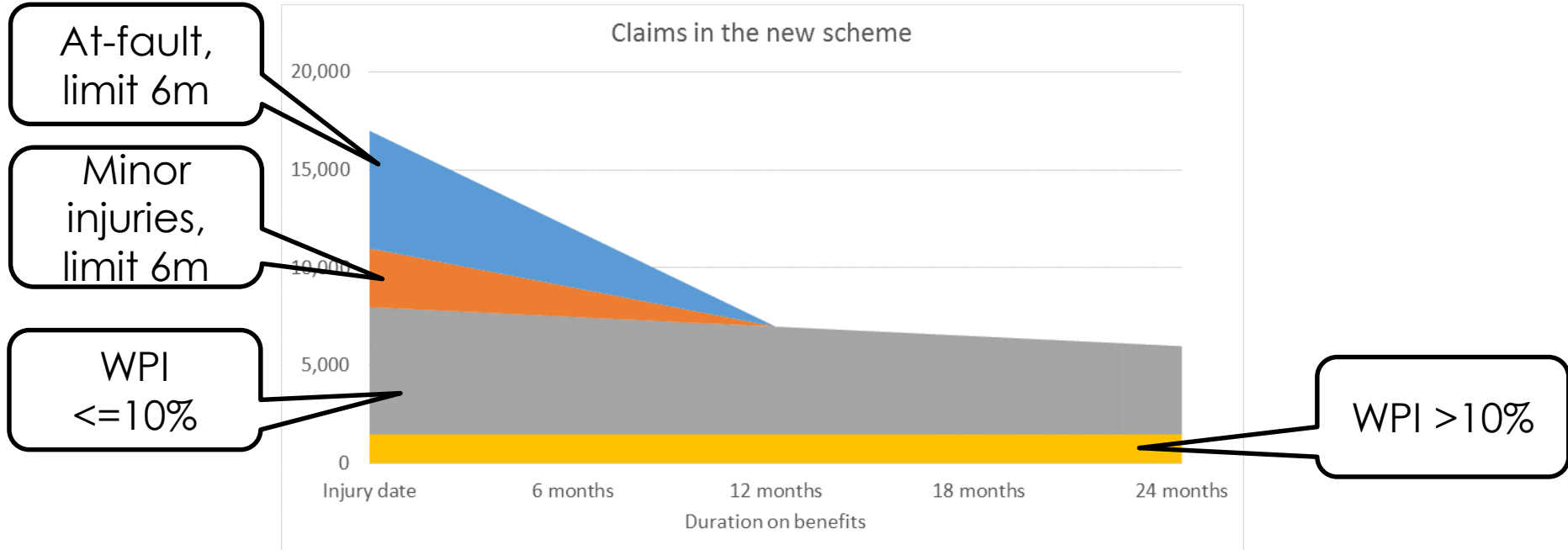


3. Key risks in the New scheme

- Costing of the new scheme
 - Selected assumptions – based on range of experience
- Service provider behaviour
 - Impact of changes on service providers
 - Insurers new claim management models
 - Lower legal involvement early on in claims
 - Business models based on scheme designs
- Changing nature of fraud and exaggeration
 - New design brings focus on different set of providers i.e. medical providers drive claimant support process
- Broader awareness of new scheme benefits and processes

