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Motor Accident Insurance Commission

Retrospective profit study of
Queensland CTP premiums
as at 31 December 2023

12/07/2024



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TAYLOR FRY

12 July 2024

Neil Singleton
Insurance Commission
Queensland Treasury
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Dear Neil

Retrospective profit study of Queensland CTP premiums as at 31 December 2023

This report sets out the details of our review of the retrospective profitability of Queensland CTP premiums with a focus on drivers of profitability as well as changes in our view of retrospective profitability over the year ending 31 December 2023.

Yours sincerely

A handwritten signature in black ink, appearing to be 'PM', followed by a horizontal line extending to the right.

Peter Mulquiney
FIAA

Table of contents

1	Executive summary	2
1.1	Levels of Scheme profit	2
1.2	Range of insurer profit	3
1.3	Uncertainties in the estimated profit margin	4
2	Background and scope	6
2.1	General	6
2.2	Relevant legislation	6
2.3	Scope of this report	6
2.4	Previous report	7
3	Data	8
3.1	Items of data	8
4	Methodology	9
4.1	General	9
4.2	Inflating future payments	10
4.3	Discounting payments	10
4.4	Expenses, allowances and target profit margin	10
4.5	Superimposed inflation	10
4.6	Adjustment for introduction of NIISQ	10
4.7	Impact of claim farming reforms, COVID-19 and Eastern Australian floods	11
5	Results	12
5.1	Hindsight premium	12
5.2	Central estimate, floor, ceiling and average insurer premiums	14
5.3	Profit	15
5.4	Insurer profit	17
6	Reconciliation	19
6.1	Reconciliation to the profit margin assumed by MAIC	19
6.2	Reconciliation to the previous report	22
6.3	Uncertainties in the estimated profit margin	23
7	Reliances and limitations	26
Appendix A Economic assumptions		27
A.1	Historical government yields	27
A.2	Future rates of wage inflation	27
Appendix B Ultimate incurred costs		28
B.1	Historical finalised uninflated claim payments (gross of ITC/DAM)	28
B.2	Outstanding claims liability uninflated/undiscounted (gross of ITC /DAM)	28
Appendix C Modelled Scheme relativities		29
C.1	Modelled Scheme frequency relativities by accident period	29
C.2	Modelled Scheme size relativities by accident period	29
Appendix D MAIC's pricing assumptions		30
D.1	MAIC's pricing assumptions used to set floor and ceiling premiums	30
Appendix E Comparison of estimates		31
E.1	Hindsight estimation of all class risk premiums based on data to 31 December 2023	31
E.2	Hindsight estimation of all class profitability based on data to 31 December 2023	31

1 Executive summary

1.1 Levels of Scheme profit

Table 1.1 shows our latest estimates of the average scheme profit per policy as at 31 December 2023 as a percentage of insurer premiums and in dollar values.

Table 1.1 – Scheme retrospective profit margins for all classes as at 31 December 2023

Underwriting Period	Profit margin (insurer average premium)	
	%	\$
2019	11%	25
2020	7%	16
2021	6%	13
2022	12%	25
2023	11%	25
Most recent year	11%	25
Most recent 3 years	10%	21
Most recent 5 years	10%	21
Most recent 10 years	17%	45

Figure 1.1 shows the scheme profit margin over time.

Figure 1.1 – Scheme retrospective profit margin for MAIC premium band and insurer average premiums

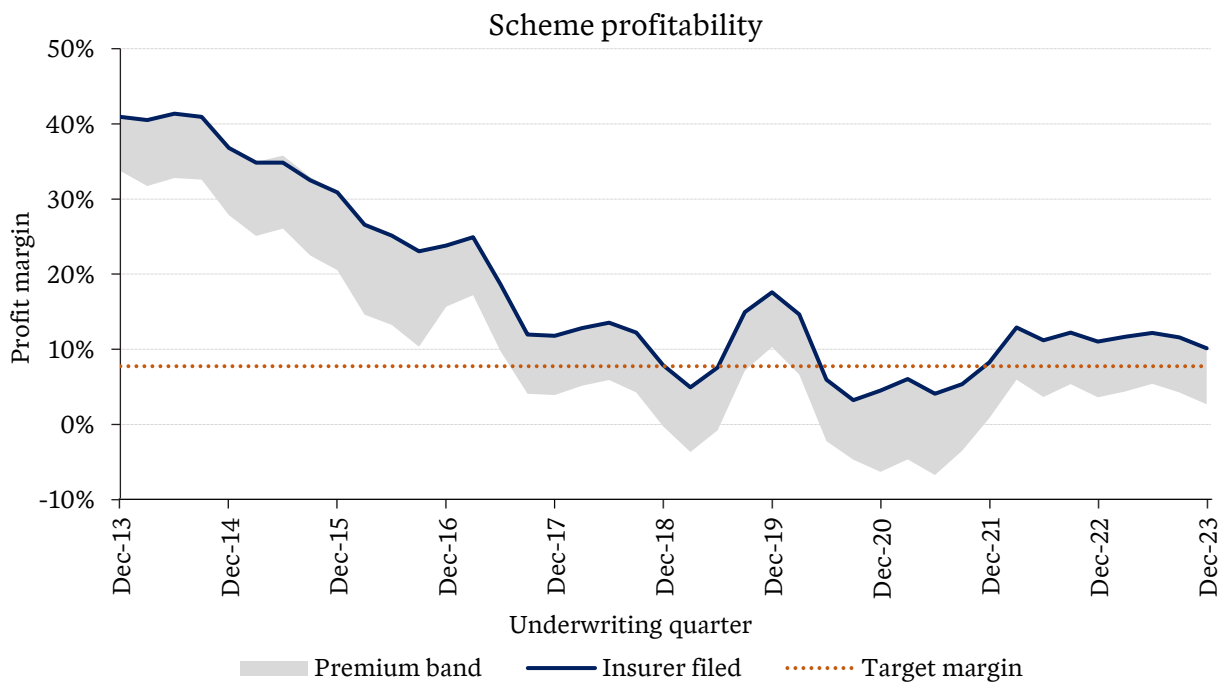


Figure 1.1 shows that the profit margin has been above the target profit margin of 7.75% in all underwriting quarters except for Mar-19 to Jun-19 and Jun-20 to Sep-21. We note that the target profit margin is the margin expected to be achieved on average over a period of several years. As such, in some years the profit margin will be below target, but longer-term averages should yield a profit closer to the target.

Table 1.1 shows that over the last three years the average profit margin is estimated to be 10%, and over ten years it is estimated to be 17%. The main drivers of the excess profits above the target margin over the last ten years have been superimposed inflation not emerging as forecast, insurers pricing at the ceiling and favourable claim frequency experience. The reconciliation of latest profit margin estimates to target margins is discussed in Section 6.1.

1.2 Range of insurer profit

Profitability has varied considerably among individual insurers over the past 5 underwriting years, with an average gap of 24% between the highest and lowest estimated insurer margins (Table 1.2). Over the 5-year period of underwriting years 2019-2023, we estimate:

- An average profit margin of 22% across the *highest* insurer profit margins for each underwriting year
- An average profit margin of -1% across the *lowest* insurer profit margins for each underwriting year.

Table 1.2 – Range of insurer profit margins by underwriting year

Underwriting period	Scheme margin	Highest insurer margin	Lowest insurer margin
2019	11%	27%	-2%
2020	7%	29%	-5%
2021	6%	16%	-1%
2022	12%	22%	3%
2023	11%	23%	0%
Average 2019-2023	10%	22%	-1%
Average 2021-2023	10%	20%	1%

1.3 Uncertainties in the estimated profit margin

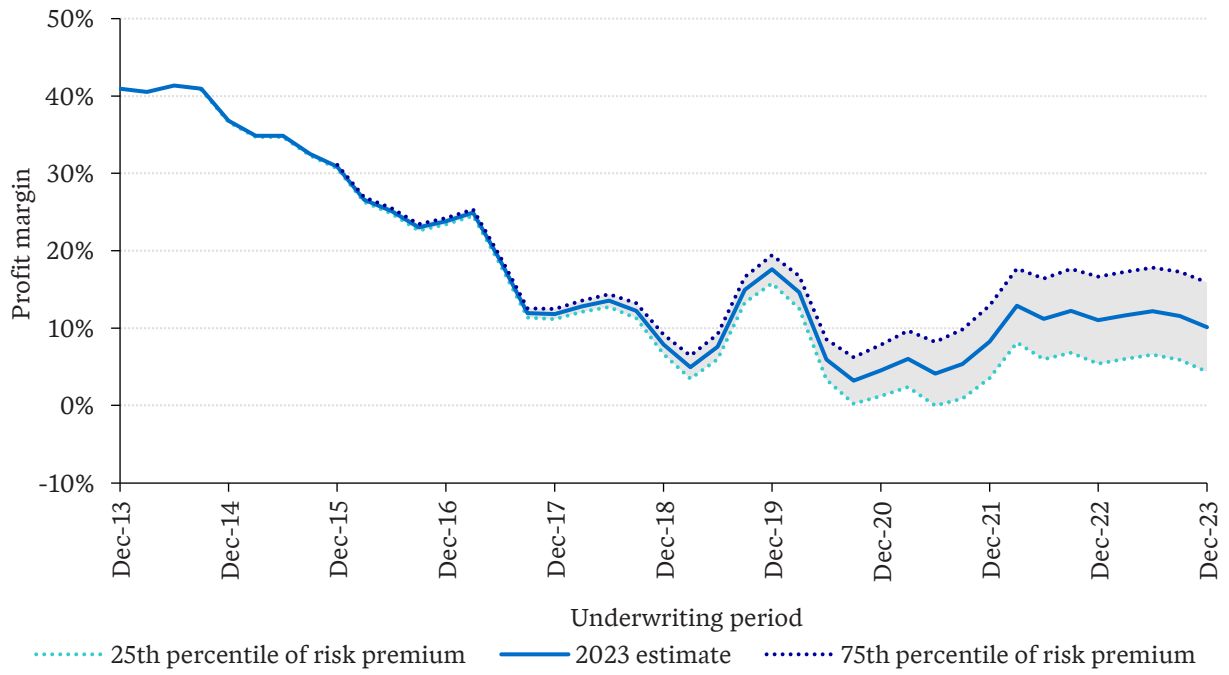
The profit margin estimates reported in Table 1.1 are highly uncertain and the degree of uncertainty increases for more recent underwriting years. This uncertainty is driven by 2 main sources:

- **Risk premium evolution** – the average claim size for the most recent underwriting year will finalise around 4 years after the latest finalised claim data available to estimate the risk premium. Historically there have been considerable movements in the risk premium over a four-year period.
- **Historical risk premium error** – even for underwriting years where a good volume of finalised claims is available (such as the 2019 underwriting year where 30% of claims costs expected are not yet known), there is uncertainty in the outcomes for claims yet to finalise.

We have quantified this “business as usual variation” and have found that there is an approximately 50% chance that the actual risk premium – allowing for movements in wage inflation and discount rates – will fall within the range of the estimated risk premium by +/- 7.5% and 50% chance that it will fall outside this range.

Figure 1.2 illustrates this uncertainty by showing an approximate 50% confidence interval for scheme retrospective profit. The confidence interval is such that roughly 50% of the time we expect the actual profit margins to fall outside of the interval. The confidence interval narrows as one moves to the left because more of the claims cost has been paid and so the uncertainty is less.

Figure 1.2 – Approximate 50% confidence interval for scheme retrospective profit



2 Background and scope

2.1 General

Queensland operates a common law “fault” based compulsory third party scheme, first introduced in 1936. The scheme provides motor vehicle owners with insurance policies that cover their unlimited liability for personal injury caused by, through, or in connection with the use of the insured motor vehicles anywhere in Australia. It is underwritten by private licensed insurers.

2.2 Relevant legislation

The Motor Accident Insurance Amendment Act 2000 (“the Amendment Act”) took effect from 1 October 2000. This implemented a number of changes, bringing in statutory limits, of which one of the most significant was a restriction on plaintiff costs.

From 1 October 2000, the insurers, operating in a competitive market, determine the premiums within a range between the maximum (“ceiling”) and minimum (“floor”) rates set by MAIC.

