

EY costing of proposed model designs

Final Citizen's Jury

24 March 2018

Contents

- ▶ Nature of cost estimates
- ▶ Risks and uncertainty
- ▶ Results

Nature of cost estimates

- ▶ Passenger vehicles only excluding Lifetime Care & Support scheme
- ▶ Existing scheme based on a split up of 1 July 2017 premiums
- ▶ Proposed models
 - ▶ Mature scheme
 - ▶ Do not represent premiums that will be charged
 - ▶ Insurers set premium with regulator guidelines
 - ▶ Average for all insurers not what each insurer charge
 - ▶ Does not allow for unearned premium surplus
 - ▶ Does not allow for a potential 'honeymoon' period
 - ▶ Premiums depend on details of Act, regulations and guidelines which do not yet exist

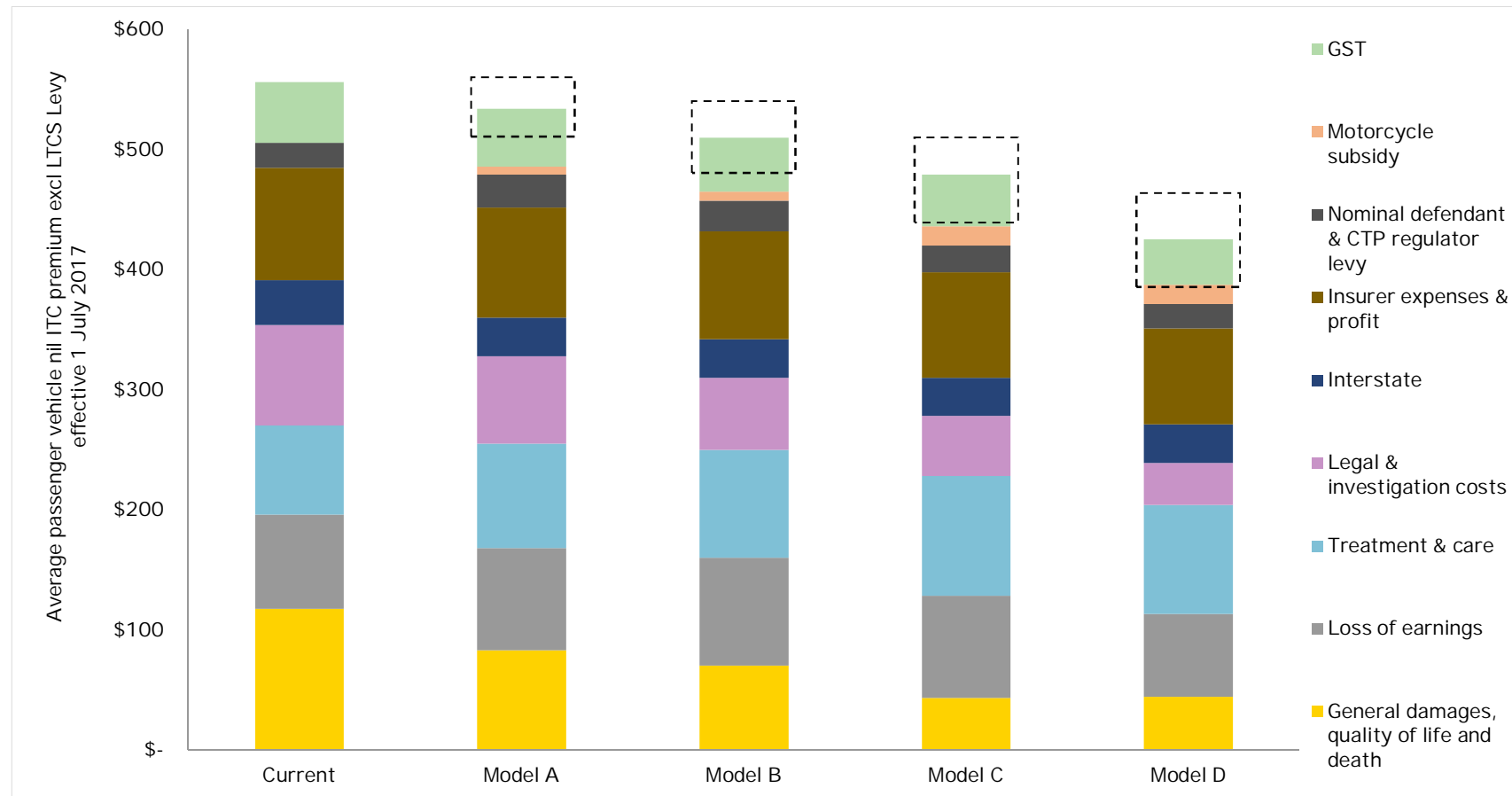
Risks and uncertainty

- ▶ Significant uncertainty of actuarial estimates
 - ▶ Depend on future claims experience which depends on the outcome of future events which cannot be forecast precisely
 - ▶ Actual claims experience may emerge at levels higher or lower than estimates
- ▶ No actual claims experience of models
 - ▶ Used ACT, Victorian, NSW and Queensland experience as a proxy; adjusted for differences in design; hence greater uncertainty than current scheme. Cannot predict whether the claims experience of model will reflect the claims experience of these proxy schemes
- ▶ Significant change for stakeholders and changes will impact each stakeholder differently - not possible to accurately estimate their behavioural changes
- ▶ No detailed legislation yet available (incl regulations and guidelines)
 - ▶ Any differences in the assumed details of the content of the legislation on which the costings are based will result in changes to the estimates of the premiums

Results

Estimated premium \$ per policy 2017/18 (value for money)

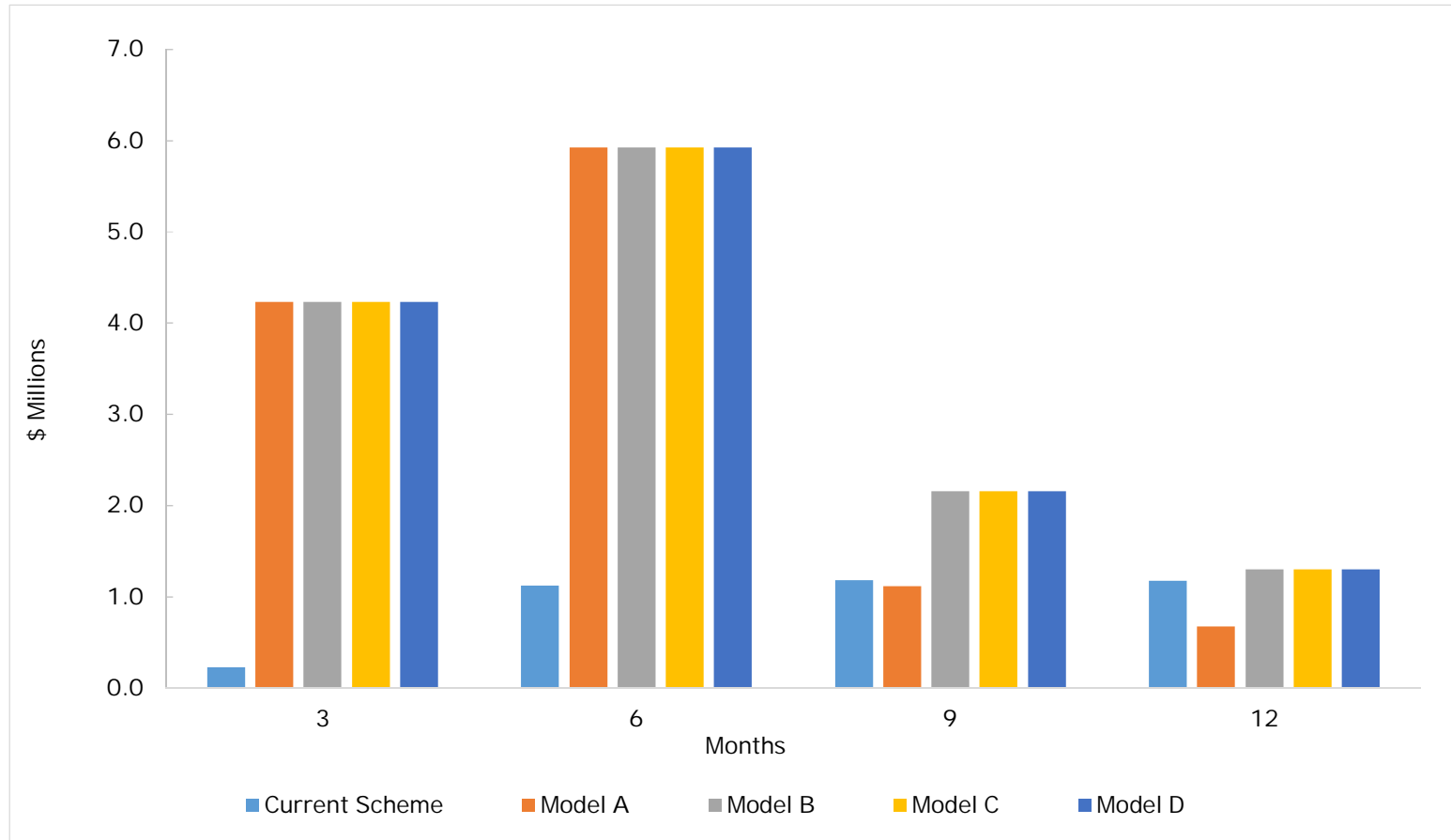
Chart 1: Estimated CTP premium for passenger vehicles by model design compared to current scheme



