TAYLOR FRY

Motor Accident Insurance Commission

Annual review of premium components as at 31 December 2025

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19 March 2026

Agenda

1. Overview
2. Claim frequency
3. Severity profile
4. Claim size
5. Summary

Appendix

1. Economic parameters
2. Risk premium uncertainties

1

Overview

Risk premium

Previous annual review
Dec-24

$197.36

TF Advised

Frequency: 0.1643%
ACS: $120,122

This annual review
Dec-25

$212.43

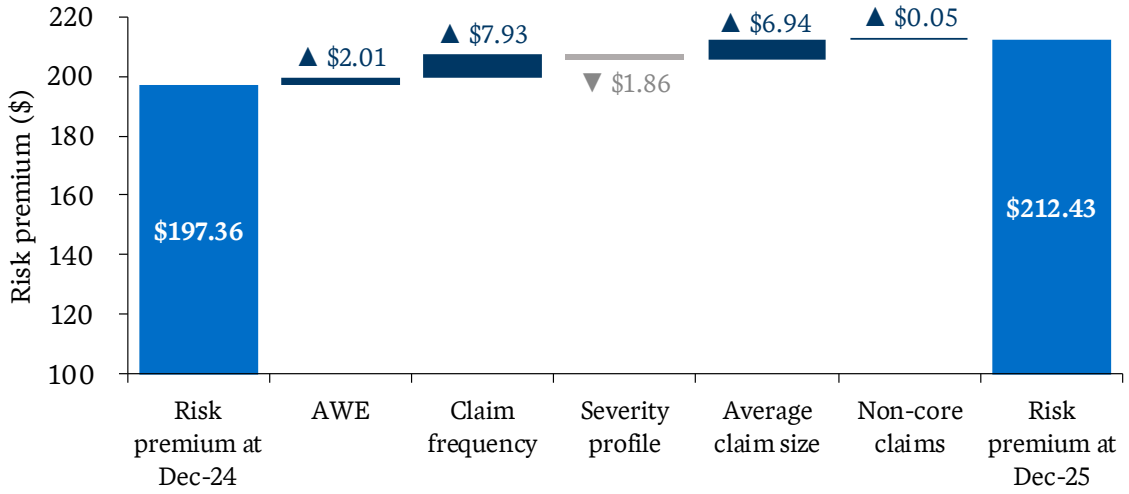
TF Advised

Frequency: 0.1703%
ACS: $124,739

Change since the Dec-24 review

The estimated risk premium at Dec-25 of **$212.43** is $15.07 higher than our estimate at Dec-24

- AWE inflation results in an increase of $2.01 – ABS AWE index growth emerged much flatter than expected
- The core claim frequency assumption has increased by 4%, resulting in an increase of $7.93
- The average claim size assumption has increased due to the combined effect of:
  - A weakened severity profile (decrease of $1.86)
  - Higher core ACS assumptions (increase of $6.94), particularly for legally represented Severity 1 claims
- Changes in non-core claims result in a small increase of $0.05, mostly due to strengthened assumptions for NSW-postcode claims



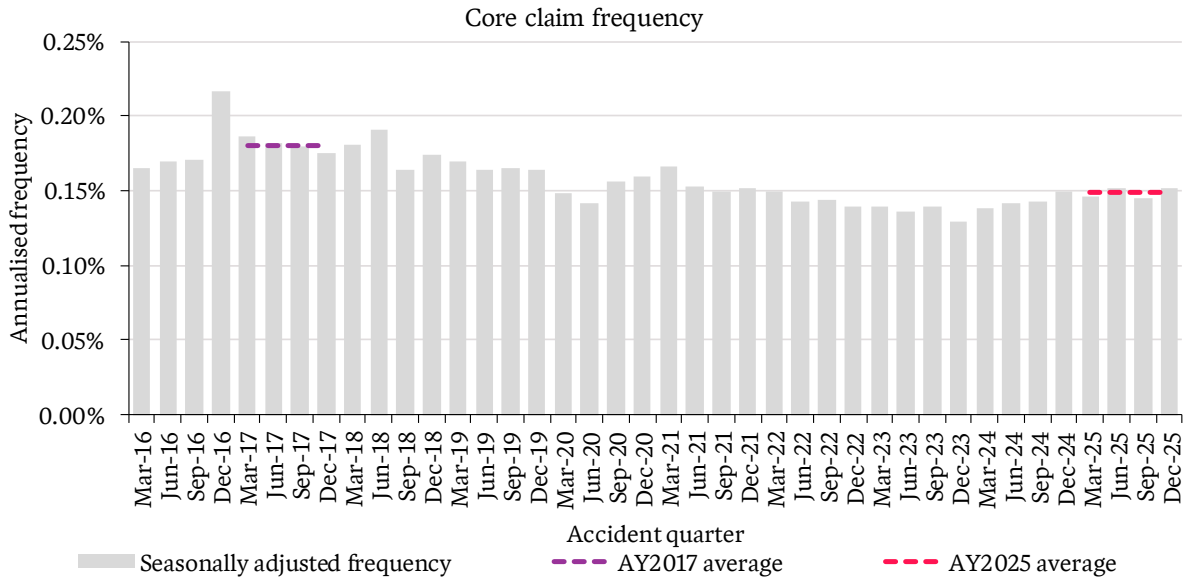
2

Claim frequency

Core claim frequency

Long-term trends | Experience | Key risks

- Ultimate frequency for core claims decreased 25% between 2017 and 2023, likely due to:
  - Measures to combat claims farming culminating in the December 2019 legislation and prosecutions under that Act from 2022
  - Low traffic volumes and changes in WFH patterns following COVID-19
  - Safer cars and improved road safety measures
- While the overall claim frequency has increased from AY2024 to AY2025, it remains below the AY2017 peak and is similar to levels experienced in AY2021
- Future trend in frequency is uncertain given the historical volatility in frequency

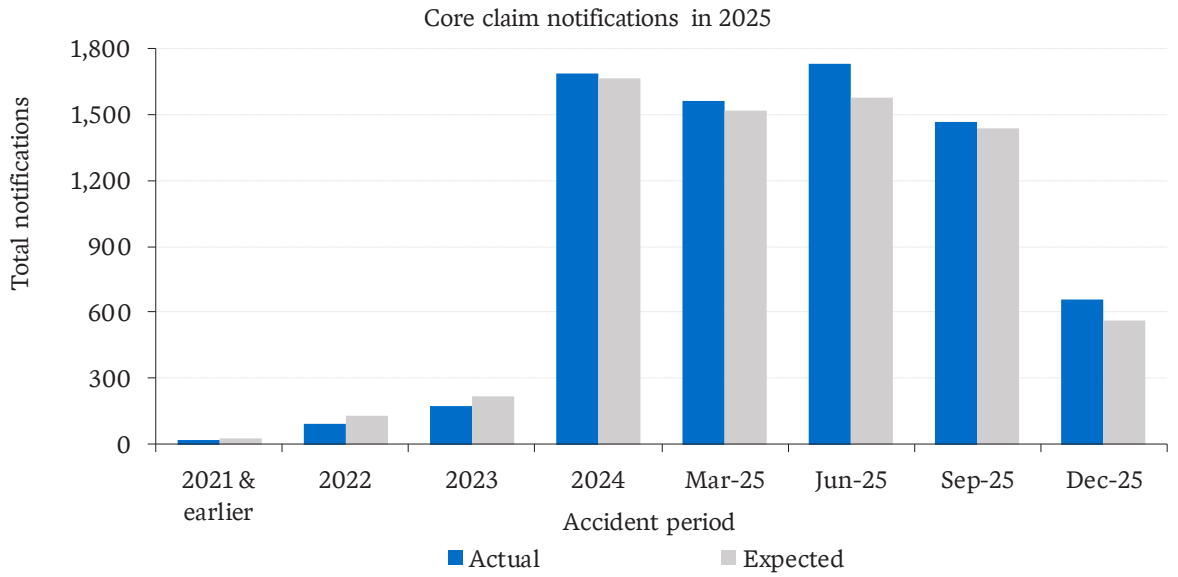


Note:

- *Frequency projections are adjusted for seasonality, and historical impacts of COVID-19 and the Eastern Australian Floods have been removed for affected quarters up to Mar-22.*
- *Accident quarter Mar-25 has been adjusted to remove the impact of Ex-Tropical Cyclone Alfred.*

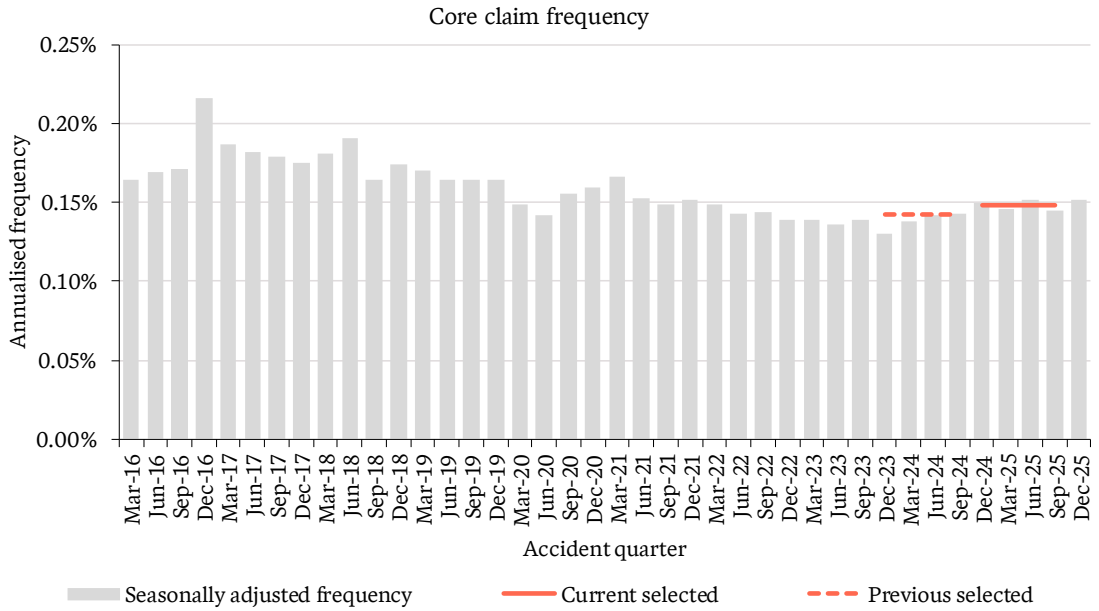
Core claim notifications emerged 3% higher than forecast