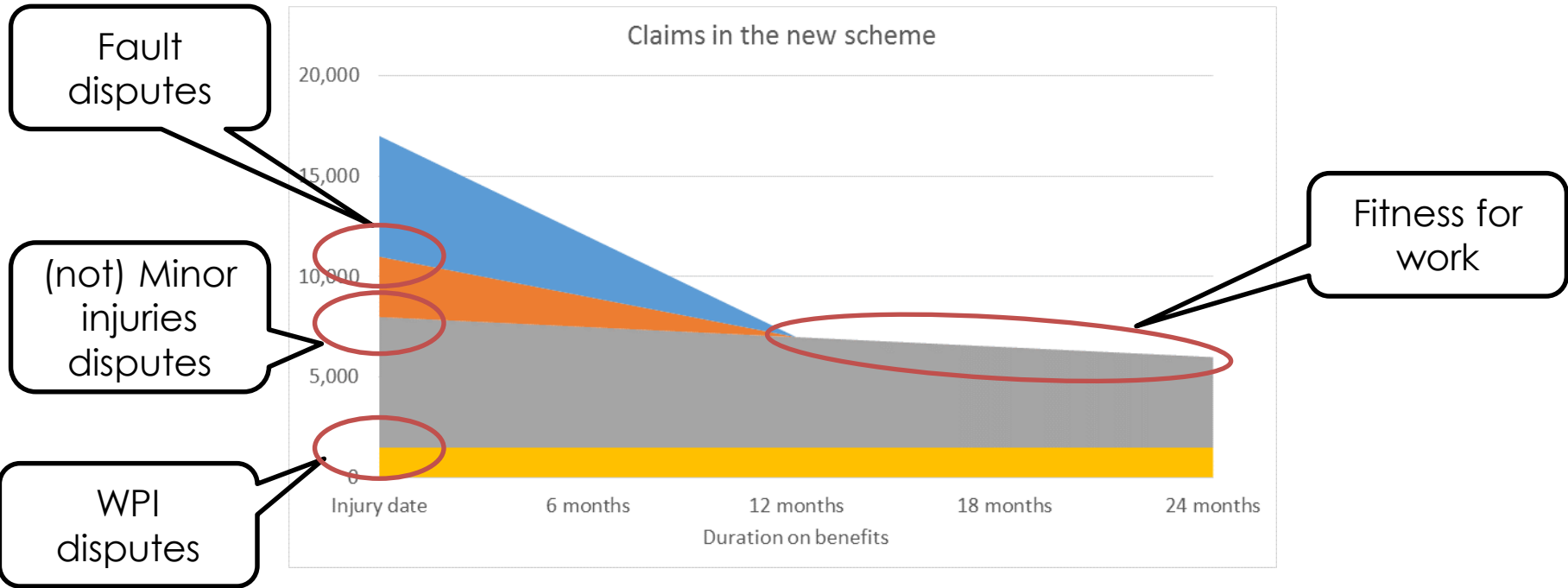


3. Key risks in the New scheme





3. Key risks in the New scheme





3. Key risks in the New scheme

- No-fault defined benefits of Weekly Loss of Earnings and Treatment and Care
 - Liability assessments made at/around 3m
 - Previously equivalent benefits capped at \$5,000
- Minor injury is broadly defined as :
 - A soft tissue injury
 - A minor psychological or psychiatric injury
 - This category is new and is a key gateway to continuing defined benefits and/or potential for common law damages



3. Key risks in the New scheme

- Fitness for work assessment
 - Similar assessments exist in other schemes e.g. NSW WC
 - Will be a key determinant the average claim size for non-minor claims
- The greater than 10% WPI threshold continues from the current Scheme
 - This threshold has generally held well in the current Scheme, however the risk that this threshold can be circumvented still continues



Scheme Monitoring Success Factors

- ▶ A holistic approach

Understanding of key drivers of cost

- ▶ Scheme is long tail, understanding when information on key drivers is credible is important to avoid over/under reacting
- ▶ Expected claims experience patterns have been calibrated to the scheme costing and analysis

Better data capture

- ▶ A new industry claims database has been designed
- ▶ Data of greater depth and breadth will now be captured
- ▶ Particular focus has been on capturing data related to key drivers which serve as early indicators of scheme cost

Technology

- ▶ Dashboards to key stakeholders
- ▶ Insurer real time data submission



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Head of Damage	Benefit Type	Valuation Approach	
		Frequency	Severity
Economic Loss	Common Law	# claims finalised in period	Payment per claim finalised (PPCF)
	Statutory Benefits	# active claims in period	Payment per active claim (PPAC) x tail continuance rate
Non-economic Loss	Common Law	# claims finalised in period	PPCF
Treatment	Statutory Benefits	# active claims in period	PPAC
Care	Statutory Benefits	# active claims in period	PPAC
Legal Costs	Plaintiff (CL)	# claims finalised in period	PPCF
	Defendant & Investigation (CL)	# claims finalised in period	PPCF
	Plaintiff (SB)	# active claims in period	PPAC / PPCI
	Defendant & Investigation (SB)	# active claims in period	PPAC / PPCI
AF	Statutory Benefits	# active claims in period	Payment per active claim (PPAC) x tail continuance rate
Other			

- Scheme Monitoring
 - Specific dashboards on key drivers against expectations
 - A shift in focus to monitoring claims that are ‘active’ in line with the change in many benefit types
 - Disputations on thresholds will be closely monitored, in particular
 - Minor vs Non-minor injury
 - WPI above or below 10%
 - Recovery and Return to work experience are expected to improve.