Results

Early access – claim payments

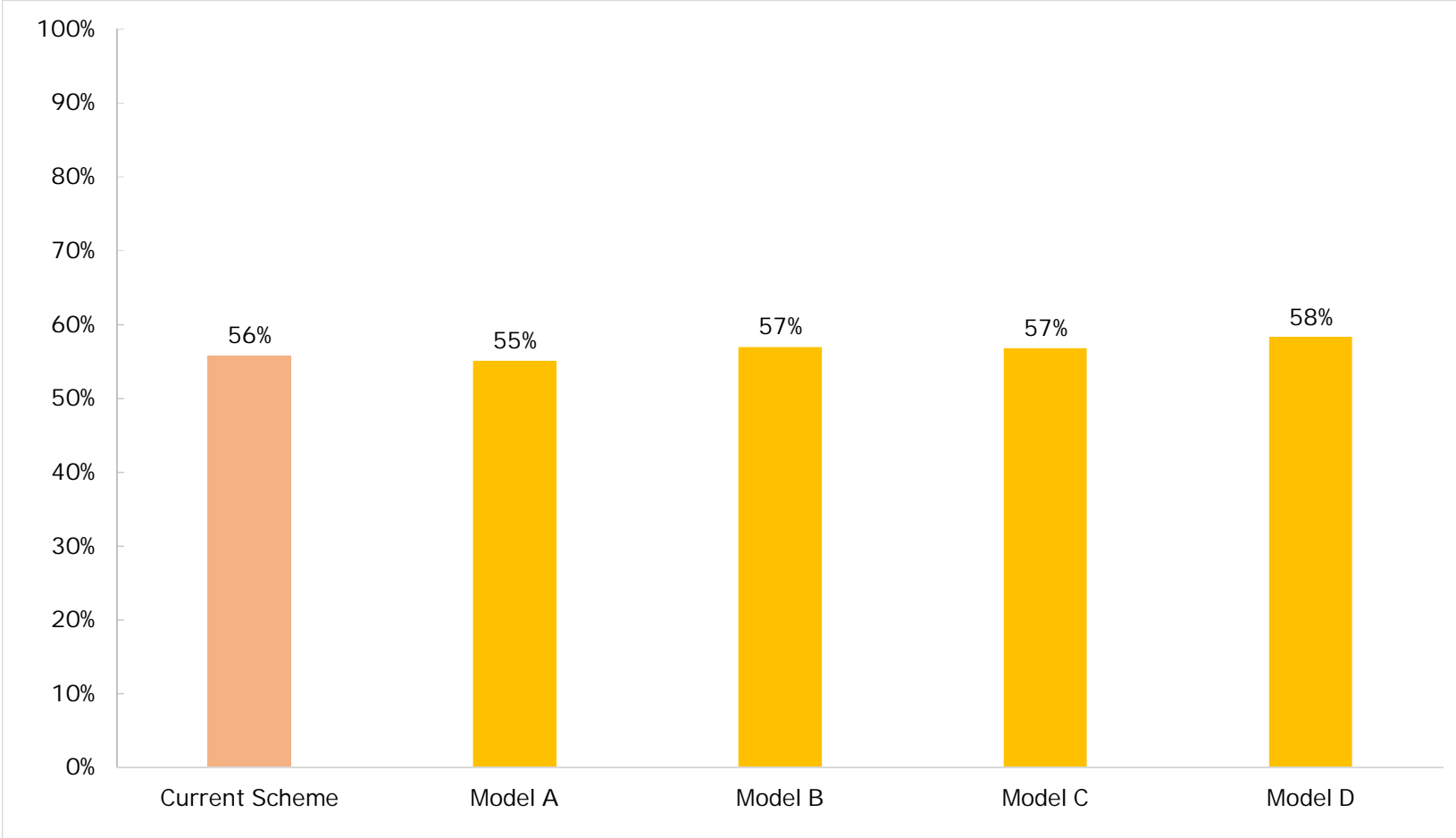
Chart 2: Estimated claim payments by insurers by quarter for treatment, care and loss of earnings for not at-fault claims



Results

Scheme efficiency

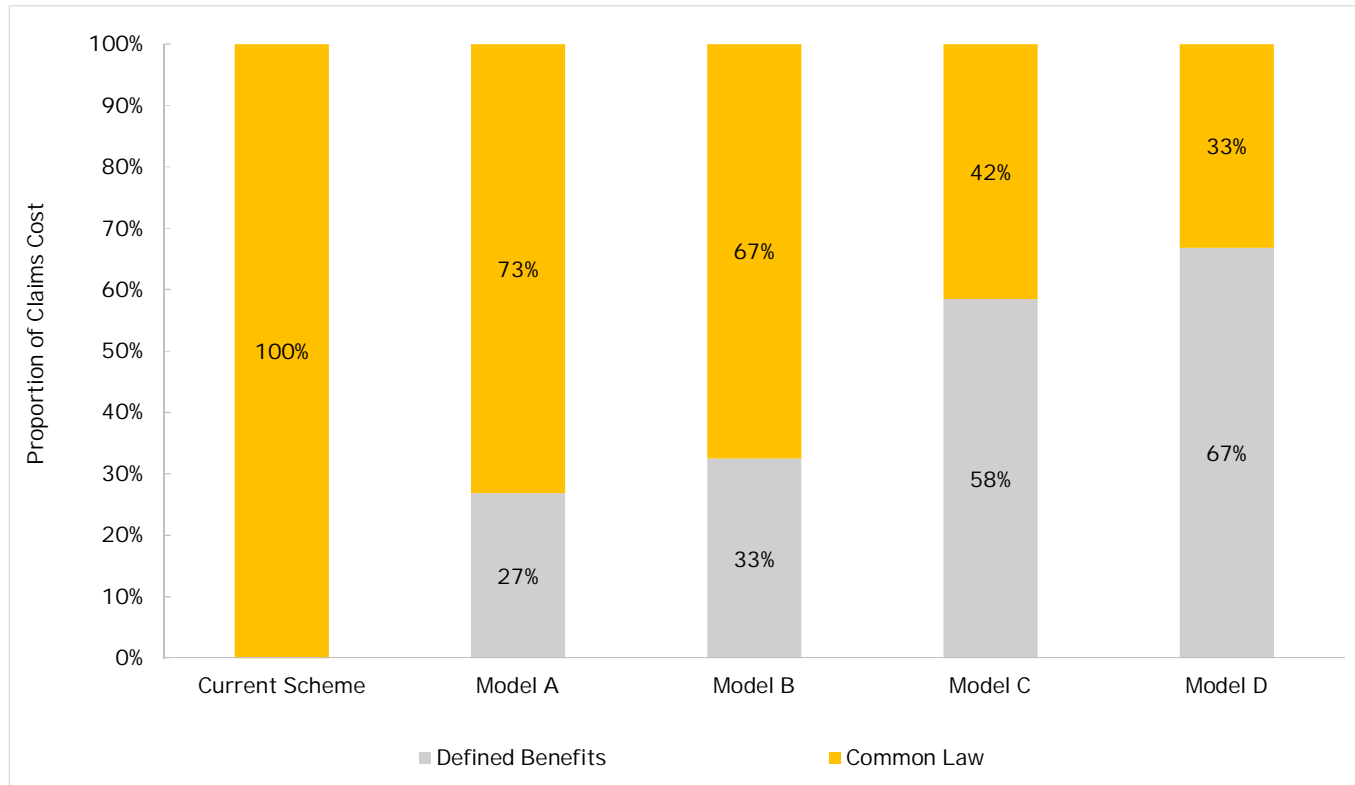
Chart 10: Estimated scheme efficiency by model design compared to current scheme



Results

Cost of claims split between defined benefits & common law

Chart 11: Estimated split of benefits between defined benefits and common law (at-fault and not at-fault claims)

