

Queensland CTP Market Briefing

Review of the risk premium for
the 2026Q3 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 four 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 Dec-25, changes since the last review and uncertainty in the risk premium estimate.

Our estimate of the risk premium at Dec-25 is **\$212.43**. 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 Dec-25

Component	Frequency %	Average claim size \$	Risk premium \$
Core claims	0.1480%	135,676	200.80
NSW postcode claims	0.0056%	167,777	9.46
Interstate sharing	0.0011%	69,676	0.77
Workers' compensation recovery	0.0156%	8,998	1.40
Estimated risk premium at Dec-25	0.1703%	124,739	\$212.43

1.1 Change since last review

The estimated risk premium at Dec-25 of **\$212.43** is **\$0.45 lower** than our estimate at the previous review. This estimate is in Dec-25 dollars before the application of inflation and discounting.

Figure 1 shows the contributors to the change in estimated risk premium since Sep-25.

Figure 1 – Change in estimated risk premium since the Sep-25 review

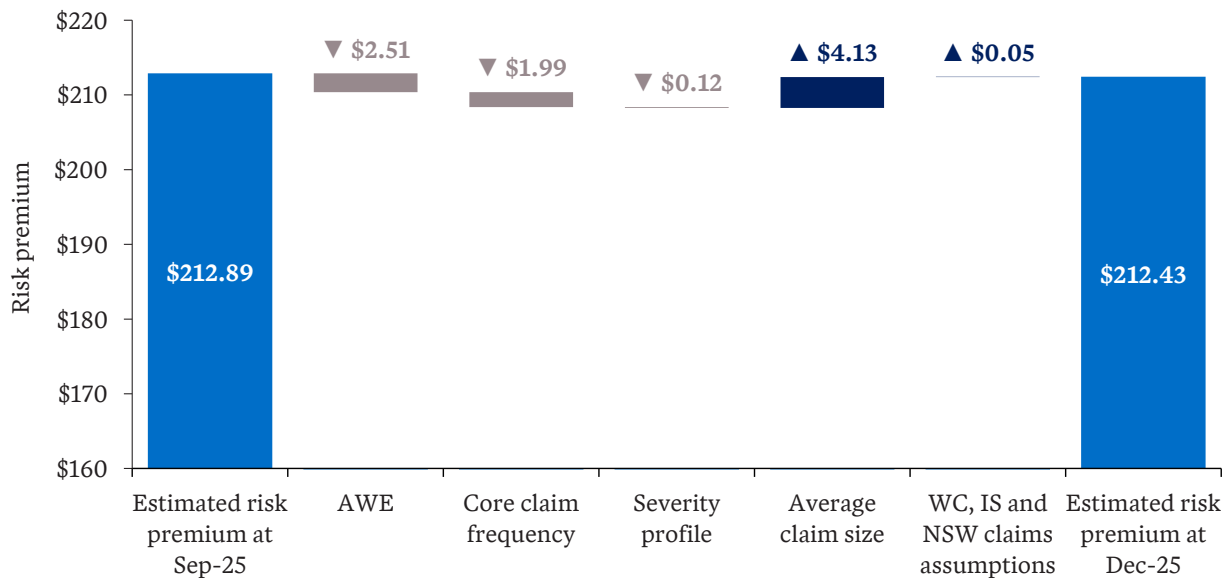


Figure 1 shows:

- A **decrease in Average Weekly Earnings (AWE) over the quarter**, resulting in a decrease in the risk premium of \$2.51
- A decrease of \$1.99 due to a **decrease in the core claim frequency**
- An increase of \$4.00 due to an **increase in the average claim size**, which is the combined effect of:
 - A decrease of \$0.12 due to a slight **weakening of the severity profile**, driven by an increase in the proportion of Severity 1Y claims offset by a reduction in Severity 1N and Severity 2 claims
 - An increase of \$4.15 due to an **increase in core claim size assumptions**, primarily driven by an increase for Severity 1Y claims, partially offset by minor movements across the other severity groups
- An increase of \$0.05 due to small changes to **assumptions for non-core claims**, with:
 - Strengthened assumptions for NSW-postcode claims, which is largely offset by
 - Lower frequency assumptions for interstate sharing claims (excluding NSW)
 - Lower average claim size assumptions for workers compensation claims.

1.2 Risk premium uncertainty

Our risk premium estimate for the 2026Q3 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.

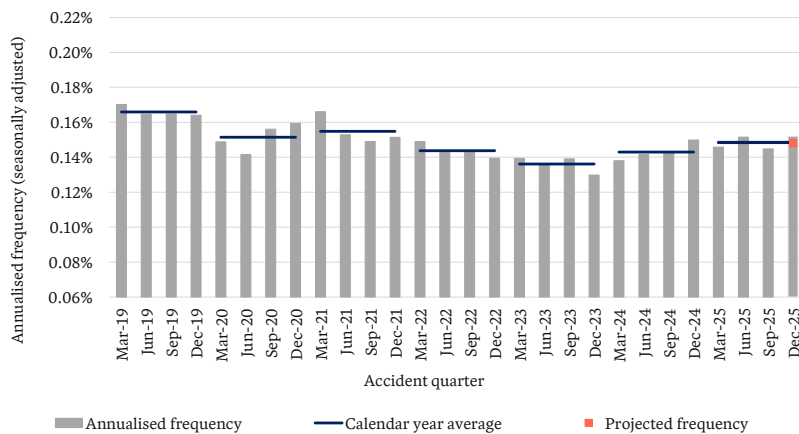
This section outlines the assumptions for core claim frequency.

Notifications over the quarter were overall slightly lower than forecast at Sep-25, with lower-than-expected experience for Sep-25 and old accident periods, partially offset by higher-than-expected experience for the latest Dec-25 accident quarter.

The notification pattern and seasonality adjustment for core claim frequency have been revised at this annual review.

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, the Mar-22 Eastern Australian floods and the Mar-25 Ex-Tropical Cyclone Alfred.

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



The core claim frequency decreased from Mar-21 to Dec-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 core claim frequency has trended upwards since Mar-24.

The advised frequency assumption at Dec-25 is calibrated to a 4-quarter average over the Dec-24 to Sep-25 accident quarters. This represents a **1% decrease** from the Sep-25 estimate to a projected frequency of 0.1480%, reflecting favourable experience over the Dec-25 quarter.

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 61% of core claim notifications and around 50% 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 Dec-25 and change from the previous quarter

Severity	Previous review	Current review	Movement
	Sep-25	Dec-25	
1N	13.6%	13.3%	-0.3%
1Y	60.8%	61.1%	+0.3%
2	13.9%	13.7%	-0.2%
3	6.0%	6.0%	+0.0%
4	1.0%	1.0%	-0.0%
5	0.5%	0.5%	+0.0%
6	1.0%	1.0%	-0.0%
9NA	3.2%	3.4%	+0.1%
All	100%	100%	

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

An increase in the proportion of Severity 1Y claims is offset by a reduction in Severity 1N and Severity 2 claims, resulting in a net **\$0.12 decrease** in risk premium.

