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JUNE 2022

Motor Injury Insights

Motor Injury Insights brings you all the latest news from the world of motor accident compensation.

In this edition

- Trends in claim frequency
- An update on the 'tort temperature'
- Our regular round-up of motor injury news from around Australia

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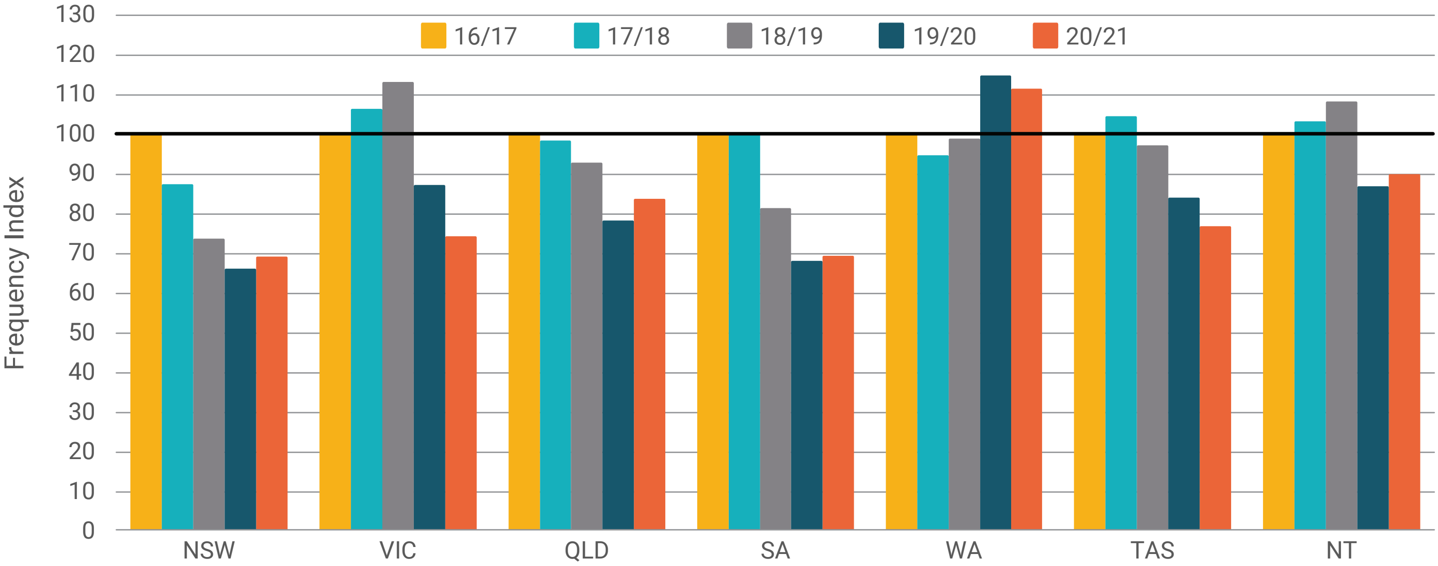
Claim frequency trends

Figure 1 shows the CTP claim frequencies for Australian jurisdictions for the past five years. In each case the frequency is expressed as an index relative to 2016/17. The claim frequencies for 2019/20 and 2020/21 were impacted by COVID-19 lockdowns across all jurisdictions. We expect that lockdowns would have continued to impact claim frequencies for 2021/22 once this data is available.