The Civil Liability Act 2003 (“CLA”) applies to all accidents occurring on or after 2 December 2002. It affects the type of claims that can be made as well as bringing in further statutory limits, restricting some of the damages that can be claimed. In relation to the latter, it contains Injury Scale Values (“ISV”) used for calculating general damages arising from incidents on or after 2 December 2002. Under the Act, general damages are calculated after consideration of the application of the ISV set out in the regulations.

The Civil Liability and Other Legislation Amendment Act 2010 (“CLAA”) increased the ISV scale amounts for general damages and the maximum recoverable legal costs. These changes apply for injuries occurring on or after 1 July 2010. The CLAA also made provision for further indexation, linked to AWE increases.

The Civil and Criminal Jurisdiction Reform and Modernisation Amendment Act 2010 (“CCJRA”) increased the jurisdictions of the District and Magistrates Courts. The effect is that, from 1 November 2010, many of the claims which would have previously been heard by the District Court are now heard by the Magistrates Court and that some of those claims which would have been heard in the Supreme Court will be heard in the District Court.

The Motor Accident Insurance and Other Legislation Amendment Bill 2019 came into effect on 5 December 2019. The main purpose of this bill is to combat claim farming practices which had become a growing concern in the scheme. The legislation makes it illegal in Queensland for lawyers to pay a fee to a car crash scammer. In addition, the Motor Accident Insurance Regulation 2018 was also amended to require extra information to be provided in the Notice of Accident Claim Form.

2.3 Scope of this report

MAIC have requested that Taylor Fry conduct a review of the retrospective profitability of the premiums for the Queensland CTP Scheme for all vehicle classes. Of interest is the comparison of the hindsight non-ITCE premium with the floor and ceiling premiums, and the average filed insurer premium.

We have relied upon the advice given to MAIC on components of the risk premium for CTP insurance policies underwritten in the quarter 1 July to 30 September 2024. This advice was based on data to 31 December 2023 and is the latest complete annual advice given to MAIC. We will refer to this as “the Annual Advice”.

An abridged version of that advice, for circulation to the market and insurers, appeared as “*Queensland CTP Market Briefing: Review of the risk premium for the 2024Q3 underwriting quarter*”, dated 22 March 2024, by Peter Mulquiney and Danielle Ling. This will be referred to as “the Risk Premium report”.

All results in the report are presented on an all-classes basis unless stated otherwise.

2.4 Previous report

The report titled “*Retrospective profit study of Queensland CTP premiums as at 31 December 2022*” dated 5 June 2023, by Peter Mulquiney and Danielle Ling (“the previous report”) was based on data to 31 December 2022 and is the counterpart to this report. The methodology adopted in this report is unchanged from the previous report.

3 Data

3.1 Items of data

3.1.1 General

In producing this report, we have relied on the following sources of data:

- Numbers of vehicles registered by month from July 2005 to December 2023
- Quarterly floor and ceiling premium rates
- Premium assumptions
- Insurers' rate and expense filings
- Analysis from the Annual Advice.

3.1.2 Number of vehicles registered

This consists of total vehicle registrations, split by vehicle class for each month since 1 July 2005. The exposure was provided by MAIC on 23 January 2024.

3.1.3 Quarterly floor and ceiling premium rates

Quarterly floor and ceiling premium rates for all classes were provided by MAIC for the underwriting periods 1 January 2008 to 1 April 2024 on 23 January 2024.

3.1.4 Premium assumptions

The assumptions adopted by MAIC for the calculation of the floor and ceiling premiums for all classes for the underwriting periods 1 January 2008 to 1 April 2024 were provided by MAIC on 23 January 2024. This information included the underlying assumptions for expenses, profit margin and vehicle class relativities. Average seat numbers for Classes 10A, 10B and 11 for underwriting periods beginning 1 January 2010 to 1 July 2024 were provided on 26 April 2024.

3.1.5 Insurers' rate and expense filings

Insurers' rate filings for all classes along with their expense filings were provided by MAIC for the underwriting periods 1 October 2005 to 30 June 2024 on 24 January 2024.

4 Methodology

The aim of this study is to compare hindsight estimates of the non-ITCE premium with the floor and ceiling premiums set by MAIC, and the premiums filed by insurers, since the commencement of the New Scheme.

4.1 General

Since the 2018 review, we have projected claim sizes on the net-of-NIISQ basis.

The National Injury Insurance Scheme Queensland (NIISQ) came into effect from 1 July 2016. All lifetime care and support costs for catastrophically injured claimants arising from accidents after 1 July 2016 will be covered under NIISQ. This is expected to reduce the average claim size for policies underwritten from 1 July 2015 due to the reduction in costs covered by CTP scheme after 1 July 2016. The claim frequency will remain unchanged as certain heads of damages (HOD) such as economic loss will still be covered by CTP scheme.

The estimation of the hindsight premium is as follows:

- Hindsight estimates (as at 31 December 2023) of Scheme claim frequency and net-of-NIISQ gross (of ITC/DAM) claim size by accident quarter are sourced from the Risk Premium report. Estimates covered accident quarters from 31 December 2001 to 31 December 2023 and were in 31 December 2023 dollar values
- The claim size estimates were inflated to the middle of the calendar quarter in which they were projected to be paid
- Estimates of the claim size and claim frequency by underwriting quarter were then derived
- For accidents which occurred before 1 July 2016, the claims size projection was adjusted to reflect the pre-NIISQ Scheme, where there is no claim cost transferred from the insurers to NIISQ. Details on the adjustment are in Section 4.6
- The claim size estimates were discounted to the middle of the respective underwriting quarter
- The net risk premium was calculated as the product of claim frequency and the net average claim size (gross average claim size net of GST)
- The hindsight (non-ITCE) premium was then calculated using the claims handling expense, acquisition and reinsurance cost and profit margin assumptions as used by MAIC in the corresponding underwriting quarters
- For the purposes of comparison, premiums excluding GST and levies were used.

All underwriting quarters included in our analysis have some claims to be settled and most have some claims yet to be reported. Therefore, our calculation of hindsight premium depends on our projection of the number and size of claims to be settled for each underwriting quarter. The more recent the underwriting quarter, the more dependent the estimated hindsight premium is on the assumptions underlying our projection.

4.2 Inflating future payments

Future finalised claim payments have been inflated to the middle of the calendar quarter in which they are projected to be paid using a market-based model based on the shape of current nominal and inflation-linked bond yield curves, the QLD unemployment rate and long run assumptions of CPI and the gap between AWE and CPI. Full details of this model are outlined in the discussion paper “*An alternative approach to forecasting wage inflation*” dated 29 July 2019 by Richard Brookes and Nelson Vasconcelos. Future finalised claim payments are sourced from the Annual Advice.

4.3 Discounting payments

Claim payments have been discounted to the middle of the underwriting quarter using the Government bond yield curve as at the end of the underwriting quarter.

4.4 Expenses, allowances and target profit margin

In their calculation of the floor and ceiling premiums, MAIC make assumptions regarding:

- Claims handling expenses (percentage of risk premium)
- Acquisition costs (dollar cost)
- Reinsurance costs (dollar cost).

These assumptions vary by underwriting quarter and vehicle class. We have used MAIC’s adopted expense assumptions, effectively assuming that they represent the actual experience of insurers. The changes in these over the past five years for Class 1 vehicles are:

- Claims handling expenses has increased from 6.25% to 6.75% of premium per policy at 1 July 2022, and increased to 7% of premium per policy at 1 July 2023.
- Acquisition costs increased from \$8 to \$10 per policy at 1 July 2019 then reduced back to \$8 per policy at 1 July 2022.
- Reinsurance costs have been reduced to nil since 1 July 2021 – MAIC has advised these were absorbed into the acquisition cost allowance.

MAIC sets an allowance for profit. This profit margin is defined as the percentage of the total premium that is profit (rather than the percentage loading on expected costs). We maintain this definition of profit margin throughout this report. This target profit margin is 7.75% of the corresponding premium from 1 July 2008.

4.5 Superimposed inflation

We have assumed future finalisation period superimposed inflation (“SI”) of 0% p.a. This reflects MAIC’s allowance in their calculation of ceiling and floor premium as at 31 December 2023.

4.6 Adjustment for introduction of NIISQ

NIISQ came into effect from 1 July 2016. All lifetime care and support costs for catastrophically injured claimants arising from accidents after 1 July 2016 will be covered under NIISQ. This is expected to reduce the average claim size for policies underwritten from 1 July 2015 due to the reduction in costs covered by CTP scheme. The claim frequency will remain unchanged as certain heads of damages (HoD) such as economic loss will still be covered by CTP scheme.

In the retrospective profit study:

- Claim sizes are modelled on a net of NIISQ basis by removing all payments from the data which we assess would have qualified for the NIISQ if it had always been existence. This means that the projected sizes of all NIISQ-eligible claims directly incorporate a reduction in costs covered by the NIISQ.
- For claims incurred prior to 1 July 2016, claim sizes are adjusted to a gross of NIISQ basis by adding back payments and case estimates of NIISQ-eligible claims for HoDs that would have been covered by the NIISQ. This is because NIISQ is not applicable to these claims hence no claims cost was transferred to NIISQ.

We have adjusted policies underwritten from 1 July 2015 to 30 September 2016 to reflect insurers' payments to MAIC for the exposure covered by NIISQ (known as 'NIISQ claw back'). This approach remains unchanged from our previous report.

4.7 Impact of claim farming reforms, COVID-19 and Eastern Australian floods

Claim frequency for the 2020 and 2021 accident years were significantly lower than 2019 resulting from:

- The claims farming reforms introduced in December 2019
- The impact on COVID-19 on traffic volumes – traffic volumes reduced due the COVID-19 lockdowns and the associated impacts on economic activity.

Claim frequency was also significantly lower in the March 2022 quarter due to the Eastern Australian floods and extended school holidays.

In our analysis, we separate the impact of these drivers of reduction in claim frequency by utilising the estimated impact of COVID-19 and the Eastern Australian floods on claim frequencies from the Annual Advice.

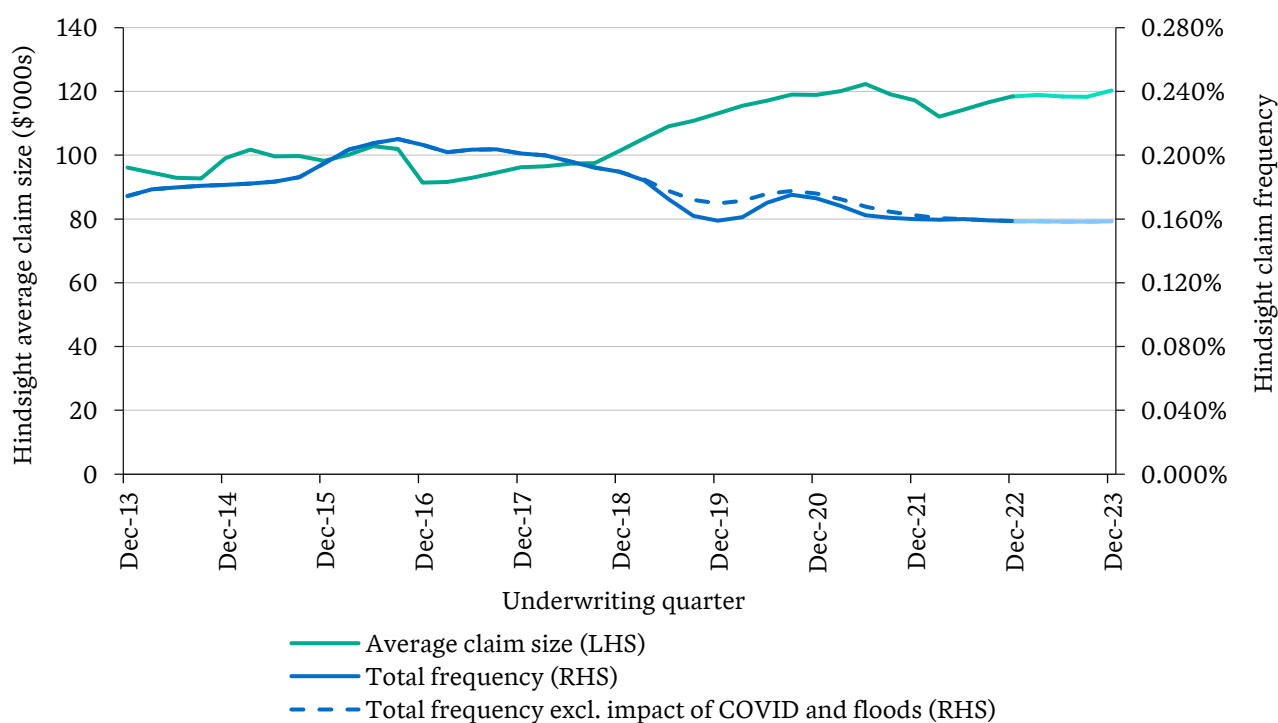
5 Results

5.1 Hindsight premium

5.1.1 Hindsight risk premium

Figure 5.1 displays the Scheme hindsight claim frequency and average claim size, assuming no future superimposed inflation, from the 31 December 2013 to 31 December 2023 underwriting quarters.

