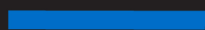




We find the patterns that matter.

# Motor Accident Insurance Commission

Scheme performance: delivery  
and affordability as at  
31 December 2023



11/07/2024



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**TAYLOR FRY**

11 July 2024

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Dear Neil

## Scheme performance: delivery and affordability as at 31 December 2023

This report sets out the details of our measurement of Scheme performance over the year ending 31 December 2023.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Mulquiney'.

**Peter Mulquiney**  
FIAA

A handwritten signature in black ink, appearing to read 'Danielle Ling'.

**Danielle Ling**  
FIAA

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# 1 Executive summary

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## 1.1 Introduction

This report presents two measures of Scheme performance over time:

- **Scheme delivery**, defined as the proportion of Scheme premiums eventually paid as claimant benefits
- **Scheme affordability**, defined as the Scheme premium expressed as a proportion of average weekly earnings.

## 1.2 Definition

### Scheme delivery

In simplified terms, when a premium is paid by the policyholder, it is invested and subsequently used to fund payments to various parties. We have defined the Scheme delivery index as the ratio of projected ultimate payments made to or in respect of claimants, adjusted for investment returns, to the corresponding underwritten premium. Payments to or in respect of claimants include payments made to legal representatives of those claimants. We have excluded payments by the nominal defendant, the nominal defendant levy, and the NIISQ levy from our calculations. Scheme delivery is assessed on an all-classes basis.

We group the payments into different types as tabulated in Table 1.1 below. We also include the projected size of each payment type as a percentage of the Scheme premium to illustrate the individual materiality.

Table 1.1 - Scheme delivery by components

Scheme delivery	Components	Payment types	Proportion of premium - Recent 5 underwriting years
Claimant benefits	Payment to claimants	Care and medical payments	11%
		Economic loss	36%
		General damages	8%
		Other payments (pre-approved costs, legal plaintiff costs, trustee fees and recoveries)	11%
	H & E Levy	Hospital and Emergency Services (H&E) levy	6%
Delivery cost	Insurer profit	Insurer's profit margin	9%
	Legal and investigation costs	Legal defendant costs and insurers' investigation costs	6%
	Admin levies	Statutory Insurance Scheme levy and Queensland Transport Administration fee	4%
	Other costs	Acquisition costs	4%
		Reinsurance costs	0%
		Claim handling expenses (CHE)	5%

On advice from MAIC, we have included Trustee Administration Fees in claimant benefits.

### Scheme affordability

Scheme affordability is shown as the highest filed Class 1 premium expressed as a proportion of Queensland full-time adult persons ordinary time weekly earnings (“average weekly earnings”) as declared by the Australian Bureau of Statistics. Average weekly earnings is consistent with the “affordability index” as calculated by MAIC in accordance with the *Motor Accident Insurance Act 1994*. The affordability index is defined as 45 per cent of average weekly earnings by the Australian Statistician in the original series of the statistician's average weekly earnings publication most recently published. A comparison of the highest filed premium with the affordability index has been regularly reported in MAIC’s annual report over several years.

## 1.3 Methodology

### Scheme delivery

The main technical difficulty in the calculation of the Scheme delivery index is the projection of ultimate payments. We use the same models used to estimate risk premiums in our regular advice to MAIC to

project ultimate payments. In particular, the calculations for this report are very similar to those underlying our report on retrospective profit (subsequently referred to as the “Retrospective Profit Study”) and so our calculation of the Scheme delivery index is subject to the same assumptions and uncertainties inherent in that advice.

### Scheme affordability

We have used the same methodology as shown in MAIC’s annual reports, which is consistent with the *Motor Accident Insurance Act 1994*.

## 1.4 Results

### Scheme delivery

Key insights:

- The Scheme delivery index shows an overall increasing trend between 2014 and 2021. The main driver of this trend is an estimated reduction in insurer profitability, which reversed in 2022.
- The estimates of Scheme delivery index are subject to considerable uncertainties, especially for underwriting year 2023.
- After adjusting for inflation, the proportion of the premium which will eventually be spent on claimant benefits is averaging 73% over the past 5 underwriting years.

Figure 1.1 - Scheme delivery across all vehicle classes

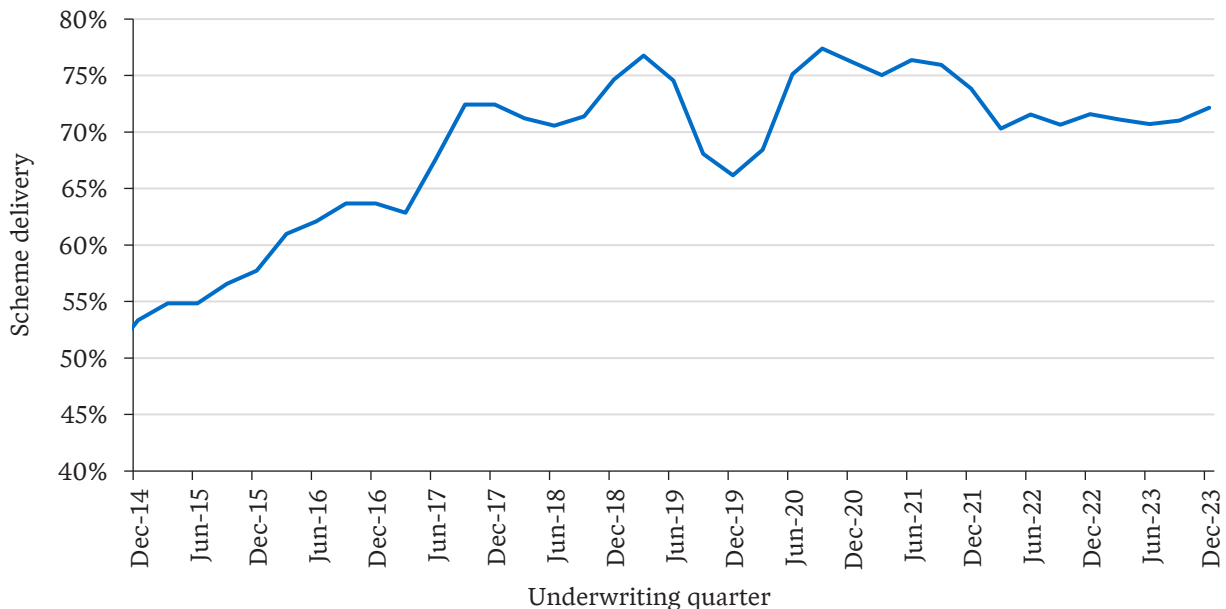


Table 1.2 shows a breakdown of Scheme premiums over each of the last five underwriting years into the proportions that relate to claimant benefits and the proportions that relate to delivery costs.

Table 1.2 Decomposition of Scheme premiums into the main components of claimant benefits and delivery costs

Underwriting period	Claimant benefits			Delivery costs				
	Claim payments	H&E Levy	Total	Profit	Legal and investigation costs	Admin levies	Other	Total
2019	64%	7%	71%	10%	6%	4%	9%	29%
2020	68%	7%	74%	6%	6%	4%	10%	26%
2021	68%	7%	75%	5%	6%	4%	10%	25%
2022	65%	6%	71%	11%	6%	4%	9%	29%
2023	66%	5%	71%	10%	6%	4%	9%	29%
<b>Recent 5 underwriting years</b>	<b>66%</b>	<b>6%</b>	<b>73%</b>	<b>9%</b>	<b>6%</b>	<b>4%</b>	<b>9%</b>	<b>27%</b>

Note: Other costs include acquisition costs, reinsurance costs and claim handling expenses (CHE). Numbers may not sum up exactly due to rounding.

Table 1.2 shows that on average scheme delivery has been 73% over the five most recent underwriting years. Table 1.2 also shows an increasing trend in the scheme delivery to 2021. The main driver of this trend is an estimated reduction in insurer profitability, which is reversed for underwriting years 2022 and 2023. The reduction in the H&E levy share for 2022 and 2023 reflects a 34% reduction in the H&E levy at 1 July 2022. The other components of delivery costs have remained mostly stable.

The estimation of the scheme delivery for recent underwriting years is subject to considerable uncertainty due to the dynamic environment and long-tailed nature of CTP. The estimates include forecasts of how much will be paid in claims costs and the heads of damage under which they will be paid. The results are subject to greater uncertainty for more underdeveloped underwriting periods, especially 2023 because most of the payments for these periods are forecast, rather than actual.

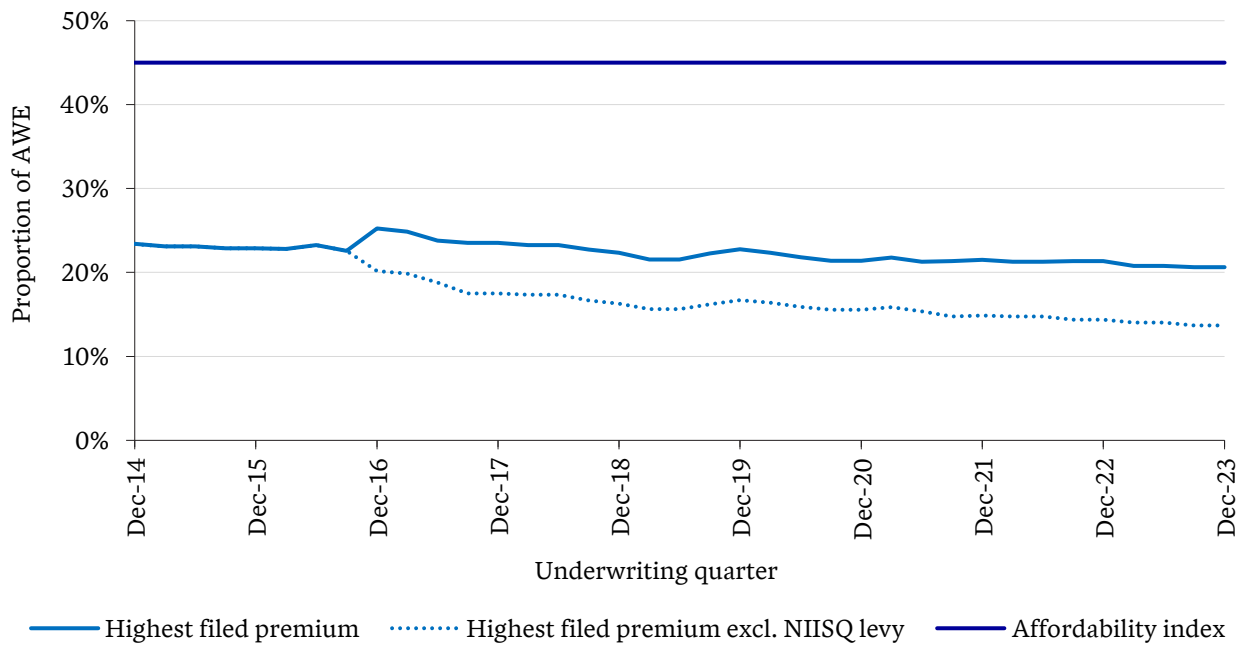
### Scheme affordability

Figure 1.2 shows the affordability index and highest filed premium as a proportion of AWE. For policies underwritten from 1 October 2016, we present the highest filed Class 1 premium including and excluding the NIISQ levy because claims that are covered by the NIISQ do not belong to the CTP scheme.

The highest filed premium has not breached the affordability index. Scheme affordability has improved from 23.4% of average weekly earnings in December 2014 to 20.6% including the NIISQ levy, or 13.7% excluding the NIISQ levy, in December 2023.



Figure 1.2 Highest filed premium and affordability index for Class 1 as proportion of AWE



## 1.5 Legal costs

The claim payments percentages shown in Table 1.2 are inclusive of plaintiff solicitor fees. Due to the confidential cost agreements between Queensland CTP claimants and their solicitors, it is not currently possible to separate all plaintiff solicitor fees from the total claim payments made.

This restricts us from greater insight into the delivery costs of the Scheme and the actual benefit payments made directly to claimants and treatment providers.

## 2 Background and scope

### 2.1 Scheme background

#### 2.1.1 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 vehicle anywhere in Australia. It is underwritten by private licensed insurers.

#### 2.1.2 Relevant legislation

The Motor Accident Insurance Amendment Act 2000 (“the Amendment Act”) took effect from 1 October 2000. This introduced 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 accident periods subject to the Amendment Act, i.e. from October 2000, will be referred to as constituting “the New Scheme”. Earlier accident periods will be referred to as constituting “the Old Scheme”.

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 regulation.

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. From 1 November 2010, many of the claims which would previously have been heard by the District Court will now be 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 has also been amended to require extra information to be provided in the Notice of Accident Claim Form.

## 2.2 Scope of this report

MAIC have requested that Taylor Fry conduct a review of Scheme performance of premiums for the Queensland CTP Scheme. Of particular interest are:

- How the affordability of the Scheme changed over time for Class 1
- How much of the premium is returned to claimants, on average, across all vehicle classes.

