



# J.P. Morgan 'Meet the Regulators' Conference

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Insurance Commissioner, MAiC

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# About the scheme



# Scheme history... A story of relative stability

Queensland  
CTP scheme  
started 1936

Legislation	Commenced	Key elements
<b>Motor Accident Insurance Act 1994</b>	<b>September 1994</b>	<b>Insurance Commission established Rehabilitation provisions introduced</b>
MAI Amendment Act 1999	December 1999	Prohibit touting
<b>MAI Amendment Act 2000 'The Red Book'</b>	<b>October 2000</b>	<b>Introduce competitive premium filing model with many features</b>
Civil Liability Act 2003	December 2002	Compensation reforms, ISV introduced across all Queensland personal injury claims
MAI and other legislation Act 2010	1 October 2010	Ban commissions and inducements paid by insurers to third parties
NIIS (QLD) Act 2016	1 July 2016	Scheme provides treatment and care to seriously injured parties (hybrid model)
<b>Scheme Review 2016 (affordability focus)</b>	<b>July 2017</b>	<b>Address persistent high insurer profits. Improvement recommendations</b>

# Year in review 2017-18

Total number of registered vehicles in Queensland as at 30 June 2018

4.26M



2.5%



Total premiums collected\*

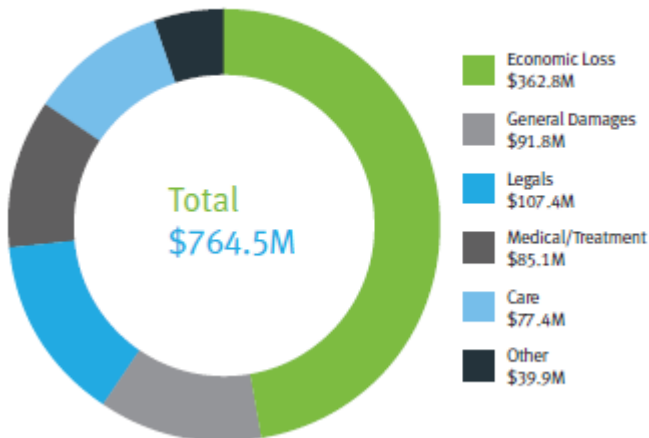
\$1.6B



2.5%

\* Includes NISQ levy which commenced from 1 October 2016.

Claim payments



Annual levies per vehicle (Class 1 vehicles)

Statutory insurance scheme levy

\$1.50

Nominal Defendant levy

\$10

NISQ levy

\$85

Administration fee

\$7.50

Hospital and emergency services levy

\$18

Claims



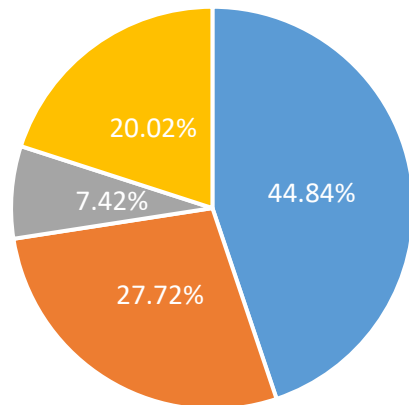
New claims

7,702

# Insurer market share – premium based

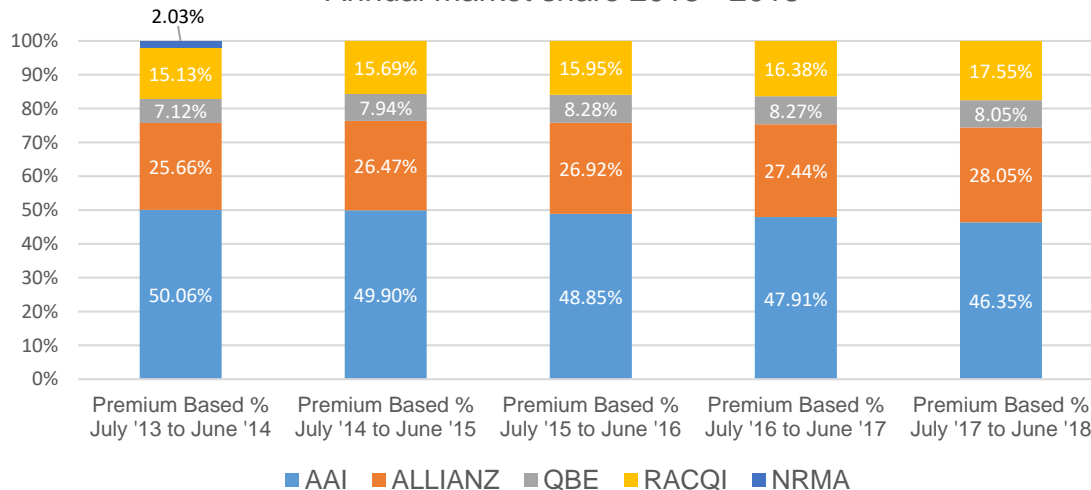
\$1.6B total premiums collected in 2017-18

