

INQUIRY INTO HEAVY VEHICLE SAFETY

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Joseph Tripodi

Minister for Finance Minister for Infrastructure Minister for Regulatory Reform
Minister for Ports & Waterways

Ref: 09/127

9 APR 2009

Mr Geoff Corrigan MP
Chair
Parliamentary Joint Standing Committee
on Road Safety (Staysafe)
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Dear Mr Corrigan,

I refer to your letter concerning the Inquiry into Heavy Vehicle Safety being conducted by the Parliamentary Joint Standing Committee on Road Safety (Staysafe).

I am pleased to enclose the Motor Accidents Authority's submission addressing the Inquiry's Terms of Reference.

Any enquiries about this matter may be directed to Ms Carmel Donnelly, Deputy General Manager, Motor Accidents Authority, on telephone number 8267 1902 or by e-mail: cdonnelly@maa.nsw.gov.au.

Yours sincerely

A handwritten signature in blue ink that reads "Joe Tripodi".

**JOE TRIPODI MP
MINISTER FOR FINANCE**

**Submission to NSW Staysafe Committee
Inquiry into Heavy Vehicle Safety Programs**

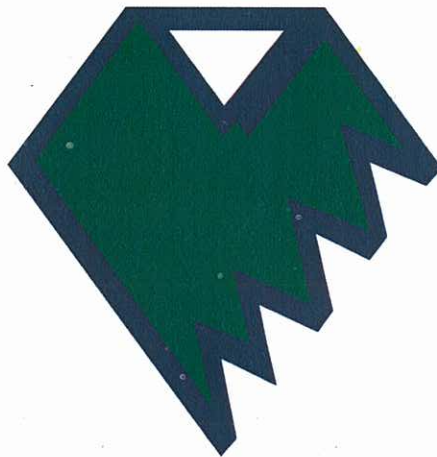
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Submission
to the
Inquiry into Heavy Vehicle Safety
Conducted by the
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Road Safety (Staysafe)
2009



**MOTOR ACCIDENTS
AUTHORITY**

1 The Motor Accidents Authority of NSW (MAA)

The Motor Accidents Authority (MAA) is the regulator of the Compulsory Third Party (CTP) insurance scheme for New South Wales.

The MAA has a statutory responsibility to fund activities to prevent or minimise injuries from road crashes and to provide safety education. The MAA recognises that the Roads and Traffic Authority is the lead agency for road safety in New South Wales and the MAA is a key partner, collaborating with the Roads and Traffic Authority and other agencies in cross sectoral initiatives.

The MAA's road safety activity aims to help reduce the frequency and severity of road crash injuries and gives priority to those areas that incur the greatest costs to the CTP scheme.

In April 2000 the Motor Accidents Authority of New South Wales established an Inquiry into safety matters in long distance road haulage under Professor Michael Quinlan. This group reported to the Government in the latter part of that year. In December 2001 the report of the Inquiry was released to the public (MAA, 2001). The report can be downloaded from <http://www.maa.nsw.gov.au/default.aspx?MenuID=189>.

The MAA is a long-term funding partner of the Injury Risk Management Research Centre at the University of NSW and is currently additionally supporting the salary of a researcher specialising in fleet and truck safety.

The MAA would welcome the opportunity to participate in further efforts to reduce the impact of road crash injury associated with heavy vehicles.

In this submission, the MAA has taken the opportunity to provide an overview of trends in CTP claims relevant to heavy vehicles.

2 Motor Accidents Authority (MAA) data and analysis

The MAA collects data on the profile of road crash injuries that generate CTP claims.

The Committee's Terms of Reference indicate that the Committee is primarily interested in commercial heavy vehicle safety in this inquiry. Accordingly, the MAA submission presents data for large trucks weighing greater than 16 tonnes that are used for commercial purposes. These are classified by the MAA as vehicle class 3(e).

It is important to note that the CTP scheme is still largely fault based¹ and for the most part, claims and injury data presented exclude injuries to drivers of large trucks when they were considered to be the driver at fault in a road crash. The claims data presented on large trucks relates only to accidents where the at-fault vehicle was a large truck. Unless stated otherwise, claims refer to all notifications of a CTP claim including full claims and Accident Notification Forms.

The key trends evident from MAA data relevant to this Inquiry are:

- The frequency of CTP claims against large trucks has reduced markedly over recent years but is still much higher than for most other types of vehicles,
- CTP claims against large trucks tend to have a higher average claim cost than claims against other types of vehicles,
- The combination of high claims frequency and high claims cost means that the risk and cost of injury associated with large trucks is relatively high and this is reflected in CTP premiums,
- There is a slightly higher rate of injuries classified as either "severe", "critical" or "maximum/likely to be fatal" in claims against large trucks compared to claims against cars.