This report answers these questions.

We have relied upon our advice given to MAIC on components of the risk premium for CTP insurance policies underwritten in the quarter beginning 1 July 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 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 subsequently as “the Risk Premium report”.

For this report, we have also relied upon our advice given to MAIC in relation to the retrospective profit of QLD CTP premiums of all vehicle classes. This report will be referred to as “the Retrospective Profit Study”.

As agreed with MAIC, we have also excluded any claim cost paid by, or levies associated with, the Nominal Defendant and the National Injury Insurance Scheme Queensland (NIISQ).

As requested by MAIC, the Scheme delivery index is measured on an all-classes basis while Scheme affordability is measured based on Class 1 premiums only.

## 2.3 Previous report

The report titled “*Scheme Performance: delivery and affordability as at 31 December 2022*” dated 12 July 2023 by Peter Mulquiney and Danielle Ling is our previous report, which was based on data to 31 December 2022 (“the Previous Report”).

## 3 Data

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### 3.1 General

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

- The MAIC database, detailing all claims notified under the Act (i.e. since 1 September 1994), as at 31 December 2023
- Numbers of vehicles registered by month from 31 July 2005 to 31 December 2023
- Quarterly floor and ceiling premium rates
- Insurers' rate filings for all vehicle classes
- Levy rates
- Affordability
- Analysis from the Annual Advice and the Retrospective Profit Study.

### 3.2 MAIC database

This provides unit record claim information on all claims, including:

- Date of accident
- Date of notification
- Quarterly claim payment history
- Quarterly claim status (open, closed, re-opened) history
- Quarterly case estimate history
- Injury codes.

### 3.3 Number of vehicles registered

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

### 3.4 Quarterly floor and ceiling premium rates

Quarterly floor and ceiling premium rates were provided by MAIC on 23 January 2024. This information included the underlying assumptions for expenses, profit margin and vehicle class relativities for underwriting periods beginning 1 January 2008 to 1 April 2024.

### 3.5 Insurers' rate filings for all vehicle classes

Insurers' rate filings for all classes were provided by MAIC for the underwriting periods 1 October 2005 to 30 June 2024 on 23 January 2024.

### **3.6 Levy rates**

MAIC has supplied the levy rates charged for each underwriting year since the beginning of the Scheme. This data, provided on 23 January 2024, consists of the dollar amounts charged for the Hospital and Emergency Services levy, Statutory Insurance Scheme levy, Queensland Transport administration fee, the Nominal Defendant levy (inclusive of the HIH levy) and the NIISQ levy for all vehicle classes.

### **3.7 Affordability**

MAIC has supplied the data underlying the affordability index on 23 January 2024. This data consists of the Queensland full-time adult persons ordinary time weekly earnings per calendar quarter and the highest filed Class 1 premium since the December 2000 underwriting quarter.

## 4 Methodology

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### 4.1 Scheme affordability

The calculation of Scheme affordability is straightforward and prescribed by the *Motor Accident Insurance Act 1994, Part 1 3(b) and 4*. We do not discuss the calculation in detail in this report.

### 4.2 Scheme delivery

#### 4.2.1 General

The aim of this exercise is to create an index that tracks, per underwriting quarter, the proportion of average premium collected across all classes that is paid back to, or in respect of, claimants. We refer to the amount of monies paid back to, or in respect of, claimants as “claimant benefits”, while all other payments are referred as “delivery costs”. Payments made to, or in respect of claimants include all claim payments except certain heads of damage and include the hospital and emergency services levy.

Claimant benefits and delivery costs sum to the collected premium, where levies and other Scheme costs are included in premium.

#### 4.2.2 Claimant benefits

As agreed with MAIC, claimant benefits are defined as any monies paid to or on behalf of direct benefit to claimants. Claimant benefits include:

- Aids and appliances
- Past and future care including home care
- Past and future economic loss
- General damages
- Home and vehicle modifications
- Plaintiff legal costs
- Hospital, pharmaceutical and medications
- Pre-approved costs and rehabilitation
- Funeral expenses
- Trustee’s administration costs
- Trustee’s sanction fees
- Recoveries
- Hospital and emergency services levy (H & E levy).

The reason for including each of the above as a claimant benefit is self-explanatory except for the plaintiff legal costs. Our reasons for including these as a benefit are:

- Claimants frequently have solicitor-client cost agreements with their legal representation that entitles them up to 50% of the claim settlement. These agreements, governed by s345-347 of the Legal Professions Act 2007 are confidential and hence not captured by MAIC, as discussed in Section 1.5. As a result, it is difficult to identify the exact amount paid and therefore potentially bias the Scheme delivery index.
- Philosophically, such payments are made in respect of the claimant for services provided to the claimant and are under the control of the claimant.
- As defined above, the Scheme delivery index separates the benefits for claimants versus the cost of delivering the Scheme. By including plaintiff legal costs as a claimant benefit, the definition of delivery costs becomes a cleaner measure of the cost for insurers to administer the Scheme.

### **4.2.3 Delivery costs**

Accordingly, Scheme delivery costs are all other costs, these include:

- Insurer investigation costs
- Defendant legal costs
- Administration costs and other expense costs
- Reinsurance and acquisition costs
- Insurer's claim handling expense (CHE)
- Insurer's profit margin
- Statutory Insurance Scheme levy
- Queensland Transport administration fee.

### **4.2.4 Assumed levies and other Scheme costs**

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

- Claim handling expenses – percentage of risk premium
- Acquisition and reinsurance cost – fixed dollar cost
- Levies – fixed dollar cost
  - Hospital and emergency services levy
  - Statutory Insurance Scheme levy
  - Queensland Transport administration fee.

In our attribution of the Scheme delivery costs between levies, costs and profit we have assumed that the actual levies and costs are incurred at the level assumed by MAIC.

## 4.2.5 Future claim payments

### Future claim payments

We have taken from the Retrospective Profit Study:

- Projections of future claim payments using data and models underlying the most recent Annual Advice
- Estimates of hindsight risk premium.

### Future Superimposed Inflation

As in the Retrospective Profit Study, our central estimate of future claim payments and hindsight risk premium is based on future superimposed inflation (“SI”) of 0% per annum, which is equal to MAIC’s allowance in the calculation of the ceiling and floor premium as at 31 December 2023.

## 4.2.6 Hindsight risk premium

A description of the calculation of the hindsight risk premium can be found in Section 4 of the Retrospective Profit Study. We describe below the significant features of that calculation.

### General

The estimation of the hindsight premium is as follows:

- Hindsight estimates of Scheme claim frequency and claim size by accident quarter are taken from the Risk Premium report
- The claim size estimates are inflated and discounted to the middle of their respective underwriting quarter
- The risk premium is calculated as the product of claim frequency and the average claim size.

### Inflation

Future finalised claim payments have been inflated to the middle of the calendar quarter in which they are projected to be paid using inflation projections sourced from the Annual Advice. Future finalised claim payments are sourced from the Annual Advice.

### 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.

## 4.2.7 Proportion of claimant benefits

The estimation of the proportion of risk premium allocated to claimant benefits is as follows:

- By using the most recently supplied data (as at 31 December 2023) calculate, per accident quarter, the cumulative ratio of claimant benefit claim payments to total claim payments
- Analyse how this ratio develops across successive development quarters (i.e. “*historical development factors*”)
- Select “*future development factors*” that are typical of historical development
- Estimate the “*ultimate ratio*” for each accident quarter by using the selected “*future development factors*”.



We apply the same approach to estimating the proportions of risk premium allocated to specific subcomponents of claimant benefit, which are:

- Care and medical-related costs
- Past and future economic loss
- General damages
- Other claimant benefits such as trustee fee, pre-approved costs, legal defendant costs and recoveries.

After each individual proportion is calculated, we calibrate the sum of the subcomponent proportions to be consistent with the total proportion allocated to claimant benefit.

#### 4.2.8 Calculation of the Scheme delivery index

In algebraic form, the Scheme delivery index, for any given underwriting quarter, is defined as:

$$\frac{\text{Claim payments excluding certain heads of damage + specified premium levies}}{\text{Collected premium (includes levies and other Scheme costs)}}$$

Alternatively:

$$\frac{\text{Claimant benefits}}{\text{Claimant benefits + delivery costs}}$$

The numerator of the index, which we refer to as “claimant benefits”, is calculated by:

- Multiplying the hindsight all-class risk premium from the Retrospective Profit Study by the estimated “ultimate ratio” to calculate the amount of hindsight all class risk premium to be attributed to claimant benefits (for more information of the calculation of the hindsight risk premium, see Section 4 of the Retrospective Profit Study or Appendix B.1)
- Adding in claimant benefit levies (the Health and Emergency Services Levy).

All the underwriting quarters included in our analysis have some claims to be settled and most have some claims yet to be reported. Our calculation of claimant benefits therefore depends on our projection of the hindsight premium and of the proportion of claimant benefits.

The more recent the underwriting quarter:

- The more dependent is the estimate of claimant benefits on the assumptions underlying our projection.
- The more uncertain is our estimate of the Scheme delivery index.

We allocate projected future claim payments between claim payments, levies and costs, and insurer profit. Future claim payments and premium payments are made at different times so are discounted to a common date for a valid comparison to be made. The decomposition of future claim payments by heads of damage is not yet known – our claim payment models are not specific to head of damage so need amendment for use in this context.

To calculate the delivery index, we divide the estimate of claimant benefits for each underwriting quarter, inclusive of claimant benefit levies, by the average filed premium, weighted by insurer market share.

## 4.2.9 Allocation of hindsight premium which is not part of claimant benefits

The portion of the hindsight risk premium which is not part of claimant benefits can be allocated between:

- Non-claimant heads of damage
- Levies
- Expenses
- The remaining element, which is a hindsight estimate of insurer profit.

The methodology we have followed is such that our estimation of the last three of these items is identical to those in the Retrospective Profit Study. We have included premium levies and GST within our estimates of the Scheme delivery index; as a result, our estimate of insurer profit is approximately 1.2% less than that reported within the Retrospective Profit Study, simply because it is a proportion of a larger denominator.

## 4.2.10 Summary of payments

Table 4.1 summarises the payments to various parties discussed in previous sections into major components. The results presented in Section 5 follow the same grouping of payments.

Table 4.1 Scheme delivery by components

Scheme delivery	Components	Payment types
Claimant benefits	Payment to claimants	Care and medical payments
		Economic loss
		General damages
		Other payments (pre-approved costs, direct legal plaintiff costs, trustee fees and recoveries)
	H & E Levy	Hospital and Emergency Services (H&E) levy
Delivery cost	Insurer profit	Insurer's profit margin
	Legal and investigation costs	Legal defendant costs and insurers' investigation costs
	Admin levies	Statutory Insurance Scheme levy and Queensland Transport Administration fee
	Other costs	Acquisition costs
		Reinsurance costs
		Claim handling expenses (CHE)

## 4.2.11 The National Injury Insurance Scheme Queensland (NIISQ)

The 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 are covered under the 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 for these catastrophically injured claimants will still be covered by CTP scheme.

In the Scheme performance study, we have adopted the modelling approach such that:

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

We adopt different development patterns for accident periods before and after the introduction of NIISQ for projecting the development of proportions of risk premium allocated to the heads of damage discussed in Section 4.2.7. This is to recognise different payment patterns of NIISQ-eligible claims and all other claims.

We have also made adjustments to policies underwritten from 1 July 2015 to 30 September 2016 to reflect insurers' payments to MAIC for the exposure covered by NIISQ (known as 'the NIISQ claw back').

The NIISQ levy was introduced on 1 October 2016. The NIISQ levy is not included in our analysis.

Our methodology is unchanged from our previous performance report.

## 5 Results

This section outlines the key findings of our analysis. We present:

- The historical trends of HoD subgroups and the estimated proportion of claimant benefits to total claim payments (Section 5.1)
- The split of insurer average filed premium into risk premium, premium levies and other Scheme costs, grouped into claimant benefits and delivery cost (Section 5.2)
- The key insights into the trend in Scheme delivery and uncertainties (Section 5.3)
- The calculation of the Scheme affordability index (Section 5.4)
- Comments on the overall Scheme performance (Section 5.5).