- Frequency estimates by accident quarter are made using a claim notification forecast model
- The need to strengthen or weaken those forecasts is assessed by comparing notification forecasts to actual experience
- Total notifications in 2025 were 3% higher than our notification forecasts made at Dec-24
  - This is mainly driven by higher-than-expected experience for the 2024 and 2025 accident years
  - Partially offset by lower-than-expected experience for the older accident years



Core claim frequency projection

- In response to the higher than forecast notification experience over 2025 our core claim frequency assumption has increased by 4.2%
  - From 0.1420% at Dec-24 to 0.1480% at Dec-25
- Our frequency assumption is calibrated to a 1-year average *excluding* the latest quarter
- It is too early to tell whether the experience of AY2025 indicates a flattening of the upward trend observed over AY2024 or a temporary pause before further increases – the responsiveness of our assumptions to recent experience reflects this uncertainty



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Key risks – claim frequency

- Frequency has been the main contributor to changes in risk premium over the last several years
- Future trend in frequency is uncertain given the historical volatility in frequency

Change in notification speed

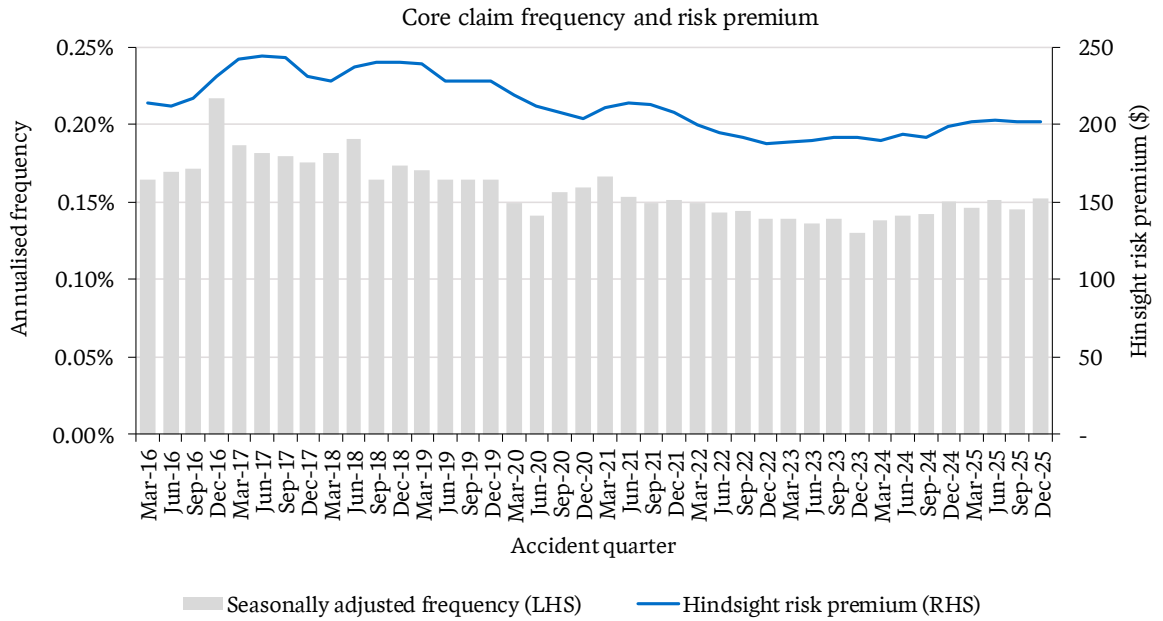
Notification speed has increased over recent years. With notifications continuing to pick up in earlier development quarters

Behaviour change

Potential drivers of recent increase include changes in driver behaviour (as seen in the recent increase in road fatalities) and insurers' direct claims initiatives

National trend

Queensland lagged other states in frequency picking up. NSW continues to see increasing frequency while SA frequency appears to have stabilised at a higher level



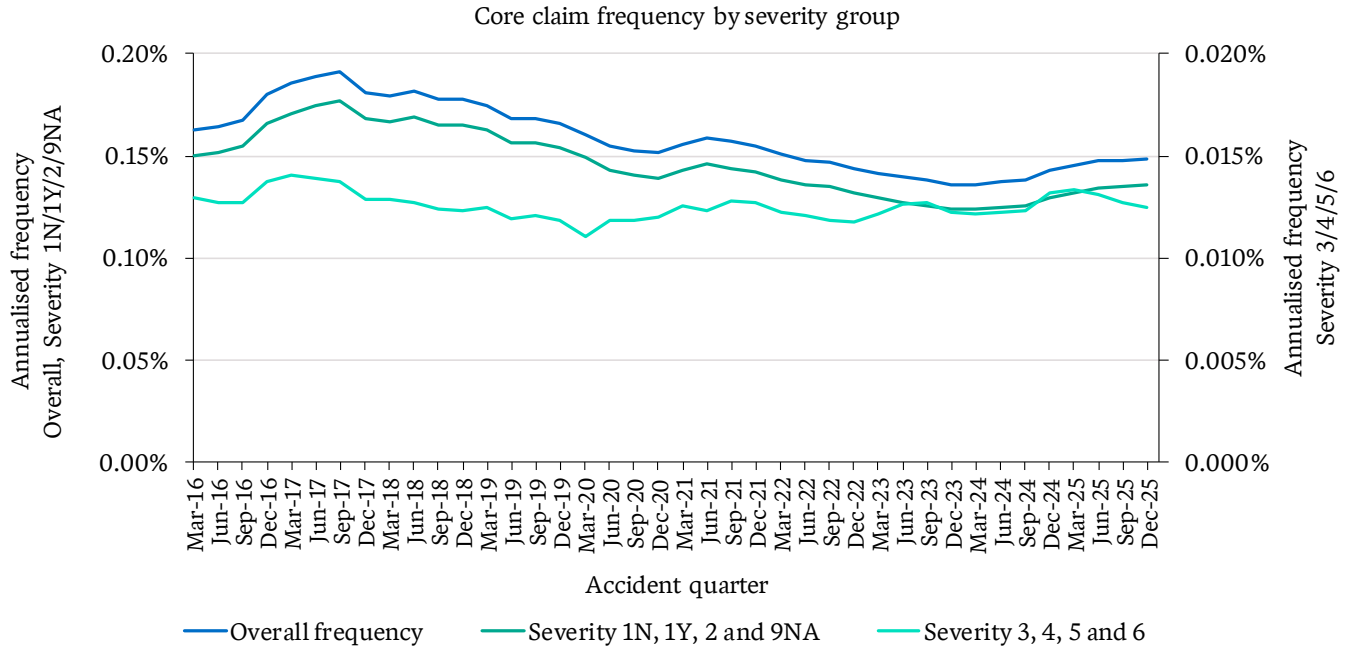
Note: The hindsight risk premium series reflects a 4-quarter moving average.

3

Severity profile

The change in core claim frequency is driven by lower severities

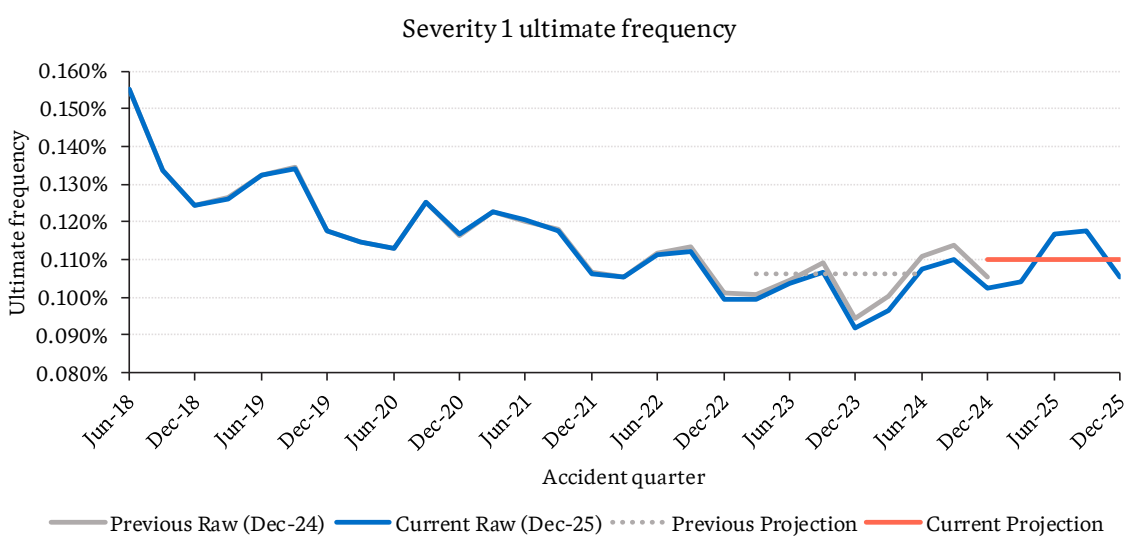
- The chart shows:
  - A decreasing trend in overall frequency over 2017-2023, followed by an uptick in 2024-2025, mirrored in the frequency trend for low severity claims (Severities 1 and 2[1])
  - The frequency for Severities 3+ has been generally stable over 2018-2025
- The decrease in the low severity claim frequency from 2017 to 2023 resulted in a 9% increase in average claim size
  - The average claim size for high severity claims (Severity 3+) is about four times that of low severity claims
- Between 2023 and 2025, the increase in low severity claim frequency caused a 2% decrease in average claim size relative to 2023.

