

# Motorcycle Experience and Premium Setting

Motor Accident Authority

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# Scope

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1. Overview of premium setting approach
2. History of motorcycle premium
3. CTP claims experience versus current relativity
4. LTCS experience versus LTCS levy
5. Impact of single motorcycle category
6. LAMs analysis recap



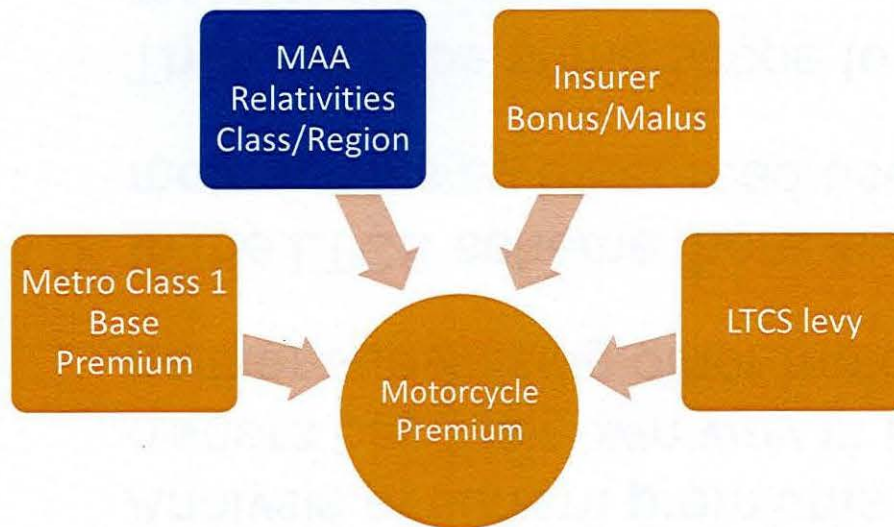
# Executive summary

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- Analysis of current premiums suggests that motorcycle owners pay their own way in the CTP scheme; they are neither subsidising other motorists nor receiving a subsidy
- In the LTCS scheme there is a clear cross subsidy to motorcycles by other road users
- There may be some scope to adjust relativities between motorcycle classes
- Adjusting risk classifications for motorcycles result in winners and losers as well as transition issues
- There are issues of data robustness and systems capacity for risk classifications beyond engine capacity

# Premium setting overview

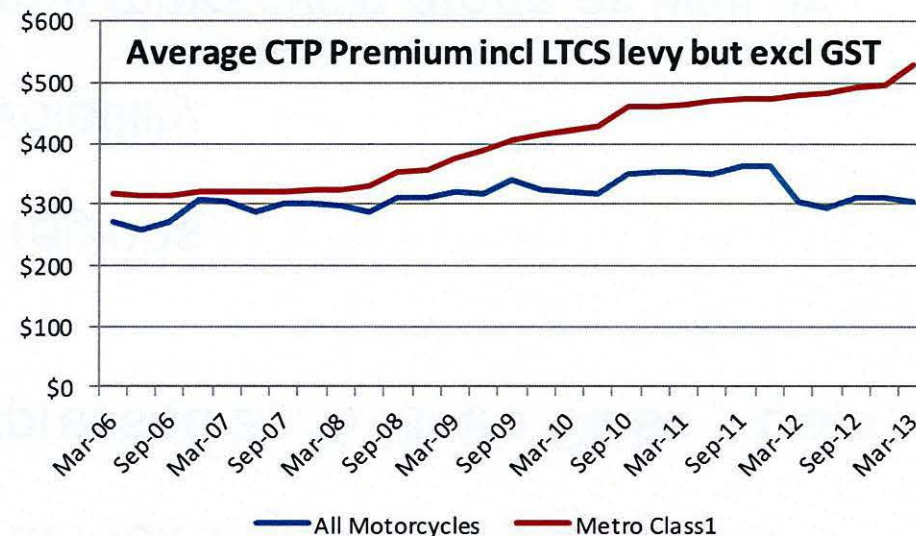
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- Base premiums set by insurers and filed with MAA
- Relativities define premium as % Metro Class 1
- Bonus (max -25%) and malus (max 30%) reflect insurer assessment of individual risk
- LTCS levy varies by class/region

# History of Motorcycle premium

- Since 2006 the average premium for Motorcycles has increased by 10% and is currently\* around \$300 (excluding GST)
- At the same time the average premium for Metro Class 1 vehicles has increased by 67% to over \$500\*