Figure 5.1 – Estimated hindsight claim frequency and average claim size (in historical values)



Frequency increased to a peak in 2016. It has since been decreasing overall. The impact of claim farming reforms, persistent low traffic volumes, road safety initiatives and COVID-19 have contributed to the lower frequency in recent years. The current frequency estimate for the 2023 underwriting year is approximately 0.158%.

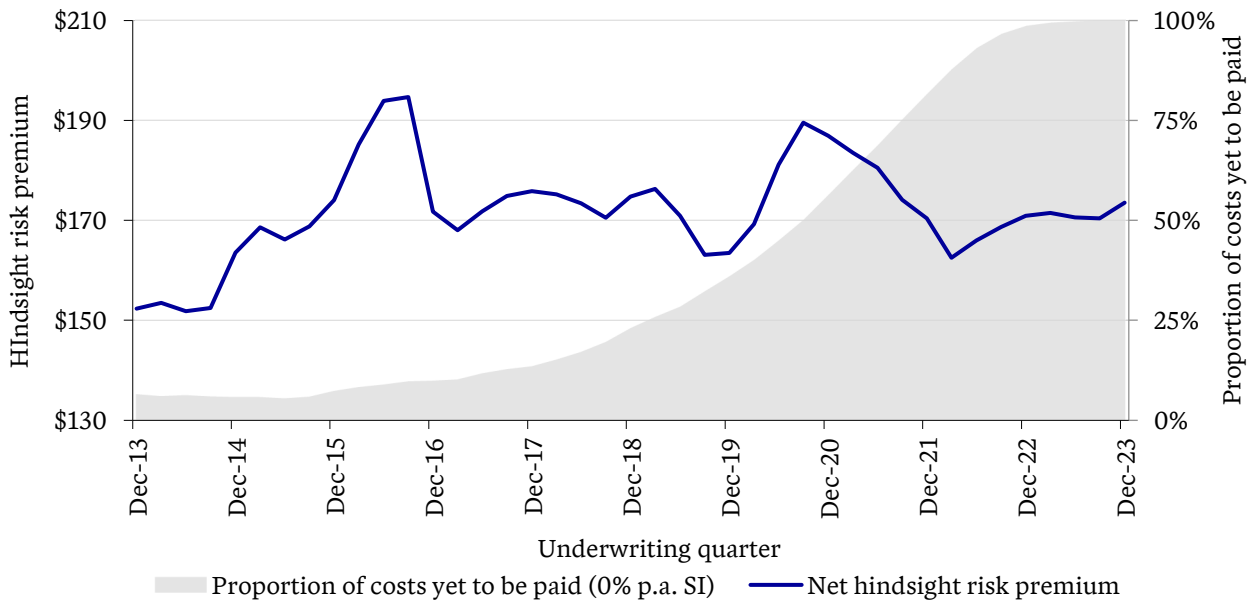
The scheme average claim size remained relatively stable over underwriting years 2015 and 2016, albeit higher than historically observed claim sizes. Following the introduction of the NIISQ, the scheme average claim size fell sharply as part of the claim costs were transferred to the NIISQ.

This was followed by a significant increase in scheme average claim size up to the 2021 underwriting year. This increasing trend has been driven by a number of factors, including:

- Decreases in frequency over this period being attributed to lower severity claims, causing a strengthening in severity profile
- Increases in actual and projected future claim sizes
- Higher projections of future AWE inflation.

Figure 5.2 shows the resulting hindsight risk premium for the 2014 to 2023 underwriting years.

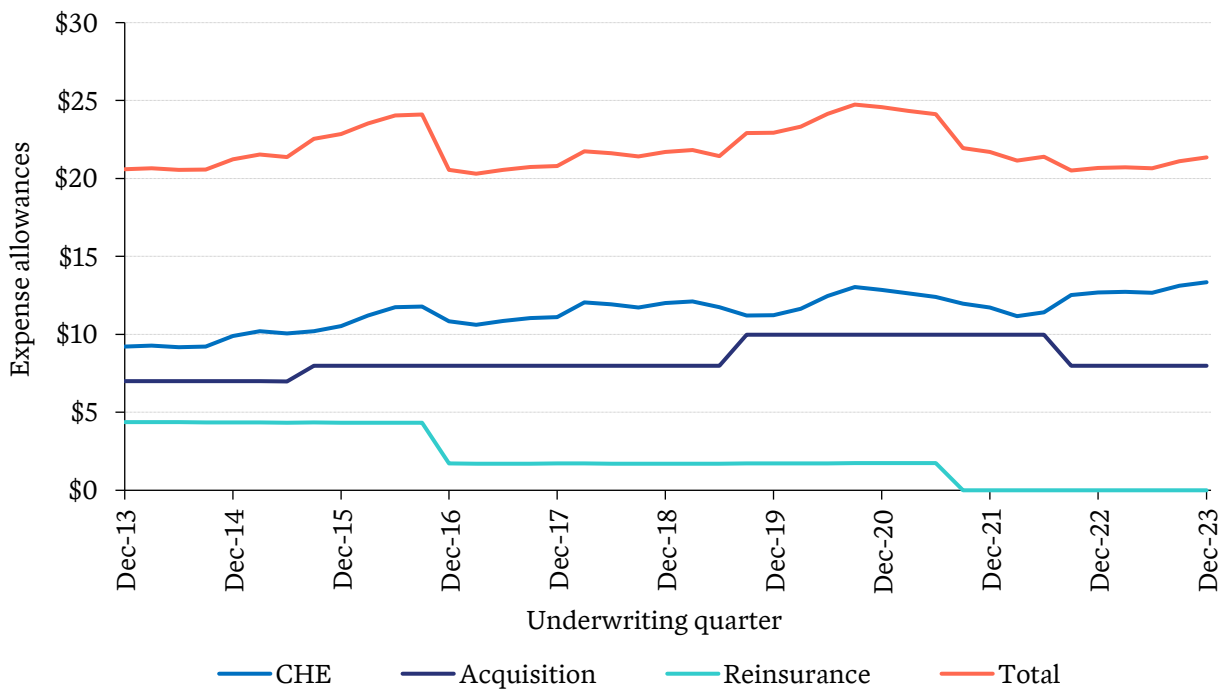
Figure 5.2 – Scheme hindsight risk premium



5.1.2 Expenses and allowances

Figure 5.3 shows the expenses and allowances. CHE and acquisition costs have generally increased since 2013. The allowance for acquisition costs was reduced from 1 July 2022. The reinsurance cost allowances were reduced from 1 October 2016 because of the introduction of the NIISQ and have been set to \$0 from 1 July 2021.

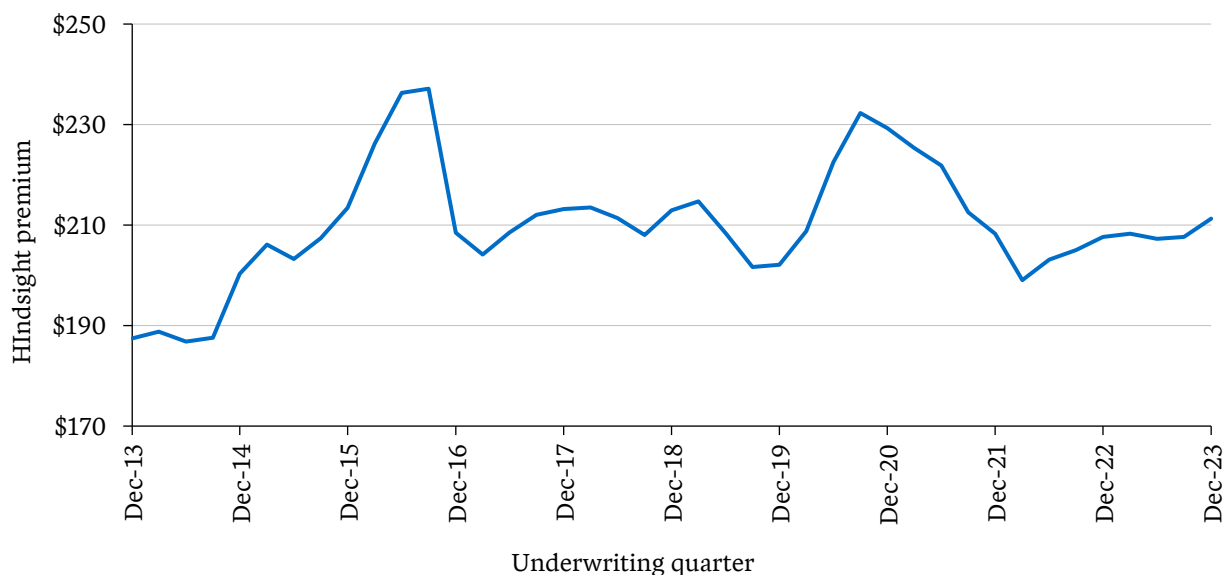
Figure 5.3 – Expenses and allowances



5.1.3 Scheme hindsight premium

Combining the risk premiums in Figure 5.2, expenses and allowances in Figure 5.3 and the target profit margin gives the hindsight premiums illustrated below in Figure 5.4. These hindsight premiums do not include GST.

Figure 5.4 – Scheme hindsight premium (incl. target profit margin)

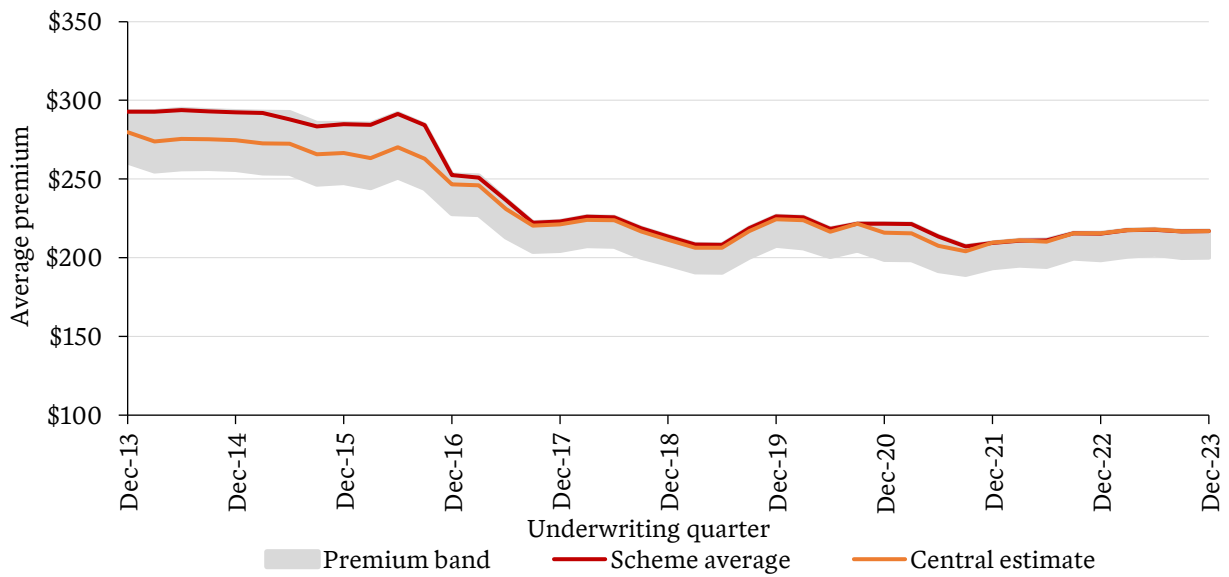


5.2 Central estimate, floor, ceiling and average insurer premiums

Figure 5.5 shows the central estimate premiums as set by MAIC and the premium band around these premiums within which the insurers can set premiums for the 31 December 2013 to 31 December 2023 underwriting quarters. The boundaries of the premium band are referred to as the premium floor and the premium ceiling. Since the Dec-16 underwriting quarter, the ceiling allowance has been reduced significantly, resulting in a narrower premium band and ceiling premiums much closer to the central estimates. The reduction in the ceiling allowance followed the 2016 Scheme review (*Review of Queensland's Compulsory Third Party Insurance Scheme, December 2016*), which recommended that MAIC take action to address insurer profits in excess of the target margin.

