



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE A

Motor Accident Insurance Board

Monday 14 December 2020

MEMBERS

Hon Ruth Forrest (Chair)
Hon Mike Gaffney
Hon Sarah Lovell
Hon Dr Bastian Seidel
Hon Rob Valentine MLC (Deputy Chair)
Hon Meg Webb MLC

WITNESSES IN ATTENDANCE

Hon. Michael Ferguson MP, Leader of the House, Minister for Finance, Minister for Infrastructure and Transport, Minister for State Growth, Minister for Science and Technology

Mr Don Challen, Chairman, Motor Accident Insurance Board

Mr Paul Kingston, Chief Executive Officer, Motor Accident Insurance Board

Ms Sonia Tuff, Chief Operating Officer, Motor Accident Insurance Board

Mr Derek Thurm, Chief Financial Officer, Motor Accident Insurance Board

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The committee resumed at 2.02 p.m.

CHAIR -Thanks everyone for coming to the GBE hearings for this year for MAIB. Minister, if you would like to introduce your team at the table. Some of the team might not know Bastian, one of our new members, and Meg Webb. You would probably know the rest of us. We have been here for some time. Over to you, minister.

Mr FERGUSON - Than you, Chair, and good afternoon to you and to all the committee. I introduce Mr Don Challen to my right, the Chair; Mr Paul Kingston, Chief Executive Officer; and my Chief of Staff, Daniel Gillie, who is assisting me but will not be giving evidence.

CHAIR - Thank you. Did you want to make an opening statement or comments?

Mr FERGUSON - In 2019-20, MAIB like all organisations faced an unprecedented year due to the pandemic. The MAIB's response and planning focused on maintaining the provision of care for clients and their families as well as prioritising the health and safety of our staff.

Despite challenging financial market conditions with significant volatility the MAIB's diversified investment portfolio returned a modest positive return for the year. The MAIB's investment strategy is to maximise long-term returns and not to react to short-term volatility in the markets. This strategy was evident during the impacts of COVID-19 on financial markets with MAIB's portfolio being valued at \$1.88 billion before the impacts of COVID-19, reducing to \$1.7 billion at 30 June, but already returning to higher value than pre-COVID of \$1.94 billion as at the end of November. This outcome is testimony to the prudence of the MAIB strategy and its strong management.

The organisation is well positioned in terms of its long-term financial position with a funding ratio of 126 per cent whilst consistently providing strong returns to Government. The general trend of reducing claim frequency and average claim costs reflects ongoing road safety improvements including infrastructure works, but also importantly education campaigns and enforcement activities.

Importantly Tasmanian motorists have received direct benefits from these positive outcomes with no general premium increases from 1 December 2019. It is with great pleasure I can inform the committee today of a 4 per cent general decrease to premiums this year and for a standard this translates to the annual MAIB premium being less than what it was in 2001. Tasmanian premiums are the cheapest in Australia. This is despite the MAIB scheme providing arguably the best overall no fault benefits to those injured through motor vehicle crashes as well as achieving consistently high client satisfaction results.

As at 1 July, the highest premium for a standard motor vehicle in Australia was \$561 and that compares to Tasmania's current premium of \$282. These consistently low premiums assist with the cost of living pressures and ensuring those injured in motor vehicle crashes are provided appropriate care and support on a no-fault basis. This is a positive announcement for Tasmanians. It also means that in real terms, relative to average weekly ordinary-time earnings, the MAIB premium for a Class 1 motor car has reduced by more than 50 per cent over the last 15 years.

Briefly, in other highlights, the MAIB continues to work with the Road Safety Advisory Council and Tasmania Police to implement advertising and public education messages,

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combined with appropriately targeted enforcement activities. The council is a joint initiative of the departments of State Growth and Police, Fire and Emergency Management, and the MAIB.

Some of the council's current road safety campaigns, which I have to say are very important, particularly in this year when the road death rate is unacceptably high, include -

- Quality Time - to promote improvements for learner drivers in the graduated licensing system
- Real Mates Don't Let Mates Drink and Drive - targeted at younger men
- Don't Drive Blind - to educate road users on mobile phone distraction
- Love 40 - to promote driver awareness and speed in school zones, and
- Your Speed is Our Safety - to encourage compliance with lower speed limits in road work zones.

The MAIB provides annual funding of \$3.9 million to the Road Safety Advisory Council. It has been funding this initiative since 1996. A range of other support is provided across the state, which we can explore if the committee would like.

A major component of the MAIB's funding is managed through the Injury Prevention and Management Foundation, a range of supports right around the state. In 2019-20, funding through the foundation was \$340 000.