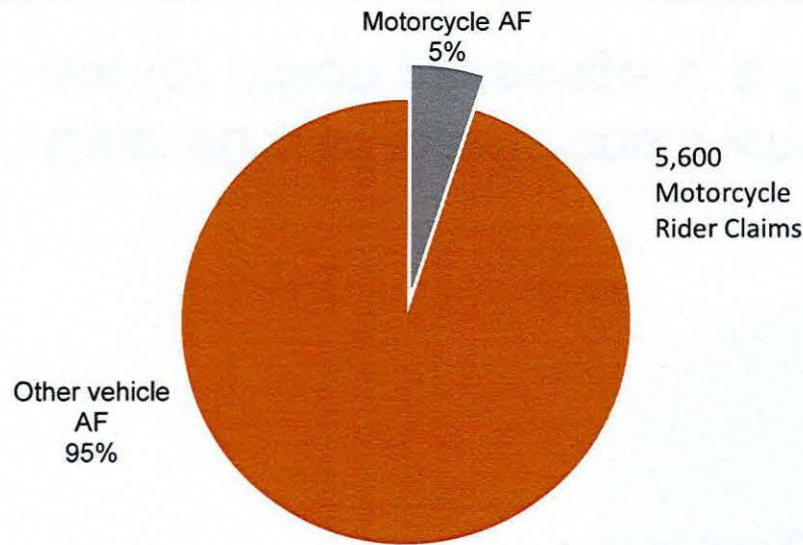


# CTP relativities - background

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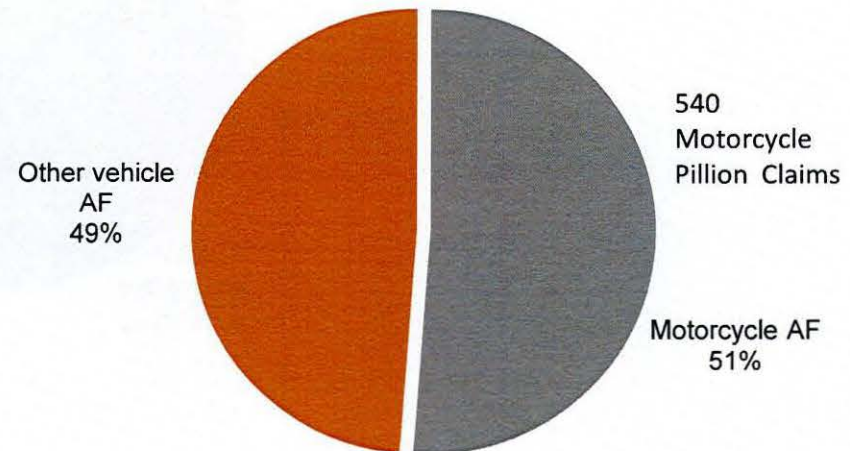
- Claims allocated to most at fault vehicle in the accident
- Claim cost per vehicle expressed as % Metro Class 1 claim cost per vehicle
- 35 vehicle classes and 5 regions
- Long term view to avoid volatility
- For motorcycles look at total motorcycle group as well as experience for 5 motorcycle classes
- Relativities normally reviewed each year

# Motorcycle at fault versus not at fault claims



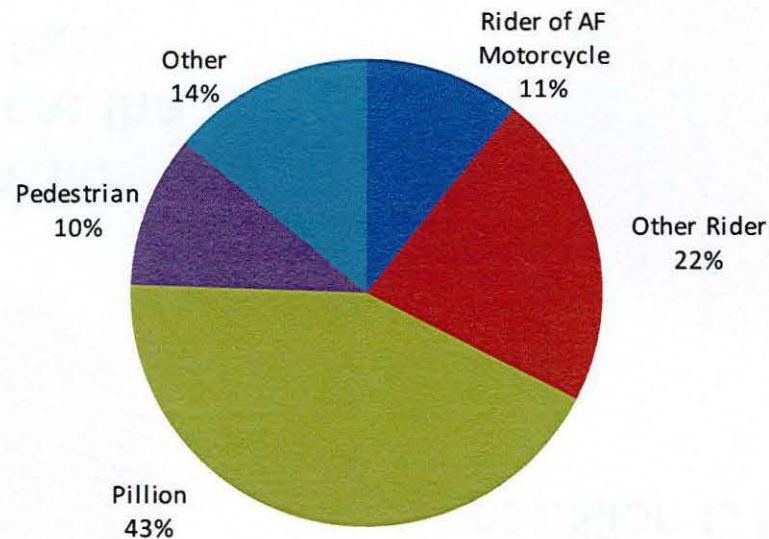
- A motorcycle is at fault in only 5% of rider CTP claims
- A motorcycle is at fault in half of pillion CTP claims