¹ As of 1 October 2007, catastrophically injured drivers are offered treatment under the Lifetime Care and Support Scheme.

3 Claim Frequency

Claims frequency is estimated using full claims only (*excludes Accident Notification Forms*²).

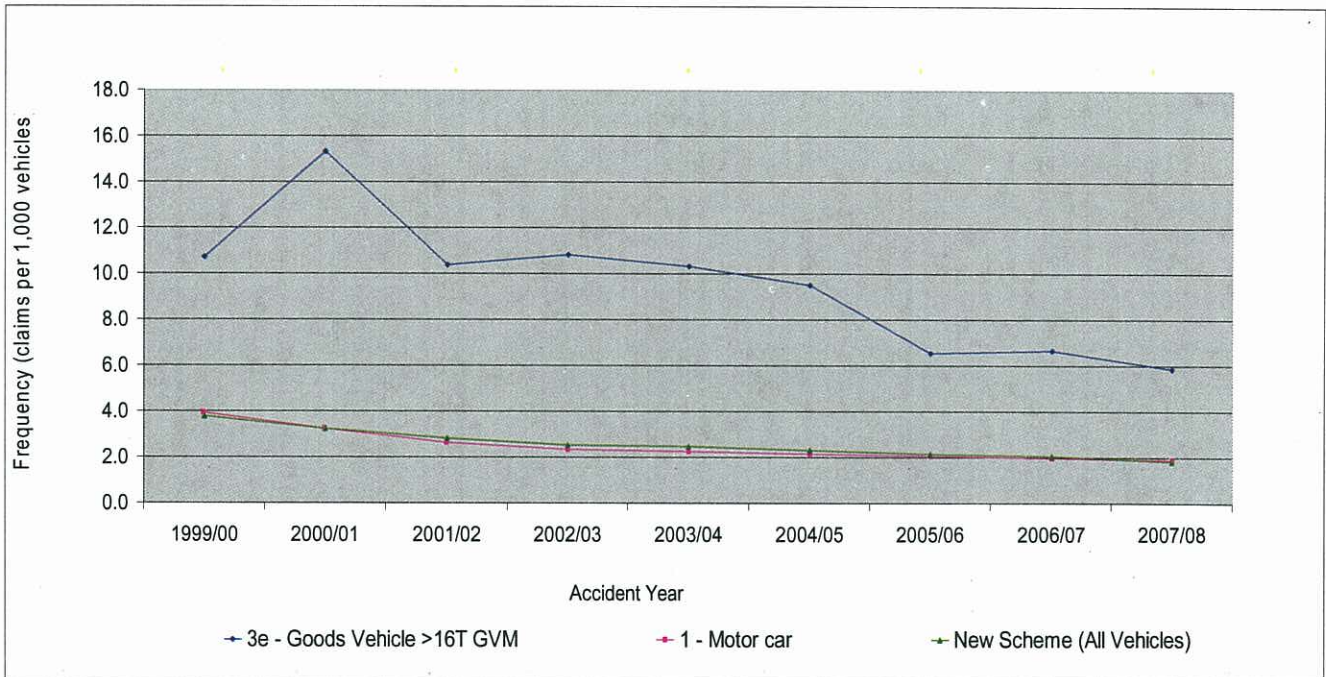
Between 1999/00 to 2007/08, the claim frequency for large trucks dropped from a peak of 15.3 to 5.9 claims per 1,000 vehicles. This compares with the claim frequency for ordinary motor cars which dropped from 3.9 to 1.9 claims per 1,000 vehicles and for the entire scheme claims frequency which also dropped from 3.8 to 1.8 claims per 1,000 vehicles.

Hence large trucks have experienced a much larger drop in claims frequency, (9.4 claims per 1,000 vehicles) compared to ordinary motor cars or the post 1999 CTP scheme³ as a whole (2.0 claims per 1,000 vehicles).

The NSW CTP claims experience is consistent with road casualties reported by the Roads and Traffic Authority (RTA) over the same period (1999/2000 to 2007/08), during which road casualties fell from a peak of 30,000 per annum to just below 25,000 per annum. as at 2007/08.