I take this opportunity at the end of a difficult and challenging year to thank the MAIB, particularly its board and management, for the exceptional service it provides to the Tasmanian community, as well as for the very impressive financial outcomes that have been achieved.

CHAIR - Thank you, minister. I will open with a question, then go to other members.

In your opening comments you mentioned the unacceptably high rate of fatalities on our roads. Back around Easter, I remember thinking it would be interesting to see what it does to the road toll when people were required to stay at home and not go out, other than for essential purposes, particularly on the north-west coast. Do you have any insight into this, or has the MAIB done any work to understand what the key contributing factors are, in order to focus the efforts of the Road Safety Advisory Council, given the MAIB funds its programs?

Mr FERGUSON - Yes, we will take the question. I will ask the chief executive, Mr Kingston, for his perspective as well because he is a member of the Road Safety Advisory Council by virtue of his role with the MAIB.

It is tragic that 35 people have lost their lives on Tasmanian roads so far this year. That compares to 28 at the same time last year. The number of serious casualties is also higher at this point - 299, compared to 262 the previous year.

It is also the case - and Mr Kingston may have these figures - that there were several months when the number of vehicle movements on our roads was lower because of the

restrictions. Nonetheless, we are coming to the end of the calendar year, and we are seeing our fatalities, trauma and serious injuries number higher than trend, which is very concerning.

As the Road Safety Advisory chairman was saying only in the last 24 hours, it is of note that some of those crashes and losses of lives seem to have been more pronounced because of multiple fatalities in those individual crashes.

As a government and as a community, we will continue to work hard, not just on the infrastructure and making sure it is as safe as it possibly can be, noting that most of the crashes we are hearing about don't relate to the safety of the infrastructure - they relate to driver behaviour. Therefore we have to redouble our efforts around education - around the fatal five.

The changes that were introduced on the first of this month for younger and novice drivers are also very important to us, because while we are providing support to make it easier for people to obtain their full licence without bureaucratic hurdles, they are nonetheless required to spend 80 hours during their learner stage of supervised hours, which is an increase from the previously mandated 50. If you are happy, Mr Kingston might be able to supplement my answer, but to make it very clear - it is a challenge for the whole community, not just government, but also the Road Safety Advisory Council is particularly exercised on ways to continue to drive the toll down by working with the community.

Mr KINGSTON - The biggest contributing factors continue to be those fatal five that police continue to try to tell everybody about when they have a chance when in front of a camera about unfortunate crashes on our roads. They continue to be the issues, the same factors, the same proportions as previous years.

CHAIR - Same proportions.

Mr KINGSTON - The same proportions as previous years. If you look at the long-term trends, we are heading around about the long-year, five-year average this year, despite having three months of pretty much no movement with lockdown. Taking away those three, we have had a fairly big year, but it is pretty consistent with that long-term trend of crashes.

Two of the key areas disproportionally represented in serious fatalities and serious injuries are motorcyclists and young drivers, and that still continues to be the trend. Over the last two years, the Road Safety Advisory Council has put to the Government improved training for both of those groups, which has been accepted. For a couple of years, a new program for motor cyclists has increased the amount of time that particularly young motorcyclists first getting their licences have to go through to get on the road by themselves.

Previously, they used to basically have very little time on the road before they could get their Ls and off they went. Now they have to have some guidance training first. The improvements to the graduated licence system include increasing the number of hours and restrictions, such as the number of passengers particularly young L1 drivers can have with them. We know, from what police tell us, that is where a lot of tragic accidents occur. We tend to get the worst injuries, multiple injuries, and fatalities when we have groups of young people in cars late at night, who are also unfortunately breaching some of the other fatal five, such as drugs, alcohol and speeding.

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The minister is right - the other thing we have had this year is several multiple fatality injuries, and we have not had that over the last few years. The fatality number is probably a little bit higher because of that. The Road Safety Advisory Council's view, which MAIB is funding, is to continue to focus on those fatal five and improved education and training, which is really a long-term game to try to bring those trends down.

From what road safety experts told the Road Safety Advisory Council in their meetings, their theory is that when people came out of lockdown, they might have taken more risks because they saw fewer people on the road - they might speed more, they might do more extreme driving - and that would increase the statistics pretty quickly to where we would have been without lockdown.

Those have been the trends we have seen over that last 12 months. Unfortunately, we are actually on our five-year average. That just means our five-year average is not where we want it to be. We particularly need to continue with education. The other aspect is enforcement. Tasmania Police have been required to do other COVID-19 work, trying to keep everyone safe from the issues around that, but getting police back to being able to do more on the roads will be important heading into next year.