Premium Based % February 2019



■ AAI ■ ALLIANZ ■ QBE ■ RACQI

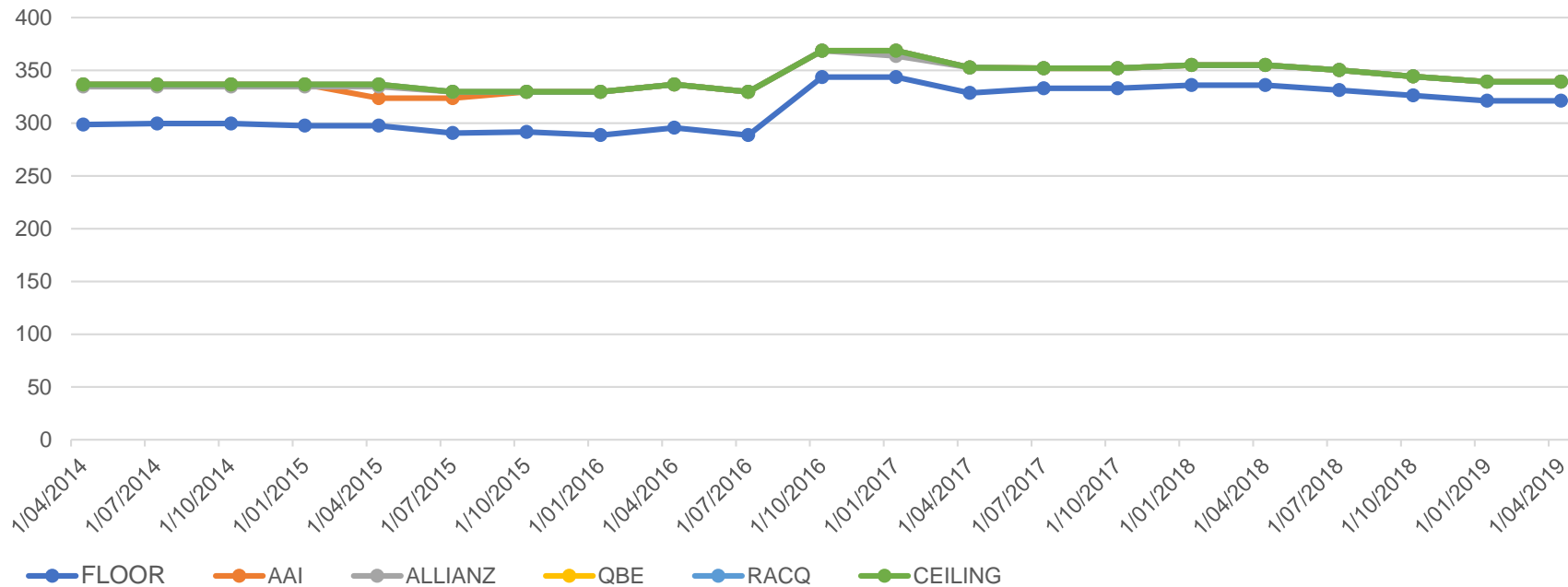
Annual market share 2013 - 2018



- Market shares broadly stable – switching insurer mainly occurs at first renewal
- Competition ‘below the line’ – multi-product discounts, driver at fault cover





# Insurer premium floor and ceiling

Class 1 (car or sedan) including levies (non-ITCE)