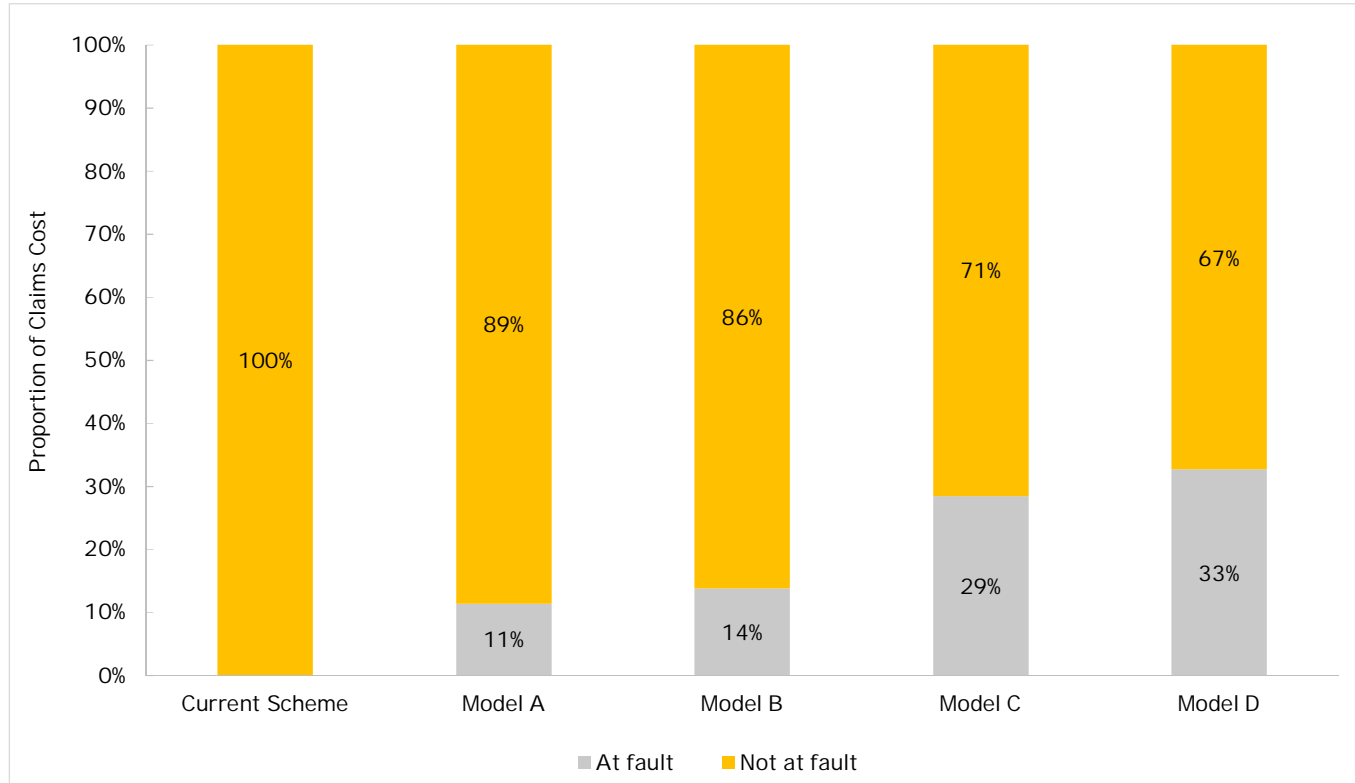


Note: Claim costs above exclude all legal costs (including estimated solicitor-client fees) as they represent the benefits claimants receive

Results

Estimated cost of claims split between at-fault (AF) & not at-fault (NAF)

Chart 3: Estimated proportion of claims costs received by claimants for at-fault and not at-fault claims

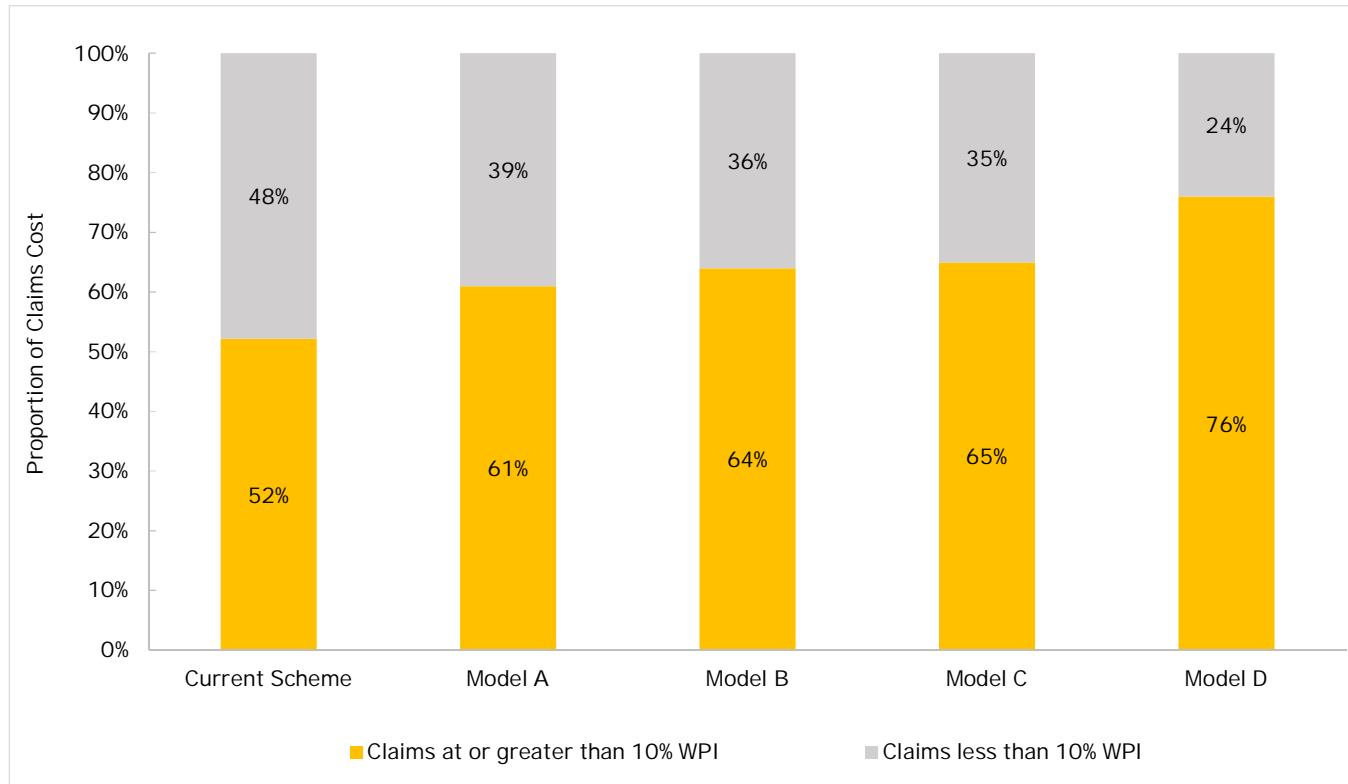


Note: Claim costs above exclude all legal costs (including estimated solicitor-client fees) as they represent the benefits claimants receive

Results

Estimated proportion of claims costs for NAF claims split by WPI 10%

Chart 4: Estimated proportion of claims costs for not at-fault claimants split by WPI above and below 10% (excluding legal costs)

