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Queensland CTP Market Briefing

Review of the risk premium for
the 2025Q4 underwriting quarter

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About the market briefing

Each quarter, Taylor Fry provides advice to MAIC to assist in its role of setting a pricing band for the Queensland CTP Scheme. This market briefing is intended to summarise Taylor Fry's latest advice to MAIC.

We suggest that the first-time reader reviews *Section 6 - Structure of Taylor Fry's advice to MAIC* before the remainder of this briefing to understand Taylor Fry's role and the structure of our advice.

Stakeholder submissions

We received two stakeholder submissions which have been considered in the preparation of this report.

Reliance and limitations

This briefing is prepared for MAIC. MAIC alone is permitted to distribute this briefing to other parties. We note our duty of care does not extend to any third party who receives this report (or accompanying material) and we do not accept any liability for any actions resulting from relying on any information contained within the report (or accompanying material).

1 Risk premium

This section provides an overview of the risk premium at Mar-25, changes since the last review and uncertainty in the risk premium estimate.

Our estimate of the risk premium at Mar-25 is **\$203.47**. This estimate is a combination of the risk premium relating to core claims, workers compensation, interstate sharing and NSW postcode claims.

Table 1 shows the components of the risk premium estimate.

Table 1 - Estimated risk premium at Mar-25

Component	Frequency %	Average claim size \$	Risk premium \$
Core claims	0.1450%	132,329	191.88
NSW accident postcode claims	0.0056%	165,494	9.26
Interstate sharing claims	0.0012%	69,753	0.84
Workers' compensation recovery claims	0.0155%	9,626	1.49
Estimated risk premium at Mar-25	0.1673%	121,620	203.47

1.1 Change since last review

The estimated risk premium at Mar-25 of **\$203.47** is **\$6.11 higher** than our estimate at the previous review. This estimate is in Mar-25 dollars before the application of inflation and discounting.

Figure 1 shows the contributors to the change in estimated risk premium since Dec-24.

Figure 1 – Change in estimated risk premium since the Dec-24 review

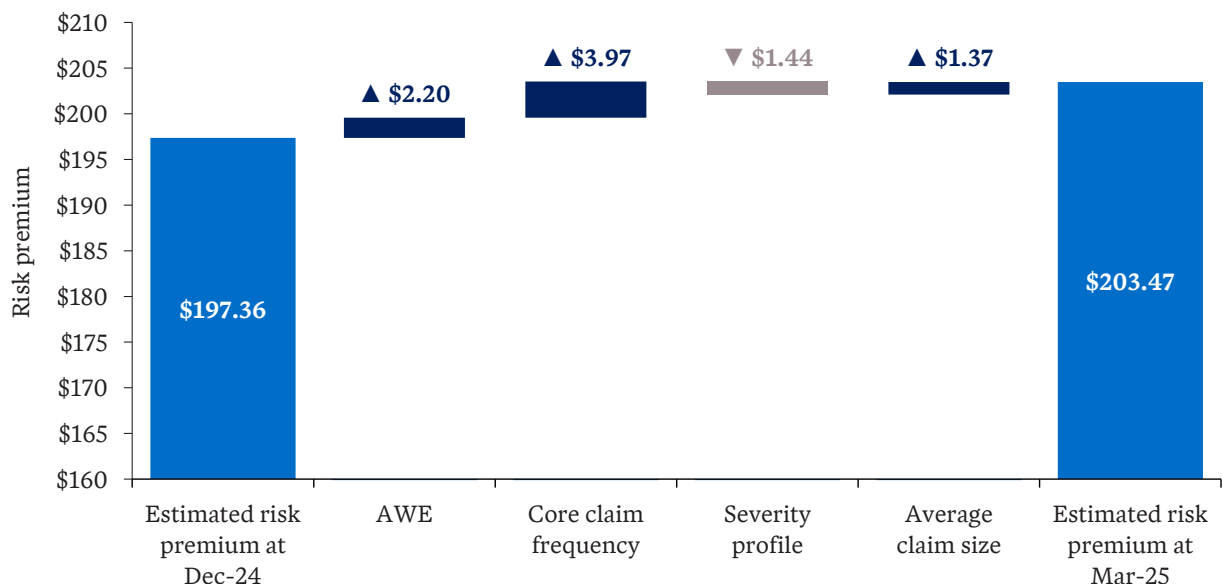


Figure 1 shows:

- An **increase in Average Weekly Earnings (AWE) over the quarter**, resulting in an increase in the risk premium of \$2.20
- An increase of \$3.97 due to an **increase in the core claim frequency**
- A decrease of \$0.07 due to a **decrease in the average claim size**, which is the net effect of:
 - A decrease of \$1.44 due to a **weakening of the severity profile**, driven by an increase in the proportion of Severity 1N claims, offset by a decrease in the proportion of Severity 1Y claims
 - An increase of \$1.37 due to an **increase in core claim size assumptions**, particularly for Severity 1Y claims.

1.2 Risk premium uncertainty

Our risk premium estimate for the 2025Q4 underwriting quarter is highly uncertain. As an illustration of this uncertainty:

- There is approximately one in four chance that the actual risk premium will be *more* than 7.5% higher than our risk premium estimate.
- There is approximately one in four chance that the actual risk premium will be *less* than 7.5% lower than our risk premium estimate.

Section 5 discusses risk premium uncertainty in more detail.

2 Frequency

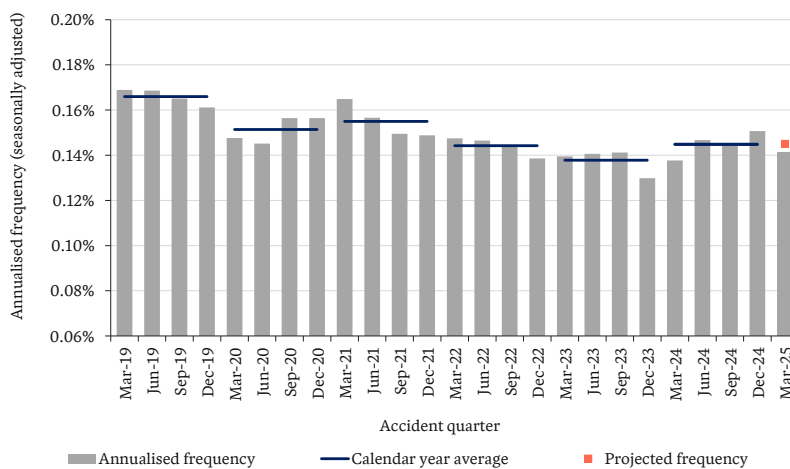
We review the core claim frequency selection quarterly.

This section outlines the assumptions for core claim frequency.

Notifications over the quarter were overall in line with forecasts at Dec-24, with lower-than-expected experience for the Mar-25 accident quarter offset by higher-than-expected experience for the Dec-24 accident quarter.

Figure 2 shows the projected ultimate annualised frequency for each historical accident quarter after allowing for seasonality and removing the estimated impact of COVID-19 and the Mar-22 Eastern Australian floods.

Figure 2 – Estimated annualised core claim frequency at Mar-25



The core claim frequency decreased from Mar-21 to Mar-23, coinciding with lower traffic volumes. Other factors such as road safety measures and continued enforcement of the claims farming reforms may also have contributed to the observed reduction in frequency.

The frequency for Mar-25 is lower than observed for the three accident quarters prior (Jun-24 to Dec-24), with low traffic volumes due to Ex-Tropical Cyclone Alfred likely contributing to the lower frequency experience.

The advised frequency assumption at Mar-25 is calibrated to a 4-quarter average over the Mar-24 to Dec-24 accident quarters. This represents a **2.1% increase** from the Dec-24 estimate to a projected frequency of 0.1450%, with lower Dec-23 experience dropping out of the calibration window.

3 Severity profile

We review the severity profile selection quarterly.

This section outlines the assumptions for the core claims severity profile.

Legally represented Severity 1 claims (Severity 1Y) represent around 62% of core claim notifications and around 48% of the core risk premium. While there are relatively few high severity claims, they typically have higher average claim sizes.

Table 2 shows our current and previous severity profile assumptions.

Table 2 – Severity profile at Mar-25 and change from the previous quarter

Severity	Previous review	Current review	Movement
	Dec-24	Mar-25	
1N	12.0%	13.2%	+1.1%
1Y	62.8%	61.7%	-1.1%
2	13.5%	13.5%	-0.0%
3	6.2%	6.0%	-0.2%
4	0.9%	1.0%	+0.1%
5	0.5%	0.5%	-0.0%
6	1.1%	1.0%	-0.0%
9NA	3.0%	3.0%	+0.1%
All	100%	100%	

The severity profile has **weakened** at this review.