- All insurer filings 'at ceiling' since 2015

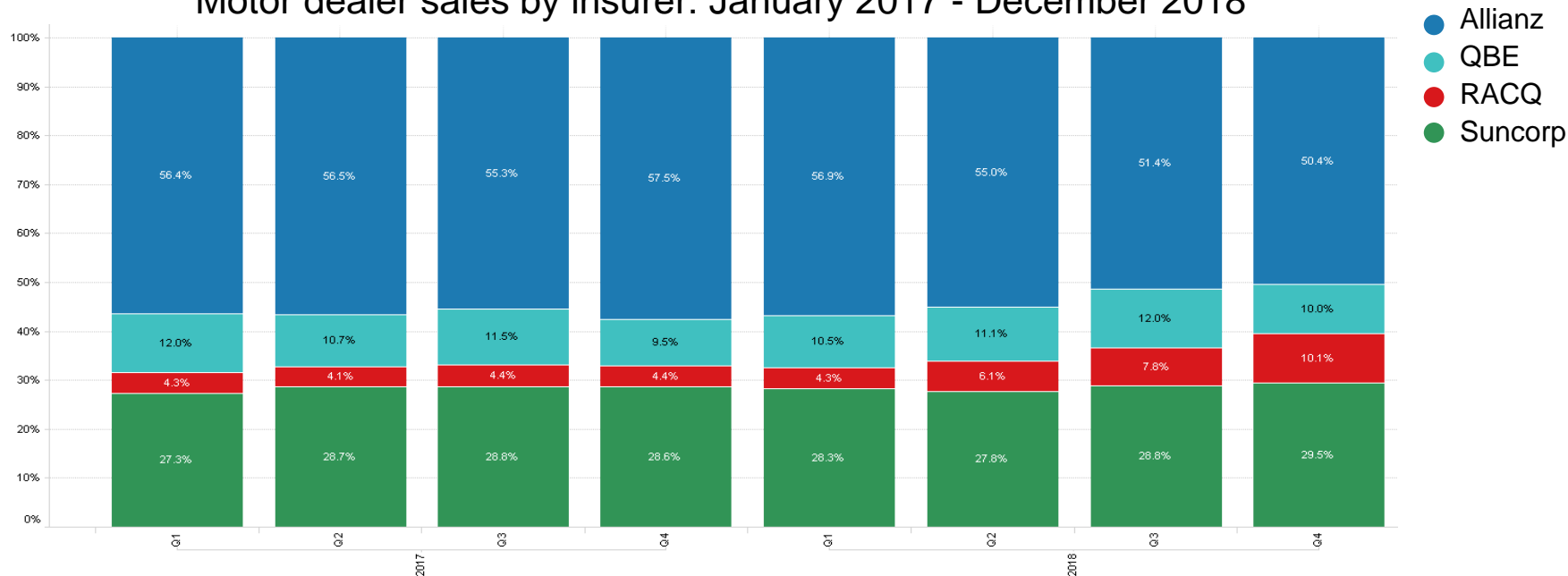
# Queensland CTP insurer 'non-premium' incentives

	At-fault driver protection at no extra cost
	Over 30s receive a gift card of up to \$50 by switching to QBE
	Discount on club membership by \$10 when switching to RACQ
	Receive a \$30 gift card by switching to Suncorp or donate \$30 to Youngcare or receive a 15% multipolicy discount on 3 or more eligible policies

MAIC monitors insurer incentives on a monthly basis.