CHAIR - With the two key groups you mentioned, young people and motorcyclists, how have you as minister or the Road Safety Committee engaged young people? You try to tell them what to do, and if they are not going to buy into it - some of us have had teenagers. Is it best to tell them what to do or engage them in the conversation? What has been done with young people and motorcyclists particularly to try to see what might work?

Mr KINGSTON - Obviously, the Government funds the Rotary Youth Driver Awareness program, which goes out to largely grade 10 students, 16-year-olds, and that has proved an invaluable project for engaging with young people. Really good police officers engage with them well and actually show them that the police are there to help them. They also engage people like some of our claimants who have had serious injuries, particularly some motorcyclists who have had some amputations go along to those presentations. Because they are younger they tend to engage better with that age group; they listen to them and then they shock them by telling them 'Look what happened to me because I did not listen to other people.'. That program has proved to be very effective at that age group just as they are entering their Ls, so hopefully is a course that can continue and continues to be improved.

CHAIR - Learner drivers are the safest drivers on the road. They are not the problem. It is the Ps. The day they get their Ps, their risk goes through the roof.

Mr KINGSTON - Another program the MAIB has funded, and also basically helped create, for over the last 10 years is the Real Mates campaign. That has achieved good traction from the 17- to 24-year-old group. It is that next group, as you say, that goes into their Ps. Looking at the statistics over the previous 10-year road safety strategy, which ended in 2017, the number of crashes involved in that age group - serious crashes reduced by over 50 per cent, and the number of drink driving offences dropped by slightly less, but apparently by the same margin.

What has become clear is that age group, as it goes through that campaign and through their learning, is probably less likely to find the 17- to 24-year-old age group drink driving than it is - perhaps - some older age groups. The social acceptance of drink driving that used to be

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around many years ago definitely is not now in the majority of the population. I dare say that Real Mates over 10 years has had that impact that is attached to drink driving. We are looking with Real Mates to broaden that message to include the other fatal five - particularly inattention and speeding, because they are the next ones for that age group.

CHAIR - Have you talked to young people about how they think that could be applied?

Mr KINGSTON - Yes, part of the process when we run our educational campaigns - and this is the Road Safety Advisory Council, not MAIB - is we do full surveys and reviews of whether the campaign actually hit that message, and targeted people in the age group. For Real Mates, they talk to maybe 17- to 30-year olds across the state. They not only get the feedback but also they have focus groups where they say, 'Well, where did you hear about this? Did it really matter? Did it change your behaviour?'

Real Mates scores pretty high in that. Some of our education campaigns, our more generic ones, people say they notice it, they see it, but it does not necessarily change their behaviour. We still have to target change in that behaviour.

CHAIR - We will move to the financial. I am trying to understand more about the claims. Obviously, these crashes drive the claims, and the impact of prior year claims the discount factor. I appreciate the gross claims incurred is determined by actuaries. In 2019, previous year claims were significantly reduced by \$284 million, but the actuary increased the discount factor by \$374 million. This led to an increase in prior year claims in 2019 to the value of \$9 million. As I understand it, that is why MAIB had a large underwriting loss in 2019 of \$112 million. The loss was offset by a strong investment income, particularly unrealised gains which is all in the previous annual report.

My questions are: what happened in 2019 with regards to major changes in prior year claims and the even larger change in the discount in the other direction, which was fortunate in terms of financial position to ensure the underwriting result in 2019, when it coincided with a terrific year with investment returns? I am interested in how that works?

Mr KINGSTON - I think more broadly with the impact on, if you are talking about the impact of prior year claims, which was the first part of your question. What has happened is that we had a few exits of unfortunate deaths from our lifetime care scheme earlier than they were probably estimated to be on the actuarial life mortality tables. Our most recent experience over the last 12 months has been we have had fewer catastrophic injuries in our lifetime care claims, which is good. That means the actuary will be taking out some of those bigger claims in previous years and therefore won't allow for them. It also informs future years where he goes, okay, instead of getting our average of five or six a year, he is now estimating we will get four or five a year. That reduces not only past year claims, but also what goes into the future. This will have an impact on our future claims but has been more than offset by the adverse movements in economic assumptions which unfortunately we have to value our assets at, at the end of 30 June, in our liabilities. Because the economic assumption gap is more into negative territory for us, that eats away all those gains and adds more to our long-term liabilities.

CHAIR - So, the prior year claims weren't overstated; it was just that some people passed away?