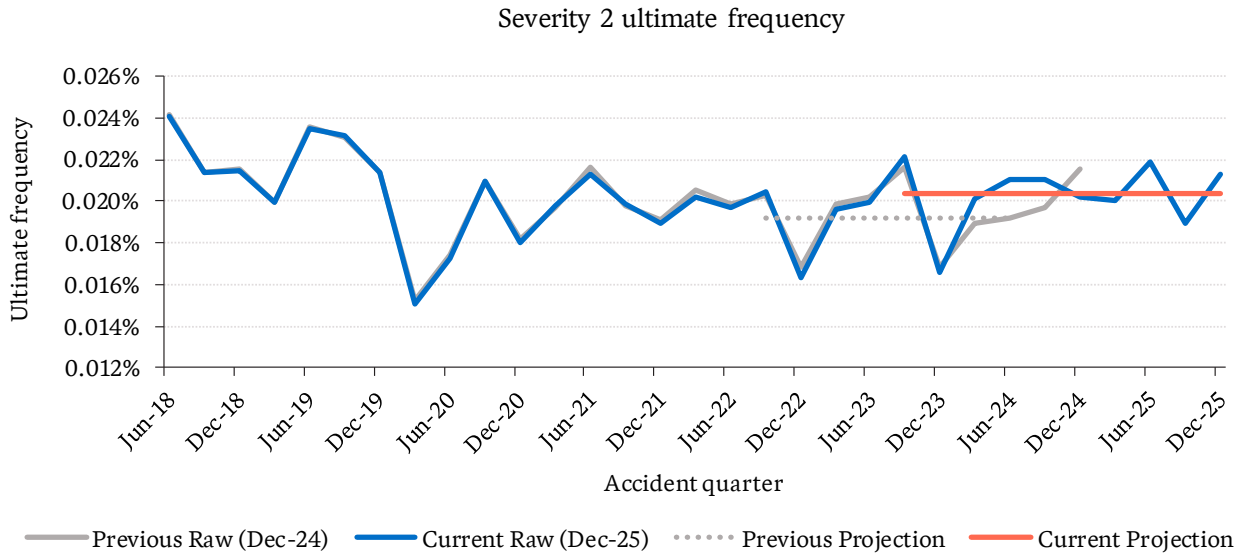


Note: The series plotted reflect 4-quarter moving averages.

Notes (1) Including claims coded as Severity 9NA – claims where not enough information is available to assign a claim severity

Low severity claim frequency selections have increased

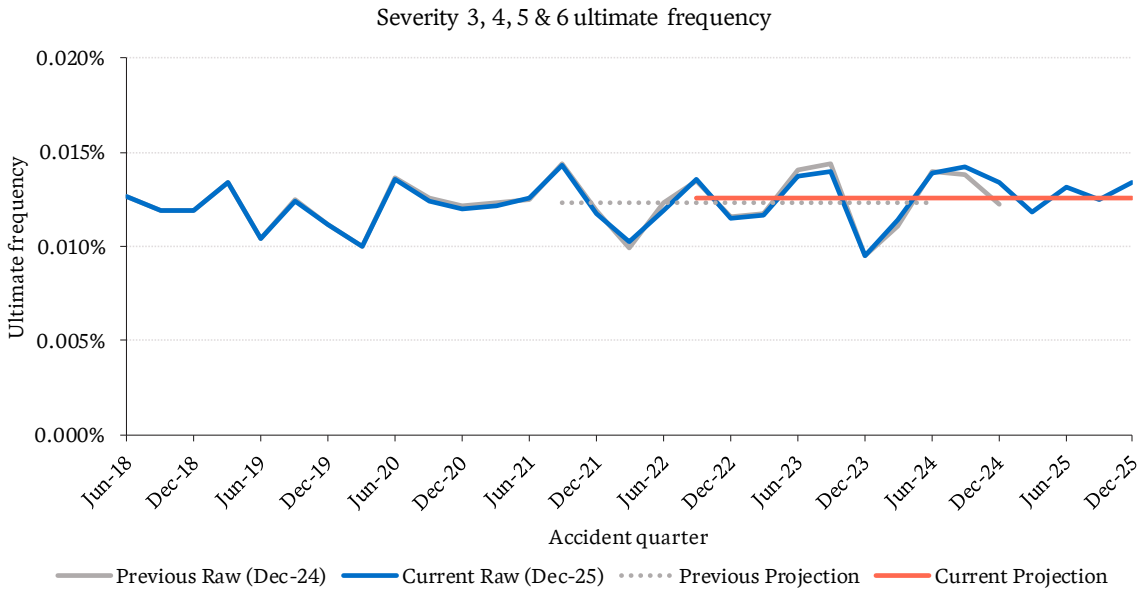




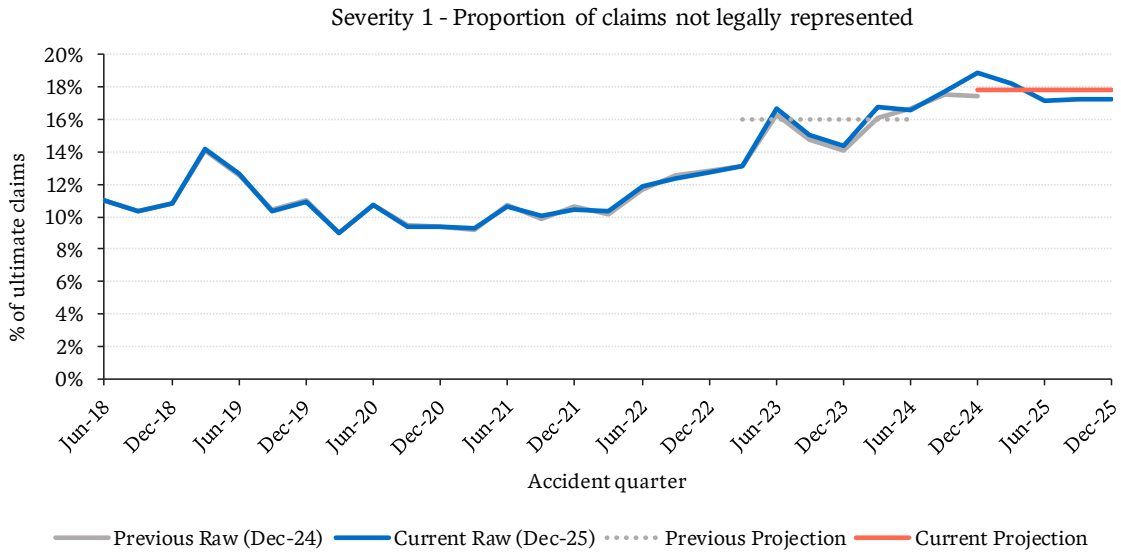
- Severity 1 frequency has increased over the past year, consistent with the overall increase in core claim frequency
- The Severity 2 frequency has also increased from our previous selection at Dec-24
  - Severity 2 claims frequency has historically been volatile
  - Experience for Severity 2 claims emerged higher than our forecasts for recent quarters

The proportion of high severity claims has decreased

- There is considerable variability in the frequency for high severity claims
- The selection for Severities 3, 4, 5 and 6 are calibrated to longer averaging periods
- The Severity 3+ frequency selections have increased slightly from our Dec-24 selection
- However, the frequency increase is less than the overall frequency increase, resulting in a lower proportion of high severity claims at this review



There has been an increase in the proportion of direct Severity 1 claims



- The proportion of Severity 1 claims that are direct – not legally represented – increased from 2022 due to insurer direct claims initiatives.
- This increase has stabilised over the past year and a half
- Over the year our selected proportion of direct severity claims has increased from 16% to 18% resulting in a weakening of the severity profile
  - As we will see later, this weakening has been more than offset by a strengthening in Severity 1Y average claim size

The severity profile has weakened

Severity Profile Element	Dec-24 basis	Dec-25 basis	Movement	Impact on risk premium ($)
Low Severity - 1, 2, 9NA	91.3%	91.5%	0.2%	+0.15
High Severity - 3, 4, 5, 6	8.7%	8.5%	-0.2%	-0.33
Proportion of Legally Represented Sev 1	83.9%	82.1%	-1.8%	-1.68
Total Change				**-1.86**

- The severity profile has weakened in 2025, resulting in a net $1.86 decrease to the risk premium since Dec-24
  - An increase in the proportion of high severity claims has been offset by a decrease in low severity claims resulting in an overall $0.18 decrease
  - A decrease in the proportion of legally represented Severity 1 claims has resulted in a $1.68 decrease

Key risks – severity profile

Increasing proportion of direct claims

- Insurers' direct claims initiatives have had a large impact on the proportion of direct Severity 1 claims. The trend has flattened off over 2025.
- A key area of uncertainty is how much cost the direct claims initiative might remove from scheme
- The challenge from an assumption setting point of view is that the cost impact on Severity 1Y claims takes some time to emerge
- The impact of this uncertainty and our approach to assumption setting is discussed in Section 4

Frequency of high severity claims is volatile

- We observe large quarter to quarter variation in the frequency of Severity 3+ claims
- To smooth through this volatility we adopt a 3-to-4-year average to estimate frequency for high severity claims

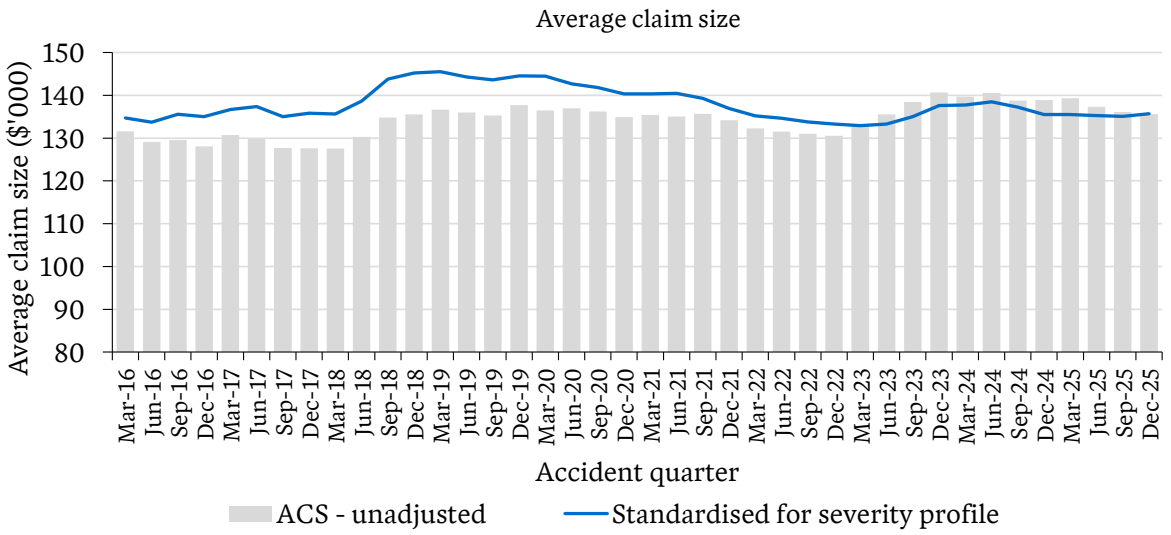
4

Claim size

The average claim size has increased 6% over 2017 to 2025 due to severity profile strengthening