# Queensland motor dealer channel

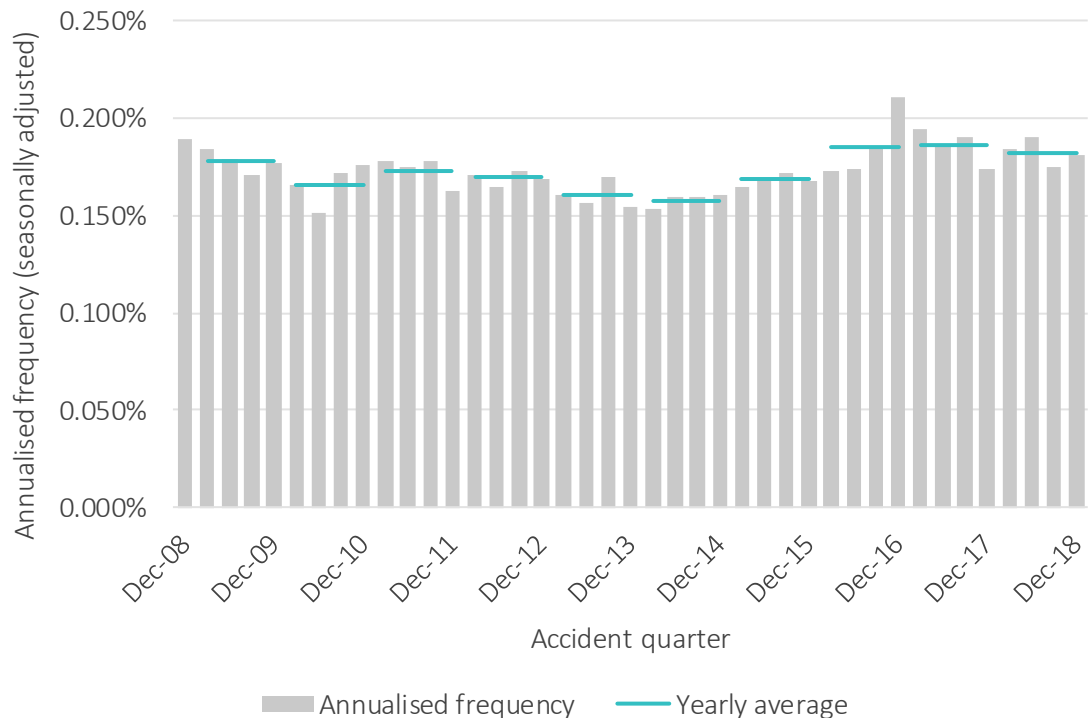
Motor dealer sales by insurer: January 2017 - December 2018



MAIC increased focus on channel performance and dynamics



# Claim frequency over time



- Frequency increase from 2015 to 2017 - now flat to declining
- Predominantly very minor injury low speed collisions
- Increased MAIC and insurer focus on cohorts of claims
- Inference that 'claim farming' may be a factor
- MAIC actively engaging with law firms and insurers to better understand changing scheme dynamics

# Scheme profit

## Profit emergence

## Uncertainties

## Sources of profit

### Retrospective profit margin

		Underwriting year							
		2010	2011	2012	2013	2014	2015	2016	2017
Measurement year	2013*	32%	28%	18%	17%				
	2014*	35%	32%	27%	29%	24%			
	2015*	36%	34%	31%	35%	28%	18%		
	2016	38%	36%	35%	40%	38%	32%	25%	
	2017	39%	37%	37%	43%	41%	37%	26%	14%

- Insurance profit is inherently uncertain at the commencement of an underwriting year
- Estimates of actual insurance profit margin for an underwriting year are determined via actuarial assessments and are subject to change over time as more of the actual claims experience becomes known
- In recent times, consistent reductions in Scheme claims costs have resulted in increasing estimates of actual insurance profit margin over time for recent underwriting years

\* Profit margins for measurement years up to 2015 were "Class 1 equivalent" profit margins. Figures above have been adjusted to be on an "all class" basis by using the relativity between the two bases as at 31 December 2017.

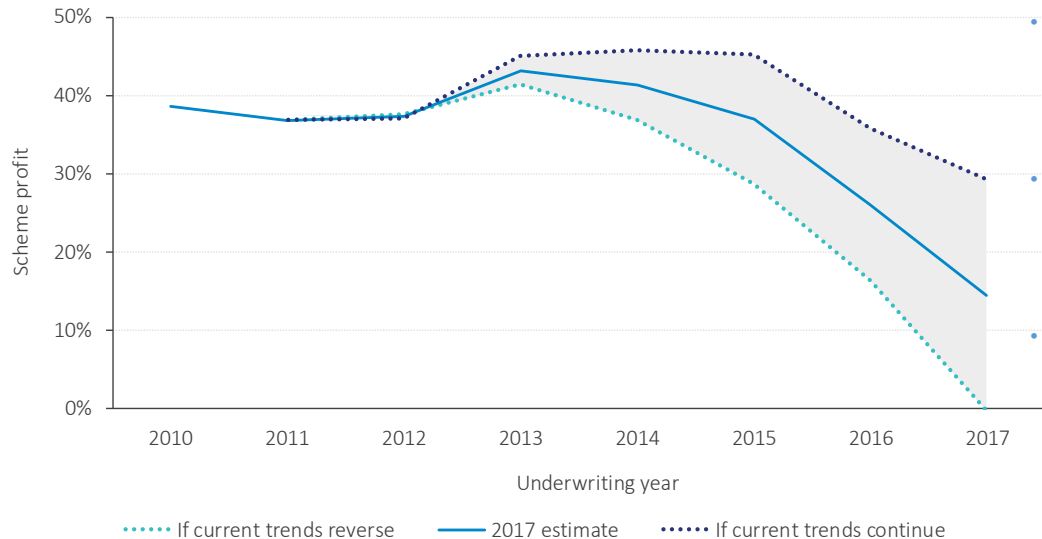
# Scheme profit

Profit emergence

Uncertainties

Sources of profit

## Ultimate profit margin with uncertainties



The graph shows the latest estimate of actual profit margin for each underwriting year, along with ranges based on scenarios where recent improvements in claims cost continue and reverse