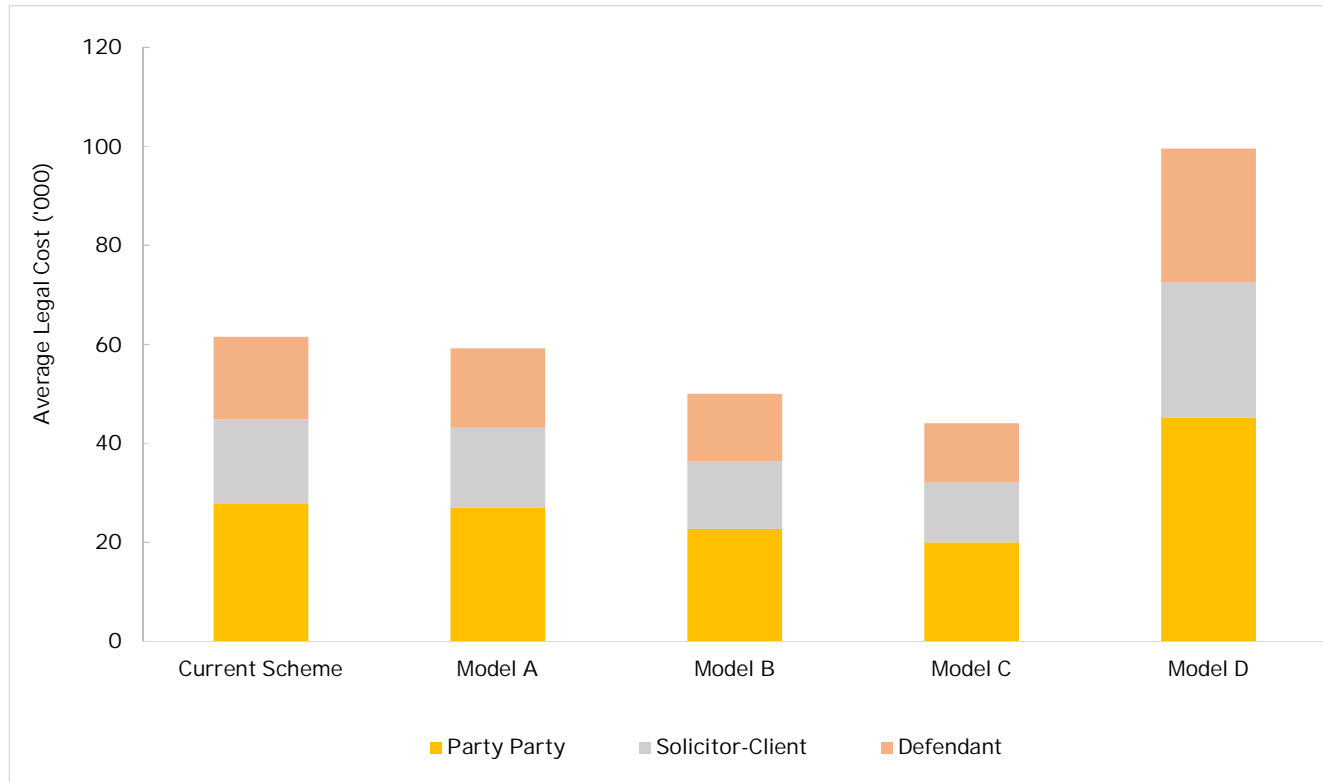


Note: Claim costs above exclude all legal costs (including estimated solicitor-client fees) as they represent the benefits claimants receive

Results

Estimated legal costs for NAF common law claims

Chart 14: Estimated average legal costs per not at-fault legally represented common law claim (excluding interstate claims)

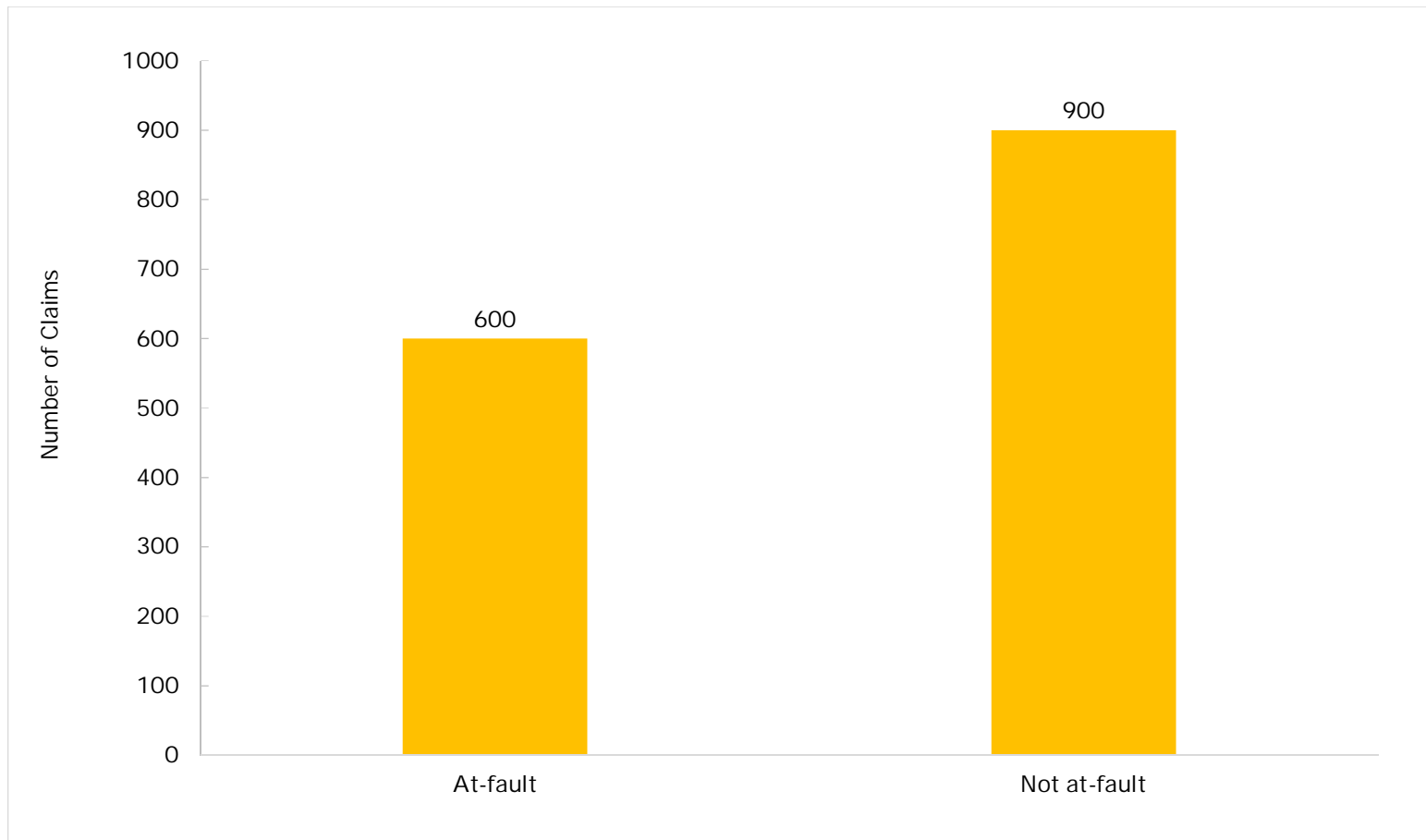


Note: Average legal costs above are indicative only and represent the middle of a range of best estimates. Actual legal costs under the scheme could be lower or higher than shown.

Results

Estimated potential population of defined benefit claims

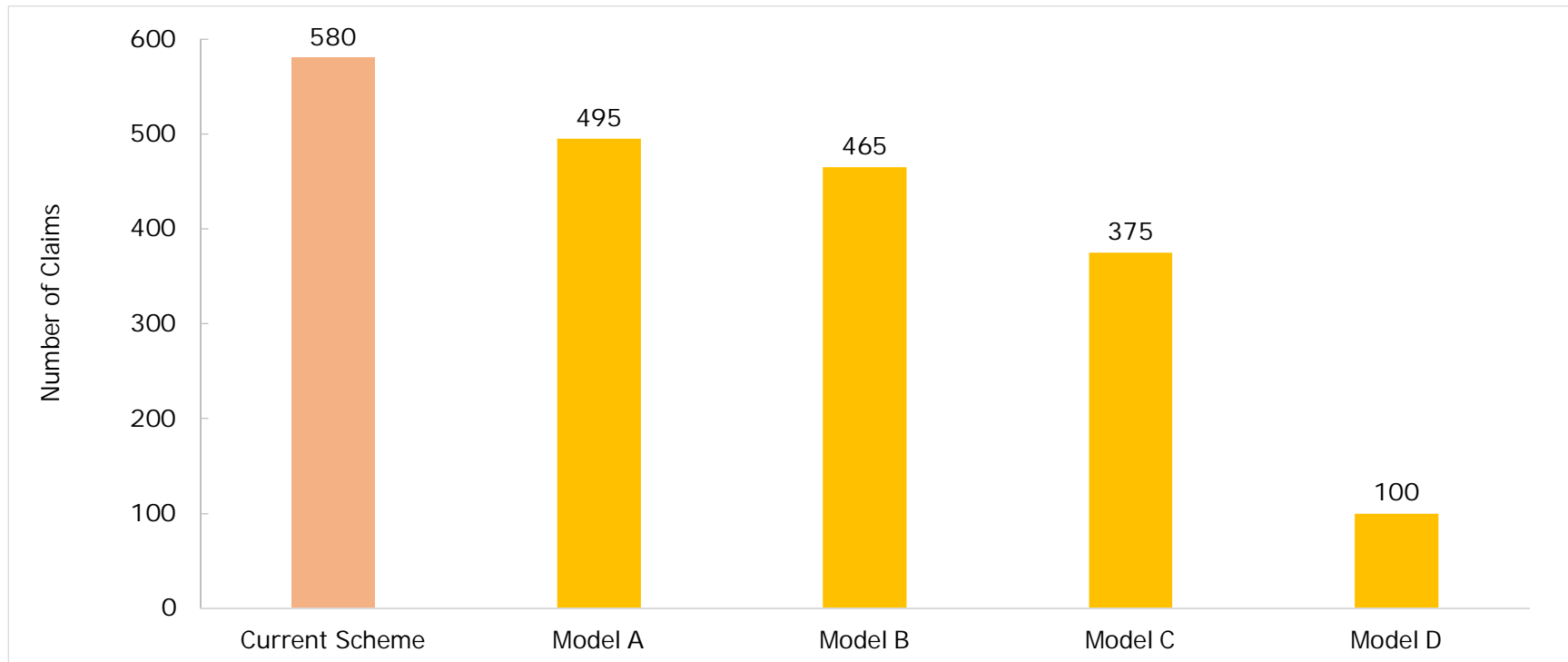
Chart 12: Estimated total potential population of defined benefit claims per annum (including interstate claims)