An increase in the proportion of Severity 1N claims is offset by a decrease in the proportion of Severity 1Y claims, resulting in a net **\$1.44 decrease** in risk premium.

4 Average claim size

We review the average claim size by severity quarterly. The average finalised claim sizes used for modelling are on a net of NIISQ basis.

This section outlines the assumptions for core claim average claim size.

Table 3 shows our current and previous core average claim size assumptions.

Table 3 – Core average claim size at Mar-25 and change from the previous quarter (adjusted for inflation), excluding changes in severity profile

Severity	Previous review	Current review	Movement
	Dec-24 \$'000	Mar-25 \$'000	
1N	15	16	+1.0%
1Y	100	103	+2.5%
2	203	201	-1.3%
3	390	386	-1.1%
4	737	734	-0.4%
5	1,072	1,062	-0.9%
6	318	326	+2.5%
9NA	13	13	-0.4%
Total	131	132	+0.7%

The core claim size assumption has **increased by 0.7%** since Dec-24, excluding changes in severity profile.

This increase is driven by severities 1N, 1Y and 6.

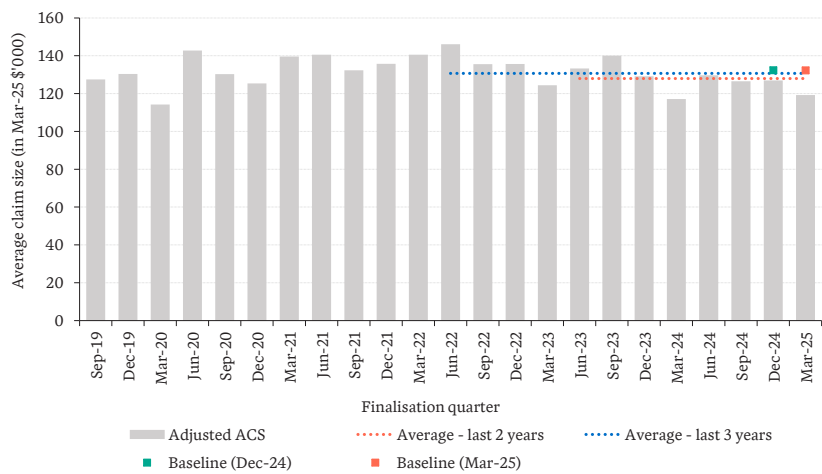
Severity 1Y average claim size experience over the year to Mar-25 has been elevated relative to the two years prior.

At this review we've taken a more responsive approach to reflect the substitution effect from a changing mix within Severity 1. We have shortened the averaging period for Severity 1Y by one year across all operational times, resulting in a 2.5% increase in Severity 1Y average claim size.

Experience for Severity 1N continues to remain high, which appears to be the result of direct claims initiatives introduced by insurers.

Figure 3 shows the historical finalised claim sizes by finalisation quarter, standardised for severity profile and changes in the rate of finalisations across accident periods.

Figure 3 – Average claim size by finalisation quarter (all severities, adjusted for inflation)

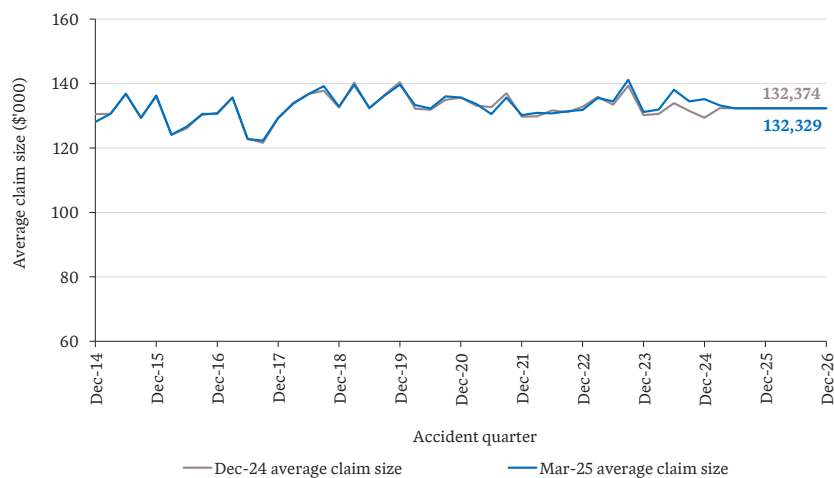


The core average claim size assumed at Mar-25 is **largely unchanged** from our previous estimate, which is the net effect of a **weakened severity profile** offset by an **increase in average claim size assumptions**.

Our current average claim size assumption is similar to the average experience of the past 3 years.

Figure 4 shows the estimates ultimate average claim sizes by accident quarter.

Figure 4 – Projected core average claim size by accident quarter (all severities, adjusted for inflation)



Our projected core average claim size has remained **largely unchanged** from the previous review.

The current estimate is **\$132,329**.

5 Risk premium uncertainty

There is considerable uncertainty in the assumptions underlying our risk premium estimate. We provide risk premium impacts for a range of plausible alternative scenarios.

5.1 Business as usual variation

Our risk premium estimate is highly uncertain. The movement of the risk premium from quarter to quarter is the main source of uncertainty in our risk premium estimate, referred to as *risk premium evolution error*.

The average claim for underwriting quarter 2025Q4 will finalise around **four years later** than the most recent finalised claim data available to estimate risk premium. Historically there have been large movements in the risk premium over a four-year period. In general, these movements are not predictable in advance.

We have quantified this risk premium evolution error to give the scheme's "business as usual variation". We have found that there is approximately **50% chance** that the actual risk premium will fall within the range of:

- Estimated risk premium +/-7.5%, or equivalently,
- Estimated risk premium +/- \$15.

5.2 Key uncertainties

In addition, we have identified several key uncertainties that could impact the risk premium. These are summarised in Table 4 and described below.

Table 4 – Change in estimated risk premium for plausible alternative scenarios

Risk premium scenarios	Impact on estimated risk premium
Business as usual variation	
Estimated risk premium – 50% confidence interval	+\$15.3 / -\$15.3
Frequency / severity profile scenarios	
Frequency in line with experience over the accident year Jun-24 to Mar-25, with Mar-25 adjusted for Ex-Tropical Cyclone Alfred	+\$0.9
Severity 3+ frequency develops in line with average experience for AY2018-AY2020	-\$1.5
Severity 3+ frequency develops in line with average experience for AY2023-AY2024	+\$1.8
Severity 1N proportion calibrated to a two-year average, allowing for transitions from Severity 1N to Severity 1Y	+\$1.3
Average claim size (ACS) scenarios	
Severity 1Y ACS emerges in line with the finalisation experience over the last 2 years	-\$1.4
Severity 2 ACS emerges in line with the finalisation experience over the last 1.5 years	-\$2.7
ACS calibrated by excluding one insurer's low AY2021-AY2024 experience	+\$2.2
ACS calibrated by excluding one insurer's high AY2018-AY2020 experience	-\$3.1

5.2.1 Uncertainty in the frequency of core claims

There was a drop in claim frequency at the beginning of 2020 due to COVID-19 related lockdowns and the introduction of the claims farming legislation. Following the lifting of the lockdowns, frequency partially rebounded, followed by a decrease over 2022 and 2023 associated with lower traffic volumes.

Our frequency assumption is based on the average frequency experience over the accident year Mar-24 to Dec-24.

The core claim frequency for the Mar-25 accident quarter was lower than observed for the three quarters prior (Jun-24 to Dec-24), with low traffic volumes due to Ex-Tropical Cyclone Alfred likely contributing to the lower frequency experience.

If claim frequency were to emerge in line with experience over the accident year Jun-24 to Mar-25, with the Mar-25 accident quarter adjusted (based on traffic volumes) to remove the effect of Ex-Tropical Cyclone Alfred, the [risk premium would increase by \\$0.90](#).

5.2.2 Uncertainty in the frequency of high severity claims

The frequency for high severity claims (3, 4, 5 and 6) has been volatile over time. Our selected frequency is based on the projected ultimate frequency for the three to four most recent accident years.

If the frequency for 2025Q4 is assumed to emerge similarly to the average projected for AY2018-AY2020 then the [risk premium estimate would decrease by \\$1.50](#).

If the frequency for 2025Q4 is assumed to emerge similarly to the average projected for AY2023-AY2024 then the [risk premium estimate would increase by \\$1.80](#).

5.2.3 Uncertainty in the proportion of direct Severity 1 claims

The proportion of direct Severity 1 claims (Severity 1N) has increased materially since Jun-22, likely driven by an increased focus on direct claims by insurers.

We have recognised more of the increasing proportion of Severity 1N claims at this review, offset by a reduction in the proportion of Severity 1Y claims.