The uncertainty associated with the estimate for an underwriting year decreases as the proportion of total claims cost which has been paid out increases

Estimates for recent underwriting years have the highest uncertainty, as only a small proportion of total claims cost have been paid out:

- 30% for underwriting year 2015
- 6% for underwriting year 2016 and
- 0.1% for underwriting year 2017

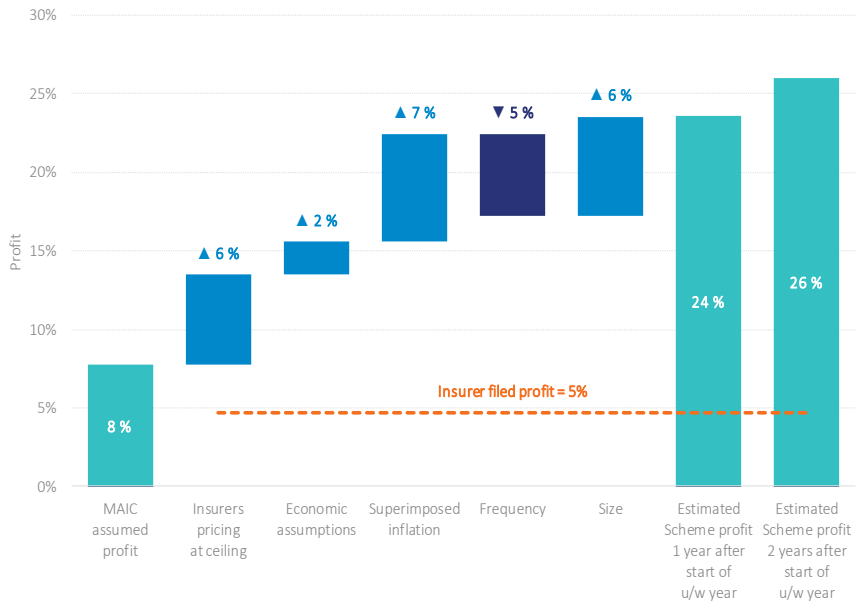
# Scheme profit

## Profit emergence

## Uncertainties

## Sources of profit

### Sources of profit – 2016 underwriting year



**MAIC assumed profit** – MAIC sets a price that is intended to generate a certain level of profit for insurers.

- Insurers price at ceiling** – MAIC then sets a floor and ceiling around the price and insurers are allowed to price between them. With few exceptions, insurers have priced at the ceiling and generated extra profit.
- Changes in economic conditions** – In setting the price, MAIC makes assumptions about levels of future wage inflation and investment returns. If economic conditions and/or new forecasts are more favourable than used for pricing this generates profit.
- Changes in superimposed inflation** – In setting the price, MAIC makes an assumption that claims costs will rise faster than wage inflation. If superimposed inflation or new forecasts are lower than used for pricing this generates profit.
- Changes in claims frequency and size** – In setting the price MAIC makes assumptions about the number of claims that occur and their size. If frequency is lower, or the emerging size is lower, this generates profit