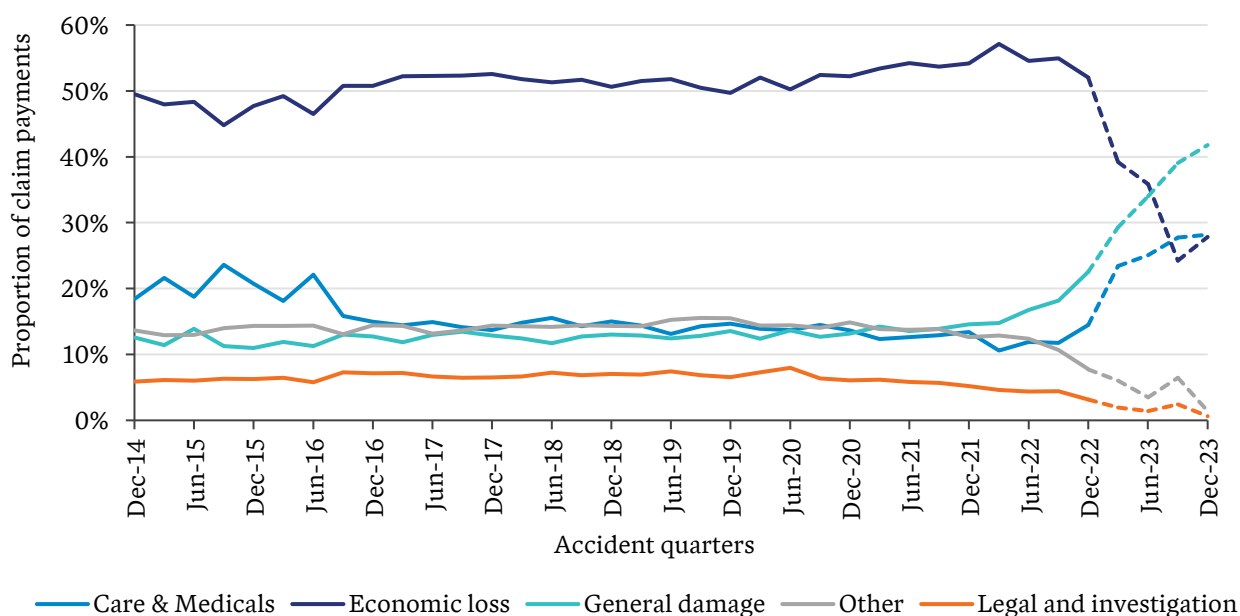
### 5.1 Proportion of claimant benefits

#### 5.1.1 Proportions of claim payments to date

Figure 5.1 displays, to date, the proportion of total claim payments for the more significant HoD, for the last 10 accident years. This chart shows a very different proportion of claim payments to date for the 2023 accident year compared to previous years – this is reflective of the immaturity of the 2023 accident year.

It is not possible for us to show the full picture relating to plaintiff legal costs due to confidential cost agreements between Queensland CTP claimants and their solicitors, as discussed in Sections 1.5 and 4.2.2.

Figure 5.1 Portion of claim payments to date



Note:

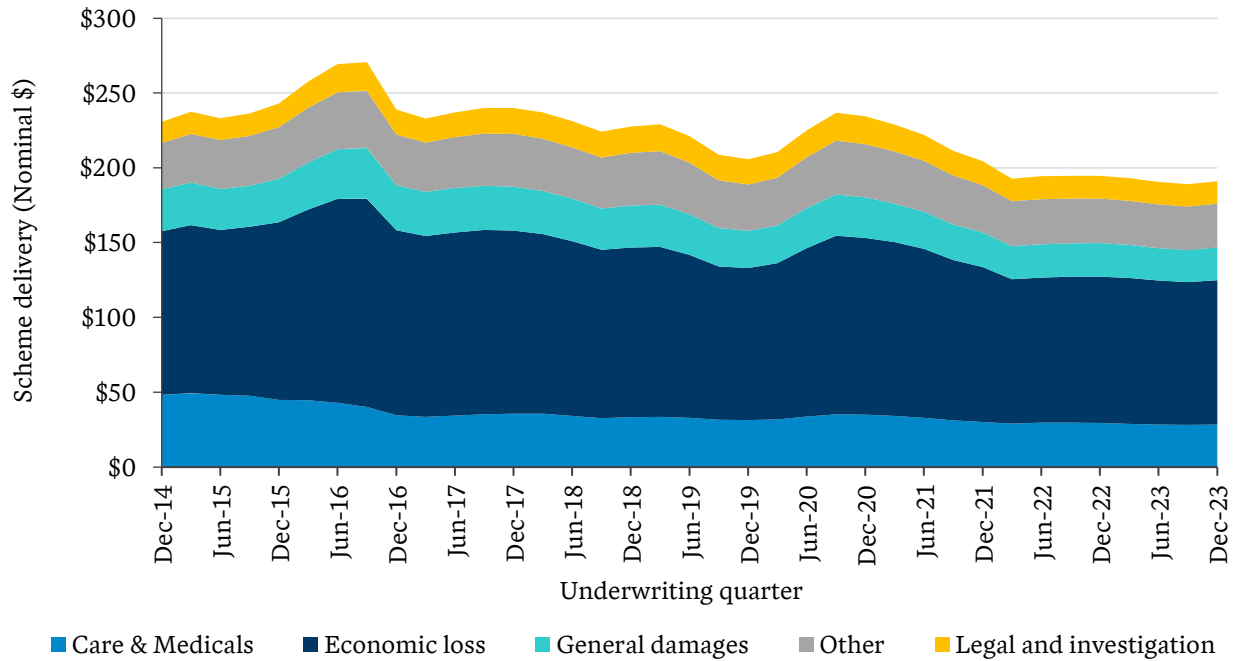
- 'Other' payments include pre-approved costs, 'known' plaintiff legal costs and recoveries.
- 'Legal and investigation' costs relate to legal defendant costs and insurer investigation expenses, which are regarded as part of delivery costs.

The proportion of claim payments relating to economic loss have been growing, mostly at the expense of Care & Medicals, and Legal and investigation expenses.

Figure 5.2 develops each HoD to ultimate for a comparison across underwriting quarters. Selected development factors based off historical experience develop the portion of claim payments to date under each HoD to ultimate. As a result, ultimate projections for 2023 are subject to significant development due to the immaturity of this year.

We see the risk premium allocation by HoD has been fairly stable over the most recent 5 years after adjusting for inflation.

Figure 5.2 Ultimate risk premium by heads of damage



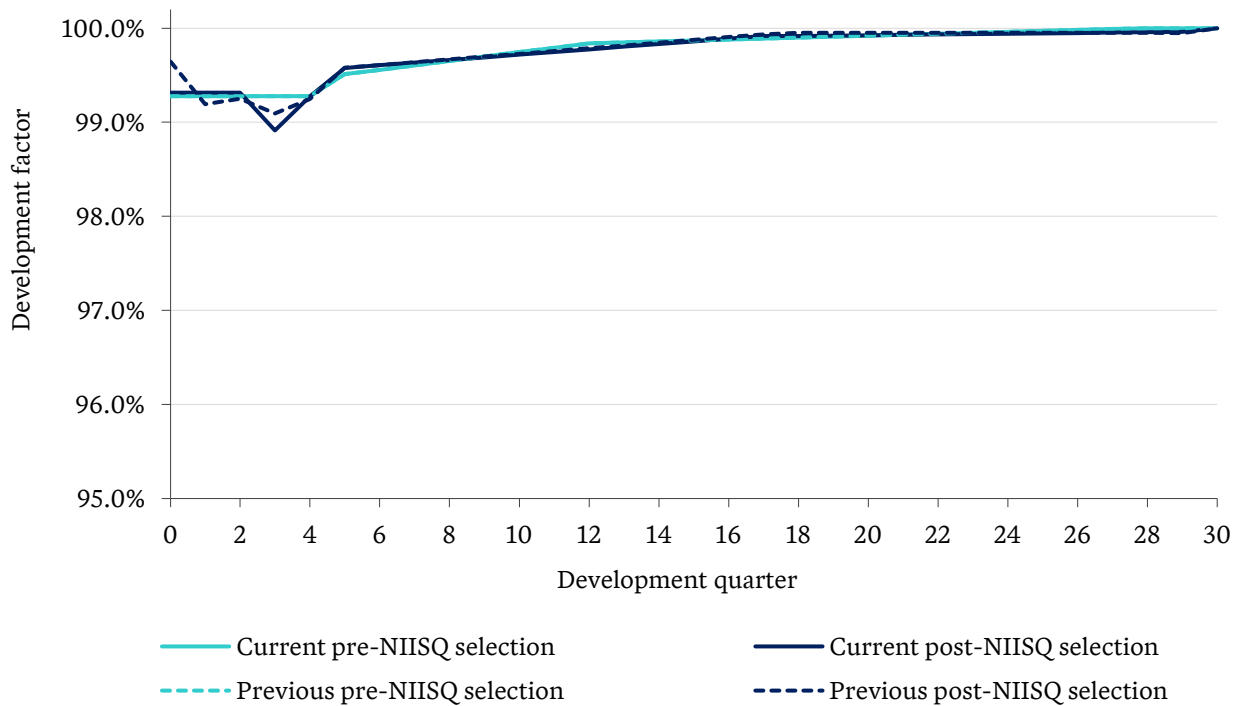
Note:

- (a) 'Other' payments include pre-approved costs, 'known' legal plaintiff costs and recoveries.
- (b) 'Legal and investigation' costs relate to legal defendant and insurer investigation expenses, which are regarded as part of delivery costs.

### 5.1.2 Development factors

Figure 5.3 displays the previous and current selected development factors for the proportion of claimant benefits to total claim payments. These development factors show, per development quarter, how the proportion of claimant benefits to claim payments develops over time. A development factor of 100% indicates nil change, while a factor of 99% indicates a 1% decrease in the proportion from one development quarter to the next, while a factor of 101% indicates a 1% increase.

Figure 5.3 Selected development factors



We adopt slightly different development patterns for accident periods before and after the introduction of NIISQ. This is to recognise different payment patterns of NIISQ-eligible claims and the rest of claims.

Development factors range between 98.9% and 100%. The change by development quarter is very small, especially more than one year after the beginning of the accident quarter.

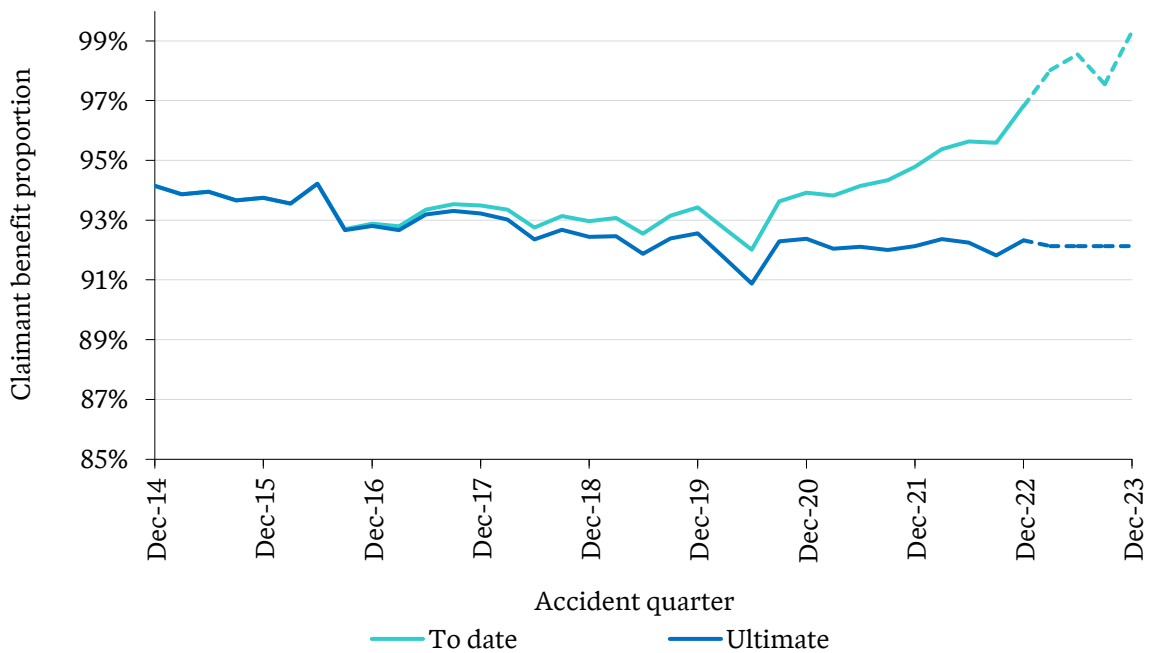
The updated post-NIISQ selection reflects an updated development factor selection in response to recent experience. The Pre-NIISQ selection has remained unchanged.

### 5.1.3 Ultimate claimant benefit proportion

Figure 5.4 shows the estimated ultimate claimant benefits as a proportion of risk premium across accident years compared with the paid proportion to date.

The 2023 accident year experience to date is highly volatile. This year is immature and hence subject to significant development. We have adopted a 2-year average over 2021-2022 accident years when estimating the ultimate claimant benefit proportion for 2023.