Looking at average claim experience over a long period shows:

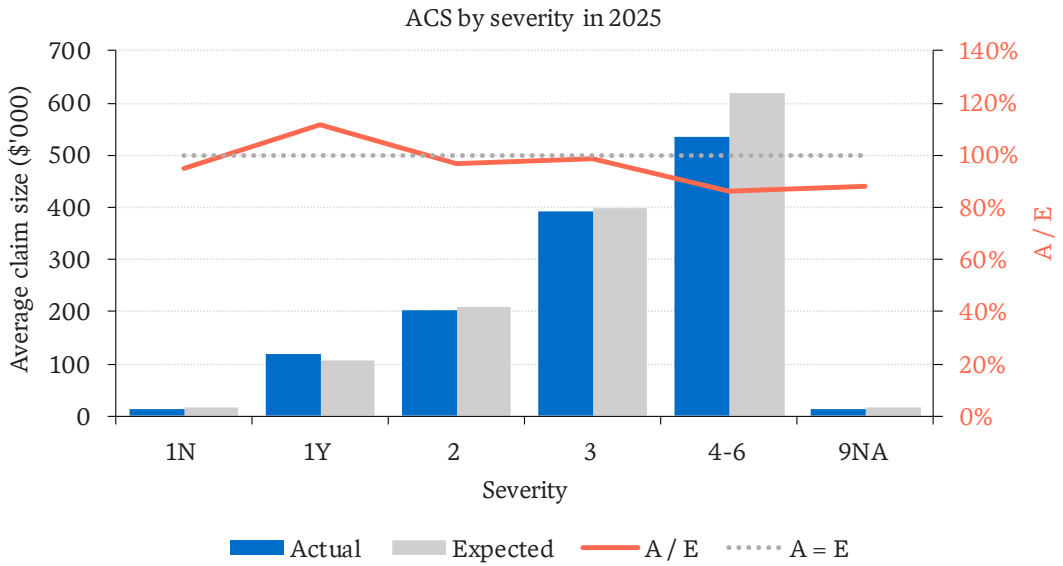
- The average core claim size has:
  - Increased 10% between 2017 and 2023
  - Decreased by 4% between 2023 and 2025
- However, the changes in average claim size are primarily due to changes in the severity profile
- After removing the impact of severity profile changes, the average core claim size:
  - Increased by 1% between 2017 and 2023
  - Decreased by 1% between 2023 and 2025
  - Did not change between 2017 and 2025
- There is, however, considerable uncertainty in recent average claim size estimates and the following slides provide justification for our estimates



Note: The series plotted reflect 4-quarter moving averages.

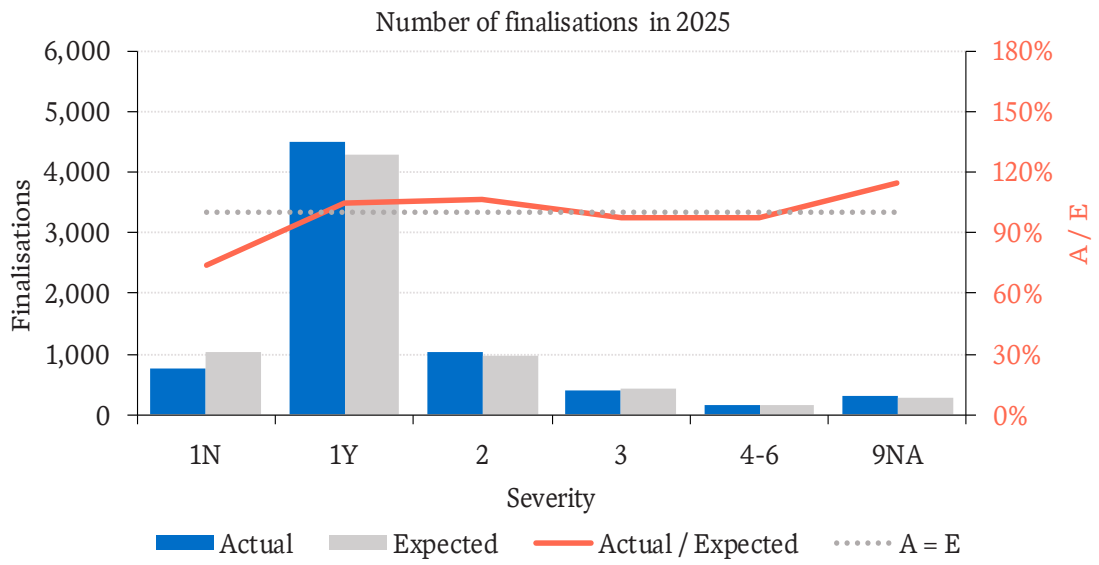
Experience over the year

Finalisation cost



- The average claim size in 2025 was 3% higher than forecast at Dec-24
- Experience was favourable across all severities except legally represented Severity 1 claims (Severity 1Y)
- The Severity 1Y ACS was 12% higher than Dec-24 forecasts – this is likely driven by insurers' direct claims initiatives

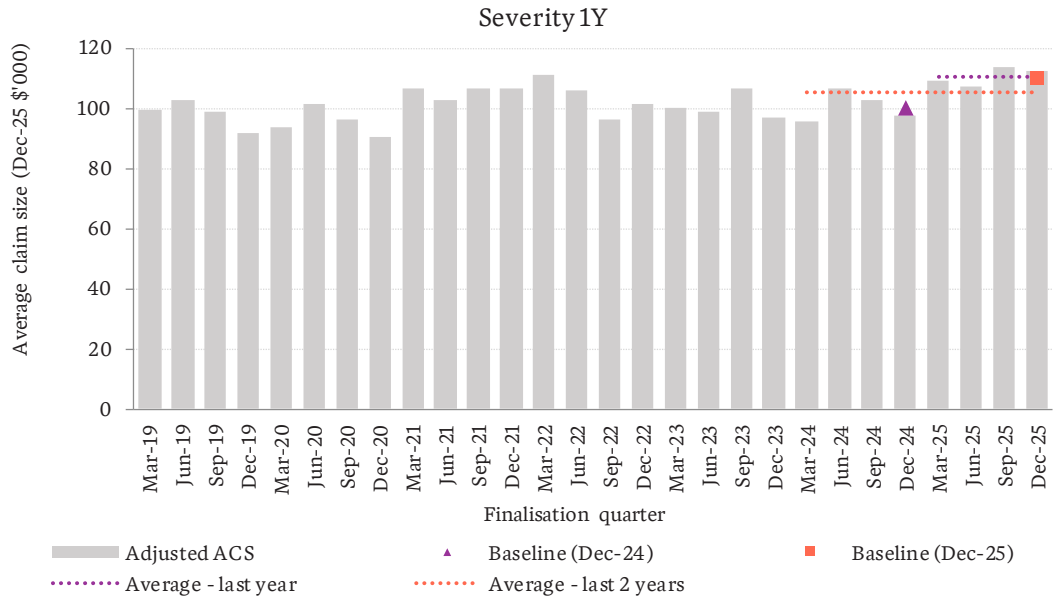
Finalisation speed

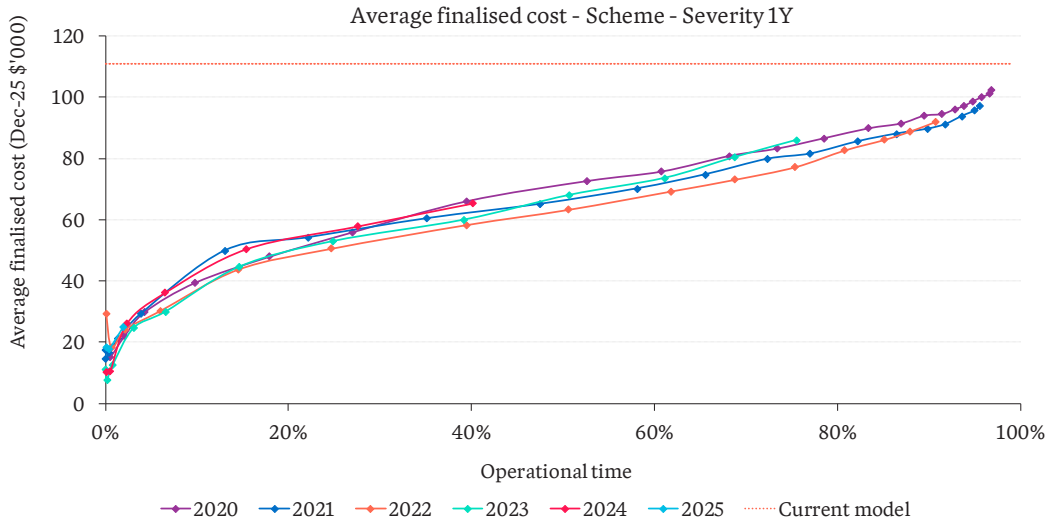


- The actual number of finalisations in 2025 has been in-line with projected at Dec-24
- The speed-up in finalisations observed over the past few years has stabilised in 2025