There is however uncertainty in the assumed ultimate proportion of Severity 1 claims that will be direct and the proportion that will have legal representation. If the selected Severity 1N proportion was calibrated to a two-year average, allowing for potential late transitions from Severity 1N to Severity 1Y, the [risk premium would increase by \\$1.30](#).

5.2.4 Uncertainty in the average claim size of Severity 1Y and 2 claims

Severity 1Y average claim sizes stepped up during the Mar-21 to Jun-22 finalisation quarters, followed by lower experience over Sep-22 to Mar-24. Experience over the year Jun-24 to Mar-25 has been elevated relative to the two years prior.

At this review we've taken a more responsive approach to reflect the substitution effect from a changing mix within Severity 1 by shortening the averaging period for Severity 1Y by one year across all operational times. Our Severity 1Y ACS is based on a mix of a 1-year average for low-mid operational times and a 2-year average for high operational times. If we were to calibrate the Severity 1Y ACS to a 2-year average throughout, which reduces the weight on recent higher experience, the [risk premium would decrease by \\$1.40](#).

The Severity 2 average claim size stepped up for finalisations over 2021-2023, before decreasing at Mar-24. Our projection at Mar-25 is based on a mix of a 2-year average for low-mid operational times and a 3-year average for high operational times.

If we were to calibrate the Severity 2 ACS to a 1.5-year average throughout, which puts more weight on the lower experience since Mar-24, the [risk premium would decrease by \\$2.70](#).

5.2.5 Uncertainty in the core average claim size

Average claim size experience for one insurer has been more variable than typical over the last several accident years. For AY2018 to AY2020, experience for this insurer is emerging above the rest of industry, while for AY2021 to AY2024 experience is emerging below their prior accident years and the rest of industry.

Discussions with the insurer have indicated that the lower experience in AY2021 to AY2024 results from focussing on less complex claims with smaller average claim sizes. They expect that the average claim sizes for these accident years will increase as they finalise the more complex claims. We continue to accept this explanation and our approach to model calibration – which includes all Scheme data – allows for this.

However:

- If the average claim size was calibrated to experience that excluded this insurer's high AY2018 to AY2020 experience, [the risk premium would decrease by \\$3.10](#).
- If the average claim size was calibrated to experience that excluded this insurer's low AY2021 to AY2024 experience, [the risk premium would increase by \\$2.20](#).

6 Structure of Taylor Fry's advice to MAIC

This section describes the components of our advice to MAIC as well as the role of this advice in MAIC's premium setting process.

The **prescribed floor and ceiling premiums** for each underwriting quarter are calculated and set by **MAIC**, based on several inputs, including estimates of the average **risk premium** for the scheme. Taylor Fry estimates the components of the risk premium for the Queensland CTP scheme for each underwriting quarter and advises MAIC on these components.

In estimating the risk premium for each underwriting quarter, we consider '**core**' claims separately from workers' compensation recovery (WC), interstate sharing (IS) and NSW accident postcode (NSW) claims. Each component is separated into the **frequency** of claims per registered vehicle and **average claim size**. These components make up the baseline risk premium.

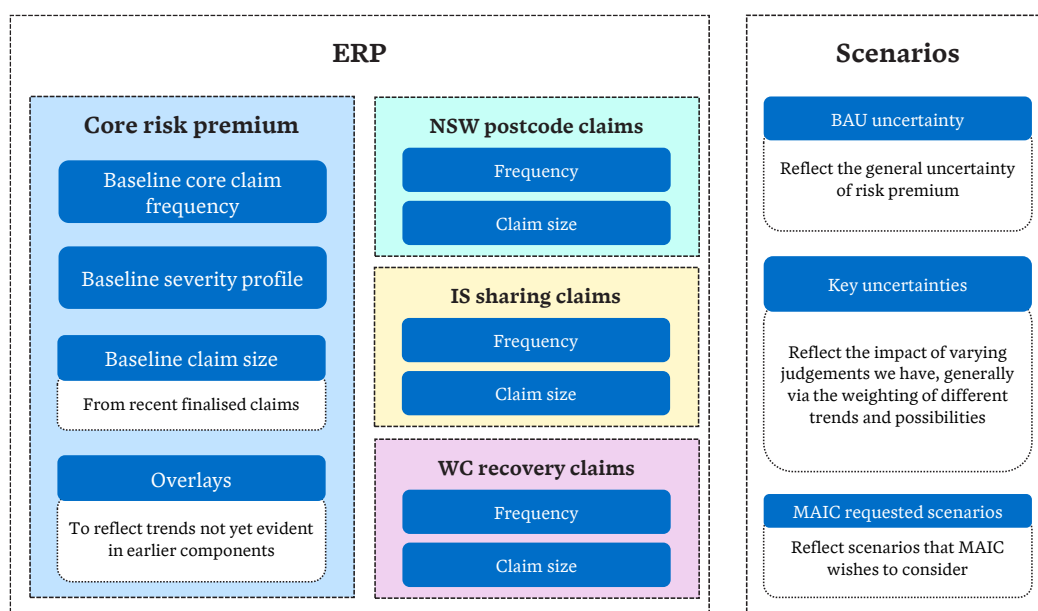
Our Estimated Risk Premium (ERP) for a given future underwriting quarter is comprised of our **baseline risk premium estimate** and **overlays**. The ERP reflects **risk premium** implied by **the most recent past accident periods**, adjusted for the impact of changes which meet the following criteria:

- Evidence of the change can be seen in the data
- The change is quantifiable with reasonable certainty
- We are reasonably confident that the change will continue into the future up until the time most of the cost of claims for the underwriting quarter has been paid.

The risk premium of recent accident years is captured in the baseline risk premium estimate and the other adjustments are made through the overlay component when needed.

There is a large degree of **uncertainty** and **reliance on judgment** apparent in the overlays as they reflect our view of changes to the scheme experience occurring in either the very recent past or the future; the prescribed premiums are set for an accident period approximately one year in the future with claims settling on average 3 years after that.

In addition to the ERP, we provide MAIC with a series of scenarios focusing on key uncertainties in the ERP which reflect potential alternative scenarios relating to possible changes to underlying components of risk premium. Our ERP and scenarios are inputs for MAIC to utilise in their pricing process. We do not expect that MAIC will necessarily adopt our ERP or a risk premium that is within the range covered by our scenarios.



We consider it proper for MAIC to adopt a risk premium different to our ERP based on:

- Adopting a combination of provided scenarios which they consider to be the most likely to occur
- Their anticipation of future changes to the risk premium which we have not allowed for in our ERP or scenarios.

Appendix A

A.1 Key definitions

Table A.1 – Key definitions

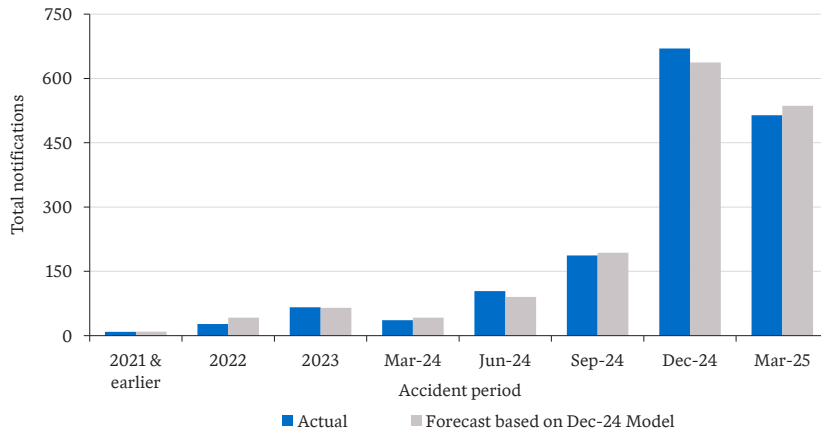
Claim	All claims recorded as notified in the Scheme data, other than Nominal Defendant claims, but specifically including those for nil or trivial amounts.
Claim severity	Claim severity refers to our severity band under which a claim falls under, which is a categorisation based on the maximum injury severity score of the claim and the status of the claim's legal representation.
Core claims	Claims excluding those categorised as workers' compensation recovery, interstate sharing claims or NSW accident postcode claims.
Operational time	The rank order of claims finalised from an accident quarter. For example, the first claims finalised have operational times near 0% and the last claims finalised have operational times near 100%.
Interstate sharing claims (IS) claims	Interstate sharing (IS) claims involve one party from Queensland and another from a different state. In some of these cases the claim cost is shared between schemes. These claims are managed by an interstate insurer. They are identified in the database by means of a specific injury code. Claims with a NSW accident postcode are excluded.
Workers' compensation recovery (WC) claims	Workers' compensation recovery (WC) claims are those notified to insurers by a workers' compensation insurer/authority. They have been identified separately in the database since 2009Q1 by means of a specific injury code. Claims with a NSW postcode are excluded.
NSW accident postcode claims	Claims with a NSW accident postcode, including those categorised as core, workers' compensation recovery and interstate sharing claims. They are identified in the database by means of accident postcodes.
Claim frequency	Number of claims per registered vehicle.
Severity profile	The severity profile refers to the final proportion of claims related to each claim severity.
Risk Premium (RP)	Risk premium refers to the average premium required to cover claim costs which is calculated as the total ultimate claim costs of a period divided by the number of registered vehicles. This is equivalent to claim frequency multiplied by average claim size for each severity, summed across all claim severities.
Estimated risk premium (ERP)	The ERP refers to our estimate of risk premium that reflects claims costs for the most recent past accident periods, to the extent we can reliably measure them, adjusted for the impact of changes we are reasonably confident will occur up until the time most of the cost of claims for the underwriting quarter has been paid.
Claim farming reforms	On 5 December 2019, new legislation commenced which aims to stop the practice of insurance car crash scamming (commonly known in the industry as 'claim farming'). Car crash scammers contact unsuspecting people and pressure them (or their family members) to make a CTP insurance claim or share their personal information to law firms for a profit. Car crash scammers have been known to use aggressive tactics and target vulnerable Queenslanders. The legislation makes it illegal in Queensland for lawyers to pay a fee to a car crash scammer.