Figure 5.4 Claimant benefit proportions – ultimate and to date



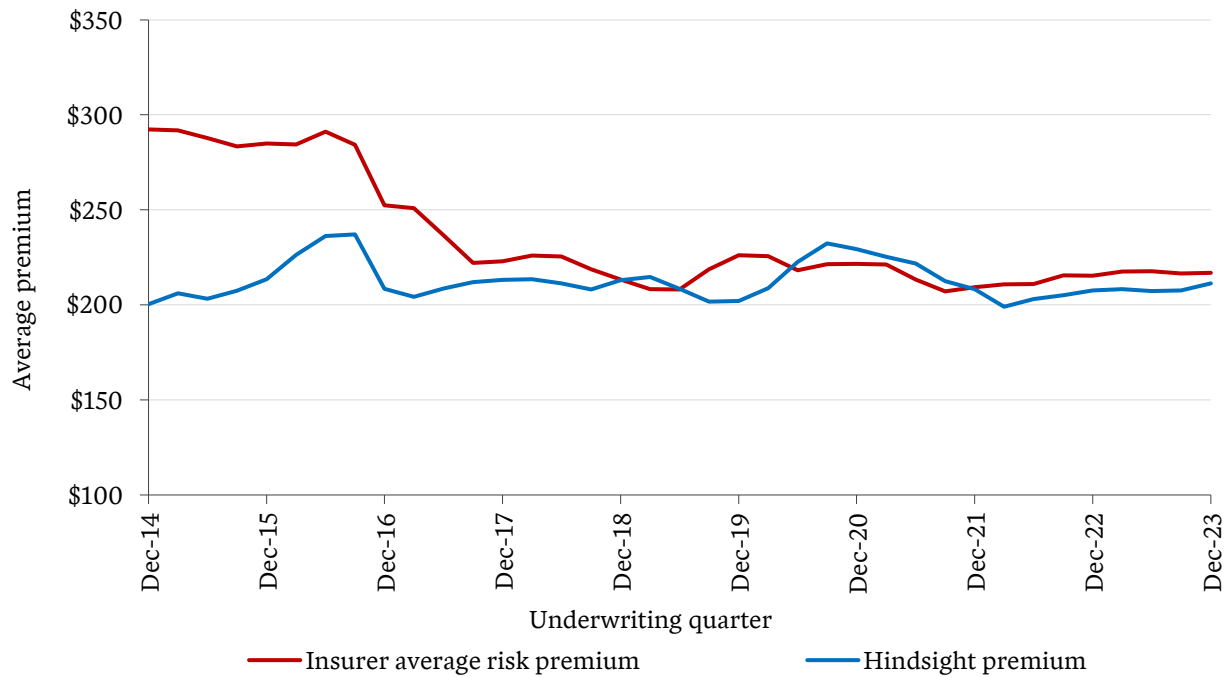
For the 2021-2022 accident years, we project an ultimate claimant benefit proportion between 91.8% and 92.4%. A lower claimant benefit proportion to date for the Mar-20 and Jun-20 accident quarters is reflected in the ultimate projected benefit proportion. Early volatility is not necessarily indicative of the ultimate proportion – however we have not adjusted the ultimate estimates for the two accident quarters as the impact on the overall estimated claimant benefit proportion for underwriting years is small (<0.2%).

## 5.2 Average filed premium

### 5.2.1 Risk premium

Figure 5.5 shows the estimated hindsight all-class risk premium and the average filed insurer premium from 31 December 2014 to 31 December 2023, taken from Section 5 of the scheme Retrospective Profit Study.

Figure 5.5 Average (non-ITCE) all class gross risk premium



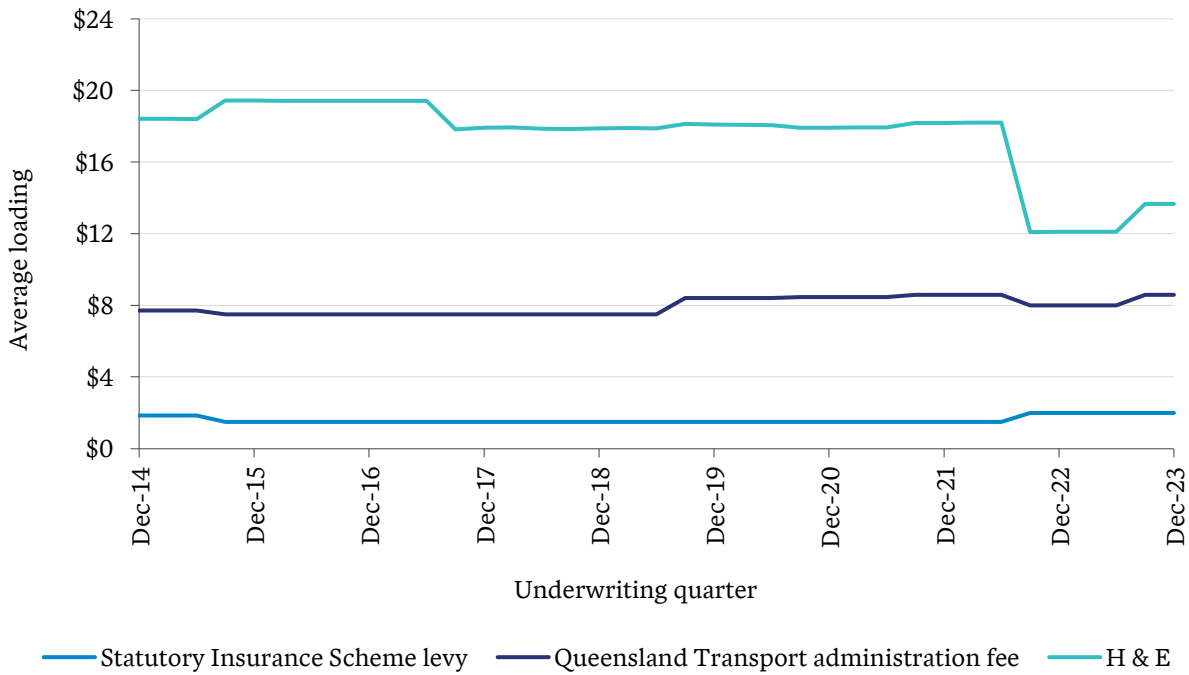
The difference between the average filed and the hindsight estimates of risk premium is equal to the current estimate of insurer profit above the target profit margin.

## 5.2.2 Premium levies

Figure 5.6 shows, per underwriting quarter, the average dollar value of levies included in the premium across all vehicle classes. At the Sep-22 underwriting quarter, the Health and Emergency Services levy decreased by 34%, before increasing by 13% at the Sep-23 underwriting quarter. The Statutory Insurance Scheme levy and Queensland Transport administration fee levels have both remained fairly stable since 2014, albeit with small changes over the 2015-2023 period.



Figure 5.6 Average (non-ITC) premium loadings across all classes



### 5.2.3 Expenses and allowances

Figure 5.7 shows the expenses and allowance assumptions across all classes, as assumed by MAIC in their central estimate calculation, along with the weighted average acquisition and reinsurance cost across all classes.

MAIC’s assumptions vary by class. We have assumed that the allowances in Figure 5.7 are those experienced by the average filed premium. All loadings as displayed in Figure 5.7 are classified as Scheme delivery costs in our calculation of delivery.

Figure 5.7 Average expenses and allowances at the MAIC central estimate across all classes

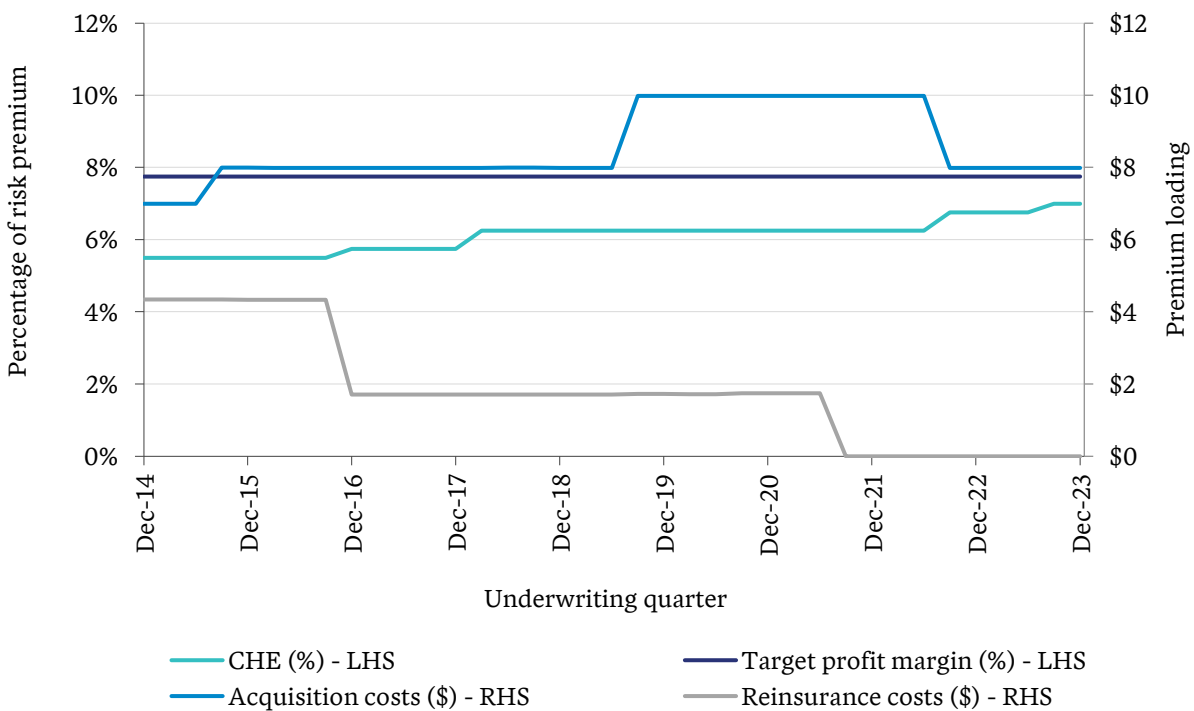


Figure 5.7 shows:

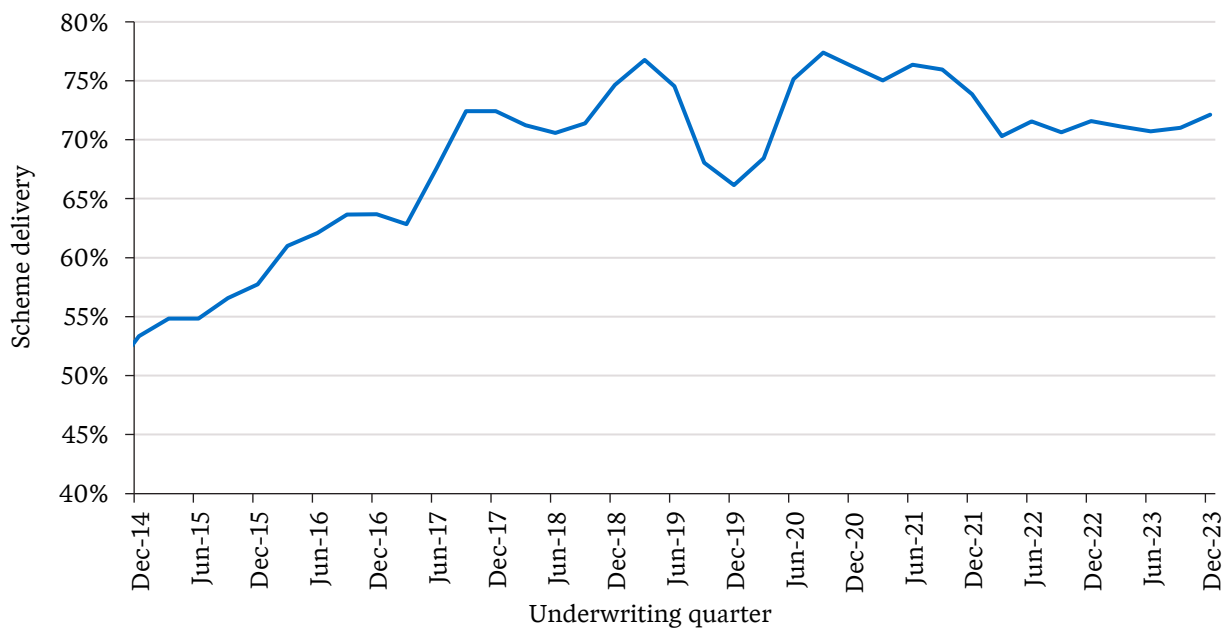
- The claims handling expense assumption ranges from 5.5% to 7.0%. It was increased in the Dec-16 and Dec-17 underwriting quarter after the introduction of NIISQ, and again in the Sep-22 and Sep-23 underwriting quarters.
- The target profit margin has remained stable at 7.75%.
- Reinsurance costs were, on average, \$5.50 up to the Jun-13 underwriting quarter. These costs gradually decreased to \$4.30 by the Sep-16 underwriting quarter. Due to the introduction of NIISQ, the average reinsurance cost assumption was further reduced to \$1.70. Since Sep-21, reinsurance costs have been set to nil.
- Acquisition costs were \$7 at the Dec-14 underwriting quarter, increasing gradually to \$10 at the Sep-19 underwriting quarter. Since Sep-22, acquisition costs are \$8.