Core claim size – Severity 1Y

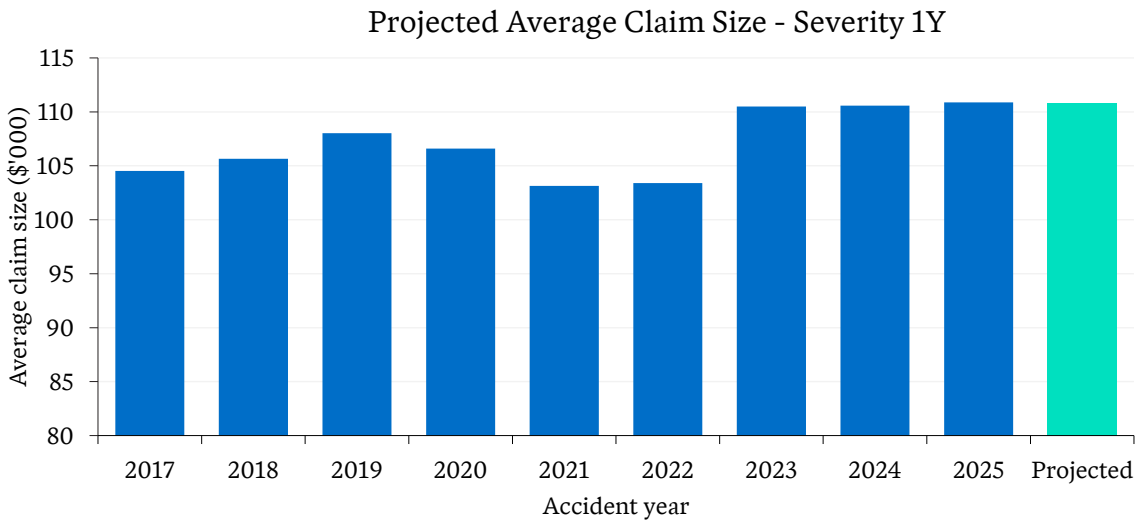
Experience | **Model** | Projection

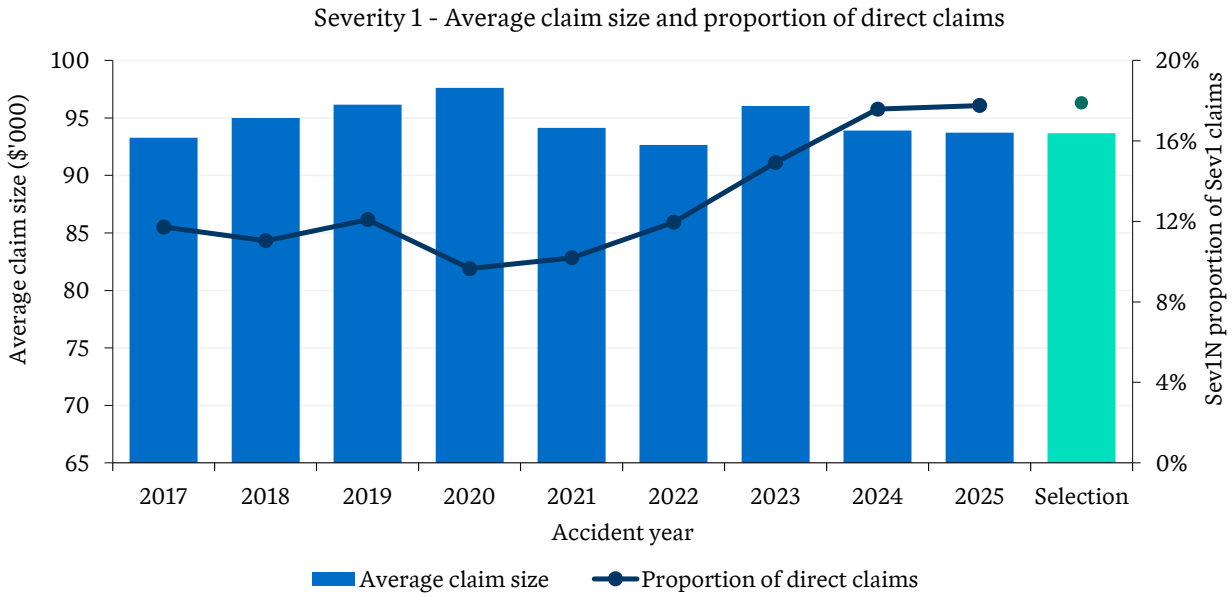




- The projected average claim size for Severity 1Y at Dec-25 has increased by 10.4% from the projection at Dec-24, reflecting the high experience over 2025
- Our responsiveness to the recent high experience reflects concerns about injury mix changes in accident years 2023 and later

Core claim size – Severity 1Y

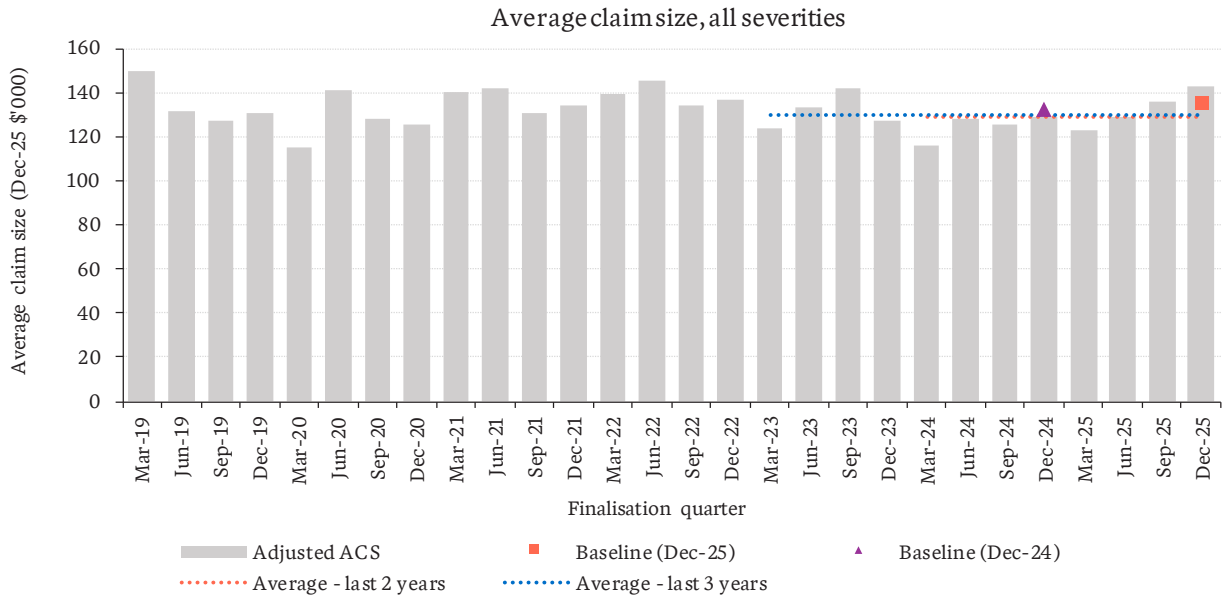




- The sharp increase in claim size in 2023 for Severity 1Y is not apparent in the average claim size for Severity 1 combined across direct and legally represented claims
  - Increasing proportion of direct claims will have likely increased the average severity of Severity 1Y claims

Core claim size – All severities

- Average claim size assumptions are calibrated to recent Scheme experience
- Our average claim size assumption has increased 2.6% since Dec-24 after standardising for changes in severity profile and is slightly higher than the average experience of the past 2-3 years due to concerns about mix changes in Severity 1 from accident year 2023 and later



Core claim size has increased overall

- The core claim size assumption has increased by 2.6% over the year, due to:
  - A decrease of 1.0% from a weakened severity profile, mainly driven by an increase in the proportion of Severity 1Y claims
  - An increase of 3.6% due to higher average claim size assumptions

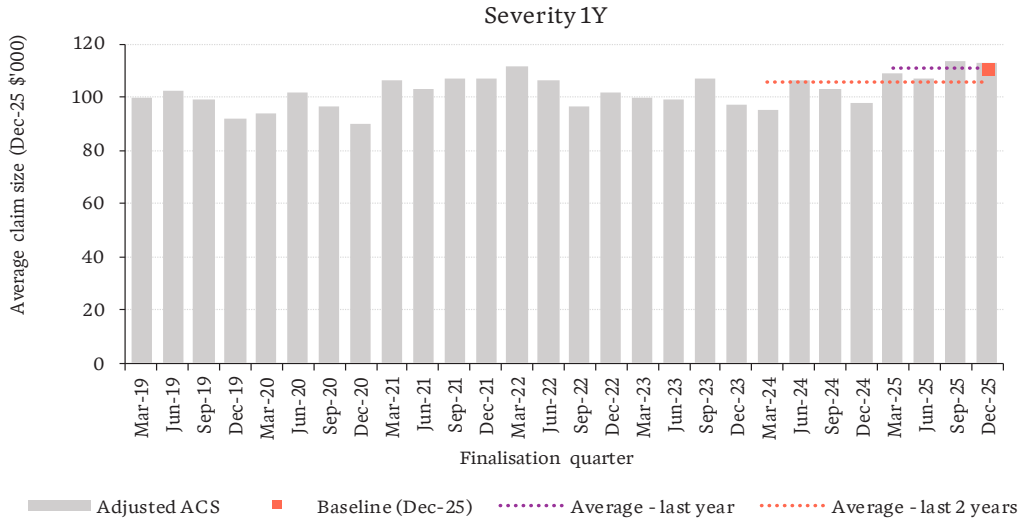
- The 3.6% increase was primarily the result of higher-than-expected claims experience for Severities 1Y, partially offset by other severities over 2025.