A.2 Experience over the Mar-25 quarter

This section discusses experience over the Mar-25 quarter for core claims.

A.2.1 Core claim notifications

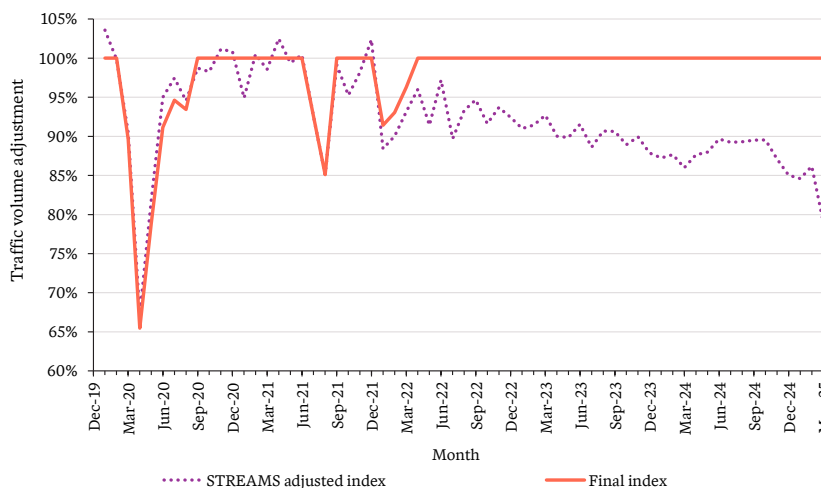
Figure A.1 – Number of core claims notified in Mar-25



Claim notifications in Mar-25 were overall in line with forecasts at Dec-24. This was the net effect of lower-than-expected experience for the Mar-25 accident quarter offset by higher-than-expected experience for the Dec-24 accident quarter.

Low traffic volumes due to Ex-Tropical Cyclone Alfred likely contributed to the lower experience in Mar-25.

Figure A.2 – Implied traffic volume relative to 2019



To remove the impact of past extreme events on recent traffic volumes (including COVID lockdowns over 2020-2021 and the 2022 Eastern Australian floods), we adjust notification experience for periods affected by such events.

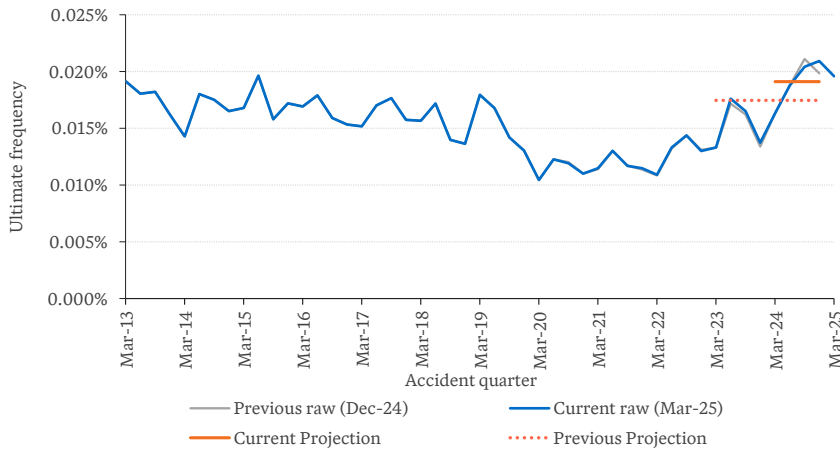
Adjustments for traffic volumes (orange line) remain unchanged at this review.

Traffic volumes remained low in Jan-25 and Feb-25, before decreasing further in Mar-25 due to Ex-Tropical Cyclone Alfred.

We continue to rely on claims experience alone to forecast future claims frequency. We are yet to see evidence that forecasting future traffic volumes can increase the accuracy of future frequency forecasts.

A.2.2 Core claim severity profile

Figure A.3 – Severity 1N projected frequency

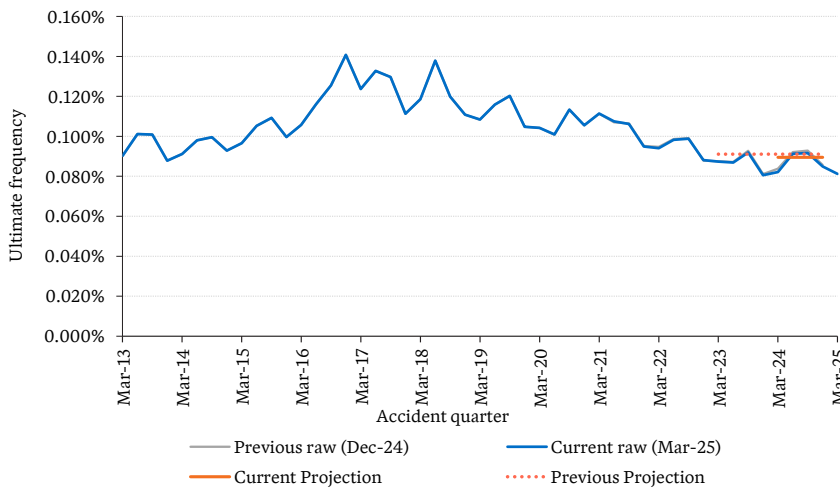


The increasing trend in Severity 1N notifications has continued in the Mar-25 quarter.

We have recognised more of the increasing Severity 1N frequency at this review. The current projection is calibrated to a one-year averaging period, excluding the latest accident quarter, consistent with our approach to setting overall core claim frequency.

Our adopted frequency of Severity 1N claims has **increased** at this review.

Figure A.4 – Severity 1Y projected frequency



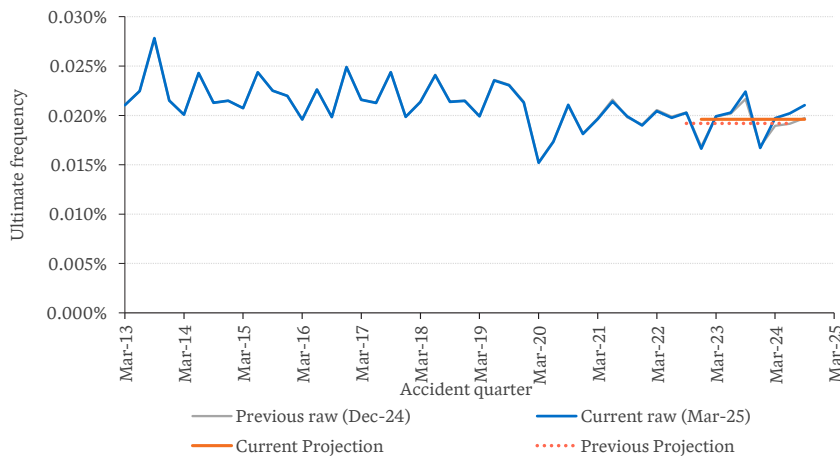
The majority of claims are Severity 1Y claims.

The frequency and proportion of Severity 1Y claims has been decreasing since Sep-21. We continue to reflect more of this experience when selecting our assumptions.

Consistent with a more responsive approach to setting the Severity 1N frequency, we have recognised more of the decrease in Severity 1Y claims at this review.

Our adopted frequency of Severity 1Y claims has **decreased** at this review.