Average insurer premiums are also shown in Figure 5.5. In addition to a lower ceiling allowance, the reduction in premium from 1 October 2016 is a result of the transfer of cost to the NIISQ (the “NIISQ offset”). To reflect insurer’s payments to MAIC for the exposure covered by NIISQ for the underwriting period from 1 July 2015 to 30 September 2016 (known as “the NIISQ claw back”), we have not adjusted the average insurer premium, but instead, chosen to adjust the relevant claim costs to reflect the claw back, for the benefit of better consistency with the rest of the methodology.

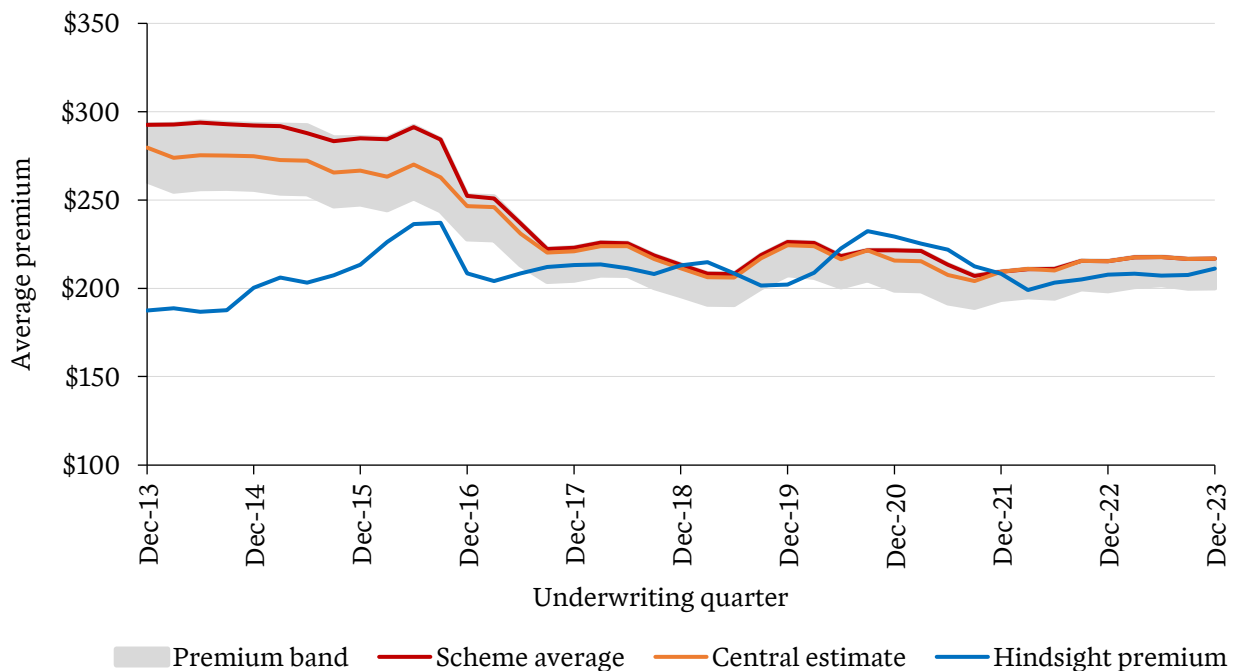
Figure 5.5 – MAIC central estimate, premium band and insurer average premiums



5.3 Profit

Figure 5.6 shows the central estimate, insurer average premium and premium band along with the hindsight premium. This is a combination of Figure 5.4 and Figure 5.5.

Figure 5.6 – Scheme premium central estimate, premium band, insurer average premium and hindsight premiums



Insurer average premiums are above the hindsight for all underwriting quarters apart from Mar-19, Jun-19, and Jun-20 to Sep-21.

Pricing at the ceiling provides a similar result to the insurer average as most insurers have priced at this level most of the time.

Pricing at the floor would have provided profit above the target profit margin for most underwriting quarters prior to Sep-17, but below the target margin for underwriting quarters Sep-17 onwards.

Over the most recent underwriting year, the insurer average premium is estimated to achieve a profit margin of 11%, which is 3.7% above the target profit margin of 7.75%. Over both three and five-year periods, insurers have averaged profit margins of 10%, which is 2% above the target profit margin. The target profit margin is a target to be reached over the long term and single underwriting year profits can fluctuate above and below the target profit margin.

Figure 5.7 shows the profitability expressed as a profit margin. The underwriting quarter regions with estimated profit margins above the target margin are shaded in green, with regions below the target margin shaded in orange. Results for the most recent underwriting quarters are the most sensitive to projections of claim frequency and average claim size, and economic forecasts.

Figure 5.7 – Scheme profit margin for insurer average premium

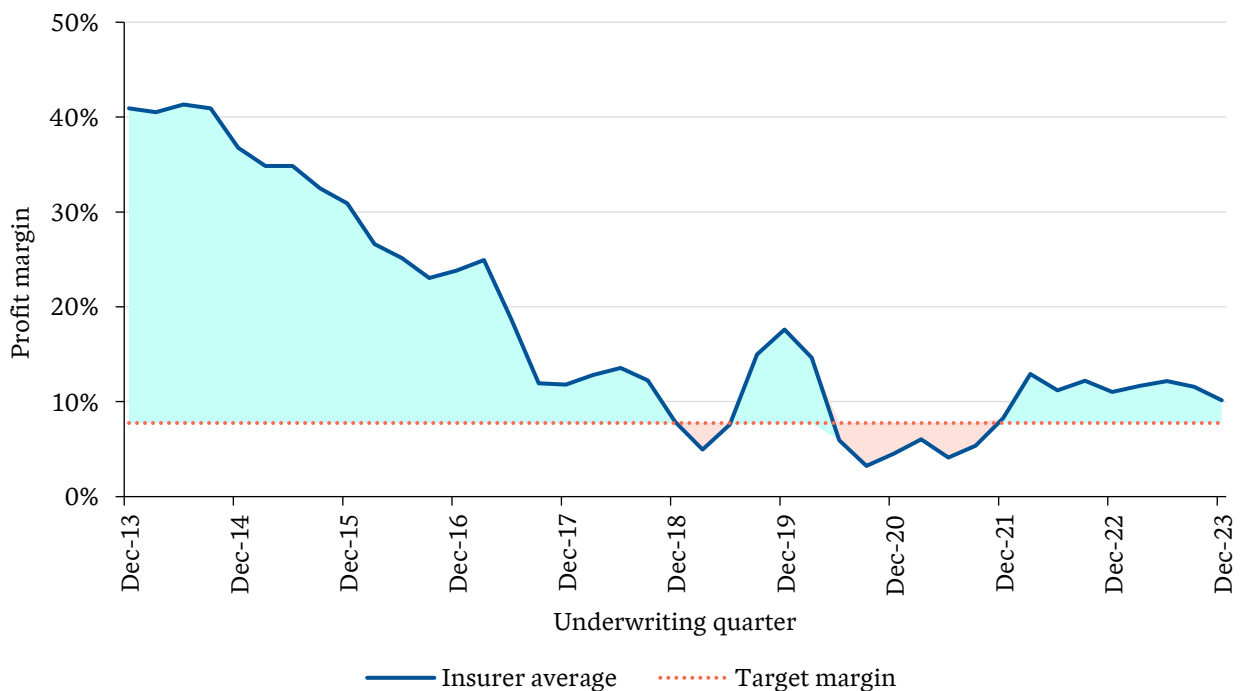
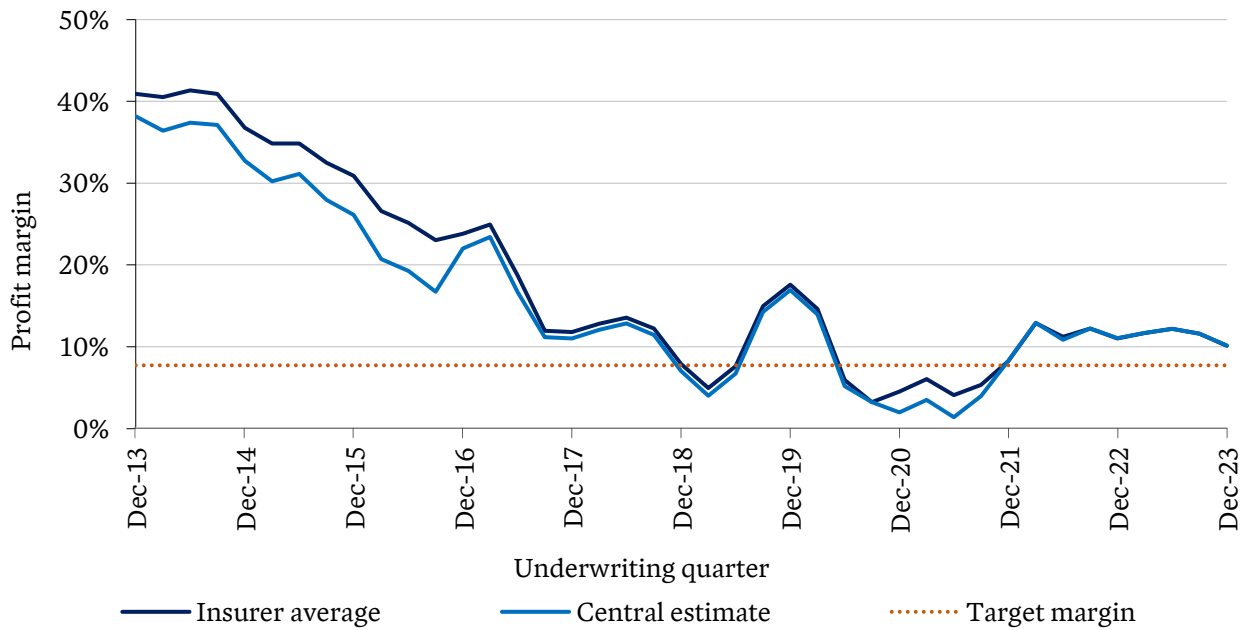


Figure 5.8 shows the profit margin for the central estimate alongside the profit margin for the insurer average premium. The insurer average has been consistently above the central estimate with a considerable gap between the two until the Dec-16 underwriting quarter. After this point, MAIC reduced the ceiling margin allowance for insurers to reduce excess insurer profits. This has resulted in a much narrower margin between the central estimate and insurer filed premiums for recent underwriting periods. Both the central estimate and insurer average have generally remained above the target profit level apart from underwriting quarters Mar-19, Jun-19 and Jun-20 to Sep-21.

Figure 5.8 – Scheme retrospective profit margin for central estimate and insurer average



The most recent underwriting quarters are almost entirely dependent on projections and are likely to be revised in future reviews – Table 6.3 shows a history of revisions for earlier underwriting years.

We summarise these profit results over selected periods in Table 5.1.

Table 5.1 – Scheme profit margins

	Insurer average	Ceiling	Floor
Most recent year	11%	11%	4%
Most recent 3 years	10%	10%	2%
Most recent 5 years	10%	10%	1%
Most recent 10 years	17%	17%	9%

5.4 Insurer profit

Table 5.2 provides the range of estimated profit margin by underwriting year, showing the maximum and minimum margins estimated for individual insurers.

Table 5.2 – Range of insurer profit margins by underwriting year

Underwriting period	Scheme margin	Highest insurer margin	Lowest insurer margin
2019	11%	27%	-2%
2020	7%	29%	-5%
2021	6%	16%	-1%
2022	12%	22%	3%
2023	11%	23%	0%
Average 2019-2023	10%	22%	-1%
Average 2021-2023	10%	20%	1%

Note: the average highest and lowest insurer profit margins reflect the individual results by underwriting year and may average across yearly results of different insurers.