Figure 1 – Claim frequency trends



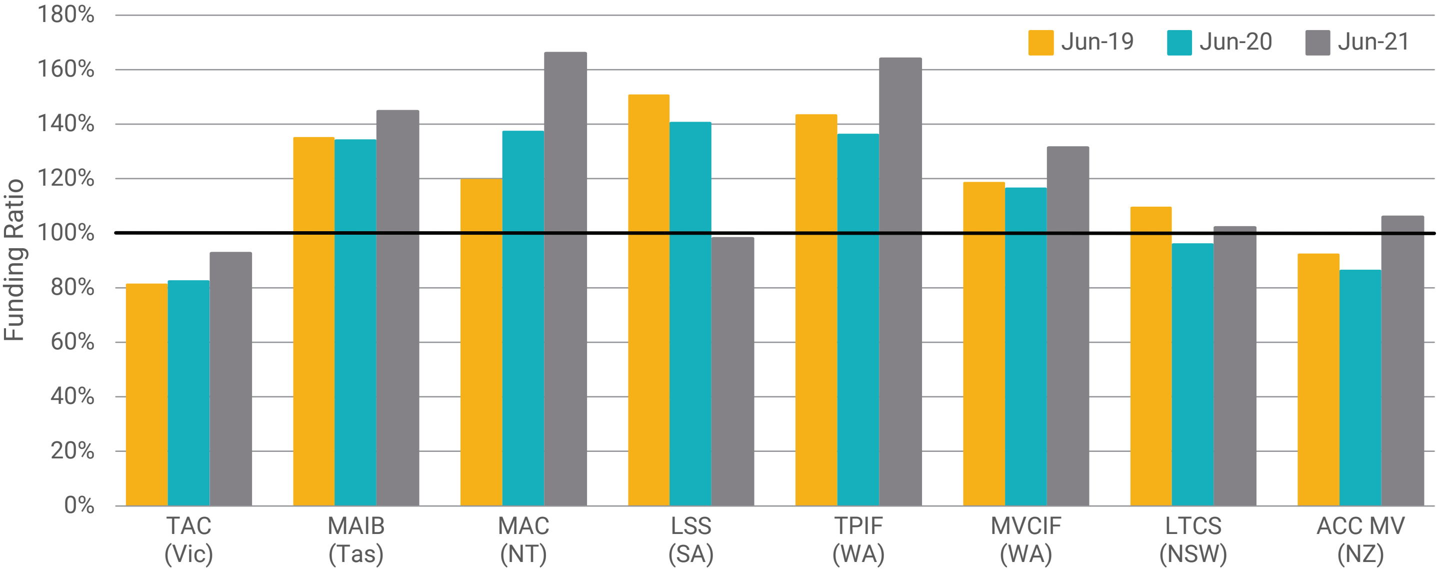
NSW	ultimate accident year frequency, MACA claims + ANFs, MAIA all claims (excl. early notifications)
VIC	ultimate accident year frequency, no-fault claims
QLD	ultimate accident year frequency, all claims
SA, WA, TAS, NT	number lodged in year per registered vehicle, all claims

NSW	The claim frequency has been lower since the inception of the new scheme in December 2017. The frequency increased by 6% in 20/21 as claim volumes returned to pre-COVID-19 levels in the second half of the year.
VIC	The claim frequency decreased by 23% in 19/20 and by a further 15% in 20/21 – the result of lower levels of driving mobility due to the extended COVID-19 lockdowns.
QLD	The claim frequency fell by 15% in 19/20 due to COVID-19 lockdowns. In 20/21 the frequency increased by 7% but remained lower than pre-18/19 levels. The introduction of anti-claim farming legislation in December 2019 may have reduced the frequency, on top of COVID-19 impacts.
SA	The number of claims lodged in 20/21 was similar to 19/20, which was 16% lower than 18/19.
WA	Claim lodgements fell by 3% in 20/21 but remained at an elevated level compared to a few years ago. ICWA estimates that about 25% of claims lodged in 20/21 were from claims farming activity.
TAS	Claim lodgements were down by 6% in 20/21, despite vehicle numbers increasing by 4% – giving a frequency reduction of around 10%.
NT	Claim lodgements increased by 3% in 20/21 as the COVID-19 restrictions eased, but remained lower than previous years.

Funding ratios

Figure 2 shows a three-year history of the funding ratios (up to the latest available balance date of 30 June 2021) for the government monopoly schemes in Australia and NZ, including the lifetime schemes. For consistency between schemes, the funding ratio is total assets divided by total liabilities (in some cases, this differs from the scheme's definition).