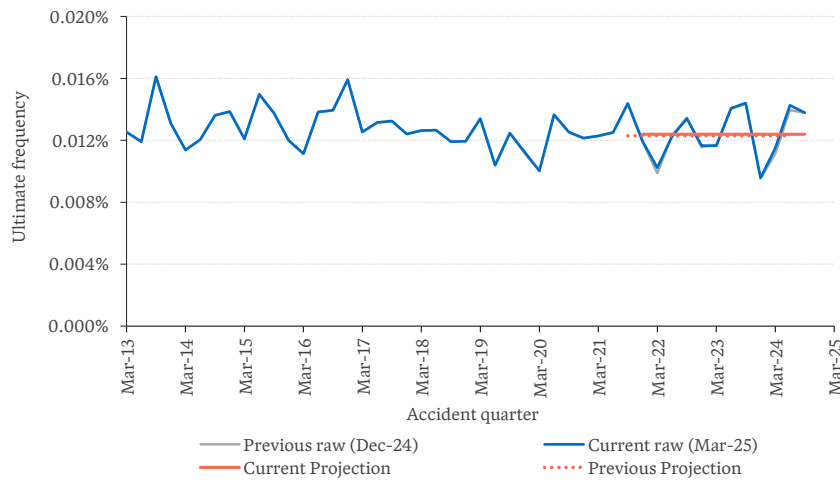
Figure A.5 – Severity 2 projected frequency



The Severity 2 frequency stepped down following introduction of claims farming reforms in 2019, and has remained relatively stable at this lower level since.

Our adopted frequency for Severity 2 claims has **increased** slightly at this review, and is in line with the experience over the past 2 accident years.

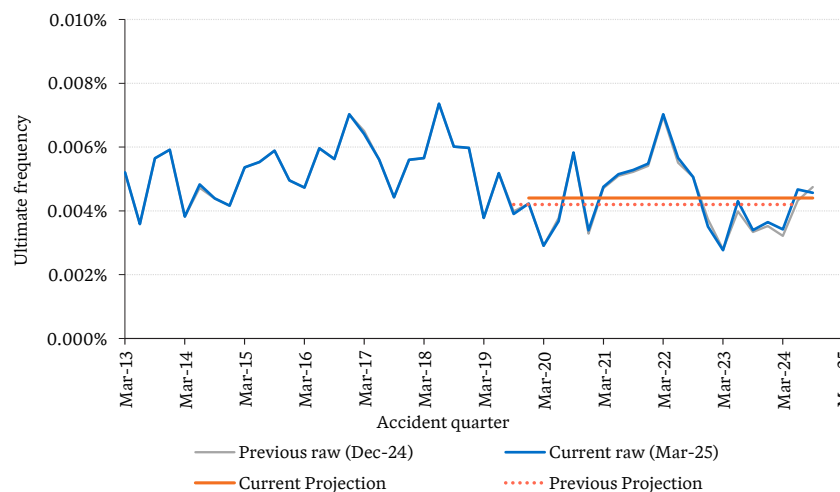
Figure A.6 – Severity 3 to 6 projected frequency



The adopted frequency for claims in Severities 3-6 is in line with the experience over the past 3-4 accident years.

Our adopted frequency of Severity 3-6 claims has **increased** slightly at this review.

Figure A.7 – Severity 9 claim projected frequency

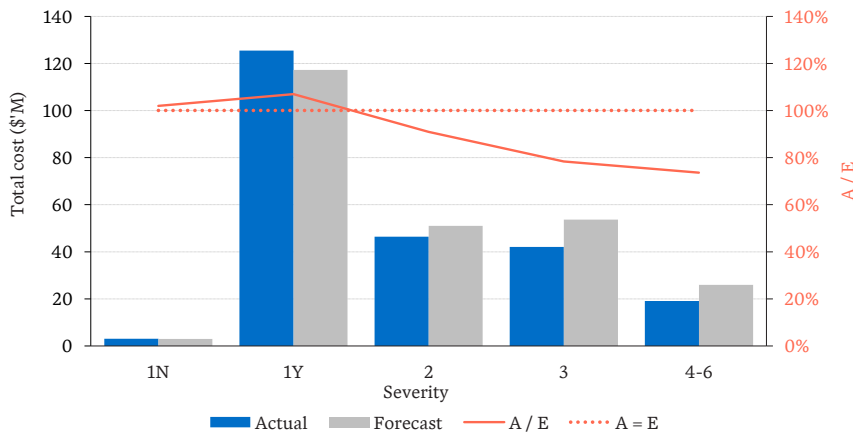


The frequency of Severity 9 claims has been volatile.

Our adopted frequency of Severity 9 claims has **increased** at this review.

A.2.3 Core claim average claim size

Figure A.8 – Finalisation experience by severity in Mar-25



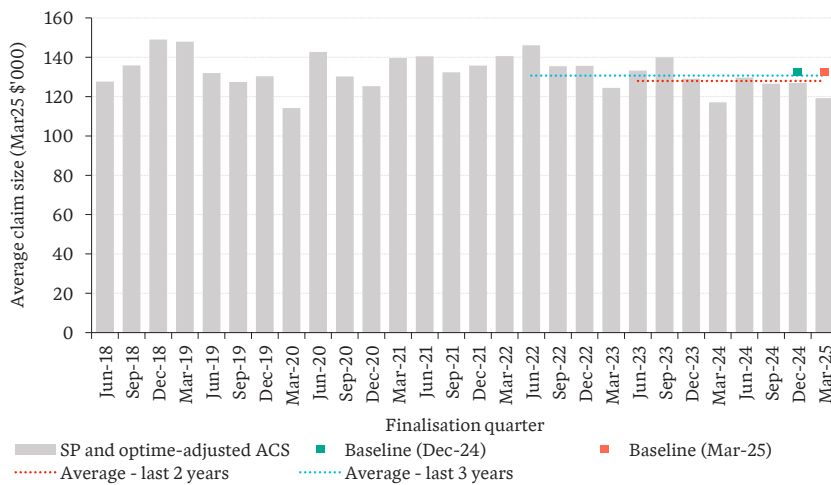
The actual cost for the Mar-25 quarter across all severities was **6% lower than** projected at Dec-24, driven by high severity claims.

Severity 1N claims finalised for 2% higher than forecast, and Severity 1Y claims finalised for 7% higher than forecast.

Severity 2 claims finalised for 9% lower than forecast.

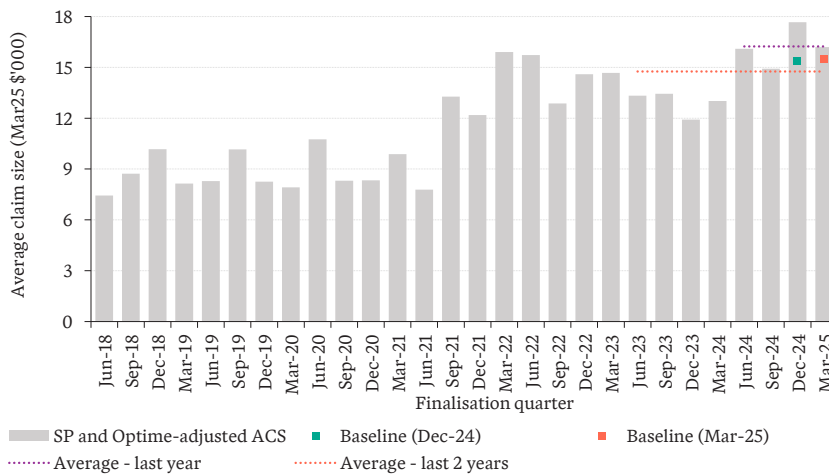
Finalisation experience for higher severity groups is volatile. Severity 3-6 claims finalised for 23% lower than forecast.

Figure A.9 – All severities average claim size



The average claim size assumed at Mar-25 is **largely unchanged** from our previous estimate. This is the net effect of a weakened severity profile offset by an increase to average claim size assumptions.

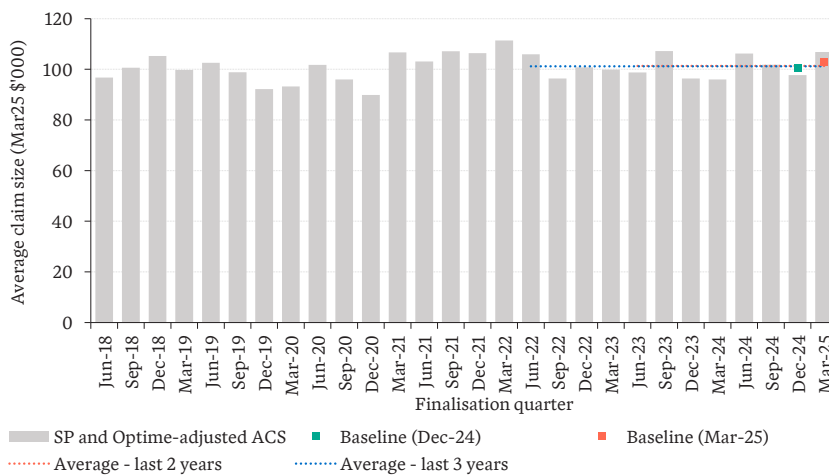
Figure A.10 – Severity 1N average claim size



The average finalised size of Severity 1N claims stepped up at Jun-24.