Table 5.2 shows that profitability has varied considerably among individual insurers over the past 5 years, with a gap of 24%, on average, between the highest and lowest estimated insurer margins.

6 Reconciliation

In this section we reconcile:

- The Scheme all-class retrospective profit margin with the profit margin assumed by MAIC when setting the floor and ceiling
- The Scheme all-class retrospective profit margin with the corresponding Scheme all-class retrospective profit margin from the previous report.

We also show how the estimated profit by underwriting year has changed over the last few measurement years.

6.1 Reconciliation to the profit margin assumed by MAIC

Table 6.1 shows the reconciliation between the retrospective profit margin for all classes with the profit margin assumed by MAIC when setting the floor and ceiling. The table quantifies the following seven change categories:

Actuarial assumptions

1. **Claim frequency deviation** – the change in profit resulting from a difference between the claim frequency expected at underwriting and the current expected claim frequency (actual and the latest forecast adjusted for COVID-19).
2. **Average claim size deviation** – the change in profit resulting from a difference between the average claim size expected at underwriting and the current expected average claim size (actual and the latest forecast).

Other factors

3. **Economic assumptions**, which is the combined effect of:
 - **Advised AWE** – the change in profit resulting from the difference between the single-rate AWE rate advised by Taylor Fry prior to underwriting and the current wage inflation (actual and the latest forecast)
 - **Yields** – the change in profit resulting from the change between the Government bond yield curve at the time MAIC sets the floor and ceiling and the Government bond yield curve at the end of the underwriting quarter
 - **Economic gap** – the change in profit resulting from the difference between the advised gap and the gap MAIC used to set the floor and ceiling.
4. **Superimposed inflation**, which is the combined effect of:
 - **Adopted superimposed inflation** – the change in profit resulting from the difference between the adopted superimposed inflation rate at underwriting and the observed superimposed inflation since underwriting (with a floor of 0% p.a.)
 - **Change in future superimposed inflation** – policies written to 31 March 2017 were priced under a floor/ceiling regime incorporating the assumption that claim payments would experience superimposed inflation (SI) of 2.5% per annum. MAIC revised the allowance for future SI used in the floor/ceiling down to 1% per annum for policies written from 1 April 2017. The future SI allowance was reduced again to 0.5% per annum for underwriting quarters from 1 July 2019 and reduced further to 0% per annum for underwriting quarters from 1 January 2022.

5. **Insurers filing near ceiling** – the additional profit resulting from insurers pricing at or near the ceiling premium rather than at the central estimate premium where the target profit margin is applied.
6. **Loadings deviation** - the change in profit resulting from assumed increase in claim size due to the CLAA and 2012 tax change not emerging. These loadings to premium were removed entirely from the 1 July 2017 underwriting quarter (0% loading for all underwriting periods from 1 July 2017 onwards).
7. **Impacts of COVID-19 and the Eastern Australian floods** – the change in profit resulting from the difference between the current expected claim frequency adjusted to remove the impact of COVID-19 in 2020 and 2021 and the Eastern Australian floods in March 2022, and the current expected claim frequency without adjustments.

Table 6.1 – Reconciliation of profit margin per policy to target profit

UW period	Target profit margin	Actuarial assumptions		Change due to actuarial assumptions	Other factors					Change due to other factors	Total change	Profit margin per policy ⁽¹⁾
		Claim frequency	Average claim size		Economic assumptions	Superimposed inflation	Insurers pricing at the ceiling	Loadings deviation	COVID and floods			
2014	8%	3%	10%	+13%	5%	6%	6%	3%	0%	+19%	+32%	40%
2015	8%	-5%	12%	+7%	3%	8%	6%	2%	0%	+19%	+26%	33%
2016	8%	-11%	12%	+1%	1%	8%	6%	1%	0%	+16%	+17%	25%
2017	8%	-6%	6%	+0%	2%	5%	1%	1%	0%	+9%	+9%	17%
2018	8%	3%	-2%	+1%	-2%	4%	1%	0%	0%	+3%	+4%	12%
2019	8%	10%	-7%	+3%	-6%	3%	1%	0%	3%	+1%	+4%	11%
2020	8%	8%	-8%	-1%	-5%	2%	1%	0%	2%	-0%	-1%	7%
2021	8%	5%	-6%	-1%	-6%	2%	2%	0%	2%	-1%	-2%	6%
2022	8%	9%	-5%	+4%	0%	0%	0%	0%	0%	+0%	+4%	12%
2023	8%	5%	-2%	+3%	1%	0%	0%	0%	0%	+1%	+4%	11%
Most recent 3 years	8%	6%	-4%	+2%	-2%	1%	1%	0%	1%	-0%	+2%	10%
Most recent 5 years	8%	7%	-6%	+2%	-3%	1%	1%	0%	1%	+0%	+2%	10%
Most recent 10 years	8%	2%	1%	+3%	-1%	4%	2%	1%	1%	+7%	+10%	17%

1. As shown in Section 5.3. May not sum due to rounding.

As shown in Table 6.1, over the past three years:

- **Claim frequency** has been lower than allowed for in pricing, resulting in additional profitability of 6%. Experience for underwriting years 2021, 2022 and 2023 has emerged lower than expectations, reflecting the potential impacts of claims farming regulation, low traffic volumes and road safety initiatives.
- **Average claim size** has been higher than allowed for in pricing, resulting in a reduction in profitability of 4%. This is mainly driven by a strengthening in severity profile resulting in a higher average claim size, coupled with higher average claim size experience and a corresponding increase in our estimate of future claim sizes.
- **Economic assumptions** – AWE growth has been higher than forecast at the time of premium setting, with two years of high inflationary conditions and revised higher long-term AWE assumptions, resulting in a reduction in profitability. This is partially offset by an increase in yields.

6.2 Reconciliation to the previous report

Table 6.2 shows the reconciliation between the profit margin and the results from the previous report. We show three changes:

1. **Claim frequency deviation** – the change in profit resulting from a difference between the claim frequency expected at underwriting and the current expected claim frequency (actual and the latest forecast adjusted for COVID-19 and Eastern Australian floods in March 2022)
2. **Wage inflation** – the change between projected wage inflation at the previous report and current projected wage inflation
3. **Average claim size deviation** – the change in profit resulting from a difference between the average claim size in the previous report and the current expected average claim size (actual and the latest forecast)

Table 6.2 – Reconciliation of profit margin per policy to target profit

UW period	Previous report (0% SI)	Changes due to			Insurer average profit margin (0% SI) ⁽¹⁾
		Frequency	Inflation	ACS	
2014	40%	0%	0%	0%	40%
2015	32%	0%	0%	0%	33%
2016	24%	0%	0%	0%	25%
2017	17%	0%	0%	0%	17%
2018	13%	0%	0%	-1%	12%
2019	11%	0%	0%	0%	11%
2020	7%	-1%	1%	0%	7%
2021	5%	0%	1%	0%	6%
2022	9%	3%	1%	-1%	12%
2018 - 2022	9%	1%	1%	-1%	10%

1. As shown in Section 5.3. May not sum due to rounding

Table 6.2 shows that we have observed an **increase in retrospective profitability** on average compared to last year's estimates for underwriting years 2018 to 2022, due to:

- Lower than expected actual wage inflation over 2023 along with a decrease in future inflation projections
- An increase in projected average claim size offset by lower-than-expected claim frequency.

6.3 Uncertainties in the estimated profit margin

Estimates of profit for CTP insurance are subject to considerable degrees of uncertainty due to the dynamic environment. CTP is a long-tailed class and it takes many years before an underwriting quarter's claims cost can be known with a high degree of certainty. Actual results may be materially different from the results presented in this report, particularly for more recent underwriting quarters, because the results are largely based on current model estimates for these quarters.

Table 6.3 shows our assessment of profit for the last few measurement years.

Table 6.3 – Assessments of profit by measurement year

UW year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	(2.5% p.a. SI)		(1% p.a. SI)			(0.5% p.a. SI)		(0.0% p.a. SI)		
2014	24%	28%	38%	41%	41%	40%	39%	40%	40%	40%
2015		18%	32%	37%	36%	34%	32%	32%	32%	33%
2016			25%	26%	25%	25%	26%	25%	24%	25%
2017				14%	17%	17%	21%	19%	17%	17%
2018					10%	12%	20%	16%	13%	12%
2019						5%	18%	13%	11%	11%
2020							16%	10%	7%	7%
2021								4%	5%	6%
2022									9%	12%
2023										11%

Note: The profit estimates use the future superimposed inflation scenario consistent with the allowance for superimposed inflation made by MAIC which was current at the time of measurement.

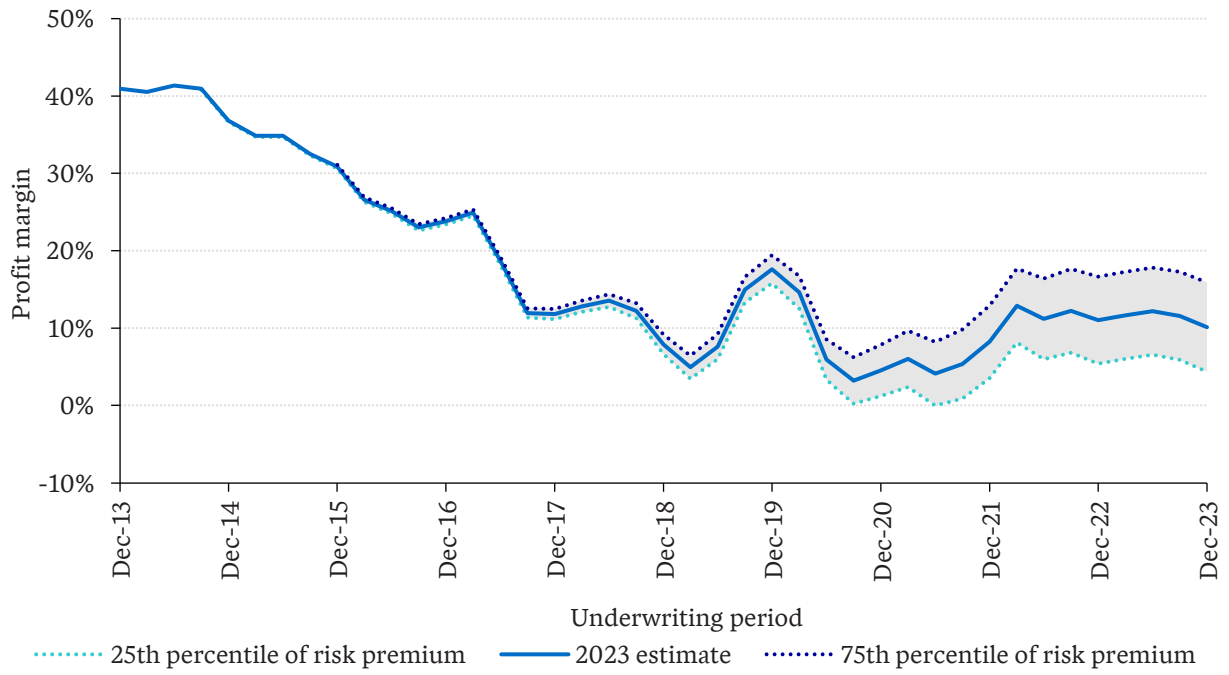
The key points illustrated by this table are:

- Estimates of profitability for each underwriting year have generally stabilised after 5-6 years of development with minor fluctuations due to large claims experience.
- In the early development years for underwriting years prior to 2018, there was a year on year increasing trend in our estimate of profitability driven by a weakening severity profile, a decrease in inflation and a high superimposed inflation estimate built into pricing. For the 2015 and 2016 underwriting years, the early trend was offset by an increasing core claim frequency, albeit with a weakened severity profile, leading to more stable estimates of profitability.
- In this review, our estimates of the profitability of underwriting years prior to 2021 have stayed relatively stable while underwriting years 2021 and 2022 have seen an increase in profitability. The drivers of this increase are explained in Section 6.2.

An implication of this table is that the profit margin estimates for the 2021 and 2022 underwriting years are highly uncertain. This is the result of the fact that for these underwriting years a large proportion of the ultimate claims costs are not yet known and need to be projected. For example, for the 2023 underwriting year, almost all of the claims costs that are expected for this year are not yet known. There is considerable uncertainty in these claim cost forecasts, and it typically takes several years before an underwriting quarter's claims cost can be known with a high degree of certainty.