4 Average claim size

We review average claim size assumptions 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 Dec-25 and change from the previous quarter (adjusted for inflation), excluding changes in severity profile

Severity	Previous review	Current review	Movement
	Sep-25 \$'000	Dec-25 \$'000	
1N	16	15	-5.5%
1Y	106	111	+4.5%
2	197	194	-1.5%
3	383	389	+1.5%
4	695	700	+0.7%
5	1,004	1,000	-0.4%
6	359	360	+0.2%
9NA	13	13	-1.7%
Total	133	136	+2.1%

The core claim size assumption has **increased by 2.1%** since Sep-25, excluding changes in severity profile.

This quarterly increase is predominately driving by Severity 1Y claims where average claim size experience has been elevated throughout 2025 and especially over the last 6 months. We take a responsive approach and calibrate to a short one-year averaging period when projecting Severity 1Y size.

Over the last 12 months, overall higher than forecast average claim size experience has resulted in a combined **3.6% increase** in the average claim size assumption before the impact of severity profile changes.

The higher than forecast experience has been predominately observed in Severity 1Y claims, which saw a 10.4% increase in the average claim size assumption over 2025. This appears to be the result of direct claims initiatives introduced by insurers and the resulting substitution effects.

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)

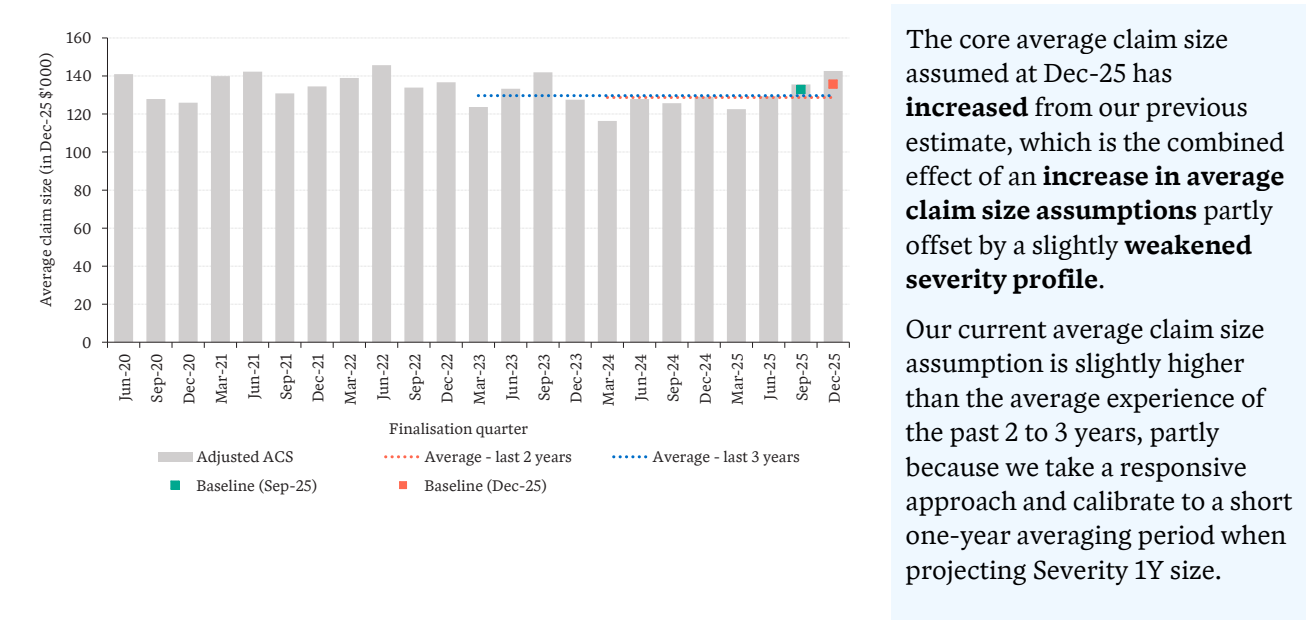
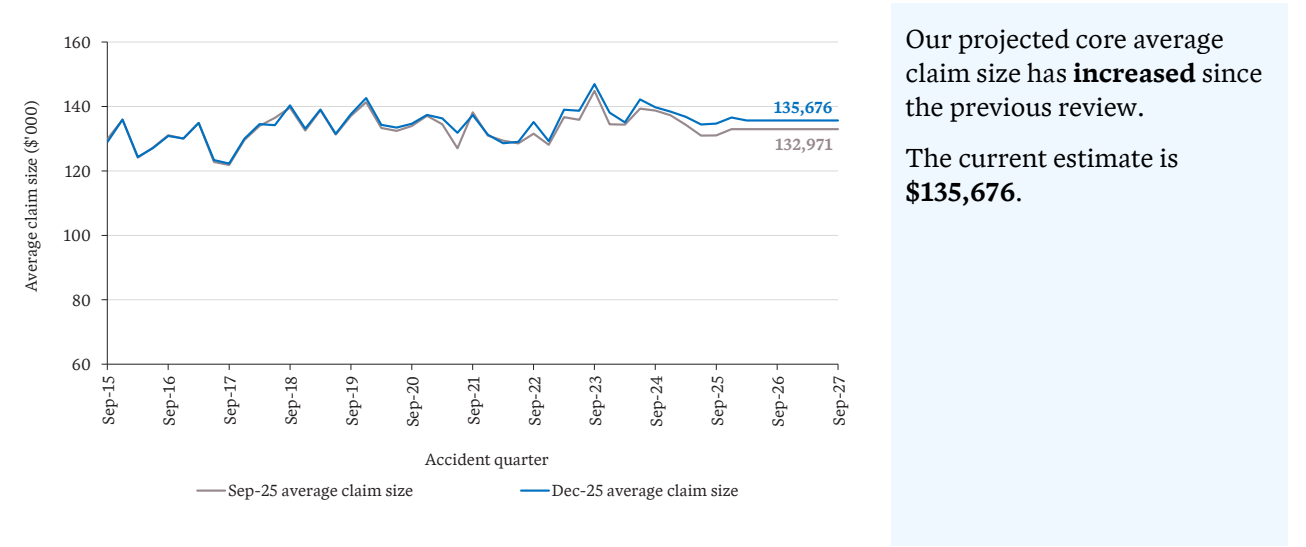


Figure 4 shows the estimated ultimate average claim sizes by accident quarter.

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



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 2026Q3 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 +/- \$15.9.

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	+\$15.9 / -\$15.9
Frequency / severity profile scenarios	
Frequency in line with experience over the accident year Mar-25 to Dec-25	+\$0.7
Severity 3+ frequency develops in line with average experience for AY2022	-\$3.4
Severity 3+ frequency develops in line with average experience for AY2024	+\$3.0
Severity 1N proportion of Severity 1 calibrated to a two-year average, allowing for transitions from Sev1N to Sev1Y	+\$0.7
Average claim size (ACS) scenarios	
Severity 1Y ACS emerges in line with the finalisation experience over the last 2 years	-\$4.7
ACS estimates increase by 2.7% to be in line with insurer incurred	+\$5.4
Severity 4 & 5 ACS emerges in line with the finalisation experience over the last 10 years	+\$0.7
Severity 4 & 5 ACS emerges in line with the finalisation experience over the last 3 years	-\$0.9

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. While claim frequency has increased over 2024-2025, it remains below the 2017 peak.