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Mr KINGSTON - We have had four or five people pass away from their lifetime care scheme as well as some other very seriously injured people, and they went earlier than we had estimated. We set a life expectancy for them; we hope that they fully make that, but sometimes they pass away before then, sometimes from matters unrelated to the injuries from the motor vehicle accident. When they do, that means the actuary goes, 'We were putting away a bit too much money', but he also uses that real history to predict what is going to happen in the future, so it helps him lower what might happen in the future as well. Despite the long-term crash statistics, our lifetime care - the people who get catastrophically injured - is declining. Not much, but it is declining.

Mr VALENTINE - There are 103 at the moment.

Mr KINGSTON - Unfortunately now we have had a couple of accidents, there are close to 100; and the number we are getting in is almost matching the number that go out, which has changed our scheme from being a developing scheme to more of a mature scheme where it will stay hopefully level, if not drop. We have had at least four pass away in the last, say, 15 months, which is a high number for us to experience, and a couple of them were very, very early - much earlier than expected. One of those claims can be actuarially assessed at a present value of well over \$20 million - \$60 million in actual cost - so you only need one or two of those to go early and that takes a large chunk of what we were reserving out of what we have to in the future.

CHAIR - The actuary assesses this every year?

Mr CHALLEN - Quarterly.

CHAIR - Quarterly they do. What is the current discount rate and what was it previously?

Mr KINGSTON - We have got that.

CHAIR - While you are getting that, my second question is: what effect did changes to the discount factor have?

Mr CHALLEN - That big underwriting negative result in 2019 was driven by a big drop in interest rates between 30 June 2018 and 30 June 2019. Because we are long-tailed scheme we have a set of cashflows that are the costs of looking after injured people that go out 80 years into the future. A very long stream of cashflows. A small change in the discount rate can have a big impact on the actuarially assessed liability and, of course, the change in the liability that occurs within a financial year is booked on the statement of comprehensive income, and that is what has driven that big underwriting negative result in 2019. That is almost entirely interest rates falling through 2018-19.

Mr KINGSTON - We just found those figures. As at 30 June 2019, the weighted average inflation rate was 2.8 and the interest rate was 2.32, which led to a gap of -0.48 per cent. As at 30 June 2020, inflation was 2.89, which had gone up a bit; the interest rate was 2.08, which had fallen quite a bit, so the gap was -0.81. They may seem small movements in our gaps when we have clients out 50 or 60 years, and \$1.3 billion in long-term liability, but it doesn't take much to make a big change on our estimates.

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Mr VALENTINE - You talked about 4 per cent premium decrease in 2021 and yet the accidents are going up. How can you provide that 4 per cent decrease in premiums going forward?

Mr CHALLEN - It is just a question of the long-term trends in the scheme. On the claims side, the injury frequency rate is still falling. It is almost flat. It is in a very slow decline but it is still falling and it has been falling for many years. We have had a significant drop in the number of future-care claims that the actuary has taken into account. When I took over as chair, we were providing, I think, 12 future care claims a year. The actuary is now providing five. Seven less future care claims makes a massive difference in terms of what we need to provide for the scheme. That is the main reason we are able to reduce premiums. We are seeing -

Mr VALENTINE - I'm not complaining.

Mr CHALLEN - Nor am I. We have had a long discussion about a short-term road safety performance - and I agree absolutely all that is very important - but the reality is that the long-term trends are still positive and it is driven by a whole lot of things. It is driven by safer roads. It is driven by better driver attitudes to - I would like to say speeding, but I don't think it is true - but certainly alcohol and drugs.

Mr VALENTINE - Capacity of cars?

Mr CHALLEN - Much safer cars, exactly. Even though we are conscious of what has been going on the last few months, the reality is that if you look at the long-term trends, and that is what drives premiums, the trends are still generally positive.

Mr VALENTINE - So it is not going to impact on dividends that you pay, or the level?

Mr CHALLEN - Short-term performance won't impact on dividends. Premium setting is all about the long-term trends. On the claims side, it is about long-term injury frequency rates, and on the investment side, it is about what we can expect our portfolio to generate in terms of returns over the sort of medium term, not year to year. Dividends tend to be impacted more by the performance of investment markets over a short period of time, but we have an arrangement with the Treasurer that allows our financial performance to be smoothed over a five-year moving average to take out some of the ups and downs in dividend payments.

Mr VALENTINE - The reduced income interest during COVID-19 is not a huge factor?

Mr CHALLEN - It won't have any impact on premiums at all and it won't have much impact on dividends. As the figures the minister quoted on the overall level of our investment portfolio [indicate?], we have had a strong performance the last 3 to 4 months, very strong performance.