- Motorcycle premiums only cover claims where the motorcycle is at fault
- Most motorcycle rider claims are met by premiums for other vehicles



# At fault motorcycle claims cost by road user type

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- Over 40% of claims costs where motorcycle was most at fault are for pillion passengers; a further third are motorcycle riders
- Around a quarter of claims costs are for pedestrians and other road users



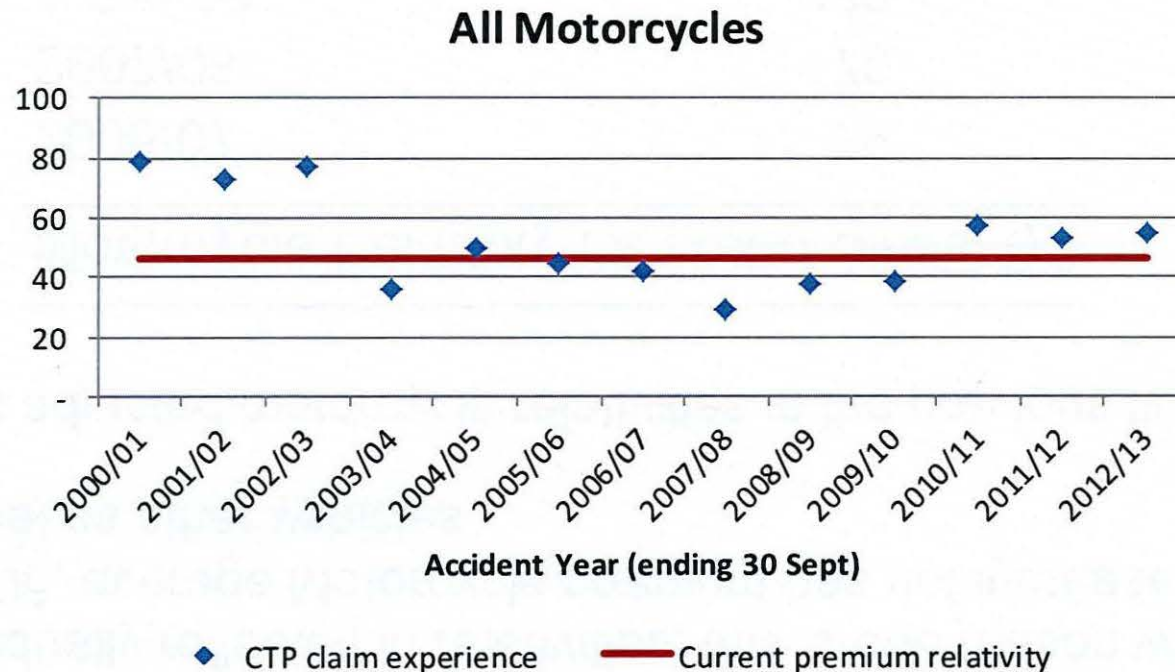
# History of Motorcycle CTP relativity

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- Motorcycle claims experience improved after 2003 and this has been gradually reflected in relativities; this is one reason why since 2006, average Motorcycle premium has not increased at the same level as other vehicles
- MAA has adjusted motorcycle relativities in the previous two reviews

Motorcycle Relativity (% Metro Class 1)	
2006/07	79
2007/08	70
1-Oct-09	63
1-Jul-10	63
1-Jan-12	52
1-Jan-13	48