Objective of new scheme

Reduce premium

Increase efficiency

Improve timeliness

Reduce fraud

Risk identification

Financial risks

Compliance risks

Performance risks

Reputation risks

Risk analysis

Claims submissions

Claims liability decisions

Claims payments

Return to work, Recovery, Rehab

Insurers' administration

Customers' experience

3rd party providers

Risk evaluation

Benchmark to Old/Similar schemes

Actual vs Expected(Target)

Qualitative assessment

Risk reduction/mitigation

Early intervention
Changes to regulation



4. Conclusions

- Scheme benefits will be substantially different from the current scheme
- All schemes are bespoke and 'purpose built', which creates uncertainty
- Many key risks of the current scheme design have been mitigated to some extent in the new benefit design
- However the new scheme design presents new risks
- These new risks may take many years to emerge and new issues may develop in the future (as is common with many schemes)
- A key mitigant will be detailed monitoring to provide early warning for intervention by SIRA
- The monitoring process itself will need to be responsive to emerging information



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Appendix

Claim numbers experience

Accident Year ¹	ANFs			Workers compensation recoveries	Full Claims			Total Notifications ²	IBNR Estimates ³	Estimated Ultimate Notifications
	At-fault ANF	Not at-fault ANFs	Total ANFs		Converted ANFs	Direct Full Claims	Total Full Claims			
1999/00	-	2,012	2,012	1,809	2,270	11,013	13,283	17,104	-	17,104
2000/01	-	2,814	2,814	1,864	3,445	7,526	10,971	15,649	-	15,649
2001/02	-	2,736	2,736	1,708	3,004	6,611	9,615	14,059	-	14,059
2002/03	-	2,593	2,593	1,607	2,952	5,596	8,548	12,748	-	12,748
2003/04	-	2,267	2,267	1,570	2,815	5,672	8,487	12,324	-	12,324
2004/05	-	2,124	2,124	1,675	2,772	5,398	8,170	11,969	-	11,969
2005/06	-	1,964	1,964	1,490	2,529	5,167	7,696	11,150	-	11,150
2006/07	-	1,722	1,722	1,533	2,214	5,447	7,661	10,916	-	10,916
2007/08	-	1,398	1,398	1,340	1,952	5,731	7,683	10,421	-	10,421
2008/09	-	1,848	1,848	1,428	2,249	5,663	7,912	11,188	-	11,188
2009/10	126	2,072	2,198	1,375	2,511	6,008	8,519	12,092	-	12,092
2010/11	631	2,175	2,806	1,335	2,876	5,828	8,704	12,845	6	12,851
2011/12	842	2,359	3,201	1,280	3,099	6,314	9,413	13,894	20	13,914
2012/13	951	2,566	3,517	341	3,272	6,318	9,590	13,448	19	13,467
2013/14	1,005	2,609	3,614	266	3,373	7,297	10,670	14,550	37	14,587
2014/15	1,070	2,453	3,523	255	3,555	8,666	12,221	15,999	122	16,121
2015/16	1,028	2,442	3,470	188	3,942	10,058	14,000	17,658	436	18,094
2016/17	943	3,281	4,224	65	2,520	6,840	9,360	13,649	3,695	17,344
Total	6,596	41,435	48,031	21,129	51,350	121,153	172,503	241,663	4,334	245,997