CHAIR - Can I follow up on the investment strategy? A clarifying point before I go into more about that. When you look at the net investment income - note 4 on page 26 - investment income for 2020 was \$23 million compared to \$162 million in 2019 and unrealised losses of \$38.9 million. Can you clarify what the unrealised losses relate to here?

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Mr CHALLEN - They're changes in the market value of our investments essentially. We haven't sold anything, but the market value of our investments has moved because the stock market went down through the year and they are our unrealised gains and losses.

CHAIR - How often is the investment portfolio reviewed by the board?

Mr CHALLEN - Every month.

CHAIR - It's a standing item?

Mr CHALLEN - Absolutely. We probably spend half our board meeting reviewing and agonising about investment.

CHAIR - It is core business.

Mr CHALLEN - Unfortunately it is core business. The MAIB is basically two businesses stuck together. It is a business which manages a \$1.5 billion investment portfolio and it is a business which looks after people who get injured in motor vehicle incidents. Our board meetings are roughly 50/50 on those things.

CHAIR - Has the investment strategy changed in recent times?

Mr CHALLEN - Not really. There have been some tiny tweaks at the margin. In late 2019 we introduced a couple of new asset classes to try to get less correlation with equity market performance, but they are quite small and essentially the philosophy we operate on is to put a lot of effort into establishing a strategic asset allocation - so where the assets go in terms of cash, equities, bonds, infrastructure, property and a few other little bits a pieces - get it right, try to get a strategic asset allocation that will carry you through all sorts of circumstances in the investment markets and then sit on your hands and watch the performance of it. We are not active in our management of the portfolio and our philosophy is to get the asset allocation right and leave it alone and see how it carries you through. That worked extremely well in the global financial crisis a decade ago. It has worked extremely well through the COVID-19 pandemic crisis in investment markets this year.

CHAIR - Do you have any exposure to TASCORP bonds?

Mr CHALLEN - We have exposure to Australian bonds and there will be some TASCORP bonds in there. We do not buy them ourselves.

CHAIR - Is that a deliberate decision?

Mr CHALLEN - We contract out all our investment management to external managers. We have a bond manager that looks after Australian bonds for us and, for sure, there will be some TASCORP bonds buried away in there but we do not actively trade them. The manager would do that.

CHAIR - Going back to the investment strategy and management of risk, you mentioned there has been registration relief provided and you didn't apply the premium increases they could have. Would that have any short- or longer term impact on revenues or is it overall a win for everybody?

Mr CHALLEN - The Tasmanian Economic Regulator essentially approaches the ceiling he puts on our capacity to set our premiums by looking at the premium needed to have the scheme break even over a long period of time and then he allows us a little profit margin of 10 per cent on top of that. That is basically the methodology. Our job when we come to make recommendations to the Government for premium setting year-on-year is essentially to try to make sure we have sufficient capital in the scheme to carry us through the ups and downs in investment markets and so on.

Putting that aside, we really look to keep premiums as low as we can. We are not like a private insurance company that is looking to make the biggest profit we possibly can. The best thing we can do for the Tasmanian community is make our premiums as affordable as possible, while being confident we have a well provided for scheme. The relief the Government has given through COVID-19 on some motor registrations and, consequently, our premiums is, yes, it had a little impact on our revenue but in the scheme of things, it was quite small - probably around a couple of million dollars. We have \$140 million of revenue, so it was about two.

CHAIR - There is not likely to be a catch-up premium required?

Mr CHALLEN - No.

Ms WEBB - Mindful of Tasmania's population profile and low income households being a sizeable proportion, at the moment with the premiums, if registrations are paid at six- or three-monthly intervals, there is a surcharge on the premium and penalised for smoothing your premium out.

Can you talk me through the rationale, given it would be beneficial for people to be able to pay registrations and MAIB premiums in smaller instalments across time?

Mr CHALLEN - This is an issue between us, Service Tasmania and the Department of State Growth so I might let Paul take that, if I may.

Mr KINGSTON - We do not collect premiums ourselves; we obviously do it as part of registration, so it has gone to the Department of State Growth because they collect the registrations. They charge us a rate to collect per transaction. There are actually quite a few transactions because there are people that pay it six-monthly and also heavy vehicles can actually pay on a quarterly basis.

There were nearly 750 000 transactions last year and they charge us \$3.95 per transaction so the more transactions there are, the more we pay to them. It is a flat fee and we do not get any reduction for having more or less. Our actuary gives this evidence to the economic independent regulator, who ultimately sets the range of our premiums, so he has to account for all our costs as part of that. He provides for a cost of those extra transactions and lost investment revenue, which is very marginal but there is some, and then puts that as part of our cost, which goes to the economic regulator who either allows it or not, as his determination sees fit.