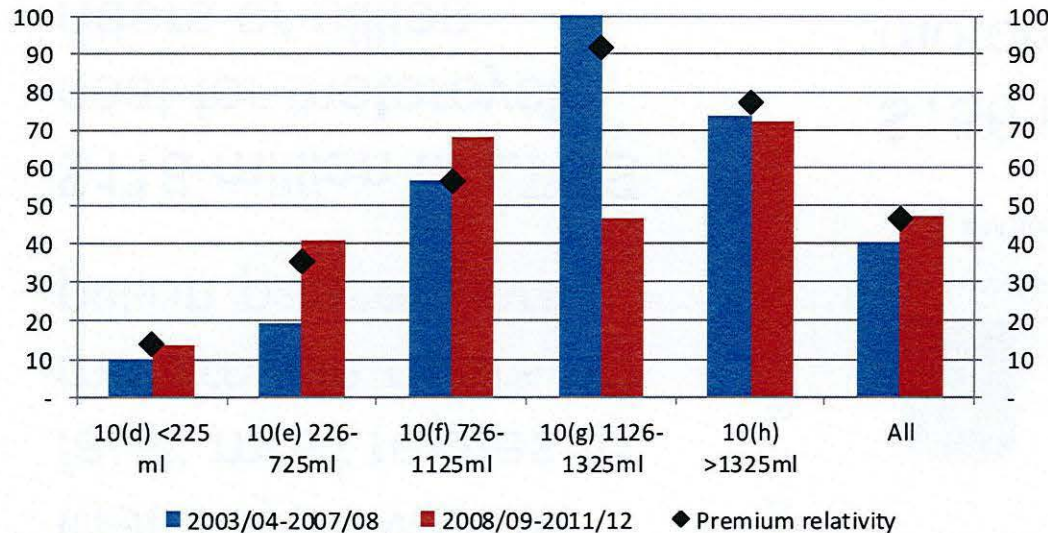
# Recent Motorcycle CTP experience



- CTP claim experience for the last 9.5 years is similar to the current premium relativity assumption → no cross subsidy from Motorcycle to other vehicles



# Recent Motorcycle CTP experience

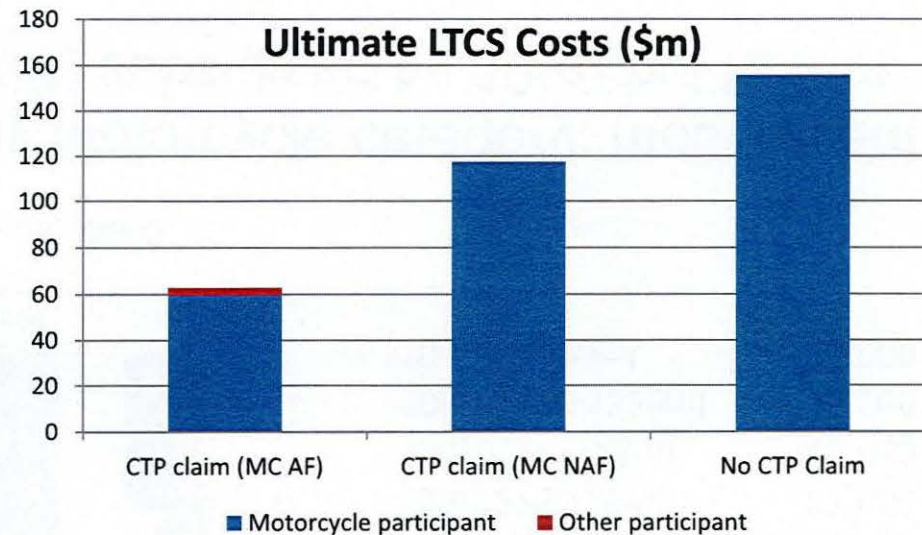


	Number of vehicles
10(d) <225 ml	32,000
10(e) 226-725ml	77,000
10(f) 726-1125ml	45,000
10(g) 1126-1325ml	15,000
10(h) >1325ml	23,000

- Experience is volatile by Motorcycle category; most recent experience suggests 10(f) subsidised by 10(g) but further analysis required
- Indicative quantification is \$85\* per 10(g) bike giving a \$30\* subsidy per 10(f) bike

# History of LTCS participant costs

- \$63 million of LTCS cost where a Motorcycle was at fault; most relates to motorcycle riders or pillion passengers
- \$118 million of LTCS cost for motorcycle riders or pillion passengers where another vehicle was at fault