The projected average claim size at Mar-25 is **1% higher** than projected at Dec-24.

Figure A.11 – Severity 1Y average claim size

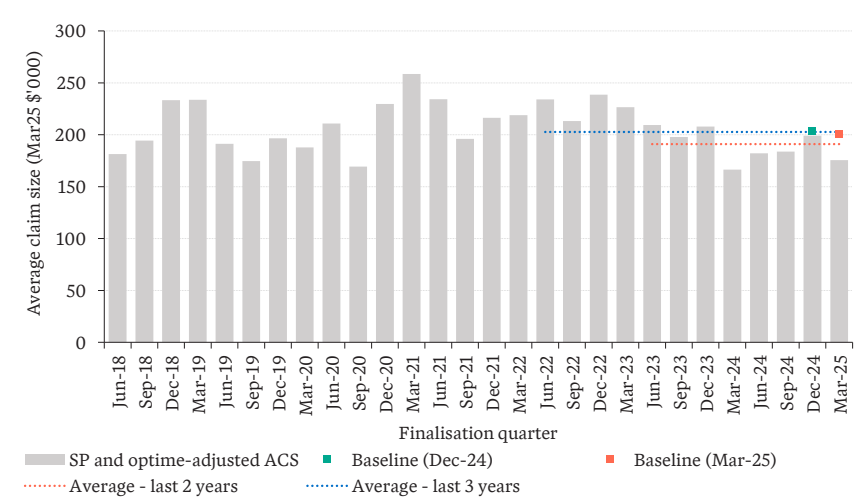


The average finalised size of Severity 1Y claims was high during Mar-21 to Jun-22, followed by lower experience over Sep-22 to Mar-24. Experience over the year to Mar-25 has been elevated relative to the two years prior.

At this review we've taken a more responsive approach to reflect the substitution effect from a changing mix within Severity 1 by shortening the averaging period for Severity 1Y by one year across all operational times. We estimate the Severity 1Y average claim size by averaging across the past year for low-mid operational times and across the past 2 years for higher operational times.

The projected average claim size at Mar-25 is **2.5% higher** than projected at Dec-24.

Figure A.12 – Severity 2 average claim size



The average finalised size of Severity 2 claims stepped down at Mar-24, and has remained at a lower level than observed over 2021 to 2023.

Two underlying trends are driving the recent lower Severity 2 average claim size – (1) the average claim size of legally represented Severity 2 claims has decreased, and (2) the proportion of Severity 2 claims finalised without legal representation has increased.

The Severity 2 average claim size is calibrated to experience of the past 2 years across low-mid operational times and across the past 3 years for higher operational times.

The projected average claim size at Mar-25 is **1.3% lower** than projected at Dec-24.

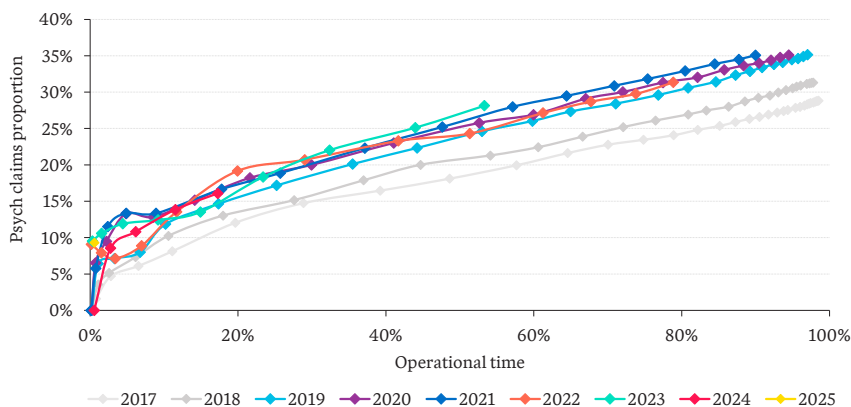
A.2.4 Psychological claims

We monitor the experience of claims with psychological injuries to ensure our finalisation models are appropriate given the emerging experience.

In recent accident years there have been **increasing proportions** of claims with psychological injury coding (psychological claims) and **faster coding** of psychological injuries. The proportion of psychological claims appears to have largely **stabilised since AY2021**.

On its own, the increasing proportion of psychological claims suggests that the overall average claim size may be higher. Finalisation experience suggests our current claim size model appropriately captures the effect of the increasing proportion of psychological claims.

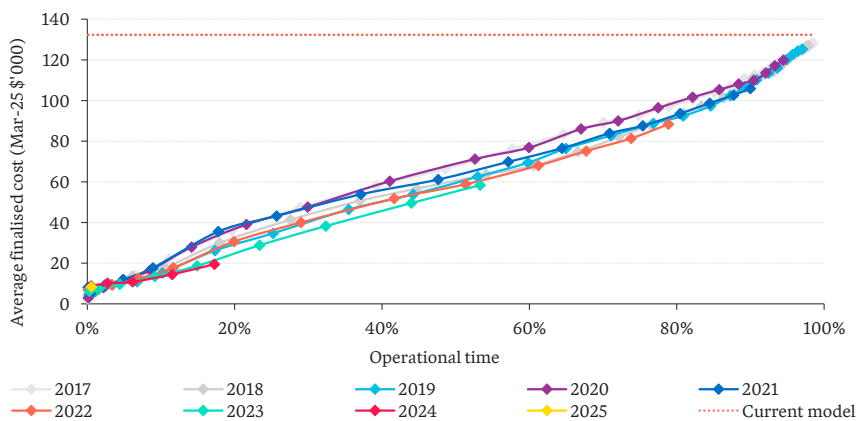
Figure A.13 – Psychological claims finalised proportion by accident year



From AY2017 to AY2021, there was an increasing trend in the proportion of finalised claims with a psychological injury.

The trend appears to have largely **stabilised from AY2021**, despite recent higher proportions observed for AY2023.

Figure A.14 – Finalised average claim size, all claims



Note: In this figure we have scaled past cost data for the expected cost differences between accident years so that each AY consistently develops to our current projected average claim size assumption.

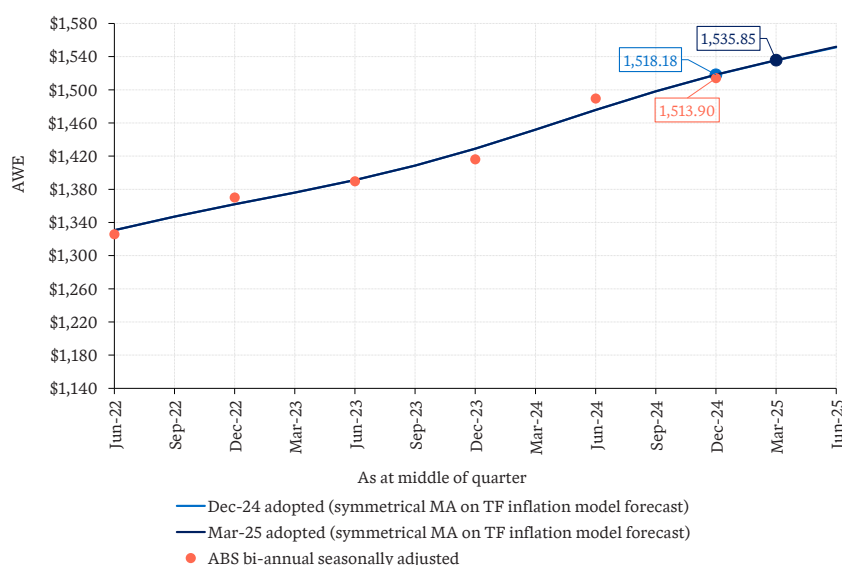
Finalisation experience continues to indicate that our current average claim size models appropriately capture the effect of increasing psychological claims between AY2017 and AY2021 without need for a separate adjustment.

A.3 Economic assumptions

A.3.1 Past inflation

To determine average claim size, we inflate historical claim payments up to the date of review. We update inflation assumptions each quarter, incorporating the latest available Australian Bureau of Statistics (ABS) publications of the Average Weekly Earnings (AWE) index and Taylor Fry's market-based inflation model forecasted rates.