Figure 2 – Funding ratio of monopoly motor injury schemes



Most schemes saw an improvement in their funding ratio at June 2021 due to increases in the value of investment assets so it will be interesting to see how weaker investment performance during 2021/22 has impacted ratios when the 30 June 2022 figures are available. The largest movements in 20/21 were:

- MAC NT's funding ratio increased by 29 points to 166%, due to an increase in investments as well as higher discount rates which decreased the liability provision.
- LSS SA's funding ratio fell 42 points to 98% due to the adoption of risk-free discount rates in the calculation of the liability provision (previously used long term investment target returns).
- In WA:
  - The TPIF (fault-based CTP cover) funding ratio increased 28 points to 164% due to strong investment returns and receipt of the Bell settlement proceeds[1].
  - The MVCIF, which covers the catastrophically injured where fault cannot be attributed to another driver, also saw an increase in funding ratio, to 131% – reflecting better than expected underwriting performance and investment returns.
- NZ ACC MV's funding ratio increased 20 points to 106%, driven by higher discount rates which decreased the liability provision.

1 About $670m received in September 2020.

Tort temperature shows some warming

The tables below summarise two recent CTP cases which suggest the 'tort temperature', the mood and direction in personal injury claims, may be warming in Victoria and Tasmania.

Biggs v O'Connor [2021] VSC 826

Facts	The claimant's husband and two others had played golf while consuming alcohol. The husband then decided to ride with the defendant on a motorcycle and went pillion. The motorcycle crashed resulting in the husband's death. Both the defendant and the husband had blood alcohol concentrations of around 0.125% at the time of the accident. The claimant learned her husband had died that night. She suffered nervous shock as a result and sued the defendant for damages.
Issue	Whether the defendant: 1. Owed and breached a duty of care to the husband. 2. Owed and breached a duty of care to the claimant to avoid psychological injury regardless of her husband's decision. TAC defended the claim on the grounds that the defendant did not owe a duty of care to the husband, who voluntarily took the ride knowing the defendant was intoxicated.
Outcome	The judge concluded that the defendant had not proven that the husband "believed the defendant to be so grossly intoxicated that he should not maintain an expectation that the defendant would ride the motorcycle with some degree of prudence, or that he voluntarily accepted the risk of riding with the defendant on the motorcycle in that condition" and ruled in the claimant's favour. The claimant was also successful on the second issue – authorities already recognise that a driver should consider potential mental harm to the spouse of a victim injured in an accident caused by the driver's negligence.

Scattergood v Commonwealth [2022] TASSC 21

Facts	The claimant was rear-ended by the defendant in February 2018 and suffered a whiplash injury. In May 2018 the claimant was in a second incident which involved emergency braking from low speed, but there was no crash. The claimant has since been significantly disabled with no possibility of full recovery.
Issue	Whether the second incident exacerbated the claimant's injuries from the first accident and whether the defendant is liable for the exacerbated injuries.
Outcome	Based on several medical reports, doctors agreed the second incident exacerbated the claimant's injuries from the first accident. The judge said the defendant in the first accident was also liable for the consequences of the second incident. The judge rejected the defence case and the claimant received almost $1m in damages, which included compensation for consequential mental harm, loss of higher earnings based on lost future promotions, as well as compensation for pain and suffering. The judge also said "it was well known that awards of damages for non-economic loss were for many years significantly lower than in most, if not all, mainland jurisdictions, but there is no reason why that should any longer be so." It is possible that Tasmanian claimants and their representatives will latch onto the judge's remark to seek larger damages payouts.

Jurisdiction roundup

New South Wales

Premiums fall as policyholders benefit from TEPL

Figure 3 shows the insurers' premium rates for 'model drivers', ranked from most expensive to cheapest, at October 2021 and January 2022[2].