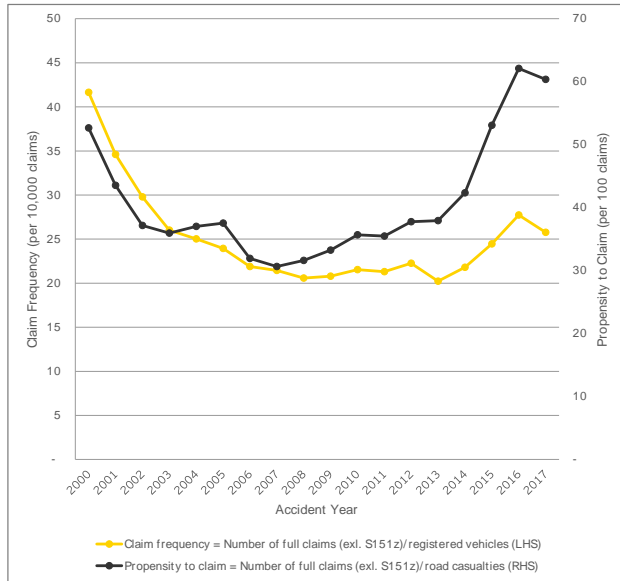
Number of Claims

- 1. Accident years run from 1 July to 30 June.
- 2. Total Notifications = Total ANFs + Workers Compensation Recoveries + Total Full Claims
- 3. IBNR - Incurred But Not Reported claims, are estimated from actuarial models.
- 4. CTP Claims data as at Jun17
- 5. Full claims as defined in Section 74 of MACA 1999.
- 6. ANFs as defined in Section 49 of MACA 1999
- 7. Workers compensation recoveries (\$1512) have been shown as a separate category, so that underlying scheme trends as from 2010/11 are not distorted by the change to the Workers Compensation legislation which has narrowed the definition of journey claims.

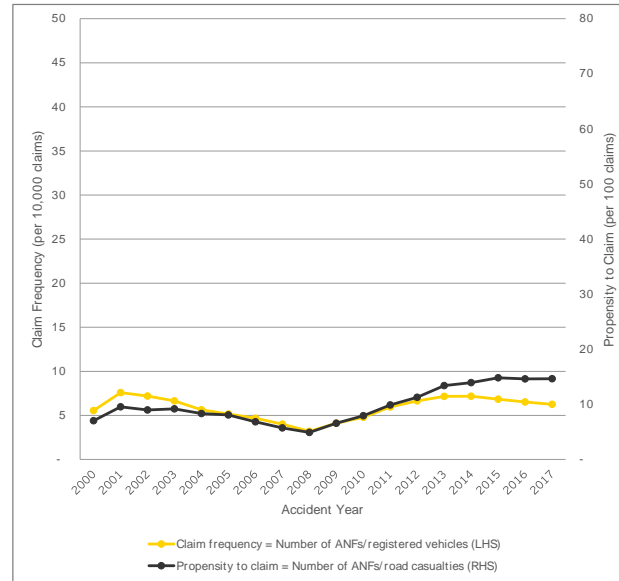


Appendix

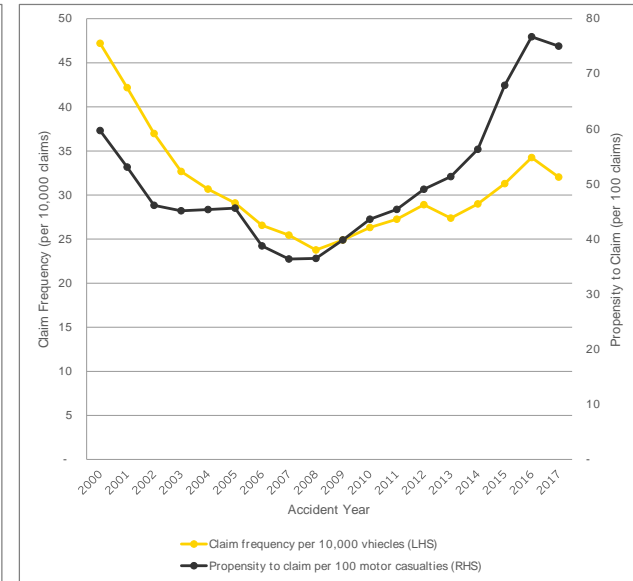
Claim frequency & Propensity



Claims frequency per 10,000 vehicles and the propensity to claim since 2000 for [Full claims](#) (excl. Workers comp recoveries)



Claims frequency per 10,000 vehicles and the propensity to claim since 2000 for [ANFs](#) (excl. Workers comp recoveries)



Claims frequency per 10,000 vehicles and the propensity to claim since 2000 for [All Notifications](#) (incl. Workers comp recoveries)

* 2017 figures utilise estimated casualty figures