Figure A.15 – Queensland AWE estimates for the Mar-25 quarter



We have applied the future inflation rates forecast by the Taylor Fry market-based model to the ABS AWE results released in Feb-25. This results in an AWE increase of 1.1% from the Dec-24 quarter to the Mar-25 quarter.

We estimate claims cost inflation using the seasonally adjusted QLD AWE index released by the ABS on a semi-annual basis.

Note: We index historical claim payments using the ABS publication of AWE, index 6302.0, QLD seasonally adjusted, all employees' total earnings series and Taylor Fry's market-based inflation model forecasted rates.

A.3.2 Future inflation and discounting

We advise on the economic gap (the difference between risk-free investment return and QLD AWE inflation rate) on a quarterly basis.

Discount rates and future wage inflation forecasts were updated at 3 June 2025.

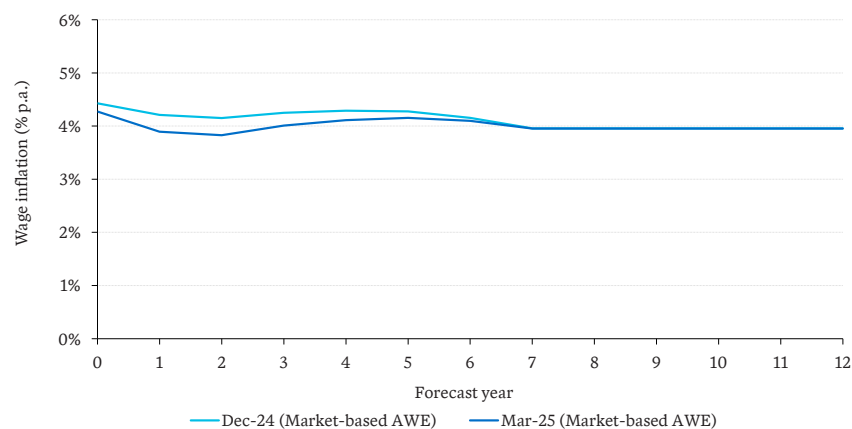
Inflation rates

At the Mar-25 review, we have provided projected QLD AWE inflation rates derived using the Taylor Fry market-based model which reflects:

- The shape of current nominal and inflation-linked bond (ILB) yield curves
- The QLD unemployment rate, and
- Long run assumptions of CPI and the gap between AWE and CPI.

It should be noted that there is an inherent degree of uncertainty with forecasting AWE inflation rates, including the strength and validity of the underlying relationships on which the forecasts are based. 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.

Figure A.16 – Projection of wage inflation rate

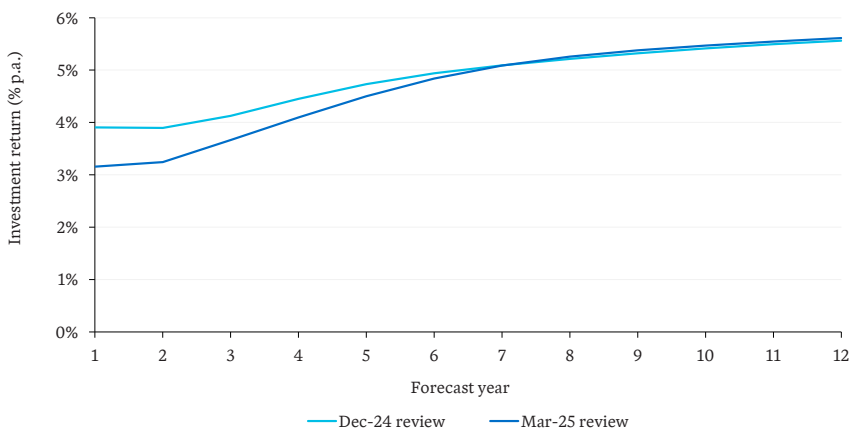


For the 2025Q4 underwriting quarter, the projected flat wage inflation rate is **3.99% p.a.** based on the market-based model.

Inflation forecasts have decreased in line with a decrease in nominal bond forward rates and ILB forward rates.

Discount rates

Figure A.17 – Projection of investment return



Discount rates are derived from nominal bond market yields as at 3 June 2025.

The flat discount rate assumption is **3.64% p.a.** at this review.

Economic gap

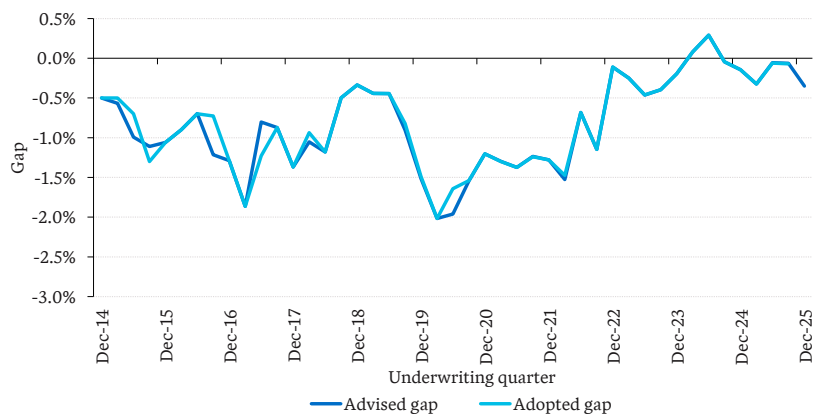
Table A.2 – Economic gap (p.a.) based on market-based model inflation forecasts

Assumption	Previous review	Current review	Change
Wage inflation	4.23%	3.99%	-0.23%
Investment return	4.16%	3.64%	-0.52%
Economic gap	-0.06%	-0.35%	-0.29%

The economic gap has decreased from -0.06% at Dec-24 to **-0.35%** at this review.

The flat discount rate has decreased from 4.16% to 3.64% p.a. and the flat inflation rate has decreased from 4.23% to 3.99% p.a.

Figure A.18 – Economic gap by underwriting quarter

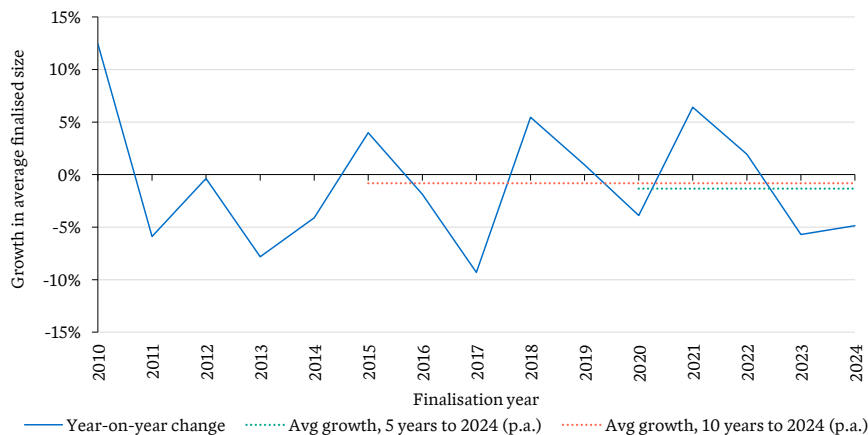


A.3.3 Superimposed inflation

We monitor superimposed inflation each quarter.

We estimate the superimposed inflation in the claim size across finalisation periods after standardising for severity mix and operational time. The charts below show finalisation period superimposed inflation for core claims only - core claims account for approximately 94% of the risk premium.

Figure A.19 – Year-on-year growth in average finalisation size



Note:

- This chart shows finalisation period changes in average claim size for core claims only. Core claims account for approximately 94% of the risk premium.
- Average claim sizes underlying year-on-year growth rates have been “standardised” for severity mix and operational time only. It is misleading to compare these to estimates that have standardised for other characteristics such as Injury Scale Value (ISV).

Over the long term, superimposed inflation has been benign.

We observe **negative** superimposed inflation over the 10- and 5-year periods to 2024.

The recent periods have been impacted by several ‘unmodelled’ factors. These include increases in the proportion of psychological claims and claims management disruptions at one insurer, reportedly resulting in reordering of claims finalisations.