# About MAiC



# Motor Accident Insurance Commission

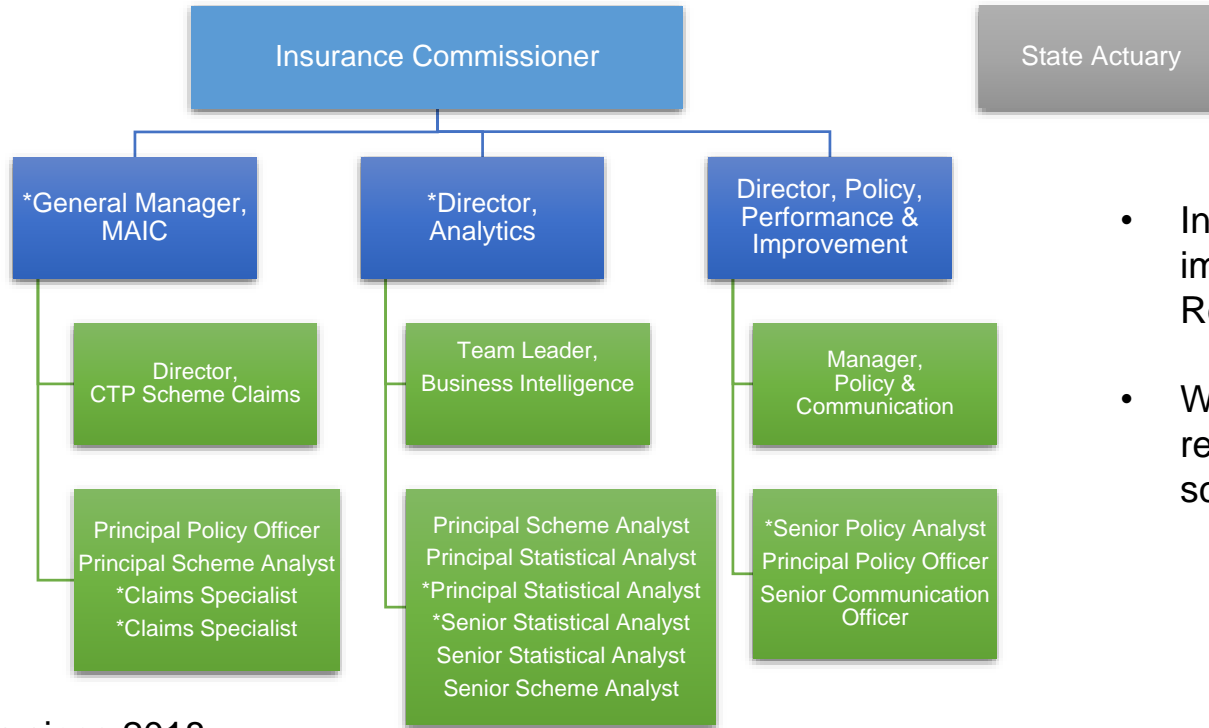
## Queensland's compulsory third party insurance scheme regulator

### Functions

- **Licensing and supervising CTP insurers**
- **Monitoring the scheme**
- **Fixing CTP premium ceilings and floors**
- Setting levies and fees to support the scheme
- Promoting research, education and infrastructure to mitigate road trauma
- Claims and insurance policy data collection and analytics
- Compensating people who are injured as a result of the negligent driving of an unidentified or uninsured motor vehicle through the Nominal Defendant
- Administering the Nominal Defendant and Motor Accident Insurance funds



# Monitoring and analytical roles in MAIC



- Increased resourcing to implement 2016 Scheme Review outcomes
- Will monitor resource requirements to deliver scheme reforms

\*New roles since 2018

# What success looks like for MAIC:





# Strengthening MAIC regulatory framework

## Setting standards

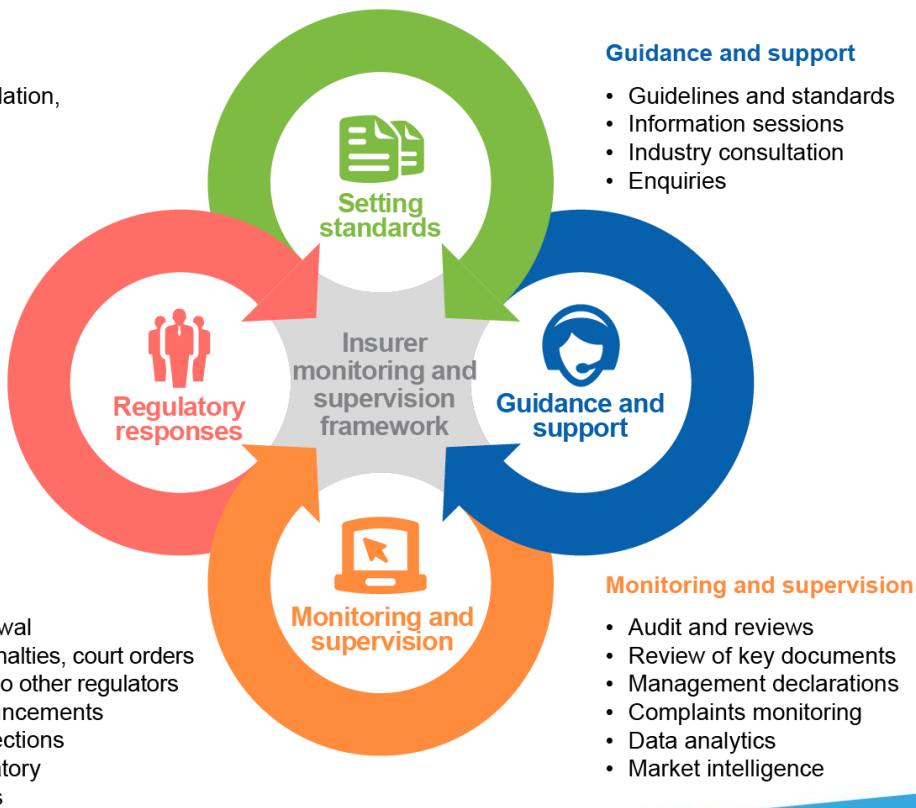
- Motor Accident Insurance Act and Regulation, and other relevant legislation
- Industry deed
- Licence criteria and conditions