	Estimated average claim size (Dec-25 $000s)			
Severity	Baseline as at Dec-24	Baseline as at Dec-25	Change (%)	Impact on risk premium ($)
1N	15	15	-2.3%	-0.07
1Y	100	111	10.4%	+9.48
2	203	194	-4.7%	-1.93
3	389	389	-0.2%	-0.06
4	736	700	-4.9%	-0.54
5	1,071	1,000	-6.6%	-0.53
6	318	360	13.3%	+0.61
9NA	13	13	-2.4%	-0.02
Total	131	136	3.6%	+6.94
Change in SP	132		-1.0%	-1.86
Total	**132**	**136**	**2.6%**	**+5.07**

Average claim size – Key uncertainties

Severity 1Y ACS

- The Severity 1Y average claim size selection is calibrated to finalisation experience over the past 1 year due to an AY trend in finalised average claims size observed in accident years 2023 and 2024
- This accident year trend may be the result of a changing pattern in average claim size finalisation rather than due to mix changes and an underlying worsening of experience
- If this is the case, and the ACS was calibrated to 2 years throughout – our typical calibration approach – the risk premium would decrease by approximately $4.70

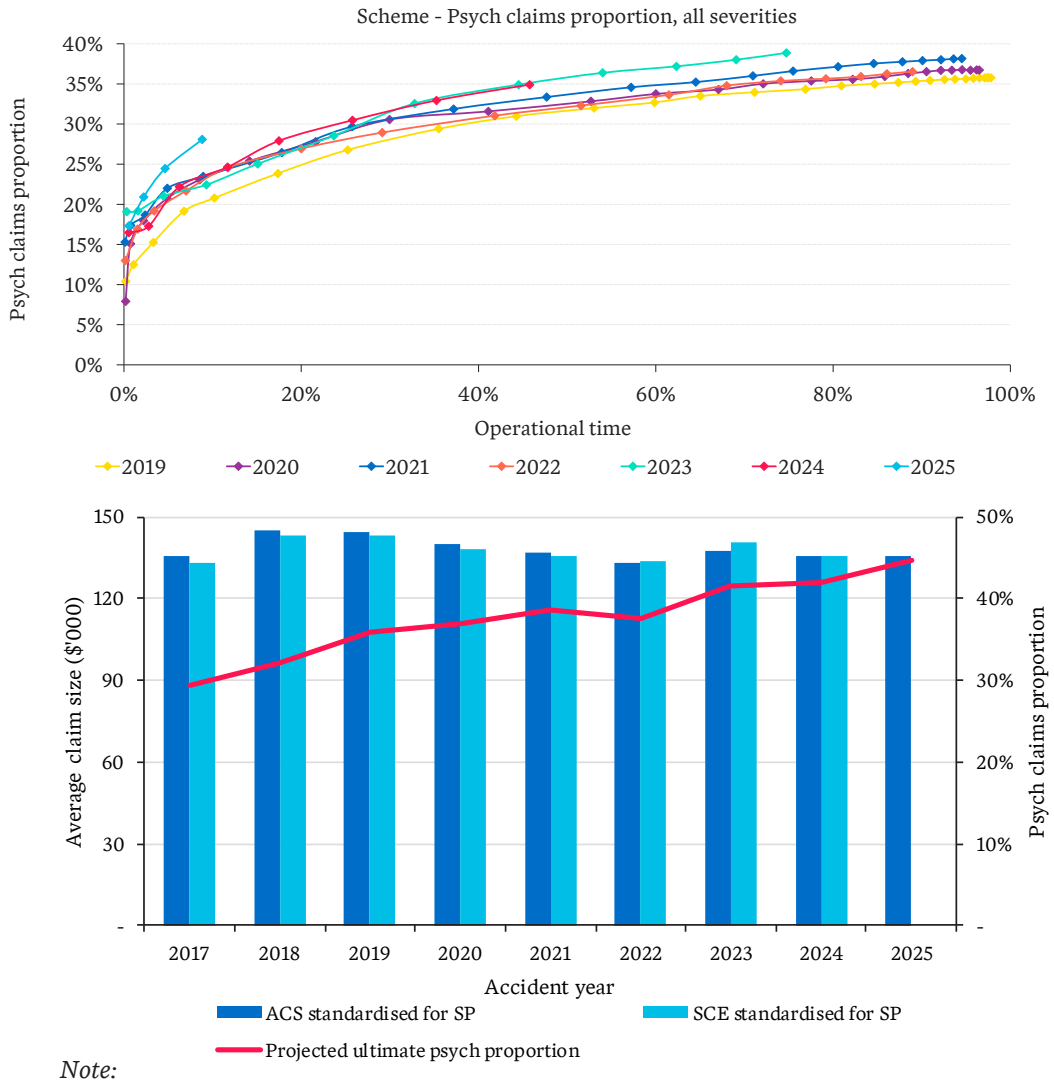


Average claim size – Key uncertainties

Psychological Injury

- Since 2017 there has been both an increase in the proportion of claims with psychological injury and a speed up in the notification of psychological injury
- Since claims with psychological injury settle more than 2.5 times the amount that those without psychological injury, the increasing trend creates is a risk for the scheme
- However, estimates of average claim size from:
  - Our payment models
  - Our independent statistical case estimate (SCE) model

  do not show an increasing trend with accident year, with the average claim sizes from 2022 and later similar to that in 2017



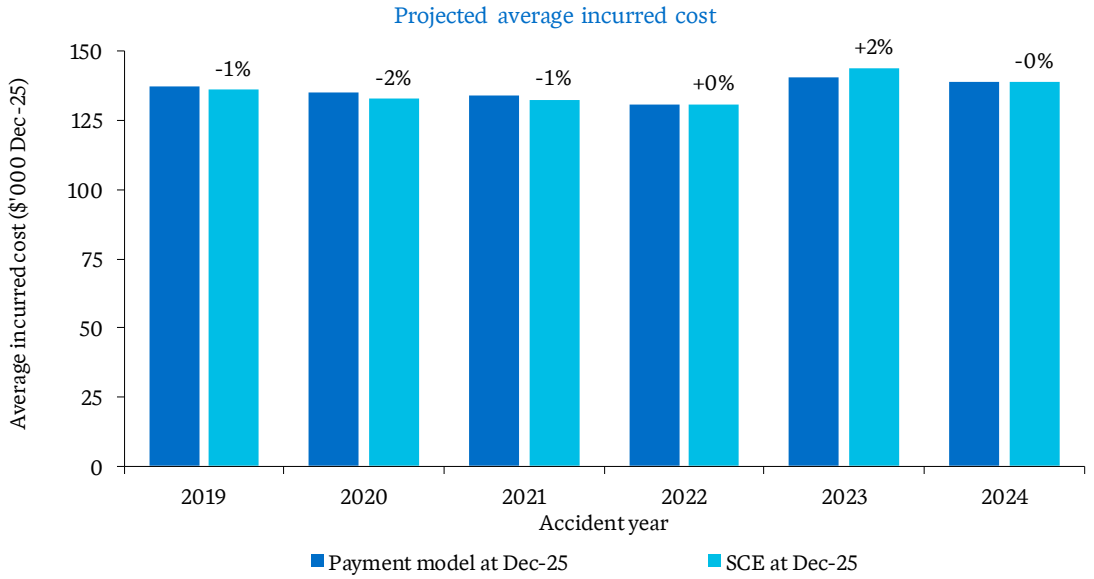
Note:

- *AY2025 SCE is excluded as experience is underdeveloped.*

Key uncertainty – Increasing proportion of psychological injury

Our SCE model provides some insight as to why we do not observe an increasing AY trend in average claim size:

- The SCE estimates are close to our payment model estimates
- An analysis of the SCE estimates shows:
  - That the increasing psychological injury has contributed to an increase in average claim size – about $7K (5%) by 2023 and 2024
  - However, this increase is cancelled out by changes in the mix of other factors
- Even so, the increasing proportion of psychological claims may represent a cost risk for the scheme – allowing for an additional 5% of claims with psychological injury, with no other offsetting mix changes, would increase the average claims size by about 2.5% (or $5)
- We will continue to closely monitor the cost impacts of increasing psychological injury claims at each review.



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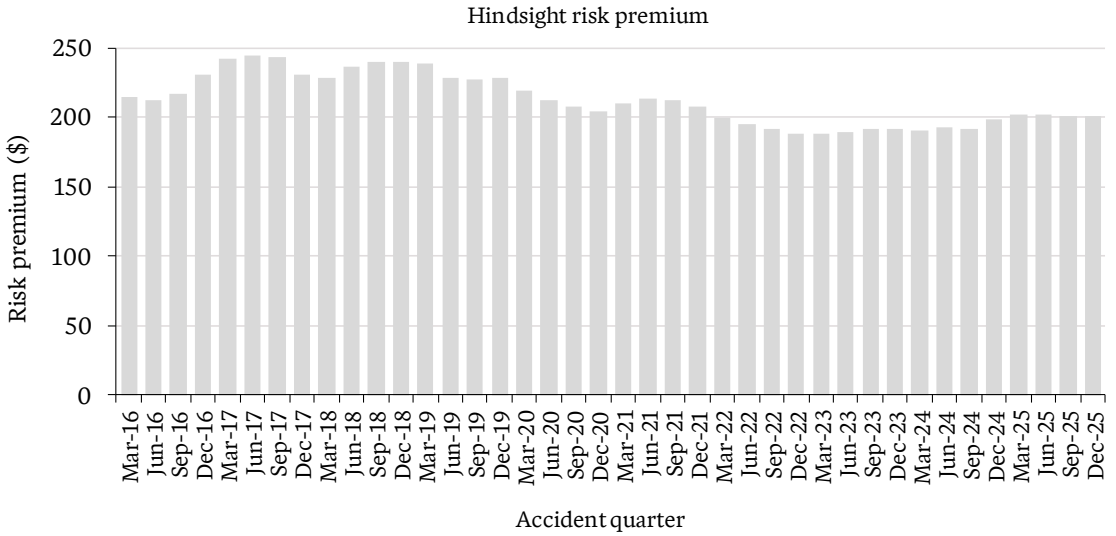
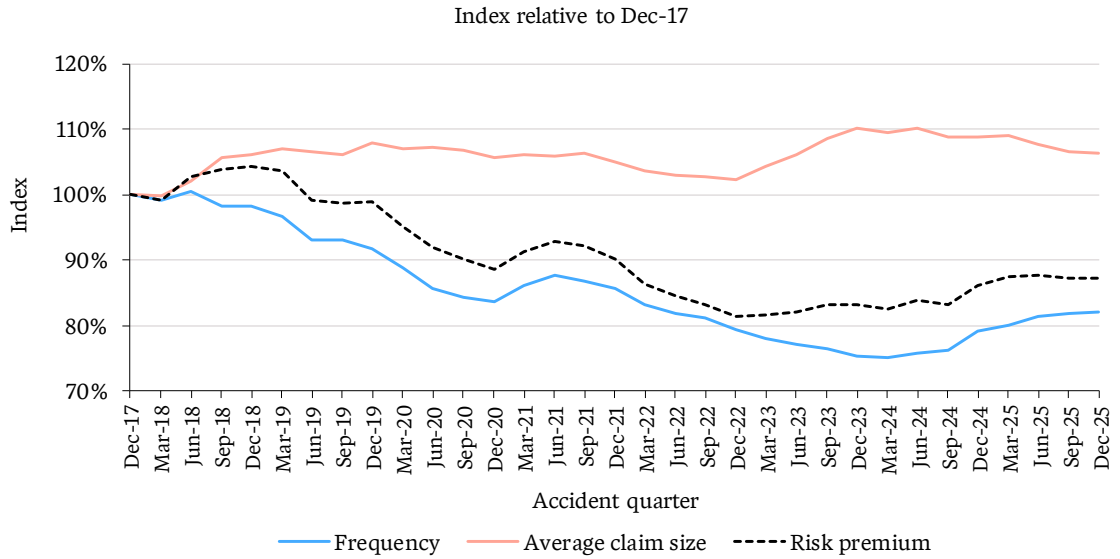
Summary