Results

Estimated number of legally represented common law claims

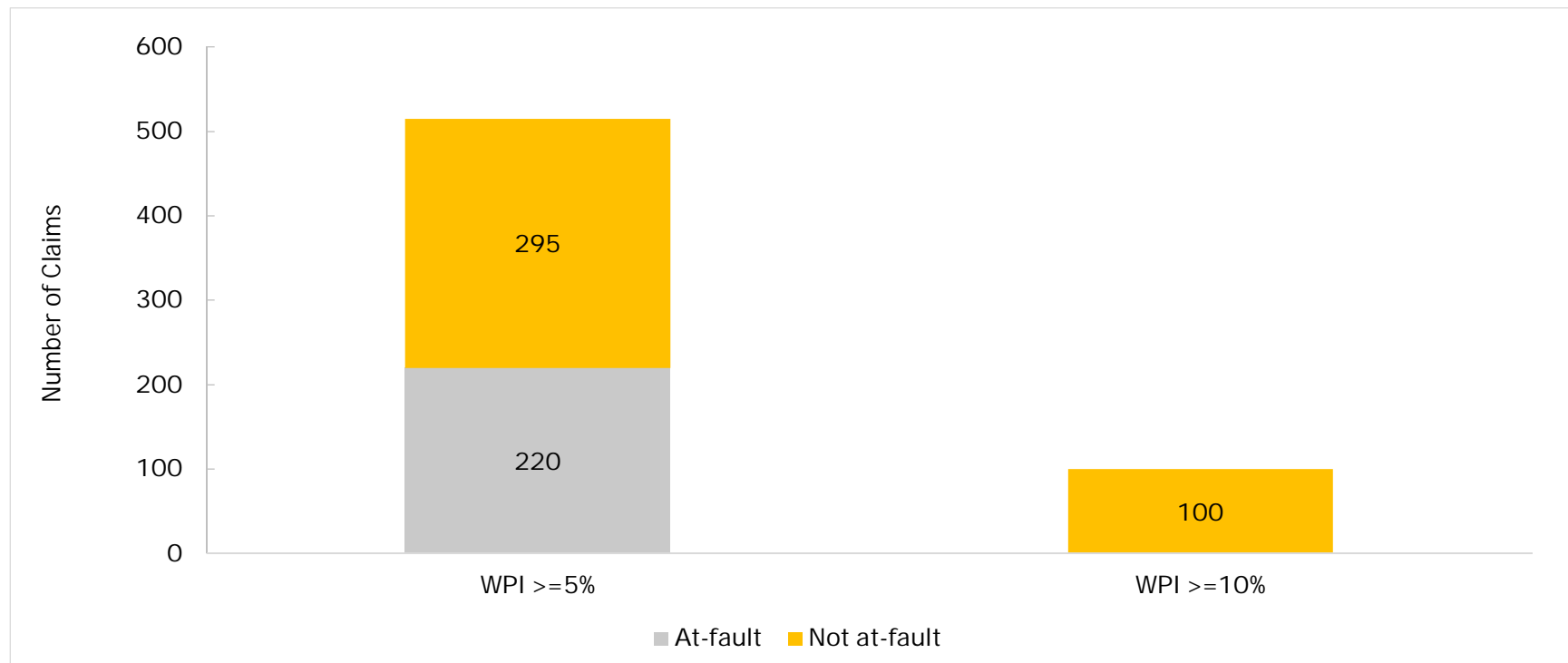
Chart 13: Estimated number of not at-fault legally represented common law claims per annum (excluding interstate claims)



Results

Estimated number of claim meeting WPI thresholds

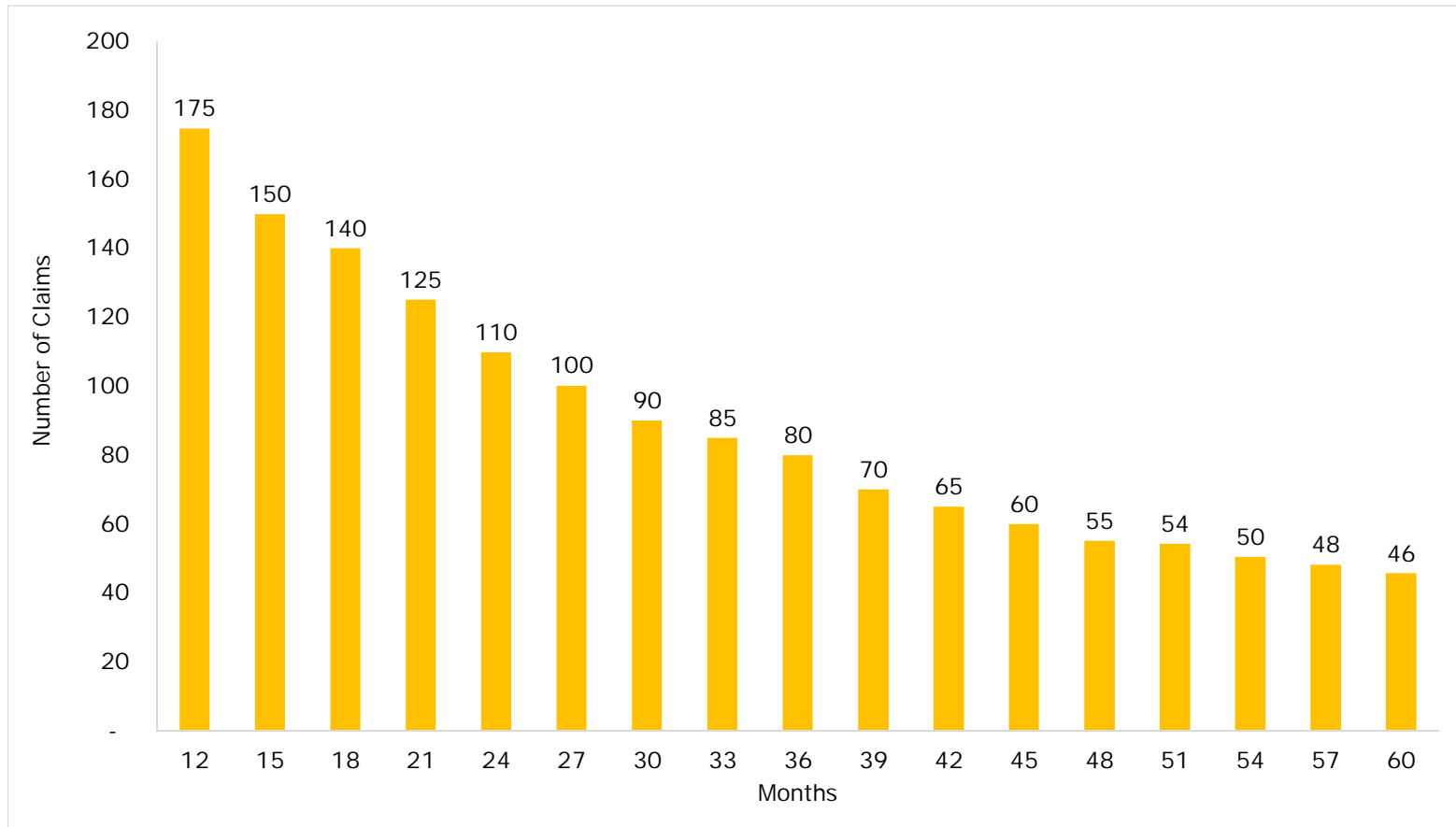
Chart 15: Estimated annual number of claimants entitled to additional benefits once they meet the 5% and 10% WPI thresholds (excluding interstate claims)



Results

Estimated number of NAF claims receiving treatment

Chart 16: Estimated annual number of not at-fault claimants receiving treatment payments from one year after the accident date



Reliance and limitations

- ▶ In undertaking these costings, reliance has been placed upon the data provided to us by the ACT government, the Victorian Transport Accident Commission, the MAIC, RMS, SIRA NSW and VicRoads. With regards to the ACT data we are specifically relying on the accuracy by which insurers have provided their data and classified appropriate payment types and injury severity coding and that this allocation has been accurate over time.
- ▶ We have also made judgements and estimates where the information provided here was not part of the analysis conducted as part of the review. 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 the report document should be made only after studying the report in its entirety, 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 herein.
- ▶ 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 our 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 government in respect of this report.
- ▶ We disclaim all liability to any other party for all costs, loss, damage and liability that any third party may suffer or incur arising from or relating to or in any way connected with the contents of our advice, the provision of our advice to the other party or the reliance upon our advice by the other party. We are providing specific advice only for this engagement and for no other purpose and we disclaim any responsibility for the use of our advice for a different purpose or in a different context.