Figure 1

Trend in Claim Frequency - Large Trucks, Ordinary Cars and All Vehicles



Notes

1. Claim frequency includes estimates for incurred but not reported (IBNR) claims
2. Estimates for the more recent accident years are relatively uncertain, since more claims development (reporting) is anticipated for these years.
3. The rather unusual claim frequency for trucks in 2000/01 (15.3) appears to be just an unusual year. This is consistent other work done on CTP premium relativities in 2006/07 using similar data, although exposure was estimated using different methods. Further to this, data quality checks do not reveal any errors.
4. Claim frequency is estimated using only full claims

The trend in claims frequency for full claims is similar to the trend in claims frequency for all notifications (full claims plus ANFs). The latter is on average about 2 percentage points higher per annum.

Although there has been a significant decline in the claims frequency of large trucks since 1999 (15.3 in 2000/01 to 5.9 in 2007/08) it is still about 3 times the CTP scheme average.

² ANF – Accident Notification Form.

³ The new scheme commenced on the 5 Oct 1999 and is governed by the Motor Accidents Compensation Act 1999

4 Claims Costs

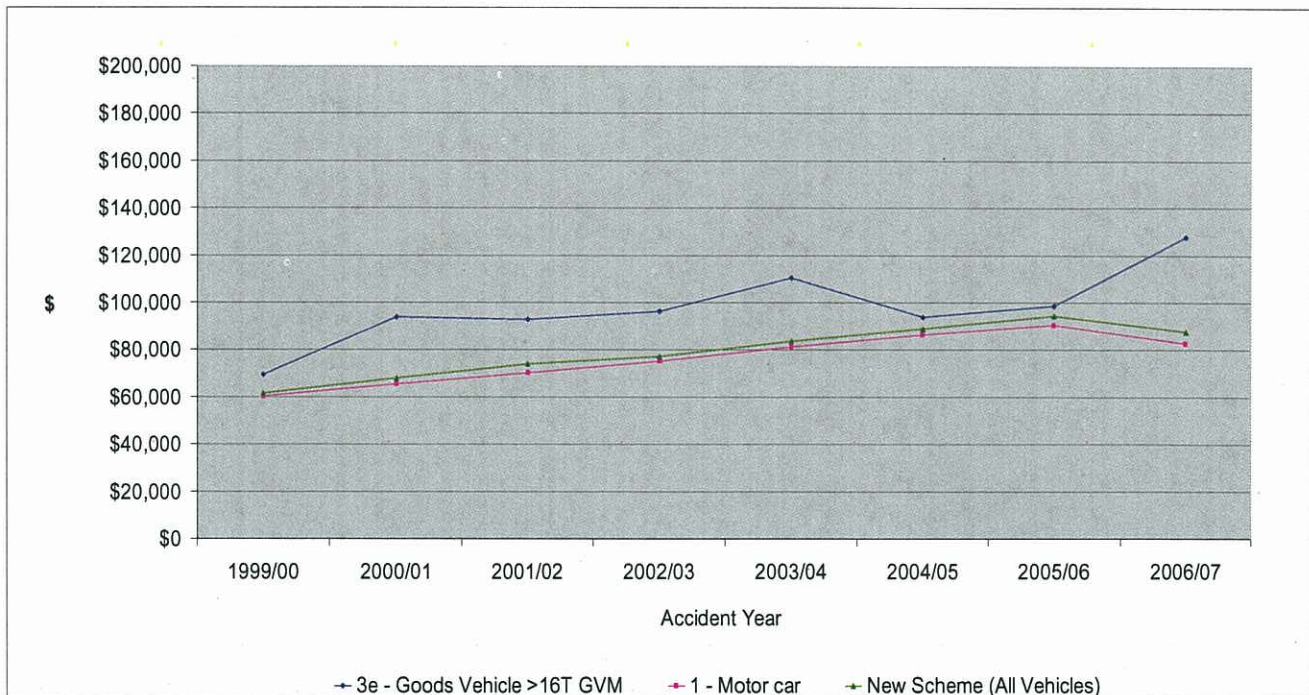
Average claims costs are estimated using full claims only (*excluding Accident Notification Forms*). Although Accident Notification Forms (ANFs) make up 18% of all notifications reported, ANFs account for less than 1% of post 1999 scheme claims costs, hence full claims will provide a more indicative average of claims costs. Data from 2007/08 has been excluded as significantly more development is anticipated for this recent accident year as insurers obtain new information on accidents arising in this period.

Figure 2 below shows that, between 1999/2000 and 2006/07, the average real⁴ claims cost for large trucks, increased from \$69,300 in 1999/2000 to almost \$127,500 as at 2006/07.