That is a charge imposed on us by State Growth and they use Service Tasmania as their collection agent, so it is whatever charge they provide us, we have to meet. Our actuary puts

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that as a cost and the regulator decides whether that is included in our premium. Really the extra transactions would lead to a cost to us.

Ms WEBB - Beyond that cost then imposed on you through State Growth, from an MAIB point of view there is no detriment to you if you were to have those payments spread out?

Mr KINGSTON - No.

Ms WEBB - There is no implications of the protection provided and the insurance?

Mr KINGSTON - No.

Ms WEBB - It is purely a matter to be taken up with State Growth then around what is imposed on you as a cost to that?

Mr KINGSTON - Yes. That was \$4.20 per transaction. We pay an extra 25 cents which is to fund an uninsured, unregistered project whereby we fund people on the roads and cameras to detect unregistered vehicles and get them re-registered. We want everyone in the system, so we pay a bit extra to try to get the unregistered people, who can be people who forget to register. We write to them and try to get them to register, because the more we have in the system, the cheaper it is for everybody because it is a socialised insurance scheme.

Mr VALENTINE - It can have dire consequences for people who are driving an unregistered vehicle?

Mr CHALLEN - A very unwise thing to do.

Mr VALENTINE - That happened to an 84-year-old I know who came to me and they were at risk of losing their house.

Mr FERGUSON - That is a pertinent question. The Government has been working closely through the Department of State Growth to search for some other solutions that might assist people on lower incomes or who are going through difficult times. The MAIB does not really have an opinion on this matter because, as Mr Kingston has outlined, it is unaffected by the frequency of the payments. There is an impost borne by the insured, the registered vehicle owner, if they having to make those transaction payments on a regular basis, but also there is a statutory tax liability, I think it is called motor tax, that occurs when a payment is made.

While it would be good to find a way for a smoother bill paying process for the end user, the customer, the registered vehicle owner, it is optimum for the registrations and the insurance within it to still be annual, not only because you get the better value, but also because you get the insurance reliability. We would not want somebody, if we were able to find a way to go a three-monthly or even a monthly, you are increasing the chance they might miss a payment and find themselves driving uninsured. The Department of State Growth, at my request, is currently working through a project design we intend to have more to say about in the new year. We are looking to do an exploratory piece of work with the No Interest Loan Scheme so people can continue to have annual cover, but a smoother way of paying for frequent smaller amounts towards that micro loan. We hope that is a way, in the fullness of time, people on lower incomes or just simply cannot meet the \$400 approx. annual registration will be able to get the benefits of bill smoothing, but also the benefit of a fully annualised insurance product.

Mr CHALLEN - Our premium is only \$282 of that, the lowest in Australia.

Ms WEBB - I know you say only and it is great that it is the lowest in Australia, but for a lot of Tasmanian households, it is still a substantial amount. It is positive to hear those plans are afoot to look at a way to smooth that whole bill profile for low income households, particularly households that might have two cars.

CHAIR - What modelling has been undertaken with regard to the long-term nature of claims? We have heard we have had some unfortunate deaths of some of our longer term clients. What modelling is done in regard to the number and size of future claims?

Mr CHALLEN - This is an exercise that our actuary puts a lot of effort into. Essentially, the claims are partitioned into three groups -

- Scheduled benefit claims, which are basically driven by the number of vehicles on the road and are relatively easy to model and predict.
- Future care claims, which are people who are sufficiently seriously injured they need at least two hours of personal care every day and tend to be the biggest component of our claims' costs. The modelling there really is about projecting long-term trends. When I answered Mr Valentine's question earlier about the number of future care claims that have been taken into account, that is the modelling that drives those numbers.
- The third component is common law court judgments and settlements. Where a driver has been negligent in a motor vehicle incident and the injured party has sued through the courts, of course we are the insurer of the negligent driver. That is why it is so important not to drive a car uninsured, because if you are negligent and someone sues, you can be up for literally millions of dollars in settlement. Common law claims are hard to predict, but they do tend to have a momentum through time, and the actuaries are reasonably good at modelling and predicting that.

CHAIR - How many common law claims would there be annually, on average?

Mr CHALLEN - I would need help with that.

Mr KINGSTON - I will just check the figures, but I think it is not anywhere near as many as our number of claims. It is hard to say with common law, because we do not usually know until a couple of years later. We look after the medical benefits from day one, and then common law is just the other things, or the settlement of the smaller claims. They tend to take a couple of years to evolve. We might think they have common law and then they don't, or some might come later.