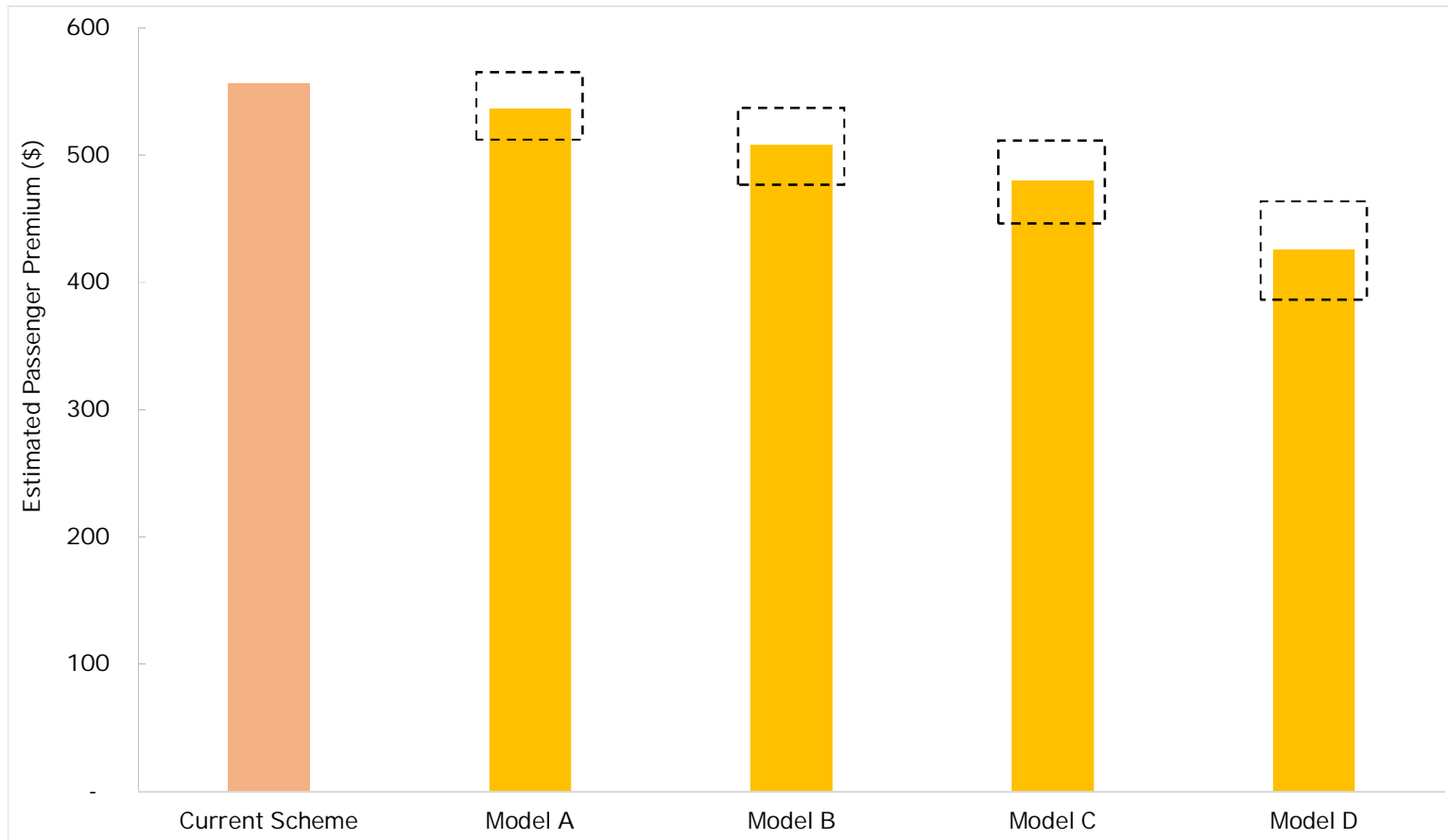
Other results



Results

Estimated passenger vehicle premiums

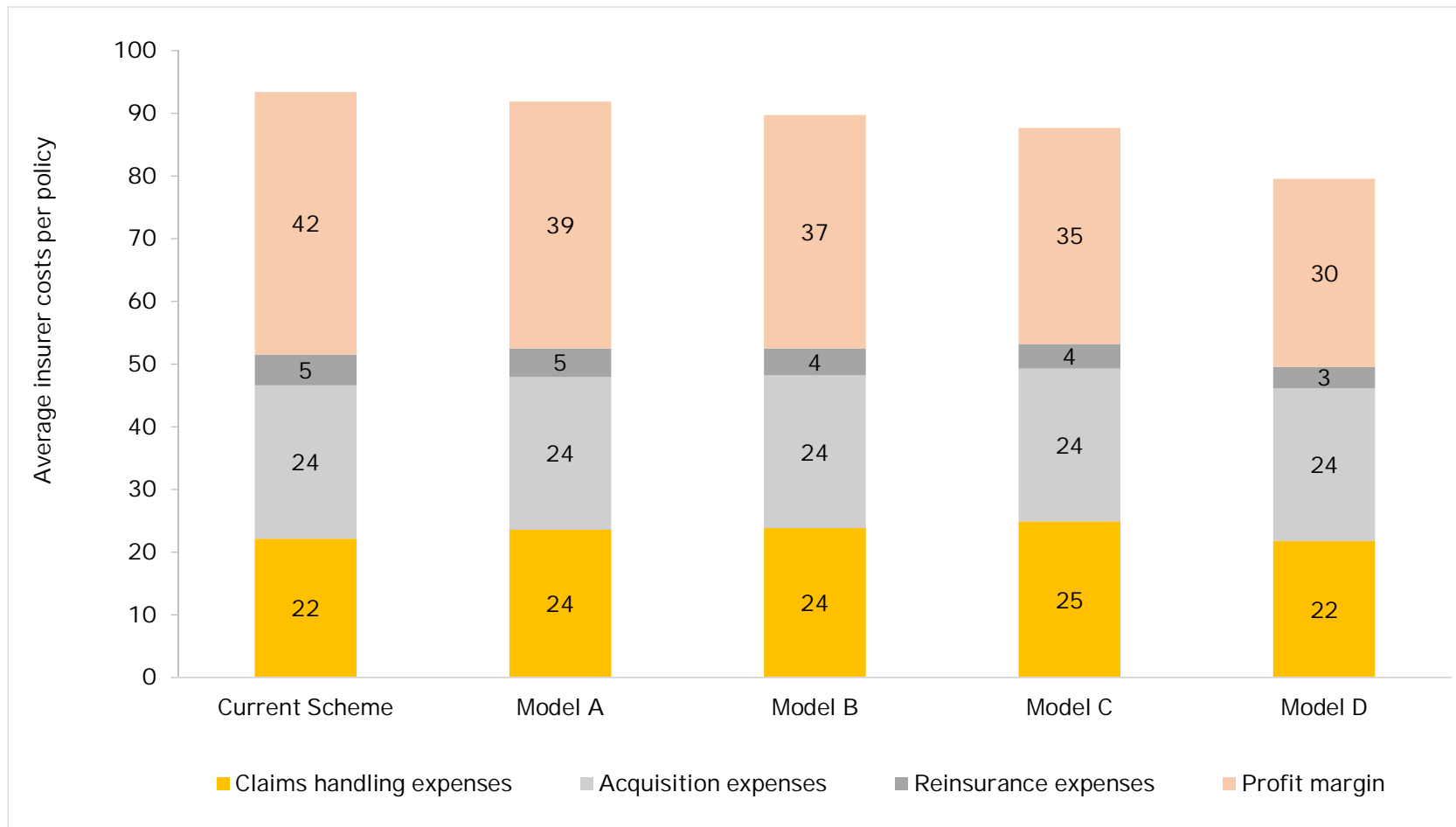
Chart 9: Estimated passenger vehicle premiums by model design compared to current scheme