### 5.3 Scheme delivery

Figure 5.8 shows the consolidation of the results shown in the previous sections into a delivery index. That is, the proportion of premium that is attributed to the benefit of claimants, by underwriting quarter.

The delivery index had been subject to an overall increasing trend between 2014 and 2021, averaging 73% over the last 5 underwriting years from 2019 to 2023.

Figure 5.8 Scheme delivery across all vehicle classes



The estimation of the scheme delivery for recent underwriting years is subject to considerable uncertainty due to the dynamic environment and long-tailed nature of CTP. This is because the estimates include forecasts of how much will be paid in claims costs and the heads of damage under which they will be paid. The results are subject to greater uncertainty for more underdeveloped underwriting periods, especially 2023 because almost all the payments for these periods are forecast, rather than actual.

Table 5.1 shows a breakdown of Scheme premiums over each of the last 5 underwriting years into the proportions that relate to claimant benefits and the proportions that relate to delivery costs.

**Table 5.1 Decomposition of Scheme premiums into the main components of claimant benefits and delivery costs**

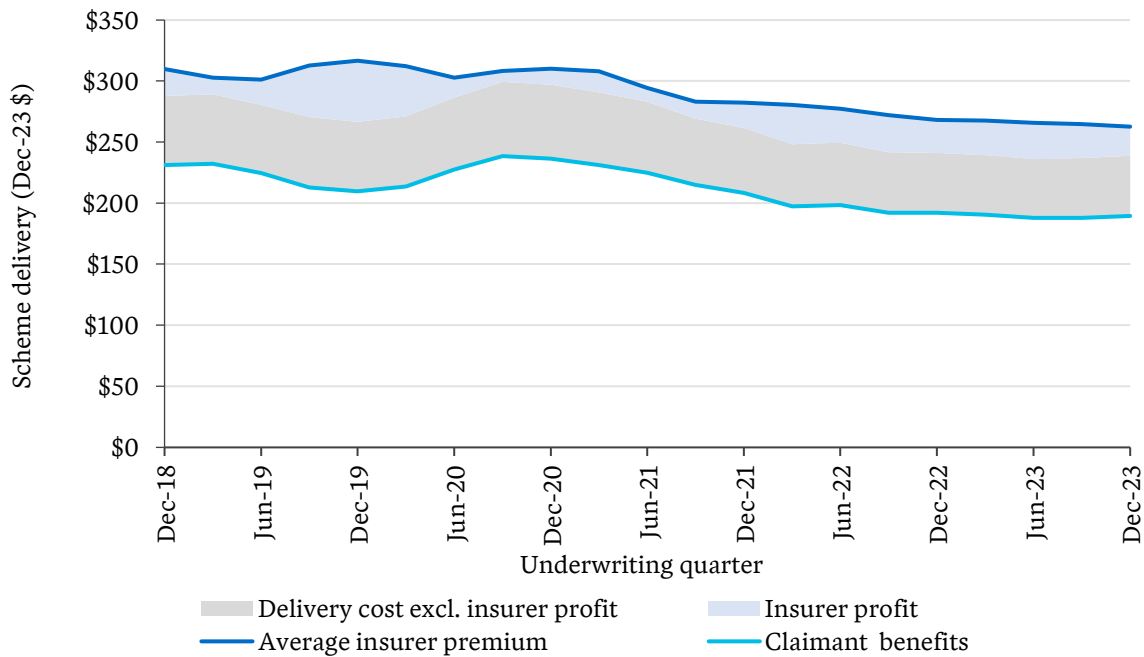
Underwriting Period	Claimant benefits			Delivery costs				
	Claim payments	H&E Levy	Total	Profit	Legal and investigation costs	Admin levies	Other	Total
2019	64%	7%	71%	10%	6%	4%	9%	29%
2020	68%	7%	74%	6%	6%	4%	10%	26%
2021	68%	7%	75%	5%	6%	4%	10%	25%
2022	65%	6%	71%	11%	6%	4%	9%	29%
2023	66%	5%	71%	10%	6%	4%	9%	29%
<b>Recent 5 underwriting years</b>	<b>66%</b>	<b>6%</b>	<b>73%</b>	<b>9%</b>	<b>6%</b>	<b>4%</b>	<b>9%</b>	<b>27%</b>

Note: 'Other' delivery costs include acquisition costs, reinsurance costs and claim handling expenses (CHE).

Table 5.1 shows that on average scheme delivery has been 73% over the five most recent underwriting years 2019 to 2023. The table shows an increasing trend in the scheme delivery to 2021. The main driver of this trend is an estimated reduction in insurer profitability, which is reversed for underwriting years 2022 and 2023. The reduction in the H&E levy share for 2022 and 2023 reflects a 34% reduction in the H&E levy at 1 July 2022, as discussed in Section 5.2.2. The other components of delivery costs have remained mostly stable.

Figure 5.9 below shows the trends in premium components over the past five underwriting years. The insurer profit margin decreased over 2020-2021, before increasing for 2022-2023.

Figure 5.9 Scheme delivery by premium component



We provide a further decomposition of the claimant benefit and delivery costs (excluding insurer profit):

- Figure 5.10 and Figure 5.11 provide a breakdown of claimant benefits
- Figure 5.12 provides a breakdown of delivery costs.

Figure 5.10 shows the total claimant benefits have decreased since 2020.

Figure 5.10 Claimant benefits by heads of damage

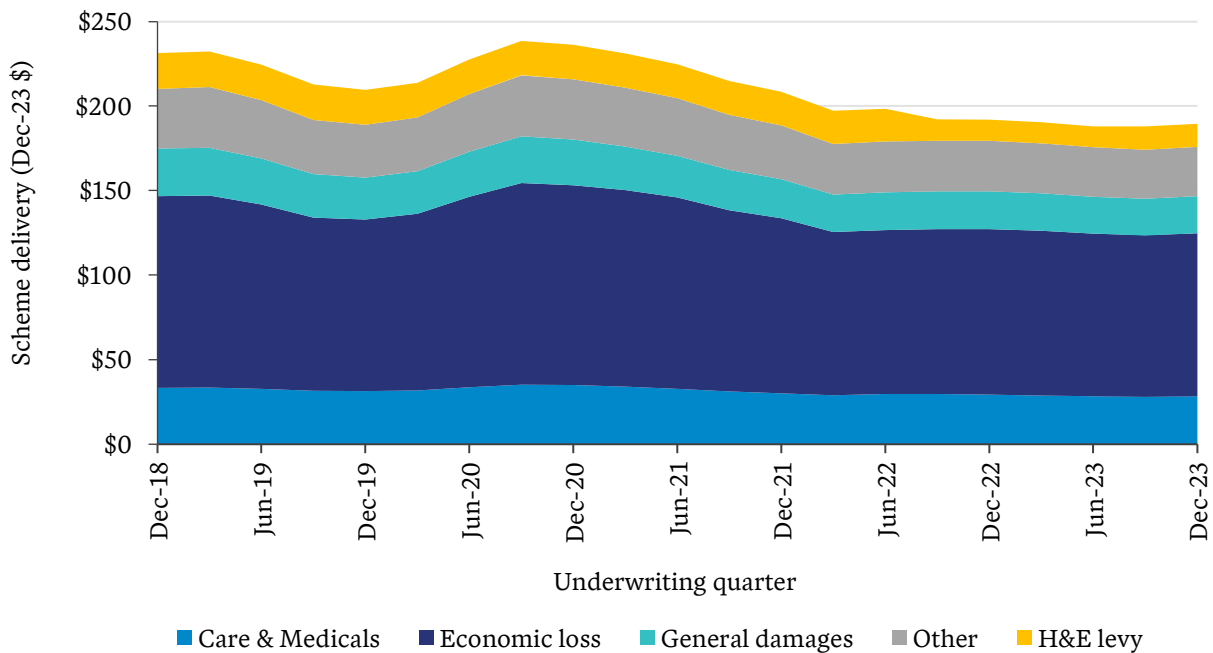


Figure 5.11 shows the trend in care and medical-related payments and economic loss as proportion of claim payments for the past five underwriting years. The proportions for both have been largely stable.

Figure 5.11 Proportion of payments allocated to Care & Medicals and Economic loss

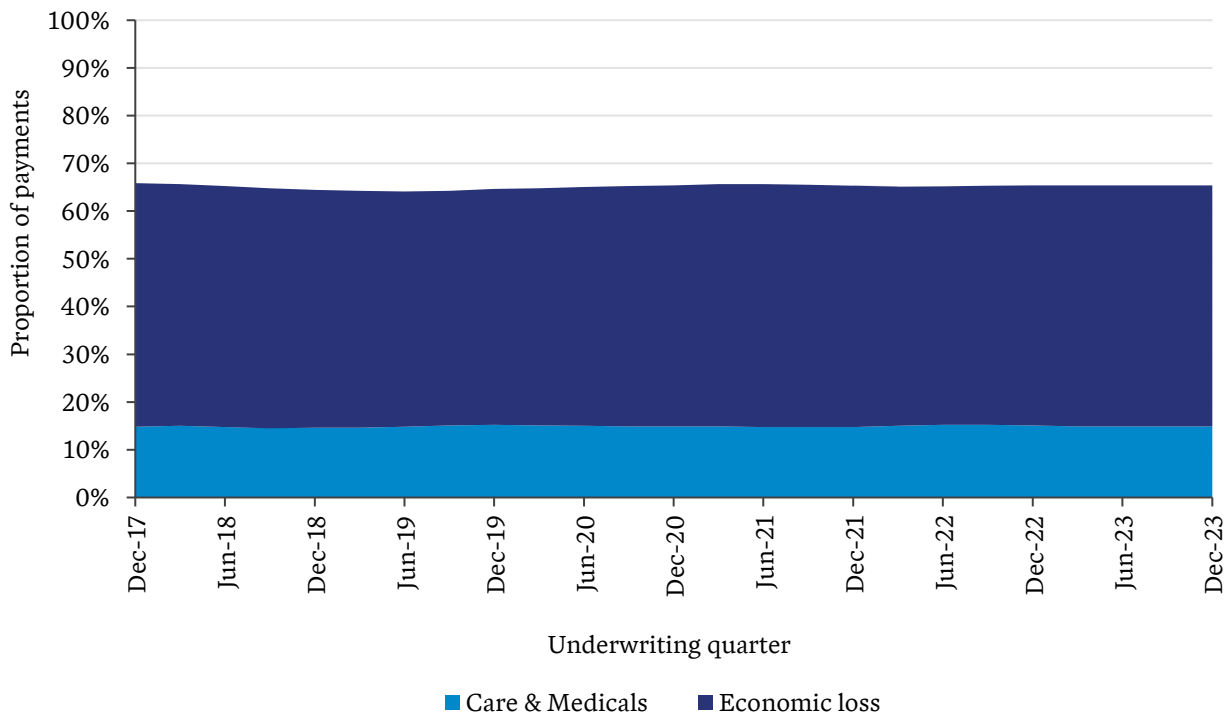
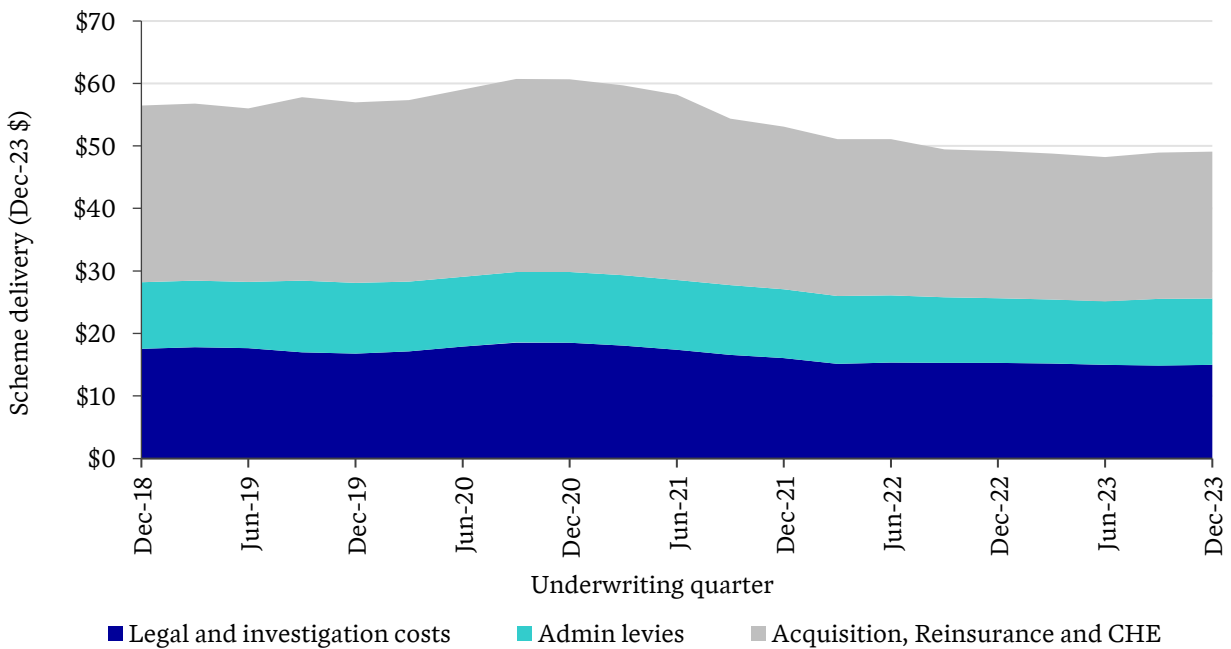


Figure 5.12 shows the delivery costs by heads of damage for the past five underwriting years. We observe a reduction in Acquisition and Reinsurance components corresponding to the reduction in their allowances discussed in Section 5.2.3, along with a small reduction in Legal and investigation costs over 2021.