As a way of estimating what we do, in 2019-20 we settled 153 claims, and that 150-odd mark is about how many we settle. That is not how many we get each year, because they take many years in some cases to settle, depending on where the claimant or the party that is taking the action wants to take it - but that is about how many we settle each year.

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Mr CHALLEN - We have a stock of outstanding claims at any point in time that is much larger than that. I do not know what the number is, but it might run to 1000, say. As Mr Kingston says, these claims tend to take quite a long time to come to light, and then they take a very long time to work their way through the settlement process. That number, that 150-odd, is about what we are settling each year.

Mr KINGSTON - At any point in time there are about 860 that either have potential common law, or are working their way through it - but quite a few fall away.

Mr CHALLEN - We actually become aware of motor vehicle incidents very quickly, through the police letting us know, and because hospitals in Tasmania are extremely good about telling people about the MAIB scheme, and the support we can give them, and they tend to get them to lodge a claim with us quite quickly.

As soon as we hear about an incident, we make an assessment about whether there is likely to be a common law claim arising from it. You can usually tell from the circumstances of the incident whether there is a high probability of a common law claim. Sometimes we get it wrong, but not very often. That allows the actuary to fairly effectively model common law.

CHAIR - You feed that information to the actuaries?

Mr CHALLEN - Yes.

Mr FERGUSON - A really well-oiled machine, that one.

CHAIR - The next question I have is about managing risk during the COVID period and recovery, in terms of the operational side of the business, which goes to managing leave as well. I assume the MAIB is no different from most other businesses, and leave was not taken by staff for a number of reasons - some because they could not go anywhere, and some because there was too much to do. Also, I note the organisation has less than 40 FTEs. It is quite a small organisation, and so there's key person dependency in those sort of times. You can talk about how you managed during COVID with keeping your staff safe, but I am interested in those aspects.

Mr KINGSTON - We responded to COVID fairly early on and set up our staff to be able to work fully at home. We had a handful of people working mobile before then. We have about 45 staff in total, with some part-time, so less than 40 FTEs. We got them all able to work at home on all our own equipment - our laptops, phones, modems et cetera - within two weeks. During the worst of the lockdown, we gradually shut the office to a point that we only had one or two in the office. That was because we still get hard copy claims coming in, and we have some clients who we still have to interact with, so we kept on or two staff in the office even during that lowest period.

Since early July, we have been back to an approximate 50 per cent split working at home and working in the office. That gets us towards the key person dependency here. Because we have such a small number of staff, our teams are usually five or six people, so key person dependency becomes an issue through all our teams. By splitting the staff working at home or in the office, we have given them some physical protection. It has also enabled people to manage the workload.

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While we had three months without too many claims, that returned to claims coming back pretty quickly straight after the lockdown, so we still had quite a lot of work to do.

We didn't need people to take forced leave; we managed to keep working through. We had our Future Care clients, of course. We have 103 people who need a significant amount of care every day of the week, regardless of the fact that for those teams it became more work, because it was harder to get allied health professionals out to those people. Fortunately, things like telehealth helped our providers get to our clients and continue service.

In terms of key person dependency, like any other office set-up, we have had to manage our way through that, and will continue to do so by splitting the teams at home. It has been, in effect, a test of the business continuity plan we had in place. We make sure that through each of the levels, right up to the senior executive level, we have at least one person off site at any stage, so that if anything does happen, we have a split of people.

It has probably been a good test, having people work across different systems and different locations and different areas of the business. With only 40-odd people, it is very difficult to split it too much more.

Our key focus all the way through this, as we said, is the health and safety of our staff and continued client service. They were the things we were trying to do. By working remotely from home, we believe we kept our service up to clients, and made sure our staff were still there to continue to serve them in the long term.

CHAIR - I know how stressful it was trying to help people during that period, when it was difficult to access services and a whole manner of things, particularly on the north-west. I notice you have your Employee Assistance Program - EAP - and I assume a number of your employees are directly exposed to the very sad stories and circumstances of your clients.

I am wondering about the number using the EAP before, during and after COVID, and how you manage the mental health and wellbeing of your staff, not just around COVID, but all the time, because they are dealing with some pretty sad stories.

Mr KINGSTON - Yes, that's right. Our claims officers, in particular, deal with people and families who are usually at their worst, when they have had a major incident. The families and clients aren't used to this, and they have to go through the health system, and in some cases are going through significant tragedies. Our staff are exposed to that most of their working life with us, so we have some long-term programs in place.