Core risk premium

- Hindsight risk premium decreased 13% in real terms over 2017-2025
  - Driven by claim frequency (blue line in bottom chart), which decreased 18% over the same period
  - Offset by average claim size (orange line in bottom chart) which increased 6% over the same period due to severity profile strengthening
- Between 2024 and 2025, the Hindsight risk premium increased by 1% in real terms
  - Driven by a 4% increase in claim frequency, partially offset by a 2% decrease in average claim size



Note: The hindsight risk premium series reflects a 4-quarter moving average.



Change since the Dec-24 review

The estimated risk premium at Dec-25 of **$212.43** is $15.07 higher than our estimate at Dec-24

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- The average claim size assumption has increased due to the combined effect of:
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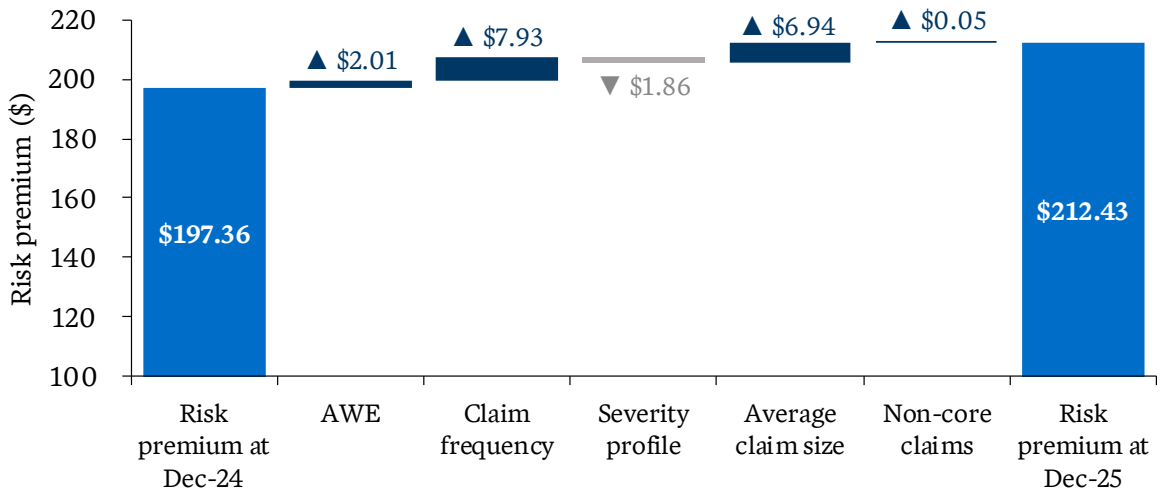
- Changes in non-core claims result in a small increase of $0.05, mostly due to strengthened assumptions for NSW-postcode claims, mostly



Risk premium components

Risk premium components	Claim frequency %	Average claim size $	Risk premium $
Core claims	**0.1480%**	**135,676**	**200.80**
NSW accident postcode claims	0.0056%	167,777	9.46
Interstate sharing claims	0.0011%	69,676	0.77
Workers' compensation recovery claims	0.0156%	8,998	1.40
Estimated risk premium at 31 Dec 2025	**0.1703%**	**124,739**	**$212.43**