Our frequency assumption is based on the average frequency experience over the accident year Dec-24 to Sep-25. We exclude the Dec-25 accident quarter when calibrating our core claim frequency assumption because this accident quarter is underdeveloped.

If claim frequency were to emerge in line with experience over the accident year Mar-25 to Dec-25, the [risk premium would increase by \\$0.70](#).

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 2026Q3 is assumed to emerge similarly to the average projected for AY2022 then the [risk premium estimate would decrease by \\$3.40](#).

If the frequency for 2026Q3 is assumed to emerge similarly to the average projected for AY2024 then the [risk premium estimate would increase by \\$3.00](#).

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.

Consistent with the responsive approach to setting overall core claim frequency, we calibrate to a 1-year average when selecting the Severity 1N frequency, excluding the most recent quarter.

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 \\$0.70](#).

5.2.4 Uncertainty in the average claim size of Severity 1Y 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 Jun-24 to Dec-25 has been elevated relative to the two years prior.

Our Severity 1Y average claims size model is based on a 1-year average across all operational times. If we were to calibrate the Severity 1Y average claim size to a 2-year average throughout, which reduces the weight on recent higher experience, the [risk premium would decrease by approximately \\$4.70](#).

5.2.5 Uncertainty in the current case mix

Insurer incurred for AY2021-2023 are on average 2.7% higher than the payment model estimates. If the insurer incurred estimates turn out to be accurate and the payment based model estimates increase by 2.7%, the risk premium would increase by approximately \$5.40.

5.2.6 Uncertainty in the average claim size of Severity 4 and Severity 5 claims

Severity 4 and Severity 5 average claim sizes have been fluctuating around a lower level over the last 3 to 5 years, despite historically volatile experience. Previously, we used an averaging period of approximately 10 years. Given the persistently lower experience, at Sep-25 review we reduced this to 5 years, which remains sufficient to smooth the volatility typically seen in higher severities with low finalisation numbers.

If we were to revert the Severity 4 and Severity 5 average claim sizes to a 10-year average throughout, which would give less weight to the recent lower experience, the [risk premium would increase by \\$0.70](#).

If we were to calibrate the Severity 4 and Severity 5 average claim sizes to a 3-year average throughout, which would reflect more of the recent lower experience, the risk premium would decrease by \$0.90.

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.

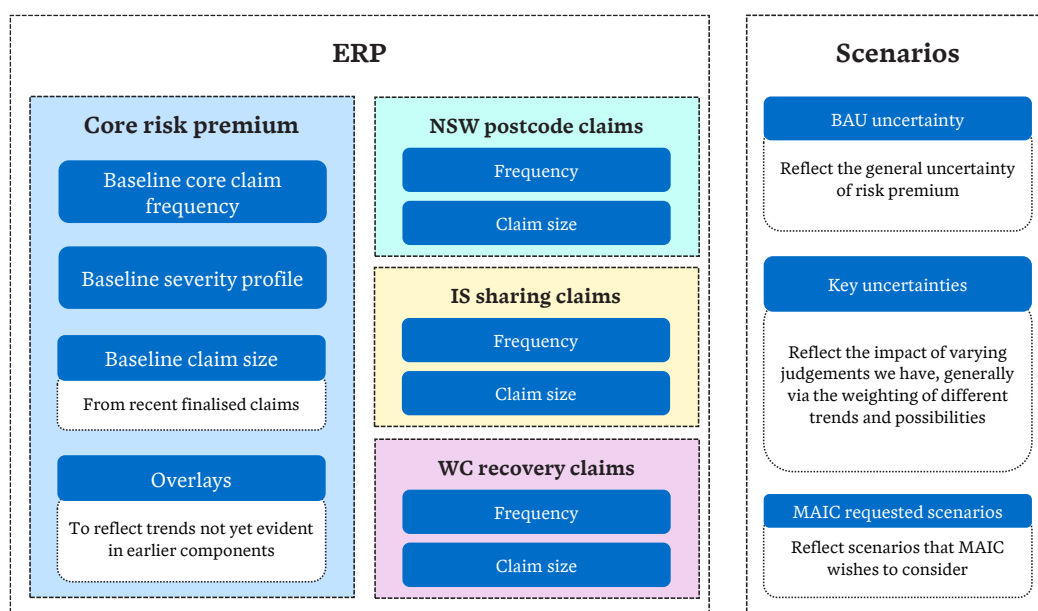
Our Estimated Risk Premium (ERP) for a given future underwriting quarter is comprised of our **baseline risk premium estimate** and **overlays**. The ERP reflects **risk premium** implied by **the most recent past accident periods**, adjusted for the impact of changes which meet the following criteria:

- 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

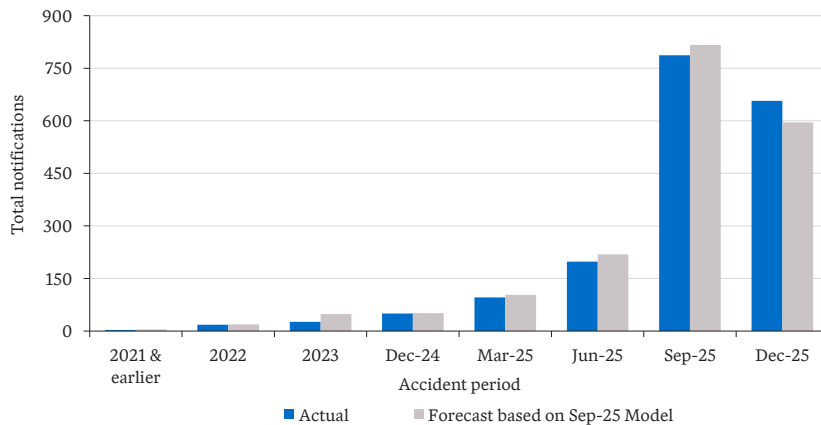
Claim	All claims recorded as notified in the Scheme data, other than Nominal Defendant claims, but specifically including those for nil or trivial amounts.
Claim severity	Claim severity refers to our severity band under which a claim falls under, which is a categorisation based on the maximum injury 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 Dec-25 quarter

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

A.2.1 Core claim notifications

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



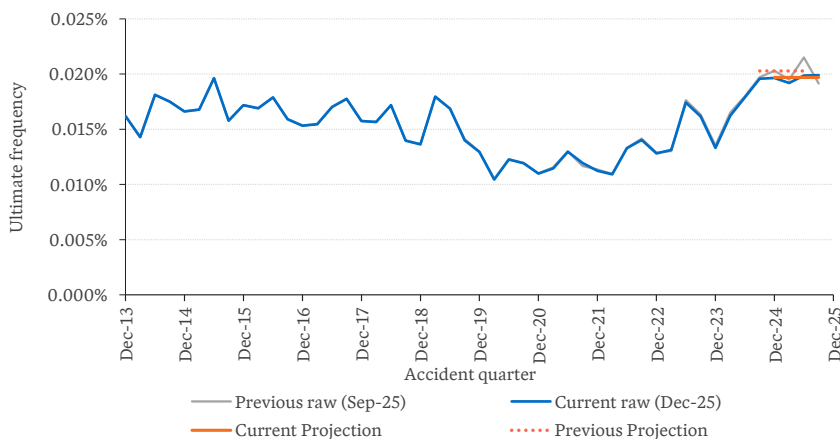
Note: Expected notifications for the Mar-25 accident quarter have been adjusted downwards for Ex-Tropical Cyclone Alfred based on traffic volumes.