Figure 5.12 Delivery cost by heads of damage excl. insurer profit



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**Key insights:**

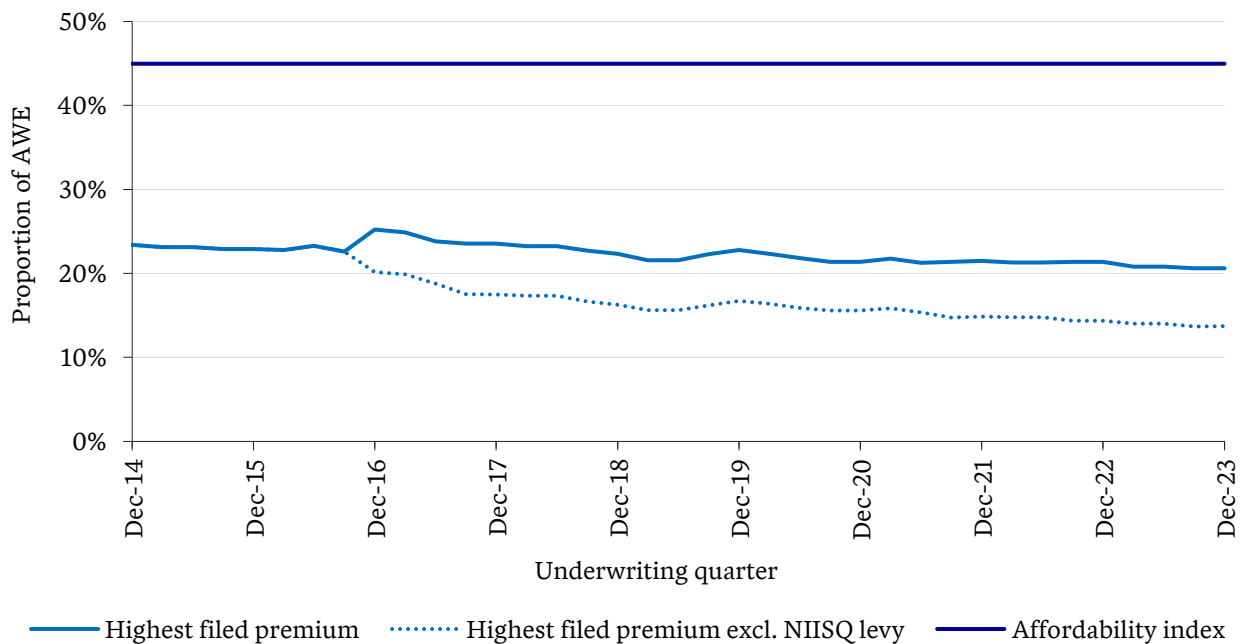
- The Scheme delivery index shows an overall increasing trend between 2014 and 2021. The main driver of this trend is an estimated reduction in insurer profitability, which reversed for 2022 and 2023.
  - The estimates of Scheme delivery index are subject to considerable uncertainties, especially for underwriting year 2023.
  - After adjusting for inflation, the proportion of the premium which will eventually be spent on claimant benefits averages 73% over the past 5 underwriting years.
- 

## 5.4 Scheme affordability

Using the methodology prescribed by MAIC, Figure 5.13 displays a history of Scheme affordability. For policies underwritten from 1 October 2016 we present the highest filed premium including *and* excluding the NIISQ levy because the claims that are covered by NIISQ do not belong to the CTP scheme. The filed premiums from underwriting periods 2015Q3 to 2016Q3 have not been adjusted for the amounts clawed back from the insurers to cover the cost of NIISQ.

Since the beginning of the New Scheme, the QLD Class 1 CTP premium has become more affordable. At 31 December 2023, QLD Class 1 CTP premiums were 20.6% of AWE including NIISQ levy or 13.7% of AWE excluding NIISQ levy.

Figure 5.13 Highest filed premium and affordability index for Class 1 as proportion of AWE



## 5.5 Scheme performance

It is seen from Figure 5.8 and Figure 5.13 that over the past 10 underwriting years:

- The proportion of premiums paid as claimant benefits has generally increased until 2021. For the past two underwriting years, assuming 0% p.a. future superimposed inflation, claimant benefits account for 71 cents of every dollar
- The relative cost of CTP for QLD motorists has fallen from 23.4 percent of AWE in December 2014 to 20.6 percent of AWE including NIISQ levy, or 13.7 percent of AWE excluding NIISQ levy, in December 2023.

## 5.6 Legal costs

As discussed in Section 4.2.2, plaintiff legal costs are included as claimant benefits. One of the primary reasons for including these costs is the inability to accurately measure the proportion of plaintiff legal costs paid by the claimant due to solicitor-client cost agreements. These agreements can potentially be up to 50% of the total settlement. There is currently no comprehensive view of plaintiff legal costs available from the data.

## 6 Reconciliation

In this section, we reconcile our current estimate of the delivery index with the corresponding delivery index from the Previous Report:

Table 6.1 shows the changes in delivery index due to:

- The change in the estimated retrospective profits since the Previous Report, as seen in Section 6.2 of the Profit Report.
- Experience and assumption changes since the Previous Report. This includes how experience in the year to 31 December 2023 differed from previously forecast and affected our projection of the ultimate proportion of claimant benefits. This mostly affects the recent underwriting periods.

Table 6.1 Reconciliation to previous report

Underwriting period	Previous delivery index (All classes)	Changes due to		Current delivery index (All classes) <sup>(a)</sup>
		Retrospective profit	Experience and assumption changes	
2015	57%	-1%	0%	56%
2016	63%	0%	0%	63%
2017	69%	0%	0%	69%
2018	71%	1%	0%	72%
2019	72%	0%	0%	71%
2020	74%	0%	0%	74%
2021	76%	-1%	0%	75%
2022	73%	-2%	0%	71%

(a) As shown in Figure 5.8.

There has been little change over the year outside of the movements in estimated retrospective profits. These are discussed in further detail in Section 6.2 of the Profit Report.



## 7 Reliances and limitations

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In producing this report, we have relied on data supplied by MAIC on vehicle registrations, 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.

Our analysis is heavily dependent on our estimates of total claims cost from each accident quarter and the estimate of hindsight premium. These are derived from the Annual Advice and the Retrospective Profit Study. This report is subject to the same reliances and limitations as seen in both of those reports.

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 be affected. In particular, we have extrapolated current experience to estimate the proportion of claim payments associated to claimant benefits.

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 actual Scheme delivery and affordability may deviate, perhaps materially, from our estimates.

The report has been prepared for the Commission for the specific purpose stated in Section 2. 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 Data**

### **A.1 Historical claimant benefits payments**

### **A.2 Historical total claim payments**

### **A.3 Premium loadings and levies**

# Appendix A

Appendix A. 1 Historical finalised inflated claimant benefit claim payments (gross of ITC/DAM)

Accident	Payments (\$ 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	0.0	0.4	1.4	2.3	8.2	9.8	18.0	16.9	17.7	11.6	9.7	9.0	12.2	8.7	8.1	4.3	6.7	2.5	4.4	5.7	12.8	0.8	1.5	0.0	0.5	1.7	0.0	0.7	1.0	3.1	0.8	1.8	0.0	0.0	1.4	0.0	0.0
Mar-15	0.0	0.4	0.8	3.0	7.2	17.3	13.9	22.2	11.1	12.5	9.8	8.3	7.9	9.9	3.5	6.8	6.8	3.9	10.1	21.5	2.8	1.4	1.3	0.4	1.7	0.1	0.0	0.9	0.2	1.1	3.6	0.7	0.0	0.1	0.9	2.9	
Jun-15	0.0	0.5	1.3	3.2	8.8	15.2	17.0	20.3	16.3	9.3	15.0	15.4	18.5	6.5	5.6	12.3	5.3	5.8	7.4	4.0	5.3	2.2	2.0	0.9	1.4	2.2	2.7	1.4	1.5	6.1	1.2	1.3	0.0	0.0	0.0		
Sep-15	0.0	0.6	0.8	5.4	7.6	15.3	12.3	19.7	10.0	19.5	12.4	25.4	8.6	10.1	10.8	5.6	8.2	3.5	3.3	7.7	10.0	4.6	0.9	4.3	1.8	0.7	2.0	1.1	10.2	3.4	0.0	0.1	0.2	0.2			
Dec-15	0.1	0.5	1.0	2.8	6.6	9.4	20.6	12.7	18.0	10.7	12.9	14.8	10.9	4.7	7.2	5.3	5.9	6.1	16.8	4.4	10.2	7.1	4.0	4.9	3.0	0.4	1.0	1.7	4.0	0.1	0.8	0.4	0.5				
Mar-16	0.1	0.6	1.2	2.6	6.3	13.5	18.0	17.3	13.4	14.5	9.7	19.0	24.9	6.9	7.0	3.5	4.8	4.9	3.9	2.4	2.9	5.4	0.0	0.7	1.7	0.7	1.0	1.8	0.5	0.8	0.8	0.1					
Jun-16	0.0	0.3	1.7	2.4	9.0	14.8	17.8	16.7	19.8	12.6	16.0	13.4	9.6	5.7	7.6	13.6	5.4	13.1	3.4	5.9	4.1	3.4	2.0	2.6	1.7	2.6	4.0	2.2	13.7	0.9	0.3						
Sep-16	0.0	0.3	0.8	4.3	8.3	18.5	16.5	18.6	18.2	15.5	8.5	12.1	12.3	6.8	8.9	11.7	7.8	3.3	6.0	6.5	5.0	1.7	3.3	4.5	0.3	4.9	0.3	1.1	1.6	1.3							
Dec-16	0.1	0.3	1.1	2.4	8.6	15.5	26.8	18.8	15.7	18.1	13.3	12.0	11.8	5.4	7.4	7.9	4.4	11.4	7.3	3.7	6.0	5.5	8.5	4.0	3.3	1.8	2.7	1.0	3.0								
Mar-17	0.0	0.3	1.1	2.9	7.4	17.7	18.6	16.9	14.1	15.8	15.9	15.5	8.7	8.2	9.5	6.2	8.5	7.5	5.1	2.6	7.6	2.9	5.1	4.1	1.4	3.3	3.1	2.1									
Jun-17	0.0	0.4	1.3	1.8	9.3	14.8	19.4	19.0	19.3	13.2	10.5	10.5	9.7	10.7	9.3	8.6	7.0	4.7	3.7	5.2	6.4	2.9	4.7	5.3	5.7	2.4	0.3										
Sep-17	0.0	0.2	0.8	2.4	6.6	17.1	13.3	20.9	16.1	16.0	14.2	12.3	10.7	11.6	6.0	8.6	10.4	3.2	5.4	5.7	2.1	4.8	3.1	3.7	2.5	1.5											
Dec-17	0.1	0.3	0.7	1.8	7.4	14.8	20.1	17.4	13.2	12.1	15.0	12.2	8.7	8.7	13.6	1.8	5.6	6.1	8.2	4.1	7.7	4.0	3.1	2.8	0.9												
Mar-18	0.0	0.4	0.8	2.7	4.7	14.2	16.1	19.1	11.3	14.7	10.9	11.5	11.2	12.6	14.0	6.9	11.1	9.4	4.6	5.0	2.1	7.4	8.8	2.8													
Jun-18	0.0	0.3	1.2	1.8	6.8	14.6	13.6	13.4	14.2	14.4	17.5	19.2	12.5	13.5	9.1	11.5	11.3	10.7	8.0	7.5	4.1	7.2	9.9														
Sep-18	0.0	0.6	0.9	2.6	9.1	11.3	11.3	18.3	11.2	12.4	16.8	15.5	14.4	14.5	9.5	13.7	9.9	7.5	2.6	6.3	4.9	5.5															
Dec-18	0.0	0.2	0.8	2.4	5.1	9.3	15.0	9.5	17.7	13.4	13.9	13.9	7.9	13.3	11.4	12.3	8.8	7.0	8.3	7.5	7.9																
Mar-19	0.1	0.3	1.1	1.4	3.2	11.9	13.2	12.7	11.7	15.8	8.9	11.1	15.2	14.8	8.6	13.2	10.5	8.5	8.8	5.6																	
Jun-19	0.0	0.5	0.9	1.6	5.6	9.1	14.5	13.3	15.0	15.4	12.6	14.3	14.0	9.0	9.3	13.2	9.9	7.7	7.1																		
Sep-19	0.1	0.3	0.7	2.0	4.5	15.2	12.5	14.1	15.0	16.5	15.0	16.0	12.2	12.5	8.5	12.8	9.8	10.5																			
Dec-19	0.1	0.3	0.8	2.0	8.0	9.6	15.7	12.9	11.9	13.4	15.3	10.9	14.7	12.3	12.1	6.8	11.6																				
Mar-20	0.0	0.2	0.6	1.3	3.3	8.7	13.1	9.4	14.1	11.4	12.6	15.1	10.7	12.7	9.7	7.1																					
Jun-20	0.0	0.2	0.8	0.9	3.6	6.7	8.6	14.2	16.0	8.8	10.4	8.0	13.3	9.4	6.2																						
Sep-20	0.0	0.3	0.8	1.4	3.9	8.2	18.4	19.2	12.4	16.3	11.2	15.1	12.0	11.3																							
Dec-20	0.1	0.2	0.7	1.3	5.6	10.1	22.6	12.4	21.1	11.8	13.5	18.9	15.1																								
Mar-21	0.1	0.2	0.7	1.4	3.5	17.3	13.0	16.1	14.1	16.8	13.3	18.8																									
Jun-21	0.1	0.4	0.6	1.4	8.8	11.2	19.1	14.4	15.8	18.6	12.8																										
Sep-21	0.1	0.3	0.9	2.6	3.8	12.7	16.2	15.1	11.7	15.4																											
Dec-21	0.1	0.5	0.6	1.5	7.0	11.3	18.3	14.3	13.9																												
Mar-22	0.1	0.5	0.6	1.8	4.5	13.7	12.2	18.0																													
Jun-22	0.1	0.4	0.9	1.5	6.8	12.2	19.7																														
Sep-22	0.2	0.7	0.7	2.3	6.6	14.2																															
Dec-22	0.2	0.5	1.1	1.9	7.7																																
Mar-23	0.1	0.4	0.9	2.5																																	
Jun-23	0.2	0.9	1.6																																		
Sep-23	0.2	1.0																																			
Dec-23	0.3																																				