Results

Estimated insurer loadings

Chart 19: Estimated average cost per policy of insurer expense and profits



Results

Estimated average claim size for NAF claims - WPI greater than or equal to 10%

Chart 5: Estimated average claim size for not at-fault claimants with a WPI greater than or equal to 10% (excluding legal costs, general damages and quality of life benefits)

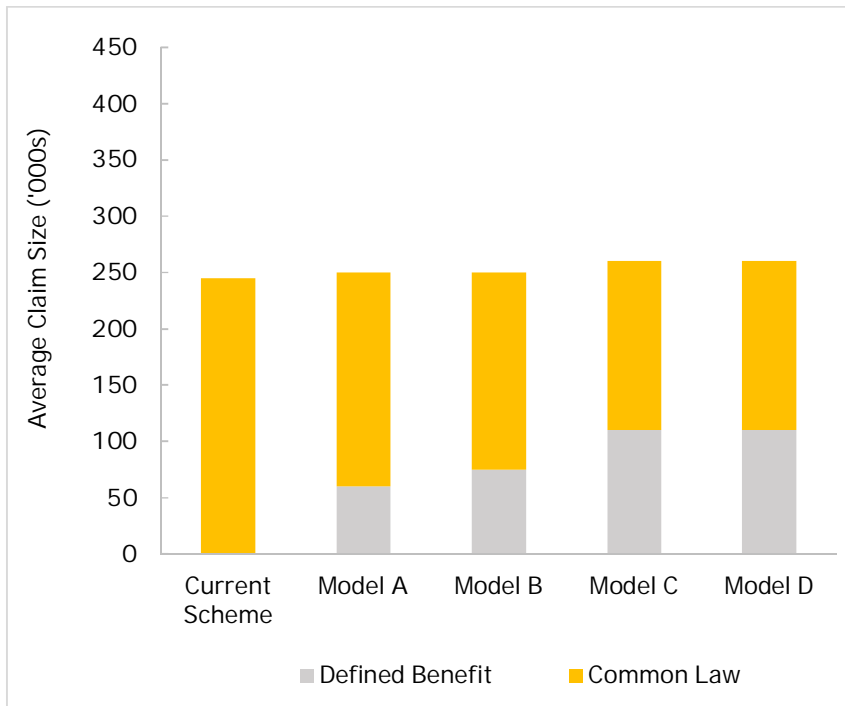
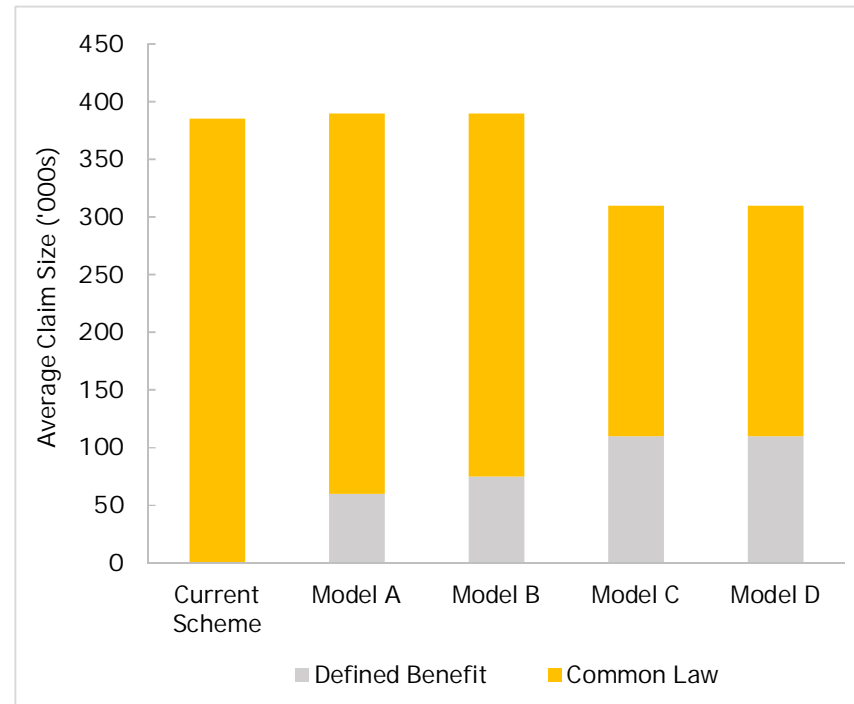


Chart 6: Estimated average claim size for not at-fault claimants with a WPI greater than or equal to 10% (excluding legal costs) – including general damages and quality of life benefits



Note: Average claim sizes above exclude all legal costs (including estimated solicitor-client fees) as they represent the benefits claimants receive. Amounts shown are indicative only and represent the middle of a range of best estimates.

Results

Average claim size for NAF claimants - WPI less than 10%

Chart 7: Estimated average claim size for not at-fault claimants with WPI less than 10% (excluding legal costs, general damages and quality of life benefits)

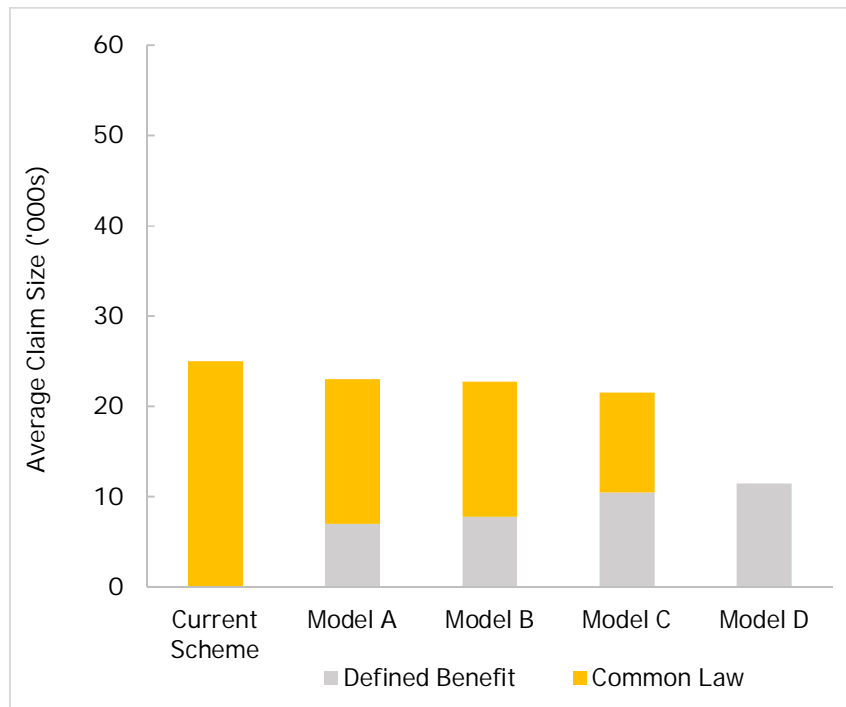
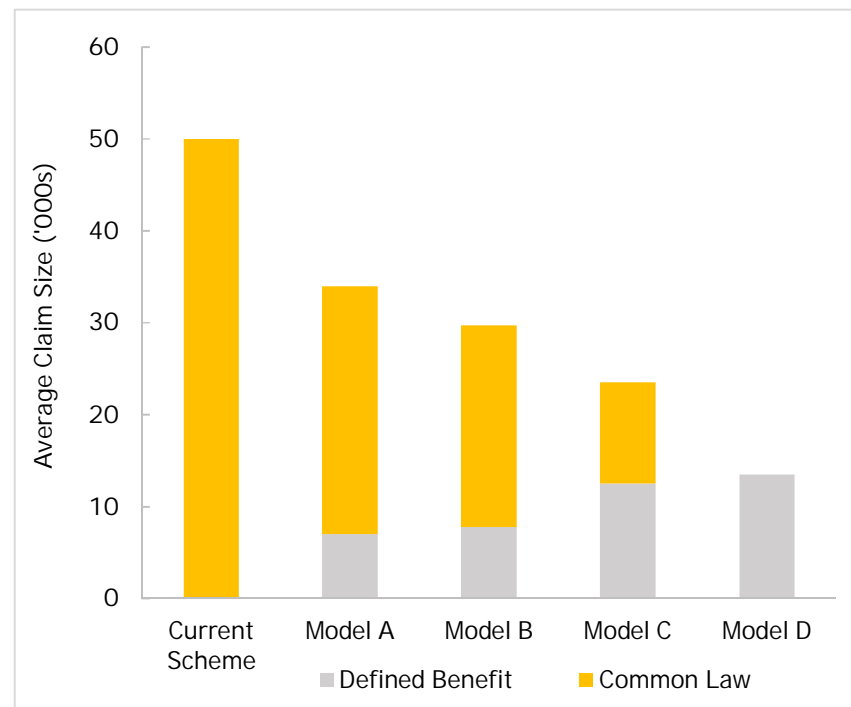