Figure 6.1 illustrates this uncertainty by showing an approximate 50% confidence interval for scheme retrospective profit. The confidence interval is such that roughly 50% of the time we expect the actual profit margins to fall outside of the interval. The confidence interval narrows as one moves to the left because more of the claims cost has been paid and so the uncertainty is less.

Figure 6.1 – Approximate 50% confidence interval for scheme retrospective profit



7 Reliances and limitations

In producing this report, we have relied on data supplied by MAIC on vehicle registrations, underwritten premium, premium filing and claims data without audit or independent verification. The accuracy of the results is dependent on both the accuracy and completeness of the data provided. However, in the course of the analysis, internal checks have been carried out which would be expected to find gross inconsistencies. None have come to light, and we have accepted the data at face value.

In carrying out this analysis we have made a number of assumptions. For example, we have assumed that the claims handling expense ratio and the acquisition and reinsurance costs included by MAIC in the ceiling calculation are reasonable proxies for the actual expenses. To the extent that this assumption is false, the profit estimates would change.

Our analysis is heavily dependent on our estimates of total claims cost from each accident quarter. These are derived from the Annual Advice and so this report is subject to the same reliances and limitations as that advice.

Due to limitations on data availability, a number of approximations have been made. Should these turn out to be materially inaccurate then our results would also be affected. In particular, our re-calculation of the ceiling premium based on perfect advanced knowledge of the claim frequency is approximate. We have also extrapolated current experience to estimate claim frequency and sizes for a number of future accident quarters to enable us to produce estimates of hindsight premium for underwriting quarters beginning 1 January 2023 to 31 December 2023. Underwriting quarters with exposure after 31 December 2023 are subject to increased uncertainty since they are based on no actual experience, but rather projections based entirely on model assumptions.

In our judgement we have employed techniques and assumptions that are appropriate, and the conclusions presented herein are reasonable given the information currently available. However, it should be recognised that the actual ultimate profit may deviate, perhaps materially, from our estimates.

Detailed judgements about the methodology, analyses, assumptions and estimated profits should be made only after considering this report in its entirety.

The report has been prepared for the Commission for the specific purpose stated in Section 2.3. No reliance should be placed on this report for any other purpose without confirming with us that such a purpose is appropriate. No other distribution of this report to parties outside of the Commission is permitted without the prior written permission of Taylor Fry. This report is to be considered in its entirety, as parts of the report considered in isolation may be misleading. If any part of this report is to be distributed or provided to other parties, then the entire report including all appendices and not excerpts must be distributed or provided.

Appendix A Economic assumptions

A.1 Historical government yields

A.2 Future rates of wage inflation

Appendix A

Appendix A.1 Commonwealth forward rates

Underwriting quarter	1	2	3	4	5	6	7	8	9	10
Dec-14	2.19%	2.13%	2.24%	2.41%	2.64%	2.92%	3.19%	3.43%	3.62%	3.79%
Mar-15	1.71%	1.74%	1.84%	1.99%	2.19%	2.43%	2.71%	2.95%	3.14%	3.27%
Jun-15	1.94%	2.03%	2.26%	2.60%	3.03%	3.41%	3.73%	3.99%	4.18%	4.30%
Sep-15	1.87%	1.94%	2.10%	2.35%	2.67%	3.01%	3.29%	3.53%	3.73%	3.87%
Dec-15	1.98%	2.02%	2.19%	2.46%	2.81%	3.19%	3.50%	3.75%	3.94%	4.06%
Mar-16	1.91%	1.92%	2.04%	2.21%	2.43%	2.64%	2.85%	3.03%	3.21%	3.37%
Jun-16	1.58%	1.53%	1.61%	1.74%	1.90%	2.10%	2.29%	2.47%	2.64%	2.79%
Sep-16	1.56%	1.52%	1.58%	1.69%	1.82%	1.99%	2.19%	2.38%	2.55%	2.71%
Dec-16	1.74%	2.00%	2.29%	2.56%	2.82%	3.06%	3.29%	3.50%	3.69%	3.87%
Mar-17	1.63%	1.94%	2.23%	2.51%	2.76%	3.00%	3.21%	3.41%	3.59%	3.75%
Jun-17	1.68%	1.95%	2.20%	2.44%	2.66%	2.87%	3.07%	3.25%	3.41%	3.56%
Sep-17	1.83%	2.14%	2.41%	2.67%	2.90%	3.11%	3.31%	3.49%	3.64%	3.78%
Dec-17	1.93%	2.14%	2.34%	2.53%	2.70%	2.87%	3.02%	3.16%	3.29%	3.41%
Mar-18	2.06%	2.35%	2.58%	2.75%	2.89%	2.99%	3.08%	3.16%	3.23%	3.31%
Jun-18	1.96%	2.08%	2.23%	2.39%	2.57%	2.74%	2.90%	3.04%	3.16%	3.25%
Sep-18	1.97%	2.15%	2.31%	2.47%	2.61%	2.74%	2.87%	2.98%	3.08%	3.17%
Dec-18	1.68%	1.68%	1.76%	1.90%	2.09%	2.30%	2.51%	2.70%	2.86%	2.97%
Mar-19	1.06%	1.03%	1.15%	1.34%	1.52%	1.68%	1.82%	1.94%	2.04%	2.13%
Jun-19	0.74%	0.61%	0.66%	0.79%	0.93%	1.05%	1.16%	1.26%	1.34%	1.42%
Sep-19	0.78%	0.74%	0.86%	1.07%	1.29%	1.44%	1.54%	1.62%	1.70%	1.78%
Dec-19	0.78%	0.41%	0.49%	0.65%	0.83%	0.97%	1.07%	1.16%	1.25%	1.35%
Mar-20	0.23%	0.16%	0.42%	0.83%	1.24%	1.50%	1.60%	1.68%	1.76%	1.84%
Jun-20	0.24%	0.12%	0.40%	0.88%	1.35%	1.62%	1.71%	1.76%	1.82%	1.87%
Sep-20	0.12%	0.21%	0.41%	0.66%	0.90%	1.11%	1.30%	1.47%	1.63%	1.77%
Dec-20	0.05%	0.22%	0.74%	1.66%	2.31%	2.58%	2.72%	2.85%	2.98%	3.09%
Mar-21	-0.01%	0.18%	0.82%	1.84%	2.16%	2.32%	2.53%	2.73%	2.90%	3.04%
Jun-21	0.01%	0.23%	0.82%	1.28%	1.46%	1.59%	1.73%	1.87%	2.01%	2.14%
Sep-21	0.67%	1.30%	1.82%	2.10%	2.21%	2.32%	2.44%	2.56%	2.69%	2.81%
Dec-21	1.13%	2.08%	2.48%	2.45%	2.36%	2.36%	2.41%	2.50%	2.61%	2.74%
Mar-22	3.22%	3.68%	3.63%	3.62%	3.65%	3.71%	3.79%	3.88%	3.97%	4.04%
Jun-22	3.21%	3.47%	3.55%	3.64%	3.73%	3.83%	3.93%	4.02%	4.10%	4.17%
Sep-22	3.16%	3.27%	3.44%	3.59%	3.70%	3.79%	3.88%	3.97%	4.09%	4.22%
Dec-22	3.44%	3.27%	3.34%	3.55%	3.73%	3.88%	4.01%	4.11%	4.20%	4.26%
Mar-23	3.75%	3.39%	3.45%	3.62%	3.76%	3.88%	3.99%	4.10%	4.24%	4.39%
Jun-23	3.86%	3.68%	3.73%	3.94%	4.15%	4.33%	4.48%	4.60%	4.70%	4.77%
Sep-23	4.12%	3.84%	3.88%	4.20%	4.50%	4.71%	4.85%	4.94%	4.98%	5.00%
Dec-23	3.72%	3.57%	3.72%	3.98%	4.23%	4.45%	4.63%	4.76%	4.86%	4.92%

Notes: These are 1-year forward rates extracted from yields on Commonwealth bonds quoted at the end of the underwriting quarter

Appendix A

Appendix A. 2 Future rates of wage inflation

Quarter	QLD AWE	Inflation rate p.a.
Dec-23	1,414.59	
Mar-24	1,430.77	4.64%
Jun-24	1,447.04	4.50%
Sep-24	1,462.59	4.26%
Dec-24	1,477.55	4.07%
Mar-25	1,492.07	3.91%
Jun-25	1,506.20	3.80%
Sep-25	1,520.12	3.72%
Dec-25	1,533.99	3.69%
Mar-26	1,547.91	3.68%
Jun-26	1,561.98	3.70%
Sep-26	1,576.25	3.69%
Dec-26	1,590.57	3.68%
Mar-27	1,604.96	3.68%
Jun-27	1,619.56	3.70%
Sep-27	1,634.37	3.72%
Dec-27	1,649.40	3.74%
Mar-28	1,664.64	3.75%
Jun-28	1,680.06	3.76%
Sep-28	1,695.66	3.77%
Dec-28	1,711.41	3.77%
Mar-29	1,727.29	3.76%
Jun-29	1,743.28	3.75%
Sep-29	1,759.37	3.74%
Dec-29	1,775.55	3.72%
Mar-30	1,791.80	3.70%
Jun-30	1,808.12	3.68%
Sep-30	1,824.51	3.67%
Dec-30	1,840.97	3.65%
Mar-31	1,857.51	3.64%
Jun-31	1,874.13	3.62%
Sep-31	1,890.85	3.61%
Dec-31	1,907.68	3.60%
Mar-32	1,924.62	3.60%
Jun-32	1,941.69	3.59%
Sep-32	1,958.89	3.59%
Dec-32	1,976.24	3.59%
Mar-33	1,993.74	3.59%
Jun-33	2,011.40	3.59%
Sep-33	2,029.22	3.59%
& later		

Notes: Queensland forecasts from Taylor Fry inflation model for December 2023

Appendix B Ultimate incurred costs

B.1 Historical finalised uninflated claim payments (gross of ITC/DAM)

B.2 Outstanding claims liability uninflated/undiscounted (gross of ITC /DAM)

Appendix B

Appendix B.1 Historical finalised uninflated claim payments (gross of ITC/DAM)