Figure 3 – NSW Class 1 Metro premiums

Policies Incepting October 2021		Policies Incepting January 2022		
Licence	Premium	Licence	Premium	Change
NRMA	$438	NRMA	$421	($17)
QBE	$437	QBE	$420	($17)
AAMI	$437	AAMI	$420	($17)
GIO	$437	GIO	$420	($17)
Allianz	$435	Allianz	$418	($17)
Youi	$435	Youi	$417	($17)

Decreasing price

Premiums decreased by 4% over the period. This reflects SIRA's activation of the transitional excess profits and losses (TEPL) mechanism in late 2021 to recover insurer profits above 10% for the first accident year of the scheme (1 Dec 17 to 31 Dec 18). From January 2022, this excess profit was returned to policyholders through a 35% reduction in the SIRA levy component of the premium.

SIRA expands CTP Assist

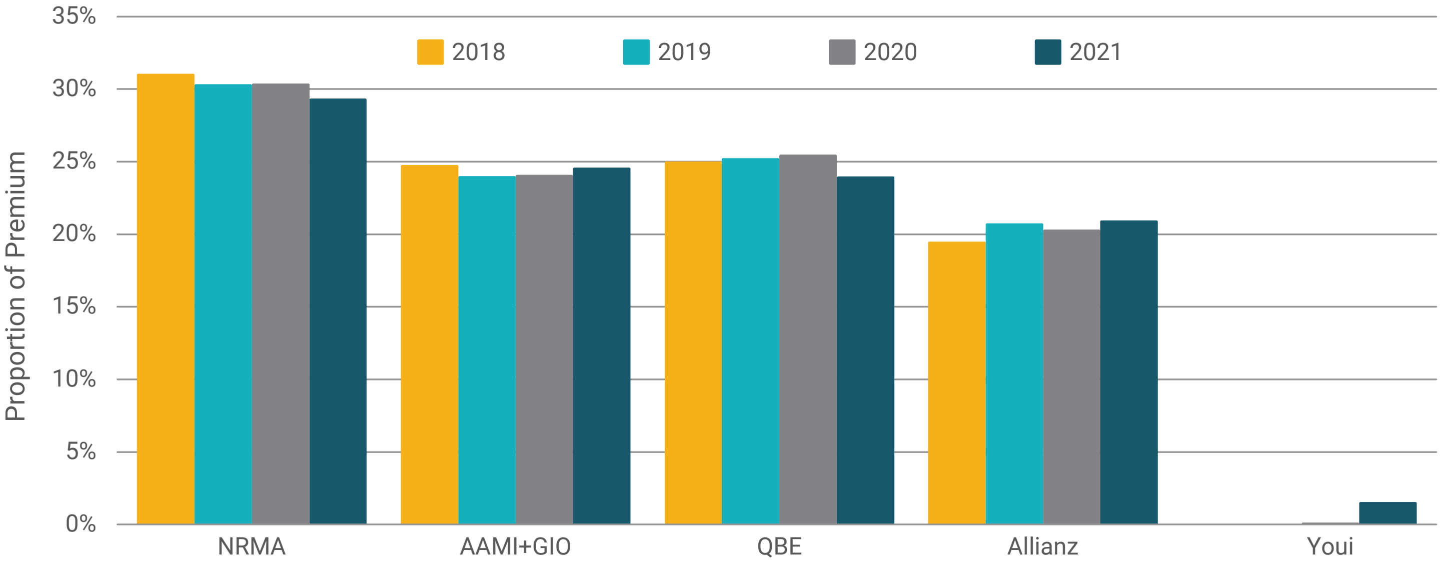
CTP Assist is a call service that proactively contacts injured people at key milestones throughout their journey to claiming. The service helps people to navigate the claims process and understand what benefits they are entitled to. In January 2022, the service was expanded to include new milestone calls and to offer more support to those with greater needs (e.g. non-English speakers). Additional enhancements will be implemented later in the year – including publishing a guide to CTP and promoting CTP Assist as the first point of contact.