The experience of large trucks compares with the average real claims cost for ordinary motor cars which increased from \$60,200 in 1999/2000 to \$90,200 as at 2005/06 and \$82,700 in 2006/07. The average real claims cost for the scheme as a whole increased from \$61,500 in 1999/2000 to about \$94,200 in 2005/06 and \$87,600 in 2006/07. Further development of claims yet to be reported for past accident years could change these estimates in the future.

Figure 2

Trend in Average Claim Cost - Large Trucks, Ordinary Cars and All Vehicles



Notes

1. Estimates for the more recent accident years are relatively uncertain, since more claims development (reporting) is anticipated for these years.
2. The average cost, is the real cost - all past claims payments have been adjusted to Sep08 values plus the estimates of future liability as at Sep08. Claims costs have been capped at 750K to reduce the effect of very large claims (This can be considered as an arbitrary re-insurance threshold). Alternatively we could consider the median costs for this comparison to offset situations where the average is distorted by extreme values, however since the method of capping is consistent across all vehicle classes, if any class should have a higher proportion of large claims, this should result in a higher average cost for this class.
3. The average cost is calculated for actual claims reported only and excludes Incurred But Not Reported (IBNR) claims. Also claims here refer to full claims only

The average claims cost for large trucks remains at about 24% higher than the average claims cost for all vehicles in NSW over the period 1990/2000-2006/07.

With the introduction of the Lifetime Care and Support Scheme, it is anticipated that there will be some reduction in claims costs borne by the CTP scheme associated with very severe injuries. This is because the treatment and care of the most severely injured people will be funded by the Lifetime Care and Support Scheme.

⁴ Real claims cost – Actual claims costs adjusted for inflation (*i.e. as at 30 Sep 2008 values*). See point 2 in the notes above for further adjustment made to the data.

The Lifetime Care and Support Scheme provides treatment, rehabilitation and attendant care services to people severely injured in motor vehicle crashes in New South Wales, regardless of who was at fault in the crash. People eligible for the Scheme may have a spinal cord injury, a moderate to severe brain injury, multiple amputations; severe burns; or blindness as a result of a crash. The Scheme began on 1 October 2006 for children under the age of 16 years injured in motor vehicle crashes and was extended to include all injured people on 1 October 2007.

Currently there are two participants in the Lifetime Care and Support Scheme whose accident involved a large truck. The MAA will be working closely with Lifetime Care and Support Scheme to monitor trends in very severe injuries.

5 Relative cost per policy

The cost per policy reflects the combination of the frequency and average cost of CTP claims.

The cost per policy of CTP claims against drivers of large trucks has historically been between three and five times that of ordinary motor cars.

The combination of high claims frequency and high claims cost means the risk and cost of injury associated with large trucks is relatively high which is reflected in the CTP premiums.

This is reflected in the premium relativities set by the MAA Board which CTP insurers must follow in setting CTP premiums. The current premium relativities are derived by an actuarial analysis of actual claim frequencies and costs. The relativities are published on the MAA website at:

<http://www.maa.nsw.gov.au/default.aspx?MenuID=138>.

The table below shows the current premium relativities for ordinary motor cars, small trucks and larger trucks.

Figure 3: Premium relativities

| Vehicle Class | Rating Zones | | | | |
|--------------------------|--------------|--------------------|-------------------------|------------|---------|
| | Metropolitan | Outer Metropolitan | Newcastle/Central Coast | Wollongong | Country |
| 1 - motor car | 100 | 88 | 76 | 87 | 73 |
| 3c – small goods vehicle | 112 | 82 | 86 | 106 | 69 |
| 3e – large trucks | 642 | 397 | 490 | 490 | 373 |

6 Injury Severity

In the period between 1999/2000 and 2007/08, 6.5% of CTP claims against large trucks involved injuries which were classified as severe, critical or maximum (which means likely to be fatal or life-threatening). In contrast, only 3.4% of CTP claims against cars were in that category.

7 Who claims against drivers of large trucks?

Considering all notifications (*full claims plus ANFs*) against drivers of large trucks, 63% of the claims are made by the other driver, 23% by a passenger and 14% by pedestrians, cyclists or others.

In comparison, for claims against drivers of cars, 54% of claims are made by the other driver, 31% by a passenger and 15% by pedestrians, cyclists or others.

This claims pattern has been fairly stable over the last nine years.

8 Further information

If the Committee would like further information, the MAA would welcome the opportunity to present to the Committee.