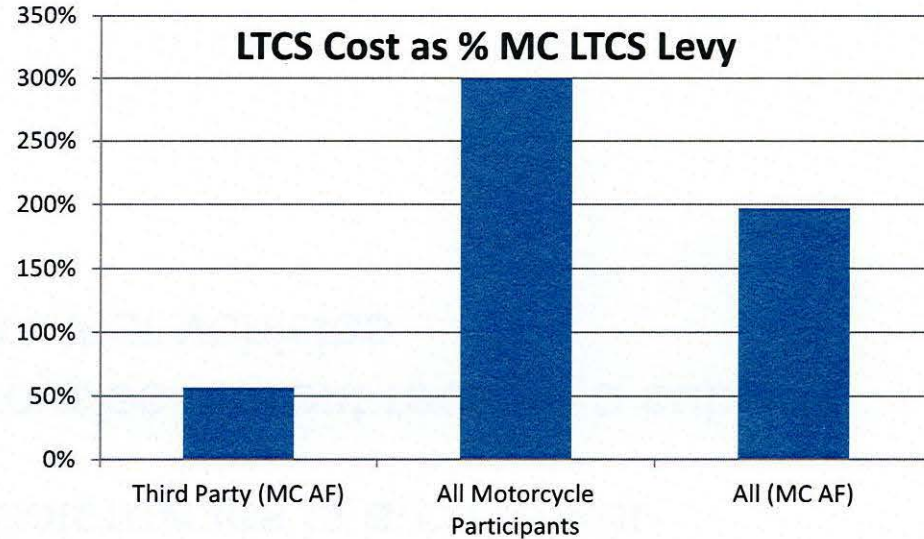


- \$156 million LTCS cost for motorcycle riders where there is no CTP claim and can assume the LTCS participant was at fault



# LTCS costs versus Motorcycle levies

- LTCS levy collected from Motorcycles is \$111 million
- LTCS cost for third parties injured by Motorcycles around 60% of Motorcycle LTCS levy
- LTCS cost for all Motorcycle participants of LTCS scheme is 300% of Motorcycle LTCS levy



- LTCS cost caused by Motorcycles is almost twice the Motorcycle LTCS levy

# Conclusions on LTCS levies

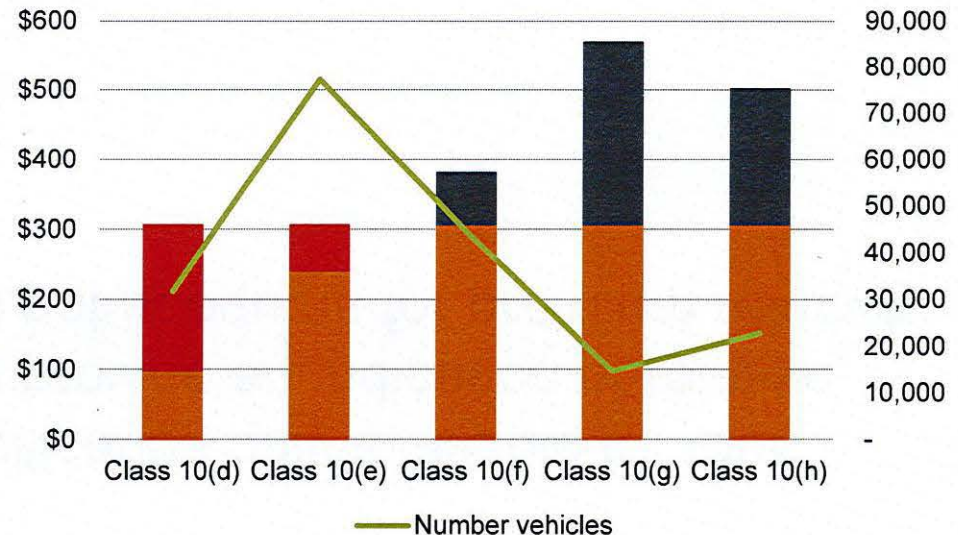
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- The LTCS levy for Motorcycles has been half of the amount required on a full fault basis
- The current LTCS levy for Motorcycles is around \$80
- History suggests that motorcycles current receive a subsidy of around \$80 per bike from other vehicles



# Impact of single motorcycle category

- Current average Motorcycle premium is \$306\*
- By category premiums range from under \$100 for 10(d) to over \$550 for 10(g)
- A single premium for all motorcycles would result in large changes in prices for all owners



Indicative premium change

10(d)	\$210	32,000
10(e)	\$70	77,000
10(f)	-\$70	45,000
10(g)	-\$260	15,000
10(h)	-\$200	23,000