$15.07 increase from Dec-24 estimate

A

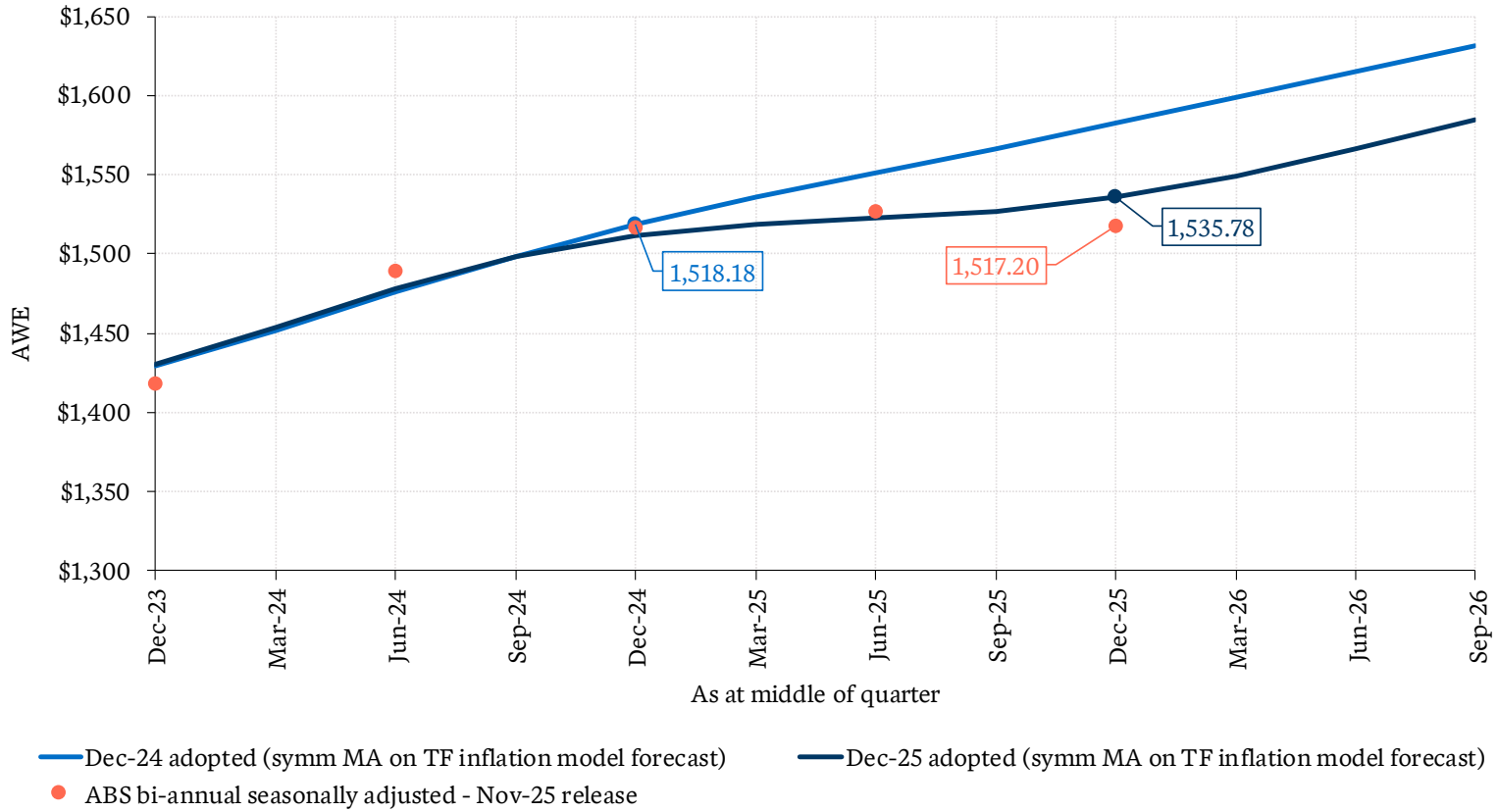
Appendix

A1

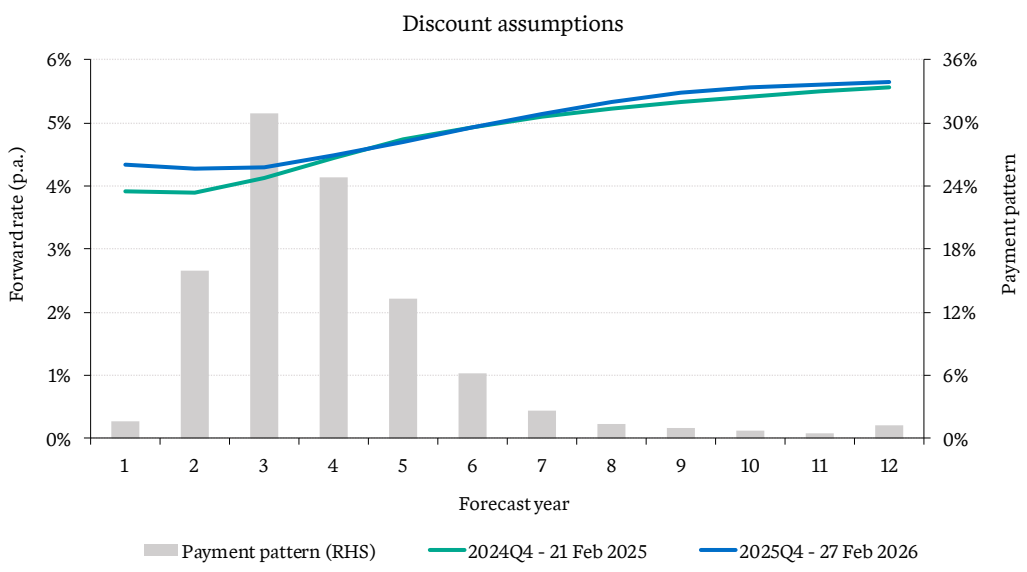
Economic parameters

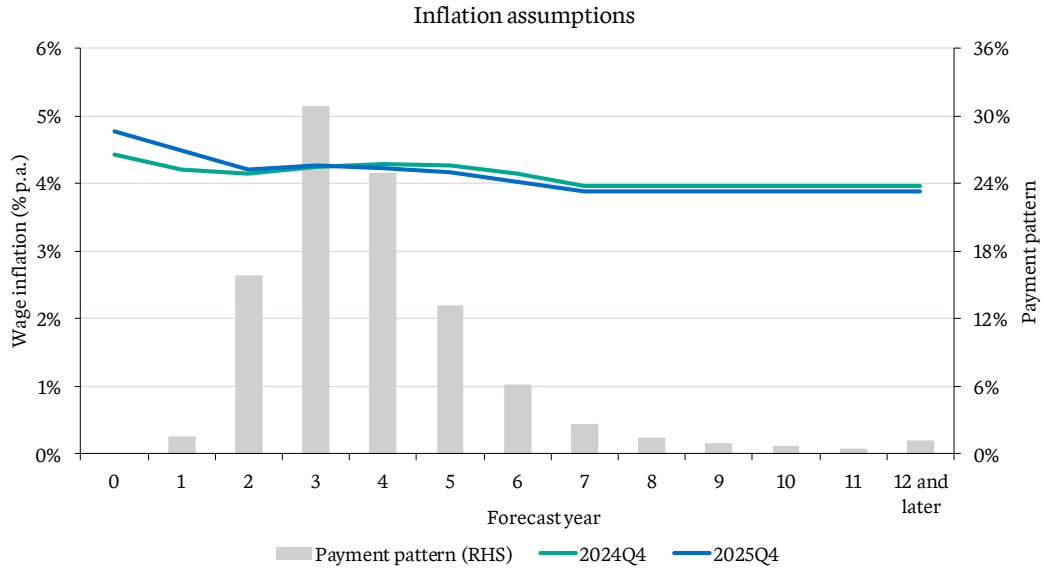
Wage inflation to 31 December 2025

- We have applied the future inflation rates forecast by the TF inflation model to the AWE result released by the ABS in Feb-26
- The ABS release results in an AWE increase of 1.2% from the 31 December 2024 to 31 December 2025



Discount rates and future wage inflation





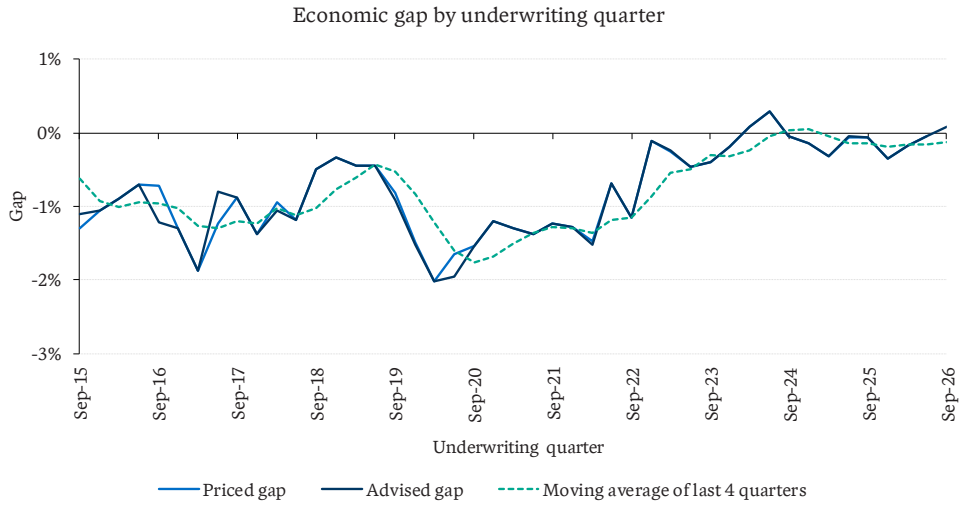
- Discount rates have been updated as at 27 February 2025
- Discount rate projections have increased in the short and long-term forecast years, with a slight reduction in the intermediate years, consistent with movements in nominal bond yields.

- Inflation projections have increased for short term forecast years, consistent with the increase in yields on nominal and inflation-linked bonds

Economic gap

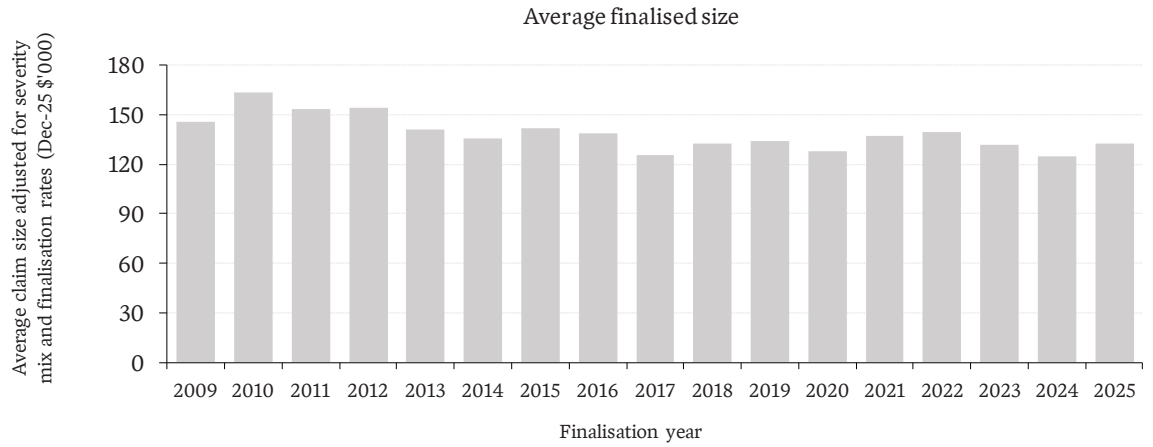
- The gap has increased from -0.06% at Dec-24 to 0.07% at this review

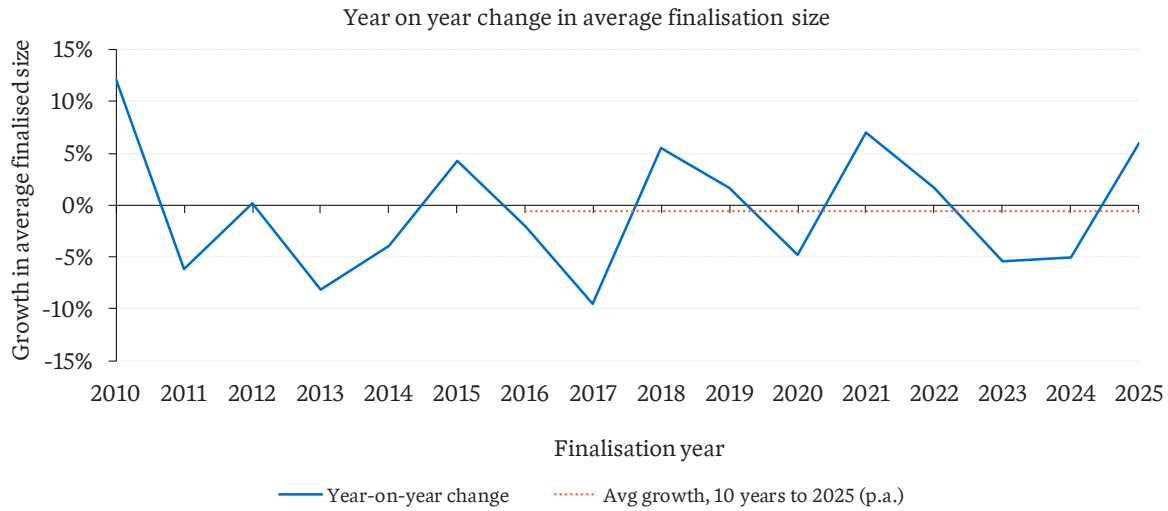
	Economic assumption (%p.a.)		
Review	**Discount rate**	**Wage inflation**	**Economic gap**
Current	4.40%	4.33%	0.07%
Last quarter	4.17%	4.22%	-0.04%
Last annual review	4.16%	4.23%	-0.06%
Change since:			
Last quarter	0.22%	0.11%	**0.12%**
Last annual review	0.24%	0.10%	**0.14%**



Superimposed inflation

- When estimating superimposed inflation, we standardise the average claim size for modelled factors
  - The top chart shows ACS after controlling for severity profile and claims processing speed (operational time)
  - The bottom chart shows the year-on-year growth in standardised ACS
- Over the 10-year period to 2025 the average claim size – standardised for severity mix and operational time – has reduced from $142k to $135k implying overall negative superimposed inflation over this period (-0.5% p.a.)





A2

Risk premium uncertainties

Key uncertainties associated with the risk premium estimate

Scenario	Impact on estimated risk premium
Business as usual variation	
Estimated risk premium - 50% confidence interval	+$15.9 / -$15.9
Frequency/SP scenarios	
Frequency in line with experience over the accident year Mar-25 to Dec-25	+$0.7
Severity 3+ frequency develops in line with average experience for AY2022	-$3.4
Severity 3+ frequency develops in line with average experience for AY2024	+$3.0
Severity 1N proportion of Severity 1 calibrated to a two-year average, allowing for transitions from Sev1N to Sev1Y	+$0.7
Average claim size scenarios	
Severity 1Y ACS emerges in line with the finalisation experience over the last 2 years	-$4.7
An additional 5% of claims with psychlogical injury	+$5.0
Severity 4 & 5 ACS emerges in line with the finalisation experience over the last 10 years	+$0.7
Severity 4 & 5 ACS emerges in line with the finalisation experience over the last 3 years	-$0.9

**Business as usual variation* represents the historical level of uncertainty in risk premium estimates. The *key uncertainties* show how the risk premium estimate would change if we made alternative assumptions. The estimated risk premium impacts across *business as usual* and *key uncertainty scenarios* are not additive.

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