2 No material changes to premium rates at July 2022.

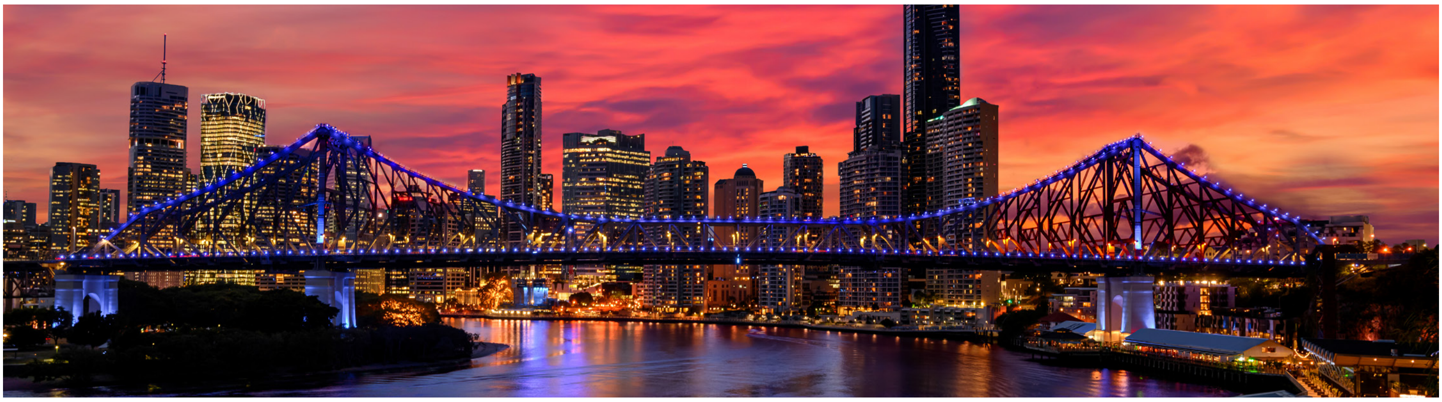
Movements in market share

Figure 4 updates our analysis of NSW market shares.

Figure 4 – NSW market shares



- QBE saw a reduction in market share during 2021, and NRMA continued to lose share
- Youi appeared to gain the most from these losses
- The Suncorp brands and Allianz saw small increases in their shares during 2021.



Queensland

Increases in the ceiling price

As shown in Table 1, the Class 1 premium ceiling increased from $352 at 1 July 2021 to $356 at 1 January 2022. All insurers continued to file at the ceiling.

Table 1 – Queensland Class 1 premium ceiling

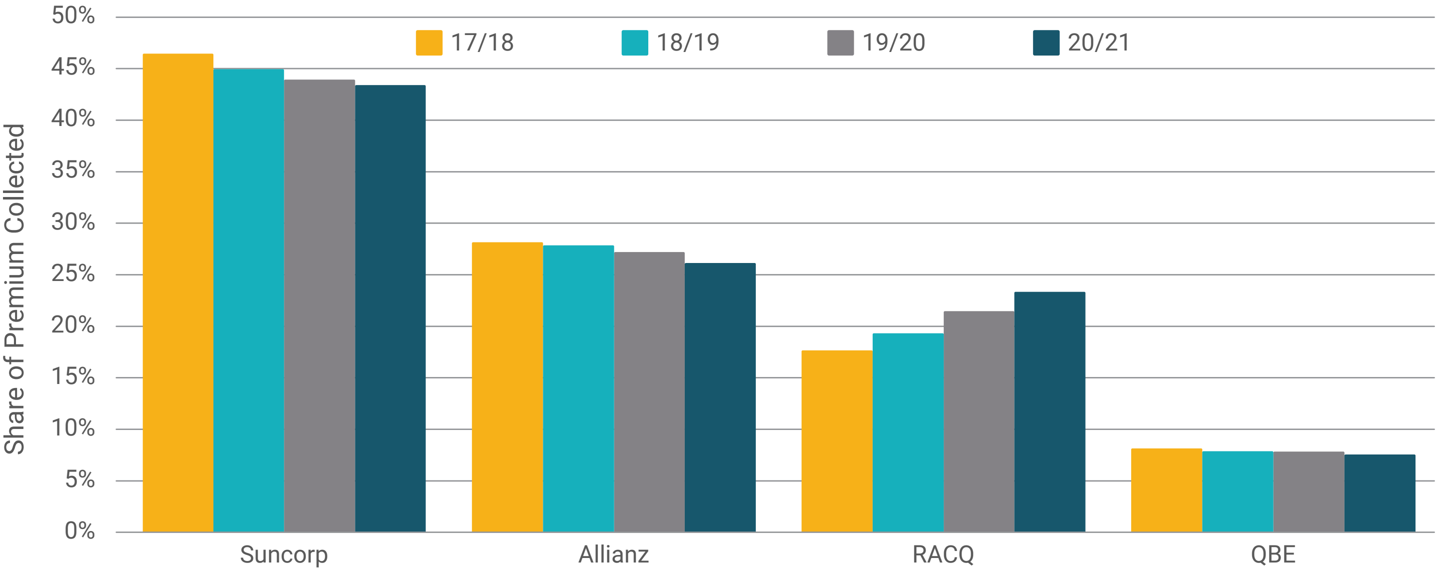
Effective from:	Ceiling	Change in Quarter
1 Jul 21	352	–
1 Oct 21	354	2
1 Jan 22	356	2
1 Apr 22	356	–
1 Jul 22	364	8