## Guidance and support

- Guidelines and standards
- Information sessions
- Industry consultation
- Enquiries

## External engagements

- APRA MoU
- Interstate Regulators
- Fraud Forum
- Queensland Office of Fair Trading



# Market research - motorists

- Annual study to better understand motorists views on our CTP insurance scheme. Key features include:
  - insights into motor vehicle owners' awareness & understanding of the scheme
  - intentions to switch CTP insurer
  - new car buyer's thoughts on choosing a CTP insurer
  - perceptions of scheme affordability
  - effects of emerging issues on the public i.e. claim farming
- Next study commencing May 2019

50% of motorists think their CTP insurance covers third party property damage

# Market research - claimants

- Phone interviews with recent CTP claimants (both legally represented and direct) to gauge a better understanding of:
  - claimant satisfaction/experience
  - perception of scheme efficiency and affordability
  - impacts of claim farming
- Next study commencing April 2019



61% of claimants didn't know they could make a CTP claim until someone told them.

Source: 2017 & 2018 MCR research

# MAIC research focus

## \$20M investment in 2018-19



### Pre-crash

#### CARRS-Q, Queensland University of Technology (QUT)

Funding to sustain operations of this road safety research centre based at QUT.

#### SAFER, University of the Sunshine Coast

Funding of young driver situational awareness pilot project which specifically targets pre-learner drivers.

#### Braking the Cycle, PCYC

Supporting a learner driver mentor program across 14 PCYC branches to help young people to obtain the 100 hours required to sit their driving test.

#### Motorcycle Protective Clothing

Partnering with Transport New South Wales to develop a testing regime and safety rating system for motorcycle protective clothing.



### Crash scene

#### Pre-Hospital Retrieval Pathways, QUT

Supporting research into patient care and transport to hospital to identify areas for improvement.

#### Analysis of fatal and serious injury crashes by region, CARRS-Q

Supporting the analysis of crashes by region to aim to reduce the impact of fatalities and serious injuries.

#### Spinal Cord Therapy, Griffith University

Supporting the spinal cord therapy project which aims to repair permanent spinal cord damage.

#### RECOVER Centre, University of Queensland

Funding towards enhancing physical, psychological and vocational outcomes for injured people.

#### The Hopkins Centre, Griffith University and Metro South Hospital and Health Service

Fostering research into improving disability and rehabilitation practices for people with lifelong disabilities.

#### Transitional Rehabilitation Service, Metro South Hospital and Health Service

Community-based rehabilitation for people with a traumatic brain injury, including NISQ participants.

#### PEERS Project, University of Queensland

Funding to pilot a social skills training program for adolescents with acquired brain injury and cerebral palsy.

#### Whiplash Online Assessment Package, University of Sydney

Developing a website to provide whiplash information for physiotherapists and their patients.



### Hospitalisation



### Rehabilitation

#### Jamieson Trauma Institute, Metro North Hospital and Health Service

Supporting the institute to advance trauma prevention, research, trauma systems and clinical management to deliver the best possible care for people who suffer traumatic injuries.