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

Appendix A

Appendix A. 2 Historical finalised inflated all claim payments (gross of ITC/DAM)

Accident	Payments (\$ 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	0.0	0.4	1.4	2.4	8.5	10.2	18.8	17.7	18.6	12.2	10.4	9.8	12.9	9.5	8.6	4.7	7.3	2.7	5.0	5.9	13.2	1.0	1.7	0.4	0.6	1.8	0.0	0.7	1.1	3.3	0.9	1.9	0.0	0.0	1.4	0.0	0.0
Mar-15	0.0	0.4	0.8	3.1	7.5	18.0	14.8	22.9	11.8	13.4	10.5	9.0	8.7	10.8	3.9	7.4	7.5	4.4	10.8	21.8	2.9	1.5	1.5	0.4	1.7	0.1	0.1	0.9	0.3	1.3	4.4	0.9	0.0	0.2	1.0	3.3	
Jun-15	0.0	0.5	1.3	3.2	9.1	15.8	17.8	21.2	17.4	10.1	16.3	16.4	19.6	7.0	6.2	13.0	5.7	6.2	7.8	4.3	5.7	2.6	2.2	1.0	1.8	2.5	2.9	1.5	1.6	6.2	1.4	1.3	0.1	0.0	0.0		
Sep-15	0.0	0.6	0.9	5.5	7.9	16.0	12.8	20.8	11.1	21.0	13.7	26.5	9.2	10.7	11.6	6.0	8.6	3.8	3.5	8.0	10.3	4.9	1.0	4.8	2.0	1.1	2.3	2.0	10.5	3.7	0.0	0.4	0.4	0.2			
Dec-15	0.1	0.5	1.0	2.9	6.8	10.2	21.6	13.8	19.1	11.6	13.6	15.7	11.6	5.1	7.7	5.7	6.5	6.5	17.6	4.5	10.7	7.6	4.3	5.4	3.2	0.5	1.2	2.0	4.3	0.1	1.1	0.5	0.6				
Mar-16	0.1	0.6	1.2	2.6	6.5	14.1	19.1	18.4	14.3	15.4	10.5	19.8	25.7	7.6	8.2	3.8	5.4	5.5	4.2	2.7	3.3	5.8	0.1	0.9	2.0	0.8	1.1	2.0	0.6	0.9	0.9	0.1					
Jun-16	0.0	0.3	1.7	2.5	9.3	15.6	18.8	17.7	20.8	13.5	17.2	14.2	10.3	6.1	8.0	14.4	6.0	14.0	3.7	6.3	4.3	3.7	2.3	2.8	1.8	2.8	4.4	2.4	13.9	1.0	0.4						
Sep-16	0.0	0.3	0.8	4.4	8.7	19.5	18.2	19.7	19.2	16.3	9.3	13.4	13.2	7.2	9.8	12.7	8.5	3.8	6.5	6.7	5.5	2.2	3.5	4.8	0.4	5.2	0.8	1.3	1.9	1.5							
Dec-16	0.1	0.3	1.2	2.5	8.9	16.2	27.8	19.7	16.9	19.3	14.2	13.0	12.8	5.8	8.2	9.1	4.9	12.0	8.0	4.1	7.1	5.9	8.9	4.2	4.7	2.0	2.9	1.4	3.2								
Mar-17	0.0	0.3	1.1	3.0	7.8	18.4	19.4	17.8	15.0	16.6	17.1	16.5	9.3	9.0	10.6	8.4	9.3	8.4	5.6	2.9	8.2	3.3	5.4	4.3	1.5	3.6	3.3	2.6									
Jun-17	0.0	0.4	1.3	1.9	9.7	15.5	20.3	19.9	20.4	14.0	11.7	11.3	10.3	11.6	9.9	9.3	7.5	5.2	4.3	5.7	7.0	3.1	5.0	5.6	6.3	2.7	0.7										
Sep-17	0.0	0.2	0.8	2.4	6.8	17.6	14.0	21.8	16.9	17.0	15.1	13.0	11.4	12.8	6.7	9.2	11.3	3.6	5.8	6.1	2.4	5.7	3.6	4.1	2.9	1.5											
Dec-17	0.1	0.3	0.7	1.9	7.6	15.3	20.8	18.2	14.0	12.8	16.1	13.0	9.5	9.5	14.5	2.1	6.5	6.9	8.8	4.6	8.3	4.9	3.4	3.1	1.0												
Mar-18	0.0	0.4	0.8	2.8	4.8	14.9	16.8	19.9	12.0	15.6	11.7	12.4	12.1	13.2	14.8	8.5	11.8	10.9	5.1	5.5	2.3	7.9	9.3	3.0													
Jun-18	0.0	0.3	1.2	1.9	7.0	15.1	14.3	14.1	15.2	15.4	18.6	20.6	13.5	14.6	9.8	12.4	12.2	11.4	8.8	7.9	5.1	9.5	11.0														
Sep-18	0.0	0.6	1.0	2.6	9.3	11.7	11.8	20.2	12.0	13.3	18.3	16.5	15.6	15.4	10.4	14.5	10.9	8.1	2.9	6.9	5.4	6.0															
Dec-18	0.0	0.2	0.8	2.5	5.3	9.7	15.7	10.2	18.7	14.5	14.9	15.1	8.6	14.4	12.4	13.8	9.5	7.6	9.0	8.4	8.5																
Mar-19	0.1	0.4	1.2	1.5	3.4	12.4	13.8	13.4	12.4	16.7	10.6	12.0	16.4	15.9	9.5	14.3	11.2	9.2	9.3	6.1																	
Jun-19	0.0	0.5	0.9	1.6	5.8	9.5	15.1	14.1	16.1	16.4	13.5	15.7	15.1	10.1	10.3	14.1	10.9	8.5	8.6																		
Sep-19	0.1	0.3	0.7	2.1	4.7	15.8	13.2	14.9	16.1	17.5	16.1	17.6	13.4	13.5	9.2	13.8	10.6	11.6																			
Dec-19	0.1	0.3	0.8	2.1	8.2	10.1	16.5	13.7	12.7	14.5	16.6	11.9	16.0	13.2	12.9	7.6	12.4																				
Mar-20	0.0	0.2	0.6	1.3	3.4	9.1	13.8	10.0	15.1	12.5	13.5	16.2	11.5	13.9	10.5	8.7																					
Jun-20	0.0	0.2	0.8	1.0	3.7	7.0	9.2	15.1	17.0	9.4	11.2	10.6	14.4	10.0	6.9																						
Sep-20	0.0	0.3	0.8	1.4	4.1	8.8	19.3	20.1	13.2	17.4	12.2	16.4	13.1	12.3																							
Dec-20	0.1	0.2	0.7	1.3	5.8	10.7	23.8	13.3	22.4	12.8	14.5	20.4	16.2																								
Mar-21	0.1	0.2	0.7	1.4	3.8	18.1	13.9	17.1	15.1	18.0	14.3	20.1																									
Jun-21	0.1	0.4	0.6	1.5	9.2	11.9	20.2	15.2	17.0	20.0	13.7																										
Sep-21	0.1	0.3	0.9	2.7	3.9	13.3	17.1	16.0	12.5	16.6																											
Dec-21	0.1	0.5	0.6	1.6	7.3	12.0	19.2	15.2	14.8																												
Mar-22	0.1	0.5	0.6	1.9	4.7	14.4	12.9	18.9																													
Jun-22	0.1	0.4	0.9	1.6	7.1	12.8	20.6																														
Sep-22	0.2	0.8	0.7	2.3	7.0	14.9																															
Dec-22	0.2	0.6	1.1	1.9	8.0																																
Mar-23	0.1	0.4	0.9	2.6																																	
Jun-23	0.2	0.9	1.6																																		
Sep-23	0.2	1.0																																			
Dec-23	0.3																																				

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

Appendix A.3 MAIC's pricing assumptions used to set floor and ceiling premium:

