

Additional information
requested for the
Motor Accidents Injuries Scheme

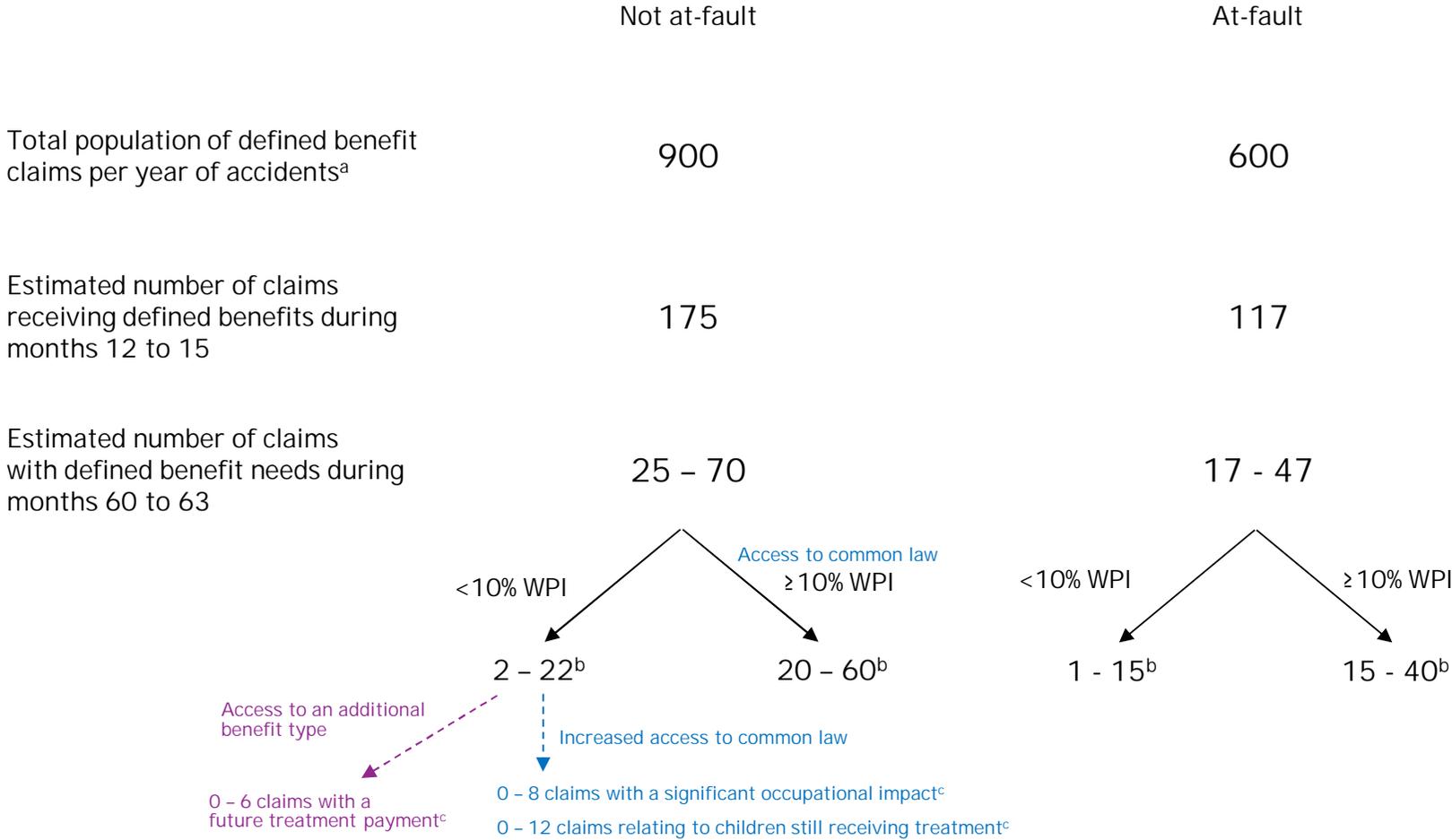
Chief Minister, Treasury and Economic
Development Directorate