The ceiling price has increased by $8 to $364 from 1 July 2022, reflecting an increase in both insurer premiums and levies. Insurers' filed premiums for 1 July 2022 and beyond were not available at the time of writing; we expect all insurers will continue to file at the ceiling.

RACQ continues to grow

Figure 5 shows that RACQ continued to grow market share in 2020/21, with all other insurers experiencing reductions.

Figure 5 – Queensland market shares



First prosecutions for claim farming commence

In May 2022, MAIC commenced prosecution proceedings for various alleged claim farming offences against a Queensland based legal practitioner, three Australian corporations and an individual. In total, prosecutions for 324 claim farming charges have commenced in the Brisbane Magistrates Court. Each charge involves alleged giving or receiving of financial incentives for CTP claim referrals and/or potential CTP claim referrals.

ACT

Competition pushes premiums down

Figure 6 shows the insurers' filed premiums for Class 1 passenger vehicles, ranked from most expensive to cheapest, at September 2021 and June 2022.

Figure 6 – ACT premiums: private use passenger vehicle

Decreasing price

Policies Incepting September 2021

Licence	Premium
Apia	$451
AAMI	$433
NRMA	$428
GIO	$427

Policies Incepting June 2022

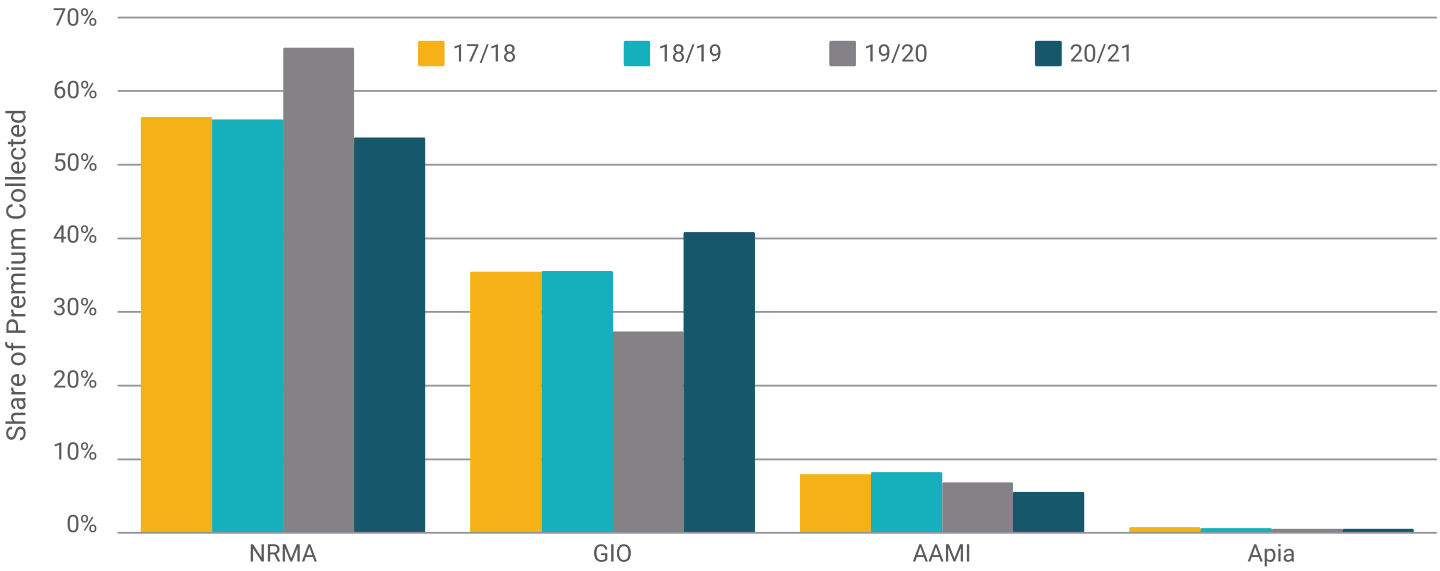
Licence	Premium	Change
Apia	$436	($15)
AAMI	$417	($16)
GIO	$399	($28)
NRMA	$399	($29)

- Competition remains strong in the ACT. To date there have been a number of re-filings in 2022: all insurers re-filed on 1 February and GIO re-filed on 28 March to offer the cheapest price of $419. All insurers re-filed again on 30 April (GIO's premium reduced to $399.40), and NRMA re-filed on 8 June 2022 at $399.20 to beat GIO's price by 20 cents! Apia remains the most expensive insurer.