Chart 8: Estimated average claim size for not at-fault claimants with WPI less than 10% (excluding legal costs only)

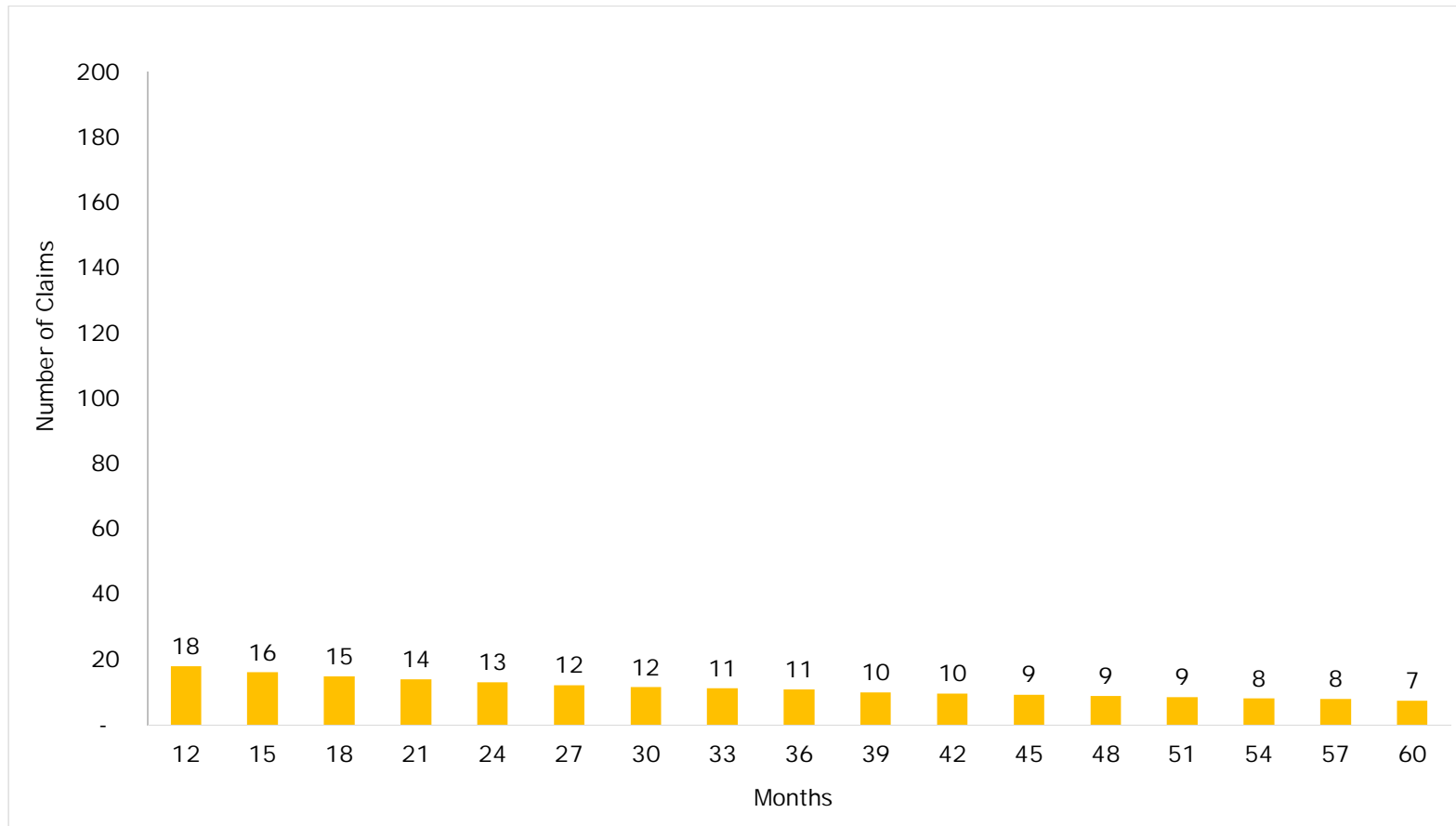


Note: Average claim sizes above exclude all legal costs (including estimated solicitor-client fees) as they represent the benefits claimants receive. Amounts shown are indicative only and represent the middle of a range of best estimates.

Results

Estimated number of NAF claims receiving care

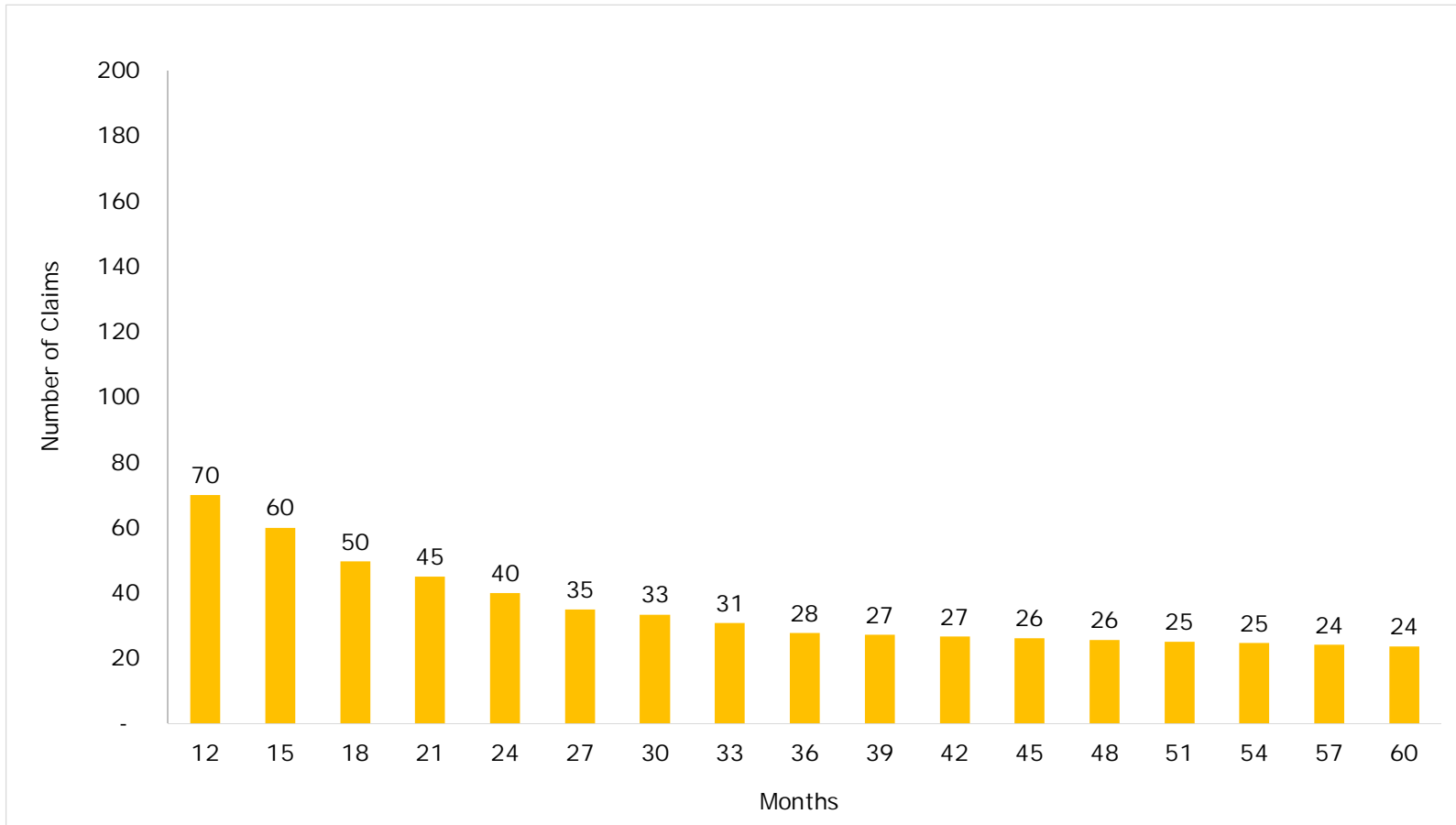
Chart 17: Estimated annual number of not at-fault claimants receiving care payments from one year after the accident date



Results

Estimated number of NAF claims receiving economic loss

Chart 18: Estimated annual number of not at-fault claimants with loss of earnings from one year after the accident date



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