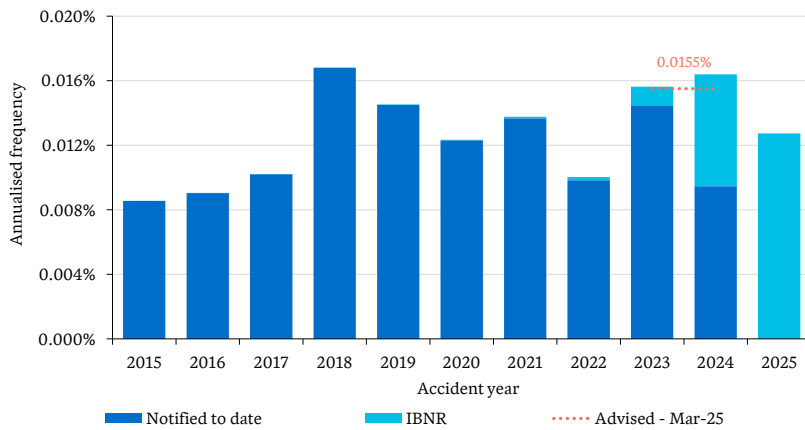
A.4 Other premium components

A.4.1 Non-core claims

This section discusses workers’ compensation recovery, interstate sharing (IS) and NSW accident postcode claims experience and assumptions. These are referred to as non-core claims.

We typically review the non-core claim assumptions at each annual review. We have maintained our assumptions for non-core claims from our Dec-24 annual review.

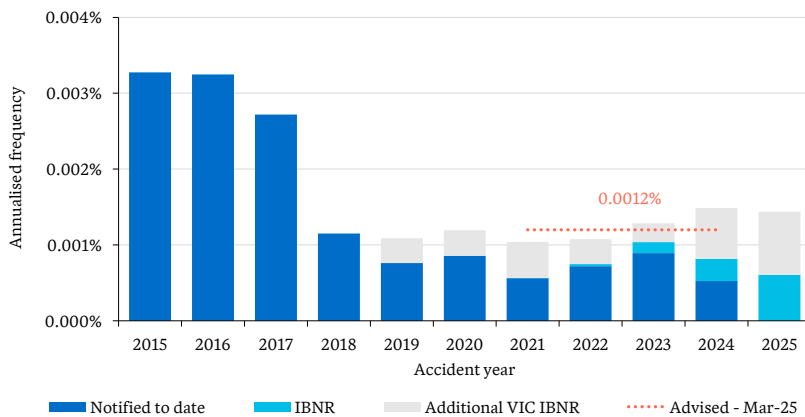
Figure A.20 – Workers' compensation recovery claim frequency



The frequency assumption for workers' compensation recovery claims remains unchanged at 0.0155%.

The risk premium for workers' compensation recovery claims has remained unchanged at \$1.49 after allowing for inflation.

Figure A.21 – Interstate sharing claim frequency

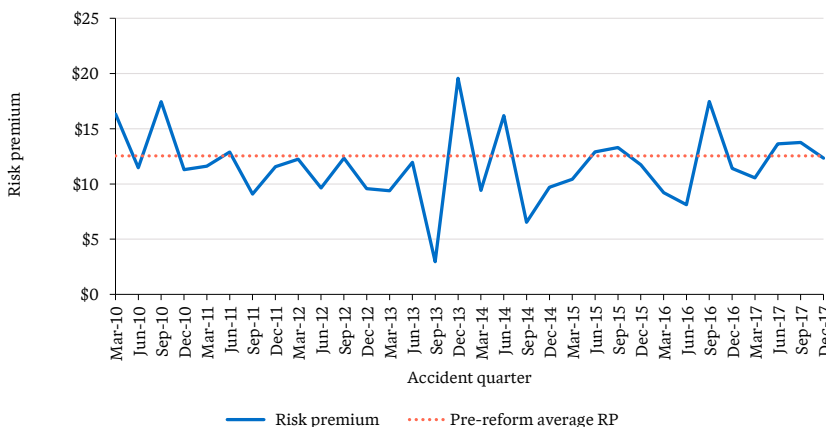


There was a marked reduction in IS claims from the beginning of the 2018 accident year attributed to a processing delay in Victorian IS claims. At the annual review, we continued to assume a proportion of delayed Victorian IS claims from the 2018 accident year onwards will eventually be processed.

Our frequency assumption at this review has remained unchanged at 0.0012%.

The risk premium for IS claims has remained unchanged at \$0.84 after allowing for inflation.

Figure A.22 – NSW accident postcode claims risk premium



Observed experience for NSW accident postcode claims continues to be volatile following the Dec-17 NSW claims reform.

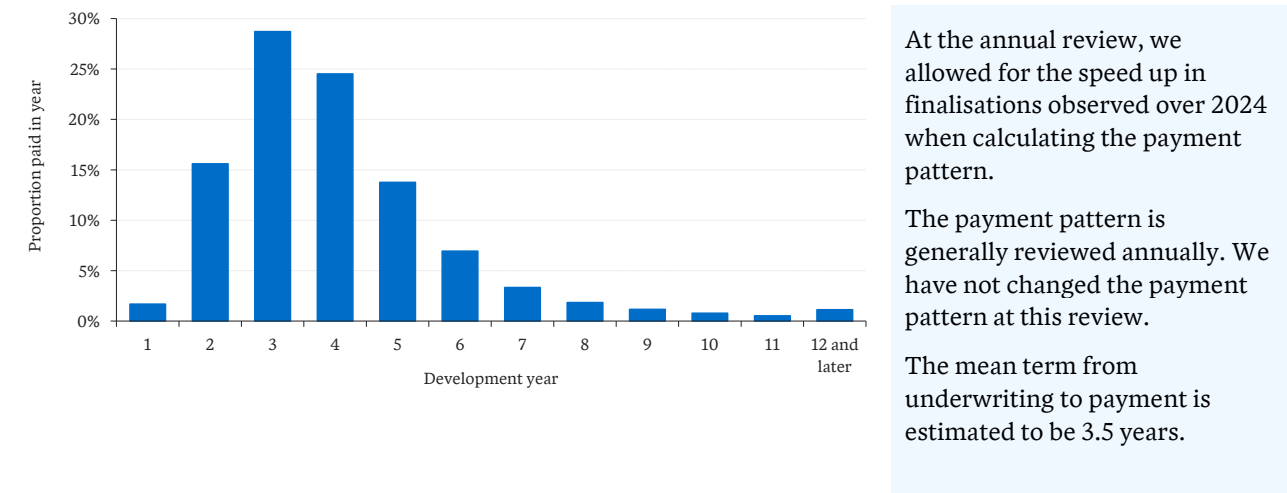
At the annual review, we maintained a frequency selection of 0.0056% and reduced the assumed average claim size slightly, reflecting favourable MAIC experience.

The risk premium estimate for NSW accident postcode claims remains unchanged at this review at \$9.26 after allowing for inflation.

A.4.2 Payment pattern

Taylor Fry advises on the pattern of future payments for applying the economic assumptions. The payment pattern shows when claim payments are expected to be made following underwriting.

Figure A.23 – Payment pattern



A.4.3 Vehicle class relativities

The vehicle class relativities determine the risk premium of each vehicle type relative to Class 1. We update our estimates for the vehicle class relativities at each annual review and more frequently where warranted. MAIC may adopt different relativities.

Table A.3 shows the vehicle class relativities estimated at the Dec-24 annual review.

Table A.3 – Vehicle class relativities

Vehicle class		Relativity central estimate (%)	90% confidence range (%)
1	Cars and station wagons	100	NA
2	Motorised homes	32	23 - 43
3	Taxis	1,121	956 - 1,297
4	Hire vehicles	199	182 - 216
5	Vintage, veteran, historic or street rod motor vehicles	6	3 - 10
6	Trucks, utilities and vans 4.5t GVM or less	120	115 - 124
7	Trucks, utilities and vans more than 4.5t GVM	400	375 - 425
8	Buses: charitable, community service, driver tuition, not otherwise for business or commercial use	177	136 - 224
9	Buses: school, therapy, rehabilitation, remedial or special education	164	124 - 209
10A	Buses: not class 8, 9 or 10B but used within 350km of base	492	410 - 581
10B	Buses: operating under an integrated mass transit service contract other than used for a school or restricted school	1,264	1,122 - 1,413
11	Buses: not class 8, 9, 10A or 10B	368	301 - 440
12	Motorcycles: for driver only	21	17 - 26
13	Motorcycles: with pillion passenger/sidecar	40	34 - 45
14	Tractors	7	3 - 11
15	Self-propelled machinery or equipment, fire engines, bush fire brigade and other emergency vehicles	180	137 - 228
16	Ambulances	190	117 - 277
17	Primary production vehicles	47	39 - 56
19	Motor vehicles conditionally registered - limited access	24	17 - 32
20	Motor vehicles conditionally registered – zoned access	4	1 - 7
21	Self-propelled machinery other than a vehicle of class 14, 15, 19 or 20	18	8 - 32
23	Dealer's plate issued	31	17 - 48
24	Supplementary trailer insurance including Federal/Interstate	3	1 - 6
26	Ride booking and limousines	322	270 - 378
*	Personalised transport vehicles (Classes 3, 4 and 26 combined)	256	231 - 282

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