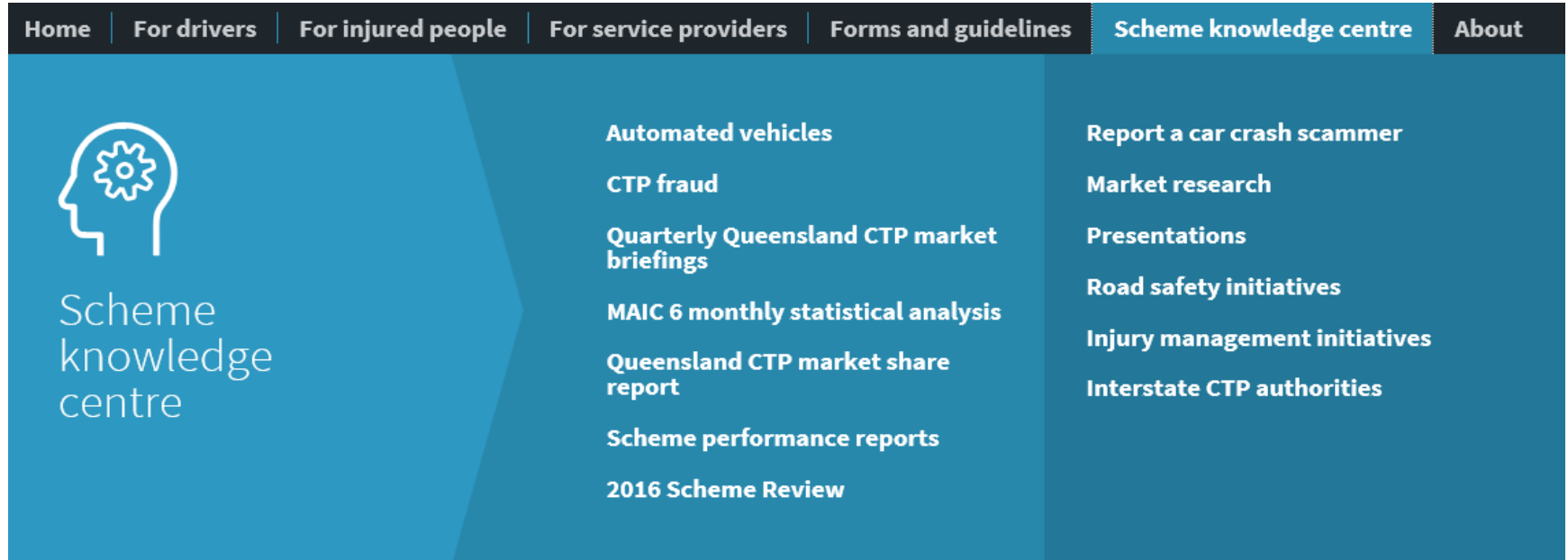
#### Trauma Data Fellowship, QUT

Exploring data linkages to better target road safety policies and injury management research.

#### QBI Fellowship in Traumatic Brain Injury, University of Queensland

Supporting research to identify methods to assess the seriousness of a traumatic brain injury.

# Find out more: MAIC Scheme knowledge centre



Visit [www.maic.qld.gov.au](http://www.maic.qld.gov.au)



# Looking ahead



# Car crash scam reforms

## MAIA amendments

- Target commencement Sept 2019
- Members of the public being harassed, privacy breached by 'claim farmers' – details then on-sold to law firms.
- Predominantly very minor injury claims

## Reform intent

- Protect the broader community and preserve scheme integrity and affordability
- Establish a series of barriers to deter scams
- Establish a strong investigation and prosecution regime
- Remain vigilant and adapt to changing 'claim farming' business models
- MAIC continuing public awareness campaigns

# Autonomous vehicles (AVs)

## National Transport Commission (NTC) Reforms

- NTC report to Transport Infrastructure Committee (May 2019)
- Includes CTP scheme application to AV's
- Key principles/areas of focus include:
  - Vehicle does not require a human driver
  - No injured person to be better or worse off if injured by an AV
  - CTP Insurer recovery rights against vehicle Operating System where OS 'engaged'
- Implementation date for reforms to be agreed (2020-2021)
- Further info at [www.ntc.gov.au](http://www.ntc.gov.au)

# Wrapping up – our focus for 2019-20

- Continuing priority focus on scheme affordability and fairness
  - Fair return for insurers through sound business strategy
- Deliver scheme reform agenda
  - Claim farming and AV reforms
- More robust insurer supervision and scheme monitoring
  - Holistic view of scheme performance, compliance
  - Active investigation and management of trends
- Continue improving scheme analytics and Insights
  - Internal resources and external expertise







Thank you