Underwriting	Scheme average premium (\$, excluding GST, levies)		Claims handling expenses	Acquisition Costs (\$)	Reinsurance Cost (\$)	ANTS Impact	Profit margin	H & E levy (\$)	MAIC admin levy (\$)	QLD transport levy (\$)	Insurer average filed premium (\$)
	Floor	Ceiling									
Dec-14	256.07	292.69	9.89	6.99	4.34	-9.1%	7.8%	18.42	1.85	7.70	292.23
Mar-15	253.86	292.27	10.20	6.99	4.34	-9.1%	7.8%	18.41	1.85	7.70	291.81
Jun-15	253.59	291.98	10.05	6.99	4.34	-9.1%	7.8%	18.40	1.85	7.70	287.80
Sep-15	246.76	285.17	10.21	7.99	4.34	-9.1%	7.8%	19.44	1.50	7.50	283.35
Dec-15	247.78	285.21	10.53	7.99	4.34	-9.1%	7.8%	19.43	1.50	7.50	284.83
Mar-16	244.46	284.73	11.20	7.99	4.33	-9.1%	7.8%	19.42	1.50	7.50	284.34
Jun-16	251.28	291.55	11.73	7.99	4.33	-9.1%	7.8%	19.42	1.50	7.50	291.17
Sep-16	244.01	284.23	11.78	7.99	4.33	-9.1%	7.8%	19.41	1.50	7.50	284.23
Dec-16	228.03	252.37	10.84	7.99	1.71	-9.1%	7.8%	19.41	1.50	7.50	252.37
Mar-17	227.47	251.77	10.61	7.99	1.71	-9.1%	7.8%	19.41	1.50	7.50	250.88
Jun-17	213.26	236.64	10.85	7.99	1.71	-9.1%	7.8%	19.41	1.50	7.50	236.64
Sep-17	203.91	222.14	11.04	7.99	1.71	-9.1%	7.8%	17.82	1.50	7.50	222.14
Dec-17	204.69	222.97	11.10	7.99	1.71	-9.1%	7.8%	17.92	1.50	7.50	222.97
Mar-18	207.62	225.89	12.04	7.99	1.71	-9.1%	7.8%	17.93	1.50	7.50	225.89
Jun-18	207.28	225.53	11.92	7.99	1.71	-9.1%	7.8%	17.86	1.50	7.50	225.53
Sep-18	200.41	218.67	11.72	7.99	1.71	-9.1%	7.8%	17.85	1.50	7.50	218.67
Dec-18	195.95	213.27	12.01	7.99	1.71	-9.1%	7.8%	17.89	1.50	7.50	213.27
Mar-19	191.03	208.33	12.12	7.99	1.71	-9.1%	7.8%	17.89	1.50	7.50	208.33
Jun-19	190.83	208.10	11.75	7.99	1.71	-9.1%	7.8%	17.88	1.50	7.50	208.10
Sep-19	200.29	218.71	11.21	9.98	1.73	-9.1%	7.8%	18.12	1.50	8.40	218.71
Dec-19	207.79	226.20	11.24	9.98	1.72	-9.1%	7.8%	18.10	1.50	8.40	226.20
Mar-20	206.29	225.58	11.64	9.98	1.72	-9.1%	7.8%	18.07	1.50	8.40	225.58
Jun-20	200.85	218.28	12.45	9.97	1.72	-9.1%	7.8%	18.06	1.50	8.40	218.28
Sep-20	204.73	221.46	13.03	9.98	1.74	-9.1%	7.8%	17.92	1.50	8.45	221.46
Dec-20	198.99	221.52	12.85	9.98	1.74	-9.1%	7.8%	17.92	1.50	8.45	221.52
Mar-21	198.67	221.21	12.62	9.98	1.74	-9.1%	7.8%	17.92	1.50	8.45	221.21
Jun-21	191.77	213.37	12.41	9.98	1.74	-9.1%	7.8%	17.93	1.50	8.45	213.37
Sep-21	189.40	207.10	11.97	9.98	-	-9.1%	7.8%	18.18	1.50	8.60	207.10
Dec-21	193.71	209.35	11.71	9.98	-	-9.1%	7.8%	18.19	1.50	8.60	209.35
Mar-22	195.22	210.85	11.17	9.98	-	-9.1%	7.8%	18.19	1.50	8.60	210.81
Jun-22	194.47	211.03	11.41	9.98	-	-9.1%	7.8%	18.20	1.50	8.60	210.99
Sep-22	199.83	215.48	12.52	7.98	-	-9.1%	7.8%	12.10	2.00	8.00	215.46
Dec-22	198.73	215.30	12.69	7.98	-	-9.1%	7.8%	12.10	2.00	8.00	215.28
Mar-23	200.92	217.53	12.73	7.98	-	-9.1%	7.8%	12.10	2.00	8.00	217.51
Jun-23	202.08	217.74	12.66	7.99	-	-9.1%	7.8%	12.10	2.00	8.00	217.72
Sep-23	200.05	216.61	13.12	7.99	-	-9.1%	7.8%	13.66	2.00	8.60	216.59
Dec-23	200.27	216.84	13.36	7.99	-	-9.1%	7.8%	13.66	2.00	8.60	216.82

Notes: Supplied by MAIC  
 Insurer average filed gross premium excludes levies but includes ANTS impact

## **Appendix B Claimant benefit proportion**

**B.1 Estimate of average all class hindsight premium**

**B.2 Cumulative ratio of claimant benefits to all claim payments**

**B.3 Historical development factors**

## Appendix B

### Appendix B. 1 Hindsight estimation of average all class premium

Underwriting	Claim frequency	Claim size (\$)	Hindsight premium (\$) 0% p.a. SI scenario
Dec-14	0.181%	99,136	180
Mar-15	0.182%	101,782	185
Jun-15	0.183%	99,652	183
Sep-15	0.186%	99,680	186
Dec-15	0.195%	98,216	191
Mar-16	0.204%	100,090	204
Jun-16	0.207%	102,854	213
Sep-16	0.210%	101,929	214
Dec-16	0.207%	91,482	189
Mar-17	0.202%	91,591	185
Jun-17	0.203%	92,907	189
Sep-17	0.204%	94,471	192
Dec-17	0.201%	96,190	193
Mar-18	0.200%	96,464	193
Jun-18	0.196%	97,317	191
Sep-18	0.192%	97,526	188
Dec-18	0.190%	101,373	192
Mar-19	0.184%	105,219	194
Jun-19	0.172%	109,016	188
Sep-19	0.162%	110,815	179
Dec-19	0.159%	113,092	180
Mar-20	0.161%	115,505	186
Jun-20	0.170%	117,061	199
Sep-20	0.175%	119,014	208
Dec-20	0.173%	118,906	206
Mar-21	0.168%	120,083	202
Jun-21	0.162%	122,317	199
Sep-21	0.161%	119,092	191
Dec-21	0.160%	117,153	187
Mar-22	0.159%	112,088	179
Jun-22	0.160%	114,229	183
Sep-22	0.159%	116,619	186
Dec-22	0.159%	118,475	188
Mar-23	0.159%	118,913	189
Jun-23	0.158%	118,450	188
Sep-23	0.158%	118,344	187
Dec-23	0.159%	120,307	191

Notes: Sourced from the Retrospective Profit Advice







# Appendix C Scheme delivery

## C.1 Scheme delivery calculation (0% p.a. superimposed inflation scenario)

## Appendix C

Appendix C.1 Estimate of Scheme Delivery based on data to 31 December 2023 (0% p.a. superimposed inflation scenario)

	Hindsight Underwriting premium (\$)	Estimate of the proportion of claimant benefits	Amount of hindsight premium attributed to claimant benefits (\$)	Levies attributed to claimant benefits (\$)	Risk premium	Insurer average collected premium (\$)	Levies	Acquisition & reinsurance	CHE	Profit	Scheme delivery
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Dec-14	179.86	0.94	168.81	18.42	269.27	27.97	12.47	16.29	25.04	53.3%	
Mar-15	185.47	0.94	173.91	18.41	269.01	27.96	12.47	16.28	25.01	54.8%	
Jun-15	182.73	0.94	171.33	18.40	264.88	27.95	12.46	16.02	24.65	54.8%	
Sep-15	185.65	0.94	173.90	19.44	259.77	28.44	13.56	15.72	24.28	56.6%	
Dec-15	191.42	0.93	178.84	19.43	261.22	28.43	13.56	15.80	24.41	57.7%	
Mar-16	203.71	0.93	189.86	19.42	260.99	28.42	13.55	15.79	24.39	61.0%	
Jun-16	213.31	0.93	198.29	19.42	267.52	28.42	13.55	16.19	24.97	62.1%	
Sep-16	214.16	0.93	198.98	19.41	260.92	28.41	13.55	15.79	24.38	63.7%	
Dec-16	188.92	0.93	175.78	19.41	231.31	28.41	10.67	14.60	21.56	63.7%	
Mar-17	184.82	0.93	172.14	19.41	229.82	28.41	10.67	14.51	21.42	62.8%	
Jun-17	189.00	0.93	175.92	19.41	216.30	28.41	10.67	13.66	20.22	67.5%	
Sep-17	192.35	0.93	178.69	17.82	202.16	26.82	10.66	12.76	18.95	72.4%	
Dec-17	193.44	0.93	179.35	17.92	202.94	26.92	10.67	12.81	19.02	72.4%	
Mar-18	192.71	0.93	178.35	17.93	204.65	26.93	10.67	14.07	19.27	71.2%	
Jun-18	190.70	0.92	176.25	17.86	204.29	26.86	10.67	14.04	19.24	70.6%	
Sep-18	187.54	0.92	173.14	17.85	197.80	26.85	10.67	13.60	18.66	71.4%	
Dec-18	192.18	0.92	177.39	17.89	192.67	26.89	10.67	13.25	18.19	74.6%	
Mar-19	193.86	0.92	178.79	17.89	187.98	26.89	10.67	12.92	17.77	76.8%	
Jun-19	187.94	0.92	172.93	17.88	187.76	26.88	10.66	12.91	17.75	74.5%	
Sep-19	179.37	0.92	164.80	18.12	195.75	28.02	12.88	13.46	18.66	68.1%	
Dec-19	179.81	0.92	165.14	18.10	202.87	28.00	12.87	13.95	19.30	66.2%	
Mar-20	186.17	0.92	171.01	18.07	202.28	27.97	12.87	13.91	19.24	68.4%	
Jun-20	199.28	0.92	183.44	18.06	195.36	27.96	12.87	13.43	18.62	75.1%	
Sep-20	208.50	0.92	192.16	17.92	198.21	27.87	12.89	13.63	18.88	77.4%	
Dec-20	205.62	0.92	189.38	17.92	198.73	27.87	12.89	13.66	18.93	76.2%	
Mar-21	201.89	0.92	185.96	17.92	198.43	27.87	12.89	13.64	18.90	75.0%	
Jun-21	198.53	0.92	182.98	17.93	190.98	27.88	12.89	13.13	18.23	76.4%	
Sep-21	191.50	0.92	176.48	18.18	186.60	28.28	10.98	12.83	17.68	75.9%	
Dec-21	187.44	0.92	172.75	18.19	188.50	28.29	10.98	12.96	17.85	73.8%	
Mar-22	178.71	0.92	164.70	18.19	189.88	28.29	10.98	13.05	17.97	70.3%	
Jun-22	182.58	0.92	168.18	18.20	190.12	28.30	10.98	13.07	17.99	71.6%	
Sep-22	185.50	0.92	170.92	12.10	195.35	22.10	8.78	14.50	18.37	70.6%	
Dec-22	187.97	0.92	173.21	12.10	195.18	22.10	8.78	14.49	18.35	71.6%	
Mar-23	188.58	0.92	173.73	12.10	197.28	22.10	8.78	14.65	18.54	71.1%	
Jun-23	187.60	0.92	172.83	12.10	197.48	22.10	8.78	14.66	18.56	70.7%	
Sep-23	187.44	0.92	172.70	13.66	195.91	24.26	8.79	15.08	18.46	71.0%	
Dec-23	190.86	0.92	175.87	13.66	196.12	24.26	8.79	15.10	18.48	72.1%	

Notes: (a) Sourced from Appendix B.1  
 (b) Based on the selected development factors shown in Appendix B.3, adjusted to the underwriting quarter basis  
 (c) (a) \* (b)  
 (d) Sourced from Appendix A.3  
 (e) Sourced from Appendix A.3  
 (f) Sourced from Appendix A.3  
 (g) Sourced from Appendix A.3  
 (h) Sourced from Appendix A.3  
 (i) Sourced from Appendix A.3  
 (j) [(c) + (d)] / [(e) + (f) + (g) + (h) + (i)]

# Appendix D Scheme affordability

## D.1 Scheme affordability calculation

## Appendix D

## Appendix D. 1 Scheme affordability

Underwriting quarter	Highest filed premium incl. NISQ levy (\$)	Highest filed premium excl. NISQ levy (\$)	Affordability index
Dec-14	336.60	336.60	647.46
Mar-15	336.60	336.60	655.61
Jun-15	336.60	336.60	655.61
Sep-15	329.60	329.60	648.41
Dec-15	329.60	329.60	648.41
Mar-16	329.60	329.60	651.02
Jun-16	336.60	336.60	651.02
Sep-16	329.60	329.60	657.14
Dec-16	368.60	299.60	657.14
Mar-17	368.60	299.60	666.95
Jun-17	352.60	283.60	666.95
Sep-17	352.00	267.00	673.25
Dec-17	352.00	267.00	673.25
Mar-18	355.00	270.00	687.51
Jun-18	355.00	270.00	687.51
Sep-18	350.20	262.00	693.86
Dec-18	344.20	256.00	693.86
Mar-19	339.20	251.00	708.30
Jun-19	339.20	251.00	708.30
Sep-19	351.20	260.70	709.74
Dec-19	359.20	268.70	709.74
Mar-20	359.20	268.70	724.19
Jun-20	351.20	260.70	724.19
Sep-20	351.60	261.10	740.43
Dec-20	351.60	261.10	740.43
Mar-21	351.60	261.10	726.93
Jun-21	343.60	253.10	726.93
Sep-21	351.80	248.50	741.02
Dec-21	353.80	250.50	741.02
Mar-22	355.80	252.50	752.13
Jun-22	355.80	252.50	752.13
Sep-22	364.00	247.40	767.30
Dec-22	364.00	247.40	767.30
Mar-23	366.00	249.40	792.32
Jun-23	366.00	249.40	792.32
Sep-23	369.60	250.60	805.95
Dec-23	369.60	250.60	805.95

Notes: As prescribed and provided by MAIC



**Sydney**

Level 22  
45 Clarence Street  
Sydney NSW 2000

**Melbourne**

Level 27  
459 Collins Street  
Melbourne VIC 3000

**Wellington**

Level 6  
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Wellington 6011