- Premiums have reduced by 6% on average since September 2021
- The spread of premiums increased from $24 at September 2021 to $37 at June 2022.

GIO gains market share

Figure 7 shows market shares published by ACT Treasury, based on premiums collected.

Figure 7 – ACT market shares



The three Suncorp brands covered around 46% of the market in 2020/21, up from 35% a year earlier. The GIO brand gained 13% in market share over the year, mostly at NRMA's expense – GIO's premium remained lower than NRMA throughout 2020/21.

Youi enters the SA CTP market on 1 July 2022

Youi will become the fifth CTP insurer in SA and is the first entrant since the scheme was privatised on 1 July 2016. The SA CTP Regulator found that Youi meets the legislative and contractual requirements to manage CTP insurance policies and claims.

Premiums increase

Figure 8 shows the premiums (excluding stamp duty and other levies) charged for Class 1 passenger vehicles, ranked from most expensive to cheapest, at November 2021 and July 2022.

Figure 8 – SA premiums: private use passenger vehicle

Decreasing price

Policies Incepting November 2021

Licence	Premium
Allianz	$294
AAMI	$288
SGIC	$288
QBE	$288

Policies Incepting July 2022

Licence	Premium	Change
Allianz	$313	$19
AAMI	$305	$16
SGIC	$300	$12
Youi	$296	N/A
QBE	$295	$7

- Premiums have increased by 5% on average
- For the first time since the scheme became fully competitive on 1 July 2019, each insurer will offer a different premium from July 2022
- The spread of premiums increased from $6 at November 2021 to $18 at July 2022.

Service ratings improve

Figure 9 shows the service ratings, based on claimant surveys conducted by the Regulator, as at October 2021 and April 2022. These customer service ratings are shown on registration renewal forms, along with insurers' prices.