Claim notifications in Dec-25 were overall 1% lower than forecasts at Sep-25.

This was mainly due to lower-than-expected experience for the Sep-25 and older accident periods, partially offset by higher-than-expected experience in the Dec-25 accident quarter.

A.2.2 Core claim severity profile

Figure A.2 – Severity 1N projected frequency

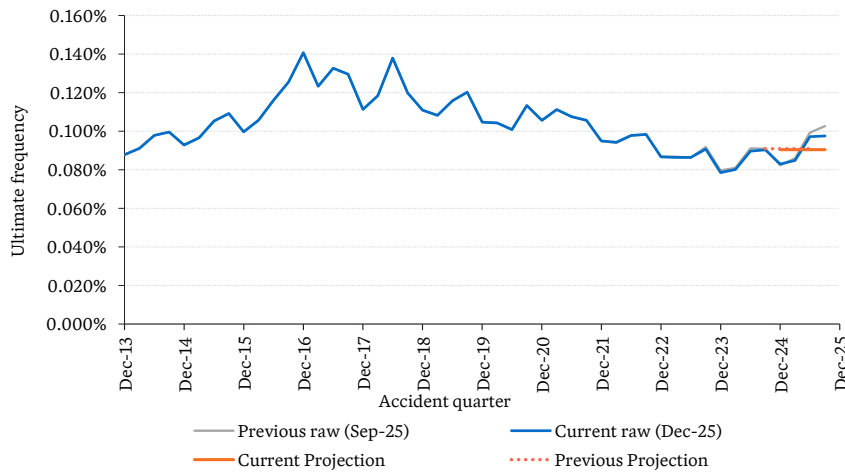


The increasing trend in Severity 1N notifications has started to flatten off.

The current Severity 1N 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 **decreased** slightly at this review.

Figure A.3 – Severity 1Y projected frequency

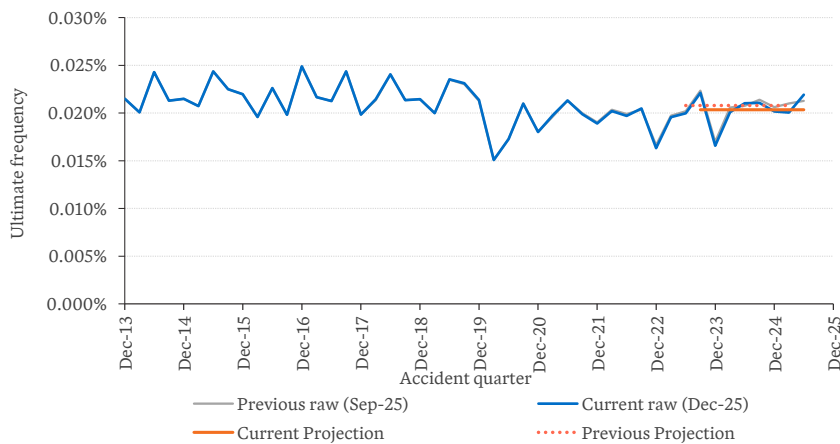


The majority of core claims are Severity 1Y claims.

The frequency and proportion of Severity 1Y claims have been decreasing since Sep-21. However, this trend appears to be stabilising in recent quarters. We have recognised a slight increase in Severity 1Y claims as a *proportion* of Severity 1 claims (1N and 1Y combined) at this review.

Our adopted *frequency* of Severity 1Y claims has **decreased** slightly at this review, due to a decrease in overall frequency.

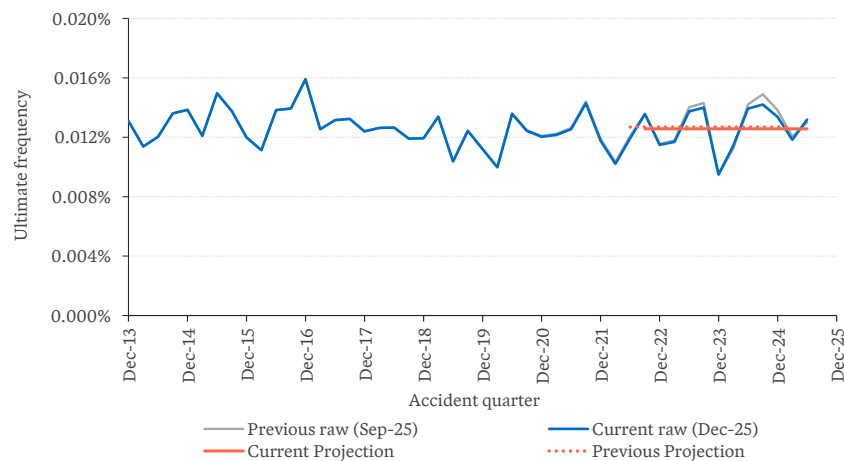
Figure A.4 – Severity 2 projected frequency



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

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

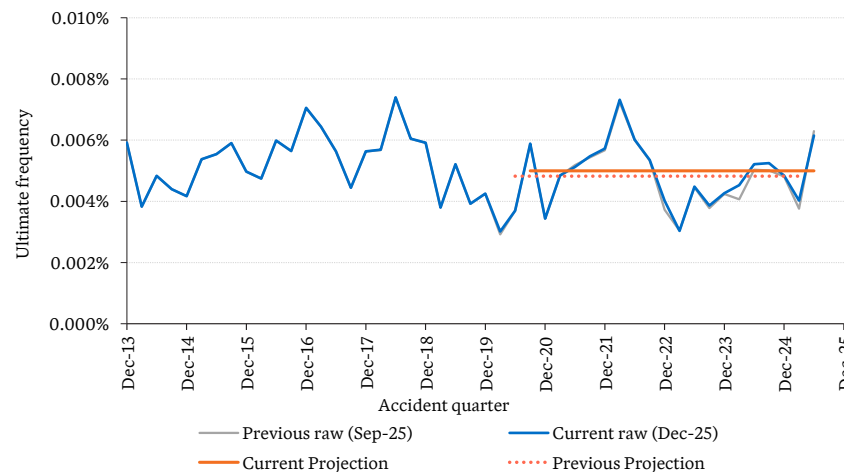
Figure A.5 – Severity 3 to 6 projected frequency



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 **decreased** slightly at this review.