Accident quarter	Development (\$ millions)																																					
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36 Later	
Dec-14	0.2	0.9	2.6	2.3	8.7	9.8	16.3	13.4	14.0	9.4	7.8	8.6	10.3	8.7	12.2	4.2	6.8	1.0	5.8	5.4	0.7	1.3	1.2	0.0	0.5	0.0	0.1	0.0	2.1	1.7	0.6	-0.4	0.0	0.0	1.2	0.0	0.0	
Mar-15	0.1	0.9	1.5	4.7	7.3	16.1	12.7	19.1	10.1	11.5	9.3	8.1	8.1	7.2	4.9	4.5	5.8	5.2	4.1	15.3	1.6	2.1	0.4	0.4	0.3	2.6	0.6	0.3	0.1	0.9	1.0	1.0	0.1	0.0	0.9	0.4		
Jun-15	0.2	1.4	2.3	3.7	8.5	13.8	14.1	17.4	14.0	10.5	19.3	10.9	11.1	5.3	6.7	9.8	7.1	5.2	7.0	3.7	2.8	1.6	2.2	0.6	1.9	3.0	0.7	0.0	1.2	0.8	0.2	0.7	0.1	0.0	0.0			
Sep-15	0.2	1.6	1.9	5.7	7.7	14.1	12.0	16.1	9.9	16.9	20.3	9.5	6.9	11.1	6.1	6.7	6.6	4.6	3.0	10.3	5.4	4.0	0.8	1.3	9.6	6.1	0.4	1.7	3.1	0.1	0.0	0.0	0.3	0.1				
Dec-15	0.2	1.3	2.0	3.5	6.7	9.4	18.3	12.9	13.4	9.3	11.9	12.7	10.8	6.1	5.4	6.8	4.6	11.6	5.1	4.8	9.2	5.1	2.6	3.8	3.0	0.6	1.6	1.1	1.8	0.1	1.2	0.0	0.0					
Mar-16	0.2	1.3	2.2	4.2	6.6	13.7	16.5	15.3	21.6	12.8	10.1	12.7	8.9	4.9	8.1	2.2	6.3	2.4	2.4	3.2	3.4	3.2	0.3	0.8	1.3	1.1	1.5	0.4	0.5	0.0	0.8	0.0						
Jun-16	0.2	1.4	2.4	3.1	8.7	14.0	15.7	13.9	17.6	13.2	13.1	11.7	8.0	7.8	10.5	4.8	6.0	12.5	5.1	2.1	5.2	2.9	4.0	2.1	1.0	1.6	0.1	0.7	14.3	0.0	0.0							
Sep-16	0.2	1.1	1.5	4.4	8.8	16.5	15.3	16.5	18.2	12.9	7.7	14.5	10.7	8.3	8.9	6.4	8.0	3.8	7.9	3.1	3.4	1.6	0.5	2.2	2.3	2.0	1.1	0.4	1.8	0.5								
Dec-16	0.2	1.4	1.9	3.3	8.6	14.5	24.3	17.9	14.3	16.7	12.1	9.4	10.0	5.8	6.7	6.7	6.5	10.0	5.4	8.3	9.3	1.5	4.9	2.2	2.9	0.7	1.3	1.2	2.0									
Mar-17	0.2	1.1	2.0	3.2	7.6	17.6	16.1	14.4	12.5	18.4	12.5	13.9	7.9	6.7	8.8	9.2	8.9	8.0	6.3	3.1	2.8	4.4	2.2	0.6	0.3	5.3	2.1	0.7										
Jun-17	0.1	1.3	2.0	2.4	9.3	15.0	18.8	16.4	18.3	13.6	12.6	8.6	9.5	6.8	12.3	5.9	4.9	6.3	3.8	2.6	7.5	0.9	3.9	1.7	5.4	1.1	0.2											
Sep-17	0.1	0.9	1.5	3.4	7.5	15.3	13.5	20.2	13.9	15.3	13.2	11.7	11.4	8.6	5.8	7.6	9.2	4.0	3.9	6.5	3.7	1.9	1.4	2.8	1.2	1.3												
Dec-17	0.1	0.8	1.5	2.8	7.5	17.5	16.5	16.9	12.0	10.6	15.6	9.7	11.2	8.6	10.0	3.7	8.5	3.8	5.7	3.3	5.5	3.0	0.9	2.1	0.8													
Mar-18	0.1	1.2	1.6	3.0	5.6	15.1	16.6	18.0	11.1	11.2	10.3	14.3	12.2	12.7	11.4	10.5	6.6	8.6	4.1	5.3	3.0	6.6	2.2	1.1														
Jun-18	0.1	1.0	1.8	3.0	8.6	14.0	13.1	13.4	14.4	14.9	17.6	16.1	12.2	13.3	12.9	11.8	10.6	9.1	5.7	4.0	4.4	6.8	6.4															
Sep-18	0.1	1.0	1.8	3.6	9.1	12.7	14.1	15.3	10.7	14.2	15.9	15.7	14.5	15.2	12.2	9.2	7.2	4.0	6.0	3.0	2.4	3.7																
Dec-18	0.1	0.9	1.9	3.2	6.2	10.3	14.6	10.5	17.3	11.7	13.9	12.0	13.2	11.6	14.0	8.4	8.8	6.3	7.0	5.5	3.9																	
Mar-19	0.2	1.2	1.9	2.6	4.8	12.3	11.9	13.5	10.5	14.9	10.2	17.4	13.9	14.1	7.5	11.7	8.3	8.0	5.2	2.9																		
Jun-19	0.2	1.4	2.0	2.4	6.9	9.9	15.0	12.3	14.7	16.0	15.1	9.5	14.3	9.6	10.6	10.7	7.6	6.9	6.3																			
Sep-19	0.2	1.2	1.8	3.0	6.0	15.3	11.9	14.9	15.1	18.5	13.7	17.1	11.9	13.2	8.9	8.1	8.3	7.3																				
Dec-19	0.2	0.9	1.7	3.0	9.3	10.5	16.1	13.4	14.9	10.3	15.7	11.6	14.9	7.7	12.9	8.2	5.6																					
Mar-20	0.1	0.8	1.4	2.1	3.9	10.5	13.7	12.1	11.4	11.6	12.3	17.8	10.7	10.5	7.5	5.0																						
Jun-20	0.1	0.7	1.4	1.5	4.3	7.6	13.0	14.5	13.9	8.8	11.0	8.0	11.0	7.9	5.8																							
Sep-20	0.1	1.2	1.8	2.1	5.8	12.9	15.8	19.2	11.5	16.8	10.9	14.9	9.6	9.5																								
Dec-20	0.2	1.1	1.6	2.3	8.0	12.6	22.3	14.5	17.9	11.8	12.8	17.0	13.4																									
Mar-21	0.2	1.0	1.6	2.6	6.2	19.6	13.4	17.0	15.0	15.2	15.0	16.0																										
Jun-21	0.2	1.2	1.7	2.3	10.4	13.5	21.4	13.9	15.4	17.0	12.7																											
Sep-21	0.2	1.1	1.4	3.4	5.2	15.4	16.6	14.6	12.6	14.0																												
Dec-21	0.2	1.0	1.4	2.5	7.7	13.4	19.1	15.4	11.8																													
Mar-22	0.2	1.0	1.2	2.4	5.5	16.1	16.1	14.7																														
Jun-22	0.2	1.0	1.5	2.3	8.6	14.8	18.0																															
Sep-22	0.3	1.1	1.0	3.0	7.8	14.5																																
Dec-22	0.3	0.7	1.5	2.3	7.8																																	
Mar-23	0.2	0.6	1.1	2.4																																		
Jun-23	0.3	1.0	1.7																																			
Sep-23	0.3	1.1																																				
Dec-23	0.3																																					

Notes: Sourced from the PIR system as at 31 December 2023 (as supplied by MAIC)

Appendix C Modelled Scheme relativities

C.1 Modelled Scheme frequency relativities by accident period

C.2 Modelled Scheme size relativities by accident period

Appendix C

Appendix C.1 Modelled Scheme frequency relativities by accident period

Class	Frequency relativities by accident year										Exposures by accident year									
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
1	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	2,630,759	2,682,781	2,738,530	2,785,016	2,821,602	2,855,719	2,917,808	2,977,982	3,045,200	3,129,393
2	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	14,417	15,109	15,673	16,379	16,866	17,377	18,061	19,037	20,003	21,280
3	1577%	1577%	1577%	1577%	1577%	1577%	1577%	1577%	1577%	1577%	2,712	2,699	2,638	2,649	2,608	2,483	2,063	2,085	2,344	2,472
4	159%	159%	159%	159%	159%	159%	159%	159%	159%	159%	41,928	39,883	41,894	43,780	50,287	50,352	37,003	43,657	53,633	58,957
5	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	24,088	25,696	27,343	29,193	31,571	34,400	36,225	37,712	39,414	41,791
6	102%	104%	106%	107%	109%	109%	109%	109%	109%	109%	786,403	811,452	837,849	869,093	900,592	928,602	964,853	1,006,218	1,051,400	1,100,649
7	315%	315%	315%	315%	298%	298%	298%	298%	298%	298%	75,260	73,939	73,782	75,742	78,216	79,608	81,014	84,597	88,146	92,380
8	135%	135%	135%	135%	135%	135%	135%	135%	135%	135%	5,592	5,729	5,781	5,830	5,842	5,886	6,117	6,261	6,301	6,318
9	152%	152%	152%	152%	152%	152%	152%	152%	152%	152%	3,686	3,722	3,731	3,846	3,909	3,953	4,025	4,105	4,111	4,172
10A	467%	467%	467%	467%	467%	467%	467%	467%	467%	467%	2,683	2,648	2,598	2,646	2,713	2,773	2,445	2,572	2,705	2,776
10B	1854%	1854%	1854%	1854%	1854%	1854%	1854%	1854%	1854%	1854%	2,152	2,147	2,170	2,218	2,188	2,235	2,260	2,272	2,353	2,425
11	426%	401%	378%	356%	335%	316%	316%	316%	316%	316%	6,805	6,617	6,470	6,647	6,777	6,554	5,814	6,043	6,538	6,799
12	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	64,824	70,808	78,389	83,129	87,194	90,928	98,655	103,997	108,197	109,235
13	26%	25%	24%	24%	24%	24%	24%	24%	24%	24%	126,235	125,915	125,972	125,055	123,970	122,224	123,230	123,627	124,510	127,681
14	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	24,901	24,896	24,996	25,136	25,194	25,187	25,313	25,622	26,000	26,058
15	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%	7,652	7,262	6,869	6,648	6,657	6,641	6,624	6,674	6,804	6,981
16	243%	243%	243%	243%	243%	243%	243%	243%	243%	243%	1,068	1,087	1,063	1,137	1,134	1,149	1,193	1,212	1,301	1,316
17	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	38,074	38,197	38,715	38,795	38,542	38,427	38,554	38,750	39,132	39,045
18																				
19	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	43,424	44,128	44,967	46,420	48,160	48,701	49,337	51,649	54,426	57,035
20	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	11,777	11,802	11,731	11,856	12,064	12,187	12,525	13,006	13,302	13,517
21	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	9,191	8,873	8,740	8,687	8,670	8,714	8,795	9,091	9,239	9,425
22																				
23	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	5,805	5,998	6,029	6,043	6,146	6,163	6,357	6,617	6,778	7,017
24	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	2,807	2,843	3,392	3,507	3,909	4,371	4,722	5,572	6,445	7,732
25																				
26				391%	391%	391%	391%	391%	391%	391%				5,890	15,732	18,144	15,919	14,211	15,093	17,840

Notes: Sourced from the Annual Advice

Appendix C

Appendix C. 2 Modelled Scheme size relativities by accident period

Class	Size relativities by accident year										Number of claims by accident year									
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
1	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	4,470	4,605	4,938	5,553	5,462	5,198	4,458	4,964	4,390	4,117
2	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	6	9	6	11	8	5	9	13	6	9
3	74%	74%	74%	74%	74%	74%	74%	74%	74%	74%	78	106	73	87	89	77	53	34	40	36
4	122%	122%	122%	122%	122%	122%	122%	122%	122%	122%	143	111	135	139	138	125	105	90	94	106
5	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%	2				4	2	3	2	6	4
6	117%	115%	113%	112%	112%	112%	112%	112%	112%	112%	1,298	1,410	1,421	1,830	1,824	1,788	1,567	1,722	1,652	1,584
7	132%	132%	132%	132%	132%	132%	132%	132%	132%	132%	396	397	387	485	499	448	343	398	348	389
8	129%	129%	129%	129%	129%	129%	129%	129%	129%	129%	16	21	13	16	18	8	6	23	9	3
9	107%	107%	107%	107%	107%	107%	107%	107%	107%	107%	7	20	8	14	12	8	10	3	12	4
10A	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%	16	40	22	24	28	23	12	8	20	10
10B	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	67	72	53	96	90	71	60	63	53	68
11	117%	117%	117%	117%	117%	117%	117%	117%	117%	117%	56	47	57	65	44	45	34	22	24	25
12	173%	173%	173%	173%	173%	173%	173%	173%	173%	173%	14	8	26	18	22	17	31	23	22	22
13	182%	182%	182%	182%	182%	182%	182%	182%	182%	182%	65	49	48	47	59	40	56	32	58	46
14	155%	155%	155%	155%	155%	155%	155%	155%	155%	155%	2	3	2		1	3	3	1	3	
15	209%	209%	209%	209%	209%	209%	209%	209%	209%	209%	14	8	11	24	7	9	13	7	13	8
16	83%	83%	83%	83%	83%	83%	83%	83%	83%	83%	5	3	7	6	7	3	2	1	2	3
17	175%	175%	175%	175%	175%	175%	175%	175%	175%	175%	18	25	19	14	21	39	17	25	15	8
18																				
19	222%	222%	222%	222%	222%	222%	222%	222%	222%	222%	2	11	18	10	6	5	7	10	9	6
20	72%	72%	72%	72%	72%	72%	72%	72%	72%	72%		3				2				
21	202%	202%	202%	202%	202%	202%	202%	202%	202%	202%	2	1					1	1	2	
22												2	1				5			
23	121%	121%	121%	121%	121%	121%	121%	121%	121%	121%	1	3		1	2	7	2	3	2	
24	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%				2		1	1			
25																				
26				86%	86%	86%	86%	86%	86%	86%					49	87	120	120	74	84