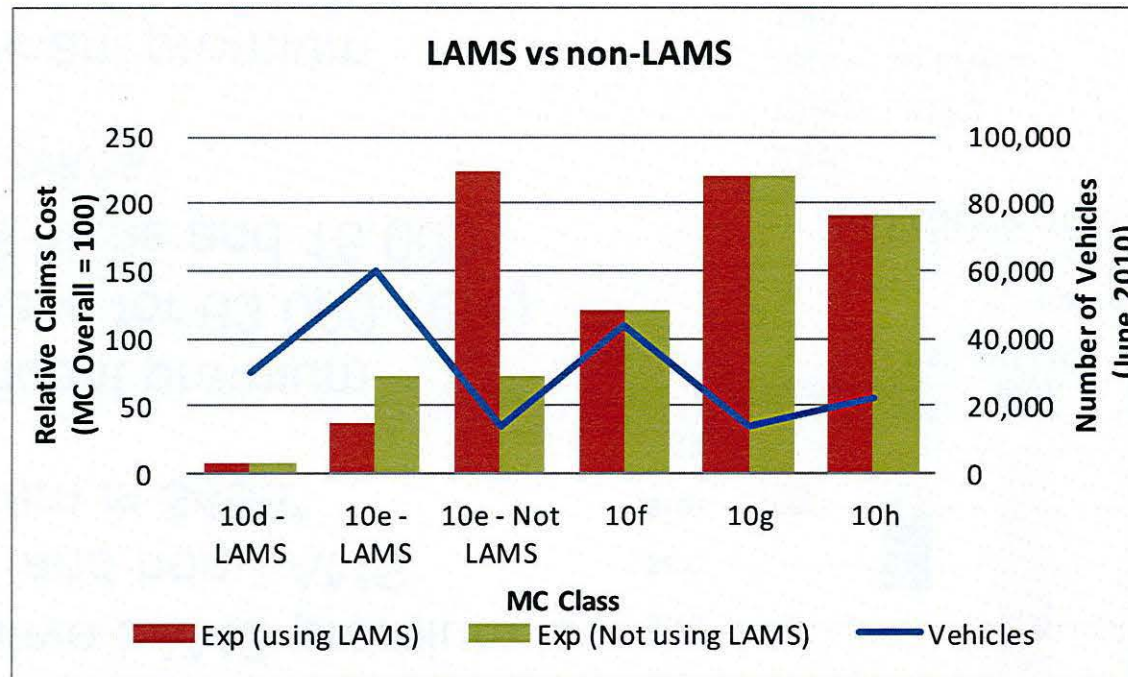
# LAMS recap

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- At the request of the MAA, Finity carried out analysis on LAMS as a risk variable in 2011 and the results were presented to the MCC
- Information on power specification only available for four years so analysis can only provide an indication of relative claims performance and is not adequate for premium relativity modelling



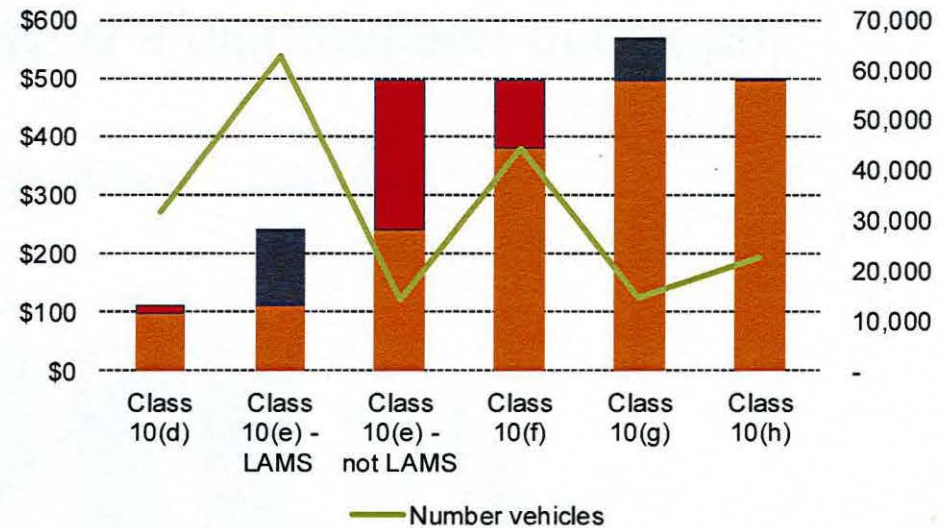
# LAMS recap



- Modelling suggested that LAMS is a differentiator of risk but analysis results not fully reliable

# LAMS versus non-LAMS premiums

- Consistent with an overall premium of \$306\*, indicative LAMS premium is \$115\* and non-LAMS premium is \$495\*
- Significant premium decrease for 63,000 10(e) LAMS bikes and 15,000 10(g) bikes
- Significant premium increase for 14,000 10(e) non LAMS and 45,000 10(f) bikes



Indicative premium change

10(d)	\$10	32,000
10(e) - LAMS	-\$130	63,000
10(e) - no LAMS	\$260	14,000
10(f)	\$120	45,000
10(g)	-\$70	15,000
10(h)	-\$10	23,000



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