Figure A.6 – Severity 9 claim projected frequency

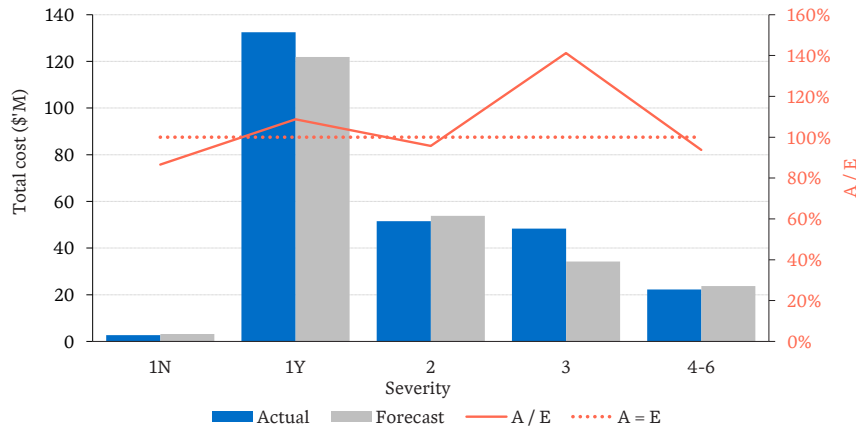


The frequency of Severity 9 claims has been volatile.

Our adopted frequency of Severity 9 claims has **increased** at this review, and is in line with the experience over the past five accident years.

A.2.3 Core claim average claim size

Figure A.7 – Finalisation experience by severity in Dec-25

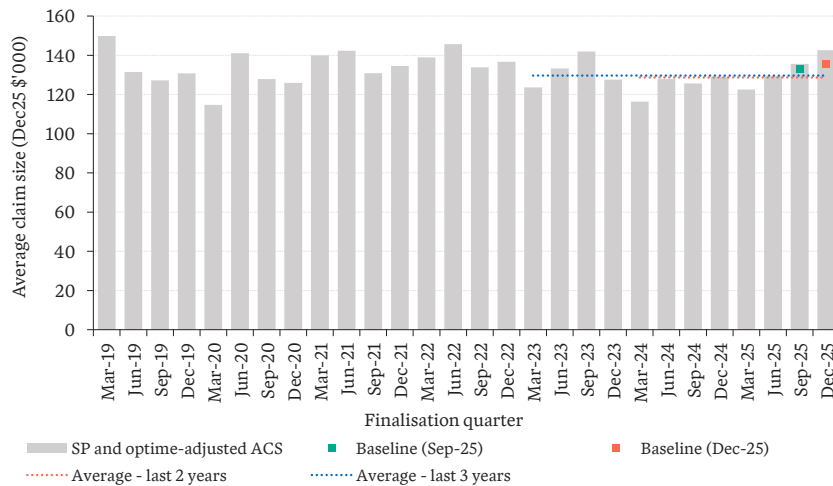


The actual cost for the Dec-25 quarter across all severities was **9% higher than** projected at Sep-25, mostly driven by higher-than-expected experience for Severity 1Y and Severity 3 claims.

Severity 1N claims finalised for 13% lower than forecast. Severity 1Y claims finalised for 9% higher than forecast, and Severity 2 claims finalised 4% lower than forecast.

Finalisation experience for higher severity groups is volatile. Severity 3-6 claims finalised for 22% higher than forecast overall, driven by three large claims.

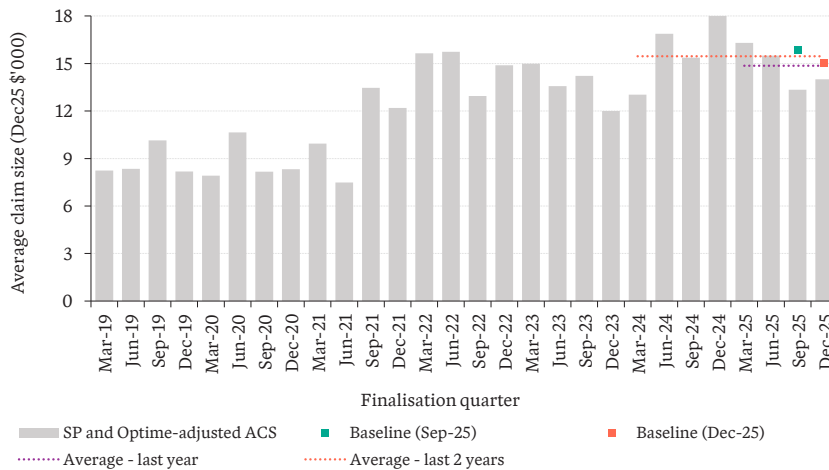
Figure A.8 – All severities average claim size



The average claim size assumed at Dec-25 is **2.0% higher than** from our previous estimate.

This is due to the combined effect of an increase to average claim size assumptions and a slightly weakened severity profile.

Figure A.9 – Severity 1N average claim size

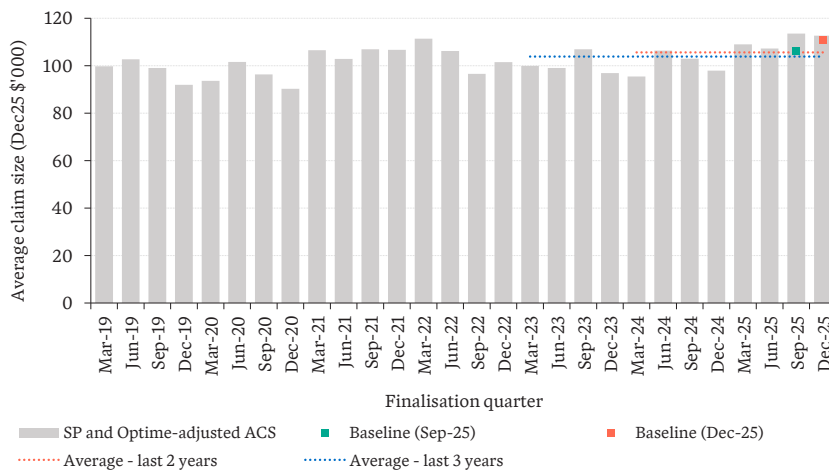


The average finalised size of Severity 1N claims has stepped down since Jun-25, despite being elevated over the preceding four quarters.

We estimate the Severity 1N average claim size by averaging across the past two years for all operational times.

The projected average claim size at Dec-25 is **5.5% lower** than projected at Sep-25, reflecting favourable experience during the Dec-25 quarter.