Figure 9 – SA claimant service ratings

Decreasing rating

October 2021

Licence	Rating
AAMI	87%
QBE	75%
SGIC	75%
Allianz	71%

April 2022

Licence	Rating	Change
AAMI	84%	(3%)
QBE	79%	4%
Allianz	78%	7%
SGIC	77%	2%

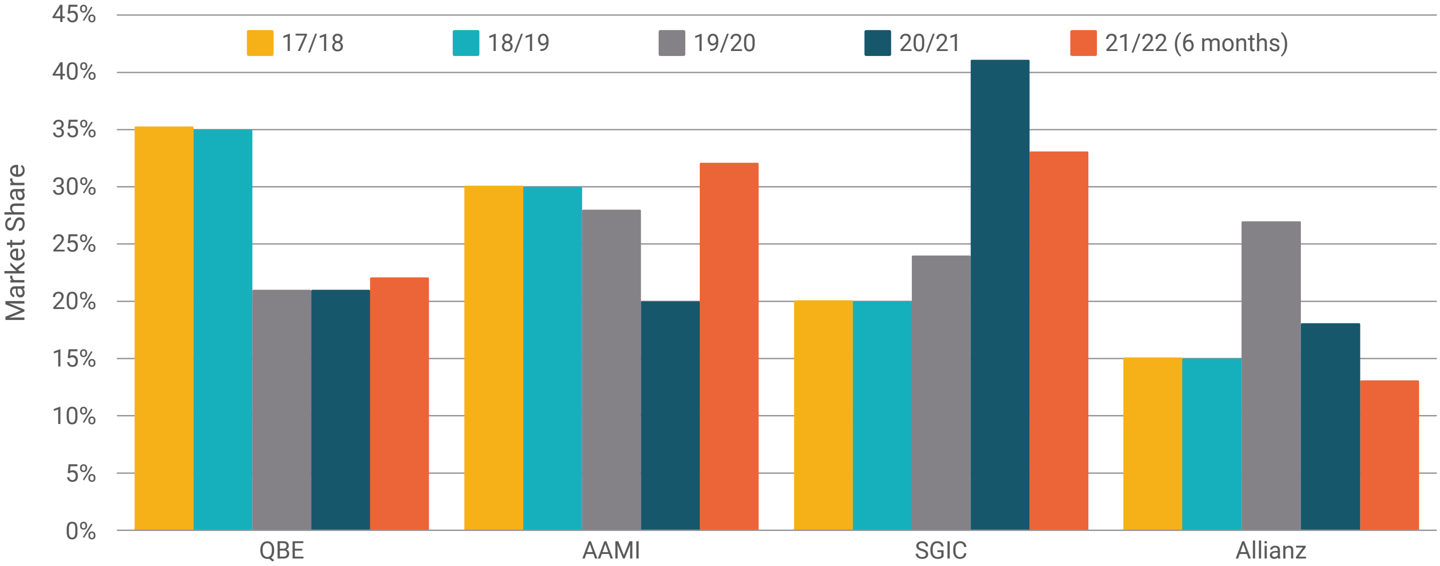
Ratings are based on experience over a six month period

- Overall, service ratings have improved from October 2021 to April 2022 with Allianz, QBE and SGIC all seeing increases in ratings
- The spread of ratings has decreased from 16% at October 2021 to 7% at April 2022
- SGIC now has the lowest service rating, and AAMI continues to have the highest.

Movements in market share

Figure 10 shows the market shares published by the CTP Regulator in South Australia.

Figure 10 – SA market shares



Full competition from July 2019 gave motorists their choice of insurer. Both SGIC and AAMI have gained market share since then. In 2021/22 to date, AAMI and QBE have seen increases in market share while SGIC and Allianz have seen reductions.

Finity's Motor Injury team

Finity's Motor Injury team prides itself on looking beyond the pure analytics to gain a deeper understanding of the cost drivers for schemes. This means we can respond appropriately in valuations, premium setting and scheme design.

In addition to our actuaries, Finity has a dedicated group of claims and operational insurance experts in our Management Consulting practice, who can assist with claims and expense management. Finity's Artificial Intelligence (AI) team can assist with new business capabilities and provide AI-powered solutions.

If you would like to receive future editions of Motor Injury Insights, please contact the Finity newsdesk at news@finity.com.au.

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