Notes: Sourced from the Annual Advice
Does not include adjustment for NISQ

Appendix D MAIC's pricing assumptions

D.1 MAIC's pricing assumptions used to set floor and ceiling premiums

Appendix D

Appendix D. 1 MAIC's pricing assumptions used to set floor and ceiling premiums

Underwriting quarter	Scheme average premium (\$, excluding GST, levies)		Claims handling expenses	Acquisition Costs (\$)	Reinsurance Cost (\$)	ANTS Impact	Profit margin	Insurer average filed gross premium (\$)
	Floor	Ceiling						
Dec-14	256.07	292.69	5.50%	6.99	4.34	-9.1%	7.8%	292.23
Mar-15	253.86	292.27	5.50%	6.99	4.34	-9.1%	7.8%	291.81
Jun-15	253.59	291.98	5.50%	6.99	4.34	-9.1%	7.8%	287.80
Sep-15	246.76	285.17	5.50%	7.99	4.34	-9.1%	7.8%	283.35
Dec-15	247.78	285.21	5.50%	7.99	4.34	-9.1%	7.8%	284.83
Mar-16	244.46	284.73	5.50%	7.99	4.33	-9.1%	7.8%	284.34
Jun-16	251.28	291.55	5.50%	7.99	4.33	-9.1%	7.8%	291.17
Sep-16	244.01	284.23	5.50%	7.99	4.33	-9.1%	7.8%	284.23
Dec-16	228.03	252.37	5.74%	7.99	1.71	-9.1%	7.8%	252.37
Mar-17	227.47	251.77	5.74%	7.99	1.71	-9.1%	7.8%	250.88
Jun-17	213.26	236.64	5.74%	7.99	1.71	-9.1%	7.8%	236.64
Sep-17	203.91	222.14	5.74%	7.99	1.71	-9.1%	7.8%	222.14
Dec-17	204.69	222.97	5.74%	7.99	1.71	-9.1%	7.8%	222.97
Mar-18	207.62	225.89	6.25%	7.99	1.71	-9.1%	7.8%	225.89
Jun-18	207.28	225.53	6.25%	7.99	1.71	-9.1%	7.8%	225.53
Sep-18	200.41	218.67	6.25%	7.99	1.71	-9.1%	7.8%	218.67
Dec-18	195.95	213.27	6.25%	7.99	1.71	-9.1%	7.8%	213.27
Mar-19	191.03	208.33	6.25%	7.99	1.71	-9.1%	7.8%	208.33
Jun-19	190.83	208.10	6.25%	7.99	1.71	-9.1%	7.8%	208.10
Sep-19	200.29	218.71	6.25%	9.98	1.73	-9.1%	7.8%	218.71
Dec-19	207.79	226.20	6.25%	9.98	1.72	-9.1%	7.8%	226.20
Mar-20	206.29	225.58	6.25%	9.98	1.72	-9.1%	7.8%	225.58
Jun-20	200.85	218.28	6.25%	9.97	1.72	-9.1%	7.8%	218.28
Sep-20	204.73	221.46	6.25%	9.98	1.74	-9.1%	7.8%	221.46
Dec-20	198.99	221.52	6.25%	9.98	1.74	-9.1%	7.8%	221.52
Mar-21	198.67	221.21	6.25%	9.98	1.74	-9.1%	7.8%	221.21
Jun-21	191.77	213.37	6.25%	9.98	1.74	-9.1%	7.8%	213.37
Sep-21	189.40	207.10	6.25%	9.98	-	-9.1%	7.8%	207.10
Dec-21	193.71	209.35	6.25%	9.98	-	-9.1%	7.8%	209.35
Mar-22	195.22	210.85	6.25%	9.98	-	-9.1%	7.8%	210.81
Jun-22	194.47	211.03	6.25%	9.98	-	-9.1%	7.8%	210.99
Sep-22	199.83	215.48	6.75%	7.98	-	-9.1%	7.8%	215.46
Dec-22	198.73	215.30	6.75%	7.98	-	-9.1%	7.8%	215.28
Mar-23	200.92	217.53	6.75%	7.98	-	-9.1%	7.8%	217.51
Jun-23	202.08	217.74	6.75%	7.99	-	-9.1%	7.8%	217.72
Sep-23	200.05	216.61	7.00%	7.99	-	-9.1%	7.8%	216.59
Dec-23	200.27	216.84	7.00%	7.99	-	-9.1%	7.8%	216.82

Notes: Supplied by MAIC

Appendix E Comparison of estimates

E.1 Hindsight estimation of all class risk premiums based on data to 31 December 2023

E.2 Hindsight estimation of all class profitability based on data to 31 December 2023

Appendix E

Appendix E. 1 Hindsight estimation of all-class premiums based on data to 31 December 2023

Underwriting quarter	Scheme Frequency	Scheme Average size (\$)	Profit Margin	0% p.a. superimposed inflation				Hindsight Premium (\$)
				Net RP (\$)	CHE (\$)	Acquisition Costs (\$)	Reinsurance Costs (\$)	
Dec-14	0.181%	99,136	7.75%	163.51	9.89	6.99	4.34	200.27
Mar-15	0.182%	101,782	7.75%	168.61	10.20	6.99	4.34	206.12
Jun-15	0.183%	99,652	7.75%	166.12	10.05	6.99	4.34	203.25
Sep-15	0.186%	99,680	7.75%	168.77	10.21	7.99	4.34	207.39
Dec-15	0.195%	98,216	7.75%	174.02	10.53	7.99	4.34	213.41
Mar-16	0.204%	100,090	7.75%	185.19	11.20	7.99	4.33	226.26
Jun-16	0.207%	102,854	7.75%	193.92	11.73	7.99	4.33	236.28
Sep-16	0.210%	101,929	7.75%	194.69	11.78	7.99	4.33	237.17
Dec-16	0.207%	91,482	7.75%	171.74	10.84	7.99	1.71	208.44
Mar-17	0.202%	91,591	7.75%	168.02	10.61	7.99	1.71	204.15
Jun-17	0.203%	92,907	7.75%	171.82	10.85	7.99	1.71	208.52
Sep-17	0.204%	94,471	7.75%	174.87	11.04	7.99	1.71	212.03
Dec-17	0.201%	96,190	7.75%	175.85	11.10	7.99	1.71	213.18
Mar-18	0.200%	96,464	7.75%	175.19	12.04	7.99	1.71	213.48
Jun-18	0.196%	97,317	7.75%	173.36	11.92	7.99	1.71	211.36
Sep-18	0.192%	97,526	7.75%	170.49	11.72	7.99	1.71	208.03
Dec-18	0.190%	101,373	7.75%	174.71	12.01	7.99	1.71	212.92
Mar-19	0.184%	105,219	7.75%	176.24	12.12	7.99	1.71	214.69
Jun-19	0.172%	109,016	7.75%	170.86	11.75	7.99	1.71	208.45
Sep-19	0.162%	110,815	7.75%	163.07	11.21	9.98	1.73	201.61
Dec-19	0.159%	113,092	7.75%	163.46	11.24	9.98	1.72	202.06
Mar-20	0.161%	115,505	7.75%	169.24	11.64	9.98	1.72	208.75
Jun-20	0.170%	117,061	7.75%	181.16	12.45	9.97	1.72	222.56
Sep-20	0.175%	119,014	7.75%	189.54	13.03	9.98	1.74	232.29
Dec-20	0.173%	118,906	7.75%	186.93	12.85	9.98	1.74	229.27
Mar-21	0.168%	120,083	7.75%	183.54	12.62	9.98	1.74	225.34
Jun-21	0.162%	122,317	7.75%	180.48	12.41	9.98	1.74	221.80
Sep-21	0.161%	119,092	7.75%	174.09	11.97	9.98	-	212.50
Dec-21	0.160%	117,153	7.75%	170.40	11.71	9.98	-	208.23
Mar-22	0.159%	112,088	7.75%	162.46	11.17	9.98	-	199.04
Jun-22	0.160%	114,229	7.75%	165.98	11.41	9.98	-	203.11
Sep-22	0.159%	116,619	7.75%	168.64	12.52	7.98	-	205.03
Dec-22	0.159%	118,475	7.75%	170.88	12.69	7.98	-	207.64
Mar-23	0.159%	118,913	7.75%	171.43	12.73	7.98	-	208.29
Jun-23	0.158%	118,450	7.75%	170.54	12.66	7.99	-	207.25
Sep-23	0.158%	118,344	7.75%	170.40	13.12	7.99	-	207.60
Dec-23	0.159%	120,307	7.75%	173.51	12.88	7.98	-	210.70

Notes: Net risk premium excludes GST
Hindsight premium includes profit loading

Appendix E

Appendix E. 2 Hindsight estimation of all-class profitability based on data to 31 December 2023

Underwriting quarter	0% p.a. superimposed inflation							
	Floor	Ceiling	MAIC Central Estimate	Average	Floor (\$)	Ceiling (\$)	MAIC Central Estimate	Average (\$)
Dec-14	28%	37%	33%	37%	71.33	107.94	89.93	107.49
Mar-15	25%	35%	30%	35%	63.71	102.12	82.43	101.67
Jun-15	26%	36%	31%	35%	66.09	104.49	84.81	100.31
Sep-15	22%	33%	28%	32%	55.45	93.86	74.22	92.04
Dec-15	21%	31%	26%	31%	50.91	88.34	69.67	87.96
Mar-16	15%	27%	21%	27%	35.74	76.01	54.49	75.62
Jun-16	13%	25%	19%	25%	33.32	73.58	52.07	73.20
Sep-16	10%	23%	17%	23%	25.22	65.44	43.94	65.44
Dec-16	16%	24%	22%	24%	35.74	60.08	54.29	60.08
Mar-17	17%	25%	23%	25%	39.14	63.44	57.65	62.55
Jun-17	10%	19%	17%	19%	20.90	44.28	38.48	44.28
Sep-17	4%	12%	11%	12%	8.31	26.54	24.59	26.54
Dec-17	4%	12%	11%	12%	8.03	26.31	24.36	26.31
Mar-18	5%	13%	12%	13%	10.68	28.96	27.00	28.96
Jun-18	6%	14%	13%	14%	12.30	30.55	28.80	30.55
Sep-18	4%	12%	11%	12%	8.50	26.76	24.76	26.76
Dec-18	0%	8%	7%	8%	0.47	16.84	14.86	16.84
Mar-19	-4%	5%	4%	5%	7.03	10.28	8.30	10.28
Jun-19	-1%	8%	7%	8%	1.47	15.81	13.86	15.81
Sep-19	7%	15%	14%	15%	14.30	32.72	30.93	32.72
Dec-19	10%	18%	17%	18%	21.39	39.80	38.01	39.80
Mar-20	7%	15%	14%	15%	13.72	33.00	31.21	33.00
Jun-20	-2%	6%	5%	6%	4.46	12.97	11.18	12.97
Sep-20	-5%	3%	3%	3%	9.56	7.17	7.17	7.17
Dec-20	-6%	5%	2%	5%	12.51	10.02	4.22	10.02
Mar-21	-5%	6%	3%	6%	9.20	13.33	7.53	13.33
Jun-21	-7%	4%	1%	4%	12.84	8.75	2.94	8.75
Sep-21	-4%	5%	4%	5%	6.63	11.07	8.11	11.07
Dec-21	1%	8%	8%	8%	1.62	17.26	17.32	17.26
Mar-22	6%	13%	13%	13%	11.61	27.24	27.29	27.20
Jun-22	4%	11%	11%	11%	7.10	23.66	22.78	23.62
Sep-22	5%	12%	12%	12%	10.68	26.34	26.33	26.32
Dec-22	4%	11%	11%	11%	7.18	23.75	23.76	23.73
Mar-23	4%	12%	12%	12%	8.78	25.38	25.38	25.36
Jun-23	5%	12%	12%	12%	10.89	26.55	26.57	26.53
Sep-23	4%	12%	12%	12%	8.54	25.10	25.10	25.08
Dec-23	3%	10%	10%	10%	5.41	21.98	21.99	21.96

Notes: Derived from previous appendices



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