Figure A.10 – Severity 1Y average claim size



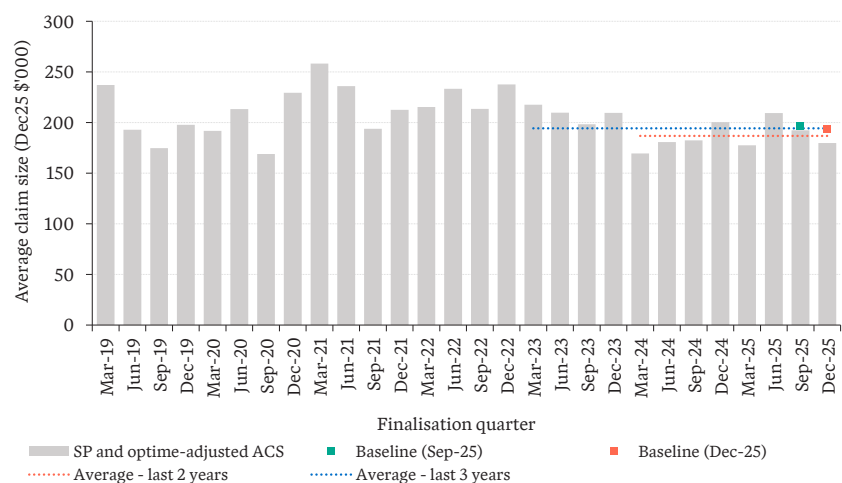
The average finalised size experience of Severity 1Y claims has been elevated throughout 2025 and especially over the last 6 months.

We take a responsive approach and calibrate to a short one-year averaging period when projecting Severity 1Y size.

This appears to be the result of direct claims initiatives introduced by insurers and the resulting substitution effects.

The projected average claim size at Dec-25 is **4.5% higher** than projected at Sep-25.

Figure A.11 – Severity 2 average claim size



The average finalised size of Severity 2 claims reduced from Mar-21 to Mar-24 and has since stabilised at this lower level, despite the quarter-to-quarter volatility.

The proportion of Severity 2 claims finalised without legal representation increased from 2020 to 2023, and has been overall stable over the last 2.5 years.

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 Dec-25 is **1.5% lower** than projected at Sep-25.

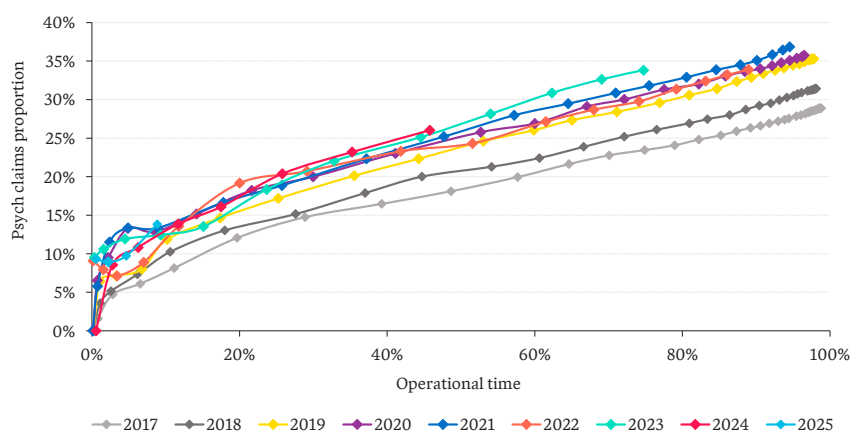
A.2.4 Psychological claims

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 increased for AY2023 and AY2024.

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.

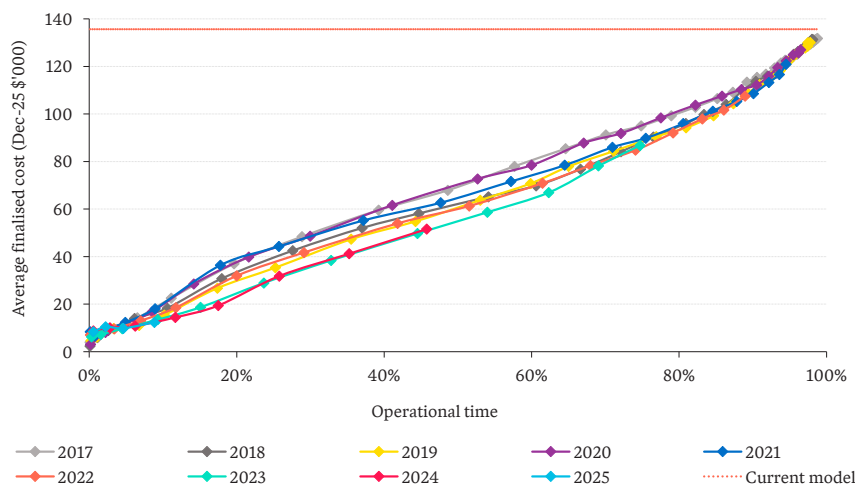
Figure A.12 – Psychological claims finalised proportion by accident year



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

The psychological claims finalised proportions for AY2023 and AY2024 are emerging higher than prior years over the past year, at the same stage of development.

Figure A.13 – 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.

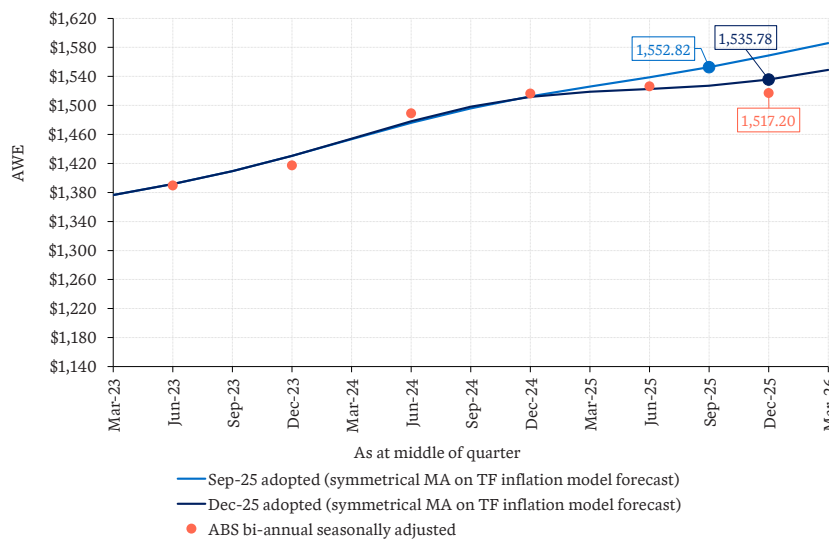
Finalisation experience continues to indicate that our current average claim size models appropriately capture the effect of increasing psychological claims without need for a separate adjustment.

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.14 – Queensland AWE estimates for the Dec-25 quarter



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.

We have applied the future inflation rates forecast by the Taylor Fry market-based model to the ABS AWE results released in Feb-26. This results in an AWE **decrease of 1.2%** from the Sep-25 quarter to the Dec-25 quarter.

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

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 27 February 2026.