March 2019

Scope

- ▶ The Chief Minister, Treasury and Economic Development Directorate (CMTEDD) has requested EY to provide an update of information presented to the Citizen's Jury on Compulsory Third Party (CTP) insurance based on the draft Motor Accident Injuries Bill 2019 ("the Bill") provided to EY on 12 March 2019
 - ▶ The figures presented represent an estimate of the number of claims receiving defined benefits over time. It largely relies on the claims experience observed in the Victoria, as well as in the current ACT scheme
 - ▶ This document must be read in conjunction with the Costing Report in order to understand the underlying data and methodologies, as well as any reliances, uncertainties and limitations previously raised (Link to Costing Report: https://www.yoursay.act.gov.au/download_file/1725/683)

Estimated number of claims receiving defined benefits over time



a. Not all claims will be reported to insurers within the year.
 b. The sum of these ranges is not intended to match the range immediately above. This is due to the greater uncertainty and volatility in outcome as the size of the cohorts becomes smaller.
 c. Based on claims with defined benefit needs at 4 years and 6 months after accident (month 54), and hence may not necessarily be from the cohort at month 60 to 63 immediately above.



Risks and uncertainties

- ▶ The main sources of risk and uncertainty in the estimates provided are as follows:
 - ▶ As there is no actual claims experience for the proposed scheme, the estimates have been based on the historical claims experience of the CTP schemes in ACT, New South Wales, Victoria and Queensland. This is on the assumption that the claims experience observed in the reference schemes, after allowing for differences in benefit design, demographics, operations and estimated behavioural aspects, is a reasonable proxy for the claims experience of the proposed scheme. There are many uncertainties associated with this assumption that mean the actual claims experience of the proposed scheme is likely to be different from historical claims experience
 - ▶ There is significant uncertainty associated with actuarial estimates. Estimates of future claims experience are always inherently uncertain because they depend on the outcome of future events which cannot be forecast precisely. Examples of claims experience that are particularly challenging to forecast include changes to social, economic and legal environments, and behavioral changes that will occur under the proposed scheme design. Therefore, actual claims experience may emerge at levels higher or lower than the actuarial estimates presented in this document
- ▶ Other sources of uncertainty outlined in the Costing Report continue to apply (link to Costing Report: https://www.yoursay.act.gov.au/download_file/1725/683)
- ▶ The ranges presented in this document are intended to reflect the uncertainties listed above and the Costing Report

Reliances and limitations

- ▶ As noted in the Costing Report, the actual claims experience will depend on the details of the regulations and guidelines that will be issued under the new Act. Any differences in the assumed details of the content of the regulations and guidelines on which the estimates are based will result in changes to the estimates
- ▶ Reliance has been placed upon the data provided to us by the ACT CTP Regulator, the Victorian Transport Accident Commission, the MAIC, RMS, NSW SIRA and VicRoads. With regards to the ACT data the analysis specifically relies on the accuracy with which insurers have provided their data and classified appropriate payment types and injury severity coding and that this allocation has been accurate over time
- ▶ In general, reliance was placed on but not limited to the information provided. Except where indicated, the information has been used without independent verification. However, it was reviewed where possible for reasonableness and consistency
- ▶ We have performed the work assigned and have prepared this document in conformity with its intended utilisation by persons technically familiar with the areas addressed and for the stated purposes only. Judgements based on the data, methods and assumptions contained in this document should be made only after studying the document in its entirety and in conjunction with the Costing Report, as conclusions reached by a review of a section or sections on an isolated basis may be incorrect. EY staff are available to explain or amplify any matter presented in this document
- ▶ Although we have prepared estimates in conformity with what we believe to be the likely future experience, the experience could vary considerably from the estimates. Deviations from the estimates are normal and are to be expected
- ▶ In accordance with normal professional practice, neither EY, nor any member or employee thereof undertakes responsibility in any way whatsoever to any person other than the ACT CTP Regulator in respect of this report
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