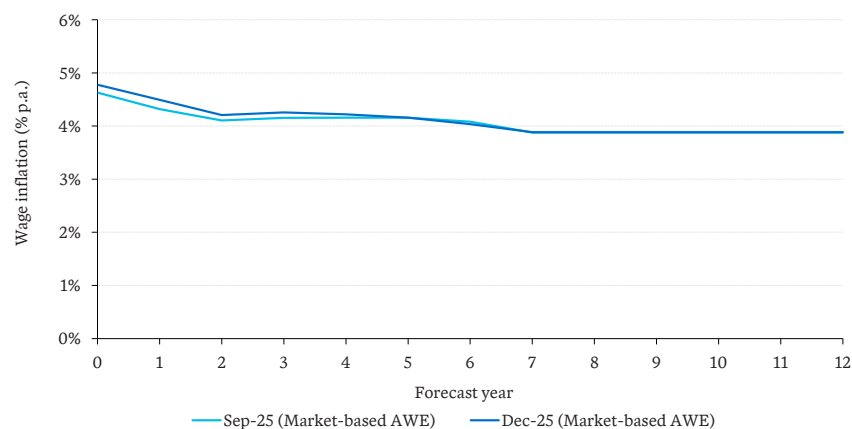
Inflation rates

At the Dec-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
- 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.15 – Projection of wage inflation rate

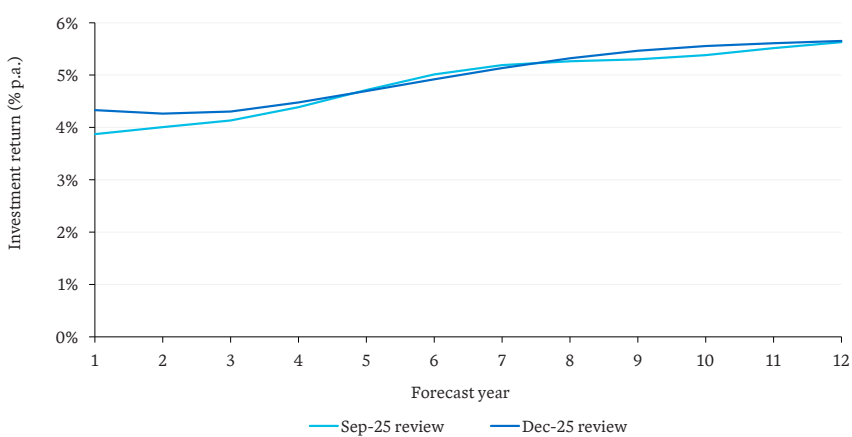


For the 2026Q3 underwriting quarter, the projected flat wage inflation rate is **4.33% p.a.** based on the market-based model.

Inflation forecasts have increased in the short-term in line with an increase in nominal bond forward rates and ILB forward rates.

Discount rates

Figure A.16 – Projection of investment return



Discount rates are derived from nominal bond market yields as at 27 February 2026.

The flat discount rate assumption is **4.40% p.a.** at this review.

Discount rate projections have increased in the short and long-term forecast years, consistent with movements in nominal bond yields.

Economic gap

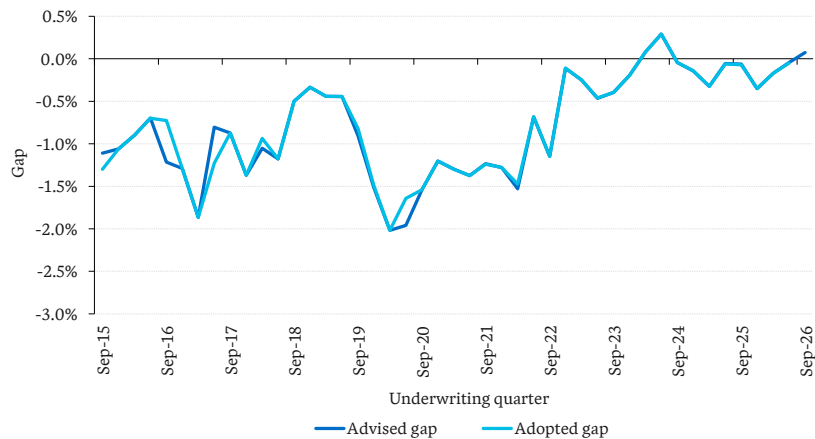
Table A.2 – Economic gap (p.a.) based on market-based model inflation forecasts

Assumption	Previous review	Current review	Change
Wage inflation	4.22%	4.33%	0.11%
Investment return	4.17%	4.40%	0.22%
Economic gap	-0.04%	0.07%	0.12%

The economic gap has **increased** from -0.04% at Sep-25 to **0.07%** at this review.

The flat discount rate has increased from 4.17% to 4.40% p.a. and the flat inflation rate has increased from 4.22% to 4.33% p.a.

Figure A.17 – Economic gap by underwriting quarter

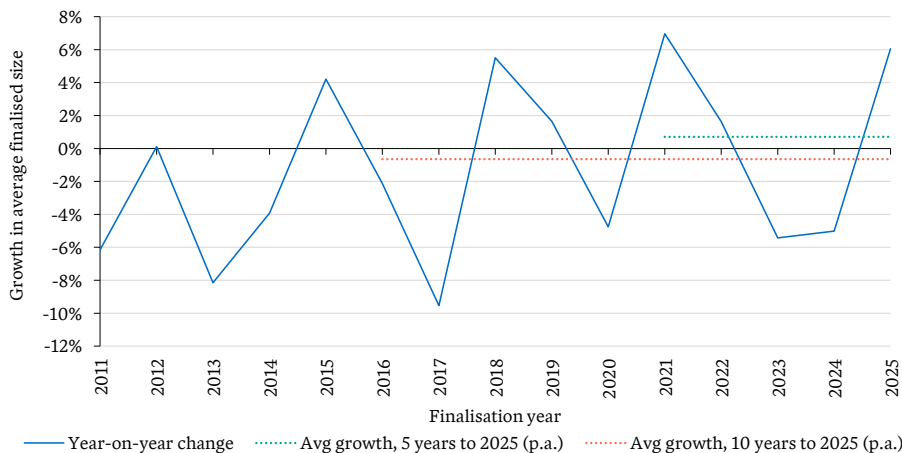


A.3.3 Superimposed inflation

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 95% of the risk premium.

Figure A.18 – 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 95% 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 slightly **negative** superimposed inflation over the 10-year period (-0.5% p.a.), and slightly **positive** over the 5-year period to 2025 (0.4% p.a.).

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.

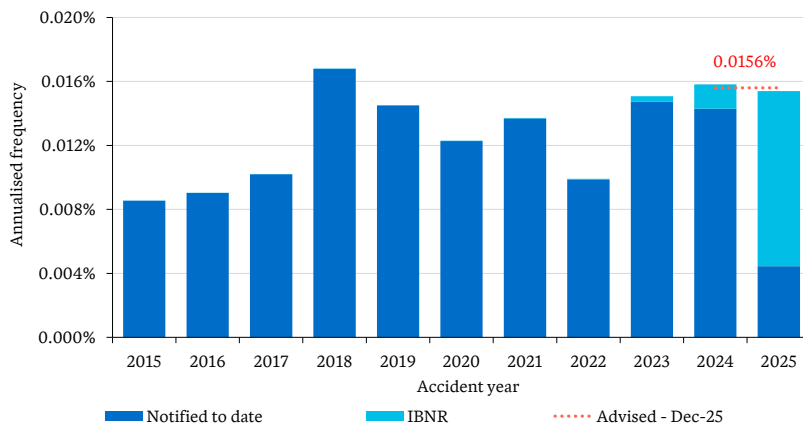
A.4 Other premium components

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. At this annual review, we have updated our assumptions for non-core claims to reflect recent experience.

Figure A.19 – Workers' compensation recovery claim frequency

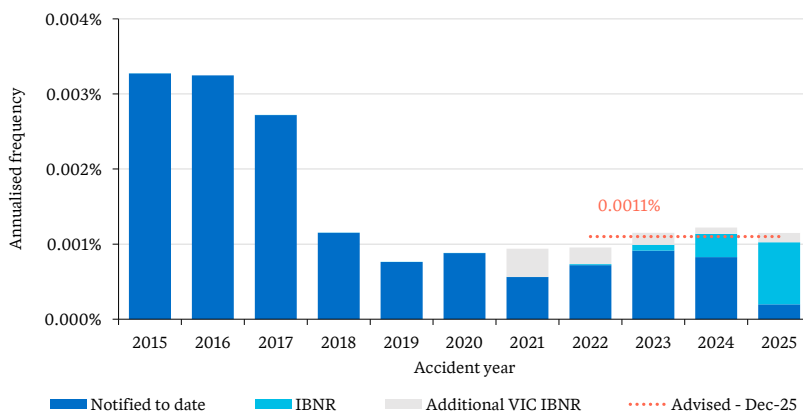


The frequency assumption for workers' compensation recovery claims has increased by 0.6% to 0.0156% in response to recent higher experience for accident years 2024 and 2025.

The assumed average claim size has decreased by 6.4% after allowing for inflation to reflect recent experience.

The risk premium for workers' compensation recovery claims has decreased from \$1.49 at Dec-24 (adjusted for inflation) to \$1.40 at this review.

Figure A.20 – Interstate sharing claim frequency



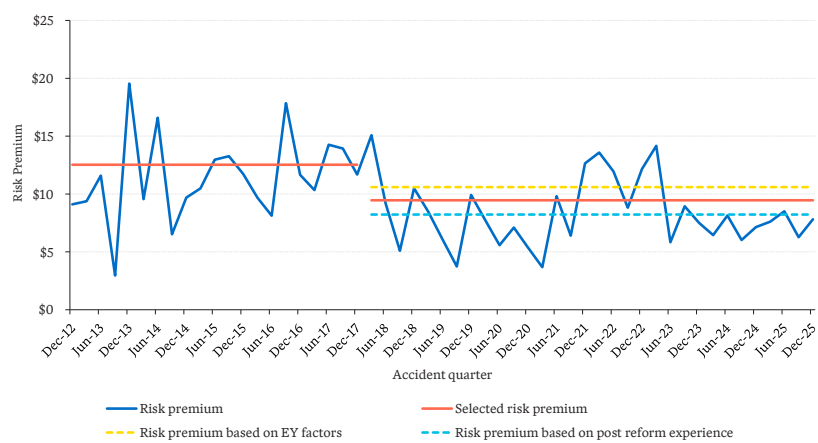
There was a marked reduction in IS claims from the beginning of the 2018 accident year.

We understand that the drop in VIC claims was partly caused by a processing delay which has largely been addressed.

At this annual review, our frequency assumption has decreased by 8.3% to 0.0011% in response to recent lower experience. The assumed average claim size has maintained largely unchanged after allowing for inflation.

The risk premium for IS claims has decreased from \$0.84 at Dec-24 (adjusted for inflation) to \$0.77 at this review.

Figure A.21 – NSW accident postcode claims risk premium



At this annual review, we increased the frequency selection by 0.8% to 0.00564%, based on a combination of EY’s latest NSW CTP analysis and MAIC post-reform NSW claims experience.

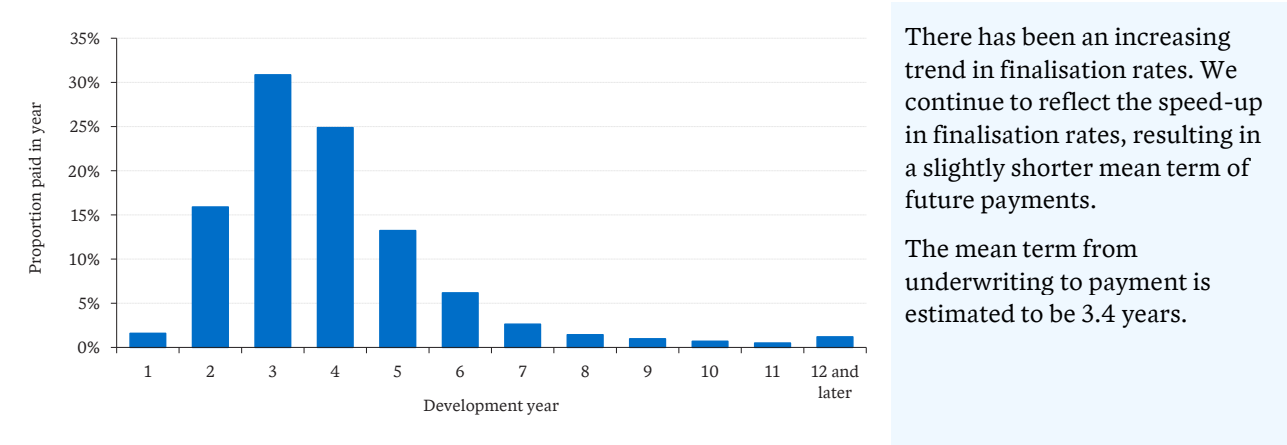
The selected average claim size has increased slightly by 1.5%, after allowing for inflation.

The resulting risk premium estimate for NSW accident postcode claims has increased from \$9.26 (adjusted for inflation) to \$9.46 at this review.

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.22 – 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 current Dec-25 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	31	22 - 40
3	Taxis	932	791 - 1082
4	Hire vehicles	200	185 - 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	401	379 - 423
8	Buses: charitable, community service, driver tuition, not otherwise for business or commercial use	170	132 - 212
9	Buses: school, therapy, rehabilitation, remedial or special education	169	130 - 213
10A	Buses: not class 8, 9 or 10B but used within 350km of base	496	416 - 583
10B	Buses: operating under an integrated mass transit service contract other than used for a school or restricted school	1,274	1143 - 1411
11	Buses: not class 8, 9, 10A or 10B	369	310 - 433
12	Motorcycles: for driver only	22	18 - 27
13	Motorcycles: with pillion passenger/sidecar	39	34 - 44
14	Tractors	6	3 - 10
15	Self-propelled machinery or equipment, fire engines, bush fire brigade and other emergency vehicles	189	146 - 236
16	Ambulances	199	127 - 283
17	Primary production vehicles	46	38 - 54
19	Motor vehicles conditionally registered - limited access	25	18 - 33
20	Motor vehicles conditionally registered – zoned access	3	1 - 7
21	Self-propelled machinery other than a vehicle of class 14, 15, 19 or 20	14	6 - 25
23	Dealer's plate issued	31	18 - 47
24	Supplementary trailer insurance including Federal/Interstate	3	1 - 6
26	Ride booking and limousines	328	280 - 378
*	Personalised transport vehicles (Classes 3, 4 and 26 combined)	251	229 - 275

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