We have been running professional development and leadership programs that focus heavily on resilience for staff - their own resilience - but also providing resilience to our clients our claimants. It is largely training around how we help our clients get through those situations, but also it focuses on staff. We have been running those programs for at least the last three or four years.

We did have an increase in the use of the EAP provider. I don't get to see who. It's just a number-based thing that I sign off, but it probably something like doubled.

CHAIR - Since when?

Mr KINGSTON - Since the same time last year, probably from March through to even now. If people require something more than that, we have in a few cases - and it's not necessarily COVID-related - provided extra counselling to them. That is just something we do. I hope people aren't there, but if they are that way, we try to help them with extra counselling.

We fund Road Trauma Support Tasmania, which is the helpline for road trauma, which we have funded for many decades. We got their staff to talk to our staff about how they help with counselling on the helplines and what they do. We are not trying to turn our staff into counsellors, but to give them some ideas about how to manage people when they are in stress, and the triggers and supports that they can refer them to, because that helps clients, and it also helps our staff as well.

Recently, we have had the Brain Injury Association of Tasmania, which we also fund, come up to talk about how to deal with people with an acquired brain injury because that can be quite confronting for staff. Some of our more experienced staff do that day-in, day-out, so they become quite used to it but it can be quite confronting when someone with an ABI can't present themselves well because they are just not able to, about how they can help clients through that as well.

We have a fairly long-term program that has probably been heightened a bit during COVID-19 but the health of our staff continues to be a priority, as you say, particularly because the work we do is helping people through the worst part of their lives, so it can have a big impact on claims officers, particularly after many years.

CHAIR - In terms of your leave liability, has that altered much during this period, this last 12 months?

Mr KINGSTON - In 2019-20 we didn't use as much leave as we had in 2018-19 which is sort of natural, I guess - just the way things went. We have had people on leave during that period so we still tried to get people to go on leave but most people cancelled any interstate or overseas holidays that they had, so they didn't take the big periods of leave.

Our policy is for people to try to use their leave in a year, so their 20-odd days of leave each year. I think 30 caps it out under our enterprise bargaining agreement where we try to get people to go below and the vast majority of staff - I think there would only be one or two that are above that limit. We do tend to try to keep that over time and it crept up maybe a bit during COVID-19 but people still did take leave and, as they can again, we will encourage them to do so. We want them to take their leave.

Ms WEBB - Forgive me if we've covered this already. On page 13 of the annual report where you have the non-financial targets there, I noted that in your staff engagement you had a target for 2019-20 that was 76 and the actual was 67. Above that, congratulations on your client satisfaction rating because your target there was 76 and your actual was 87.5 so that's great. Given what you have just described around your care for your staff and programs, could you reflect on that not meeting the target there for your staff engagement?

Mr KINGSTON - Yes, that was one of the first years we put a target in for our staff engagement.

Ms WEBB - Risky, isn't it?

Mr KINGSTON - Perhaps we set it optimistically high.

Ms WEBB - When I read it I wondered what the previous year had been or what the trend was because that might have been more relevant to contextualise rather than against your target.

Mr KINGSTON - Yes. What we sat on was that if we got a target for client satisfaction at 76 per cent, we shouldn't probably treat the staff any differently so we set it at the same level. If you look at most culture pulse surveys, as we have now done to re-assess this, anything above sort of 60 per cent you're usually pretty happy with. It's a good score; you would want it to be more. In 2016 it was 63 per cent. In 2018 - we had one year where we were doing it every two years for a while - in 2018 it was 73 per cent. 2019 was 67 per cent. We had just completed our staff survey at the end of COVID-19. We were interested to see where that would go and it has gone up to 74 per cent which is the highest we've ever had.

Ms WEBB - Congratulations.

Mr KINGSTON - There are always things to learn but we believe that has been balanced pretty well and I think our target was just a little bit optimistic although we nearly got there this year. We did ask some questions around our COVID-19 responses and management as to whether that was handled well for staff. The response was 89 per cent that we did. We also looked at work/life balance which we think is fairly important for our staff, given the work that they do, and that scored 85 per cent, which are both very high. We think we have got that covered and there's always targets that we will try to improve.

Ms LOVELL - In relation to the client satisfaction target and the actual rating that you've achieved which is, you've noted, very high and that's an excellent result, I have noticed it says it's based on a survey of all completed claims so presumably long-term clients have an ongoing claim. Are long-term clients included in that client satisfaction and, if not, is there a separate survey process of long-term clients?

Mr KINGSTON - No. It's only completed claims, so claims are complete and where we have exits from our lifetime care scheme we're not going to include those. It's insensitive around that time to do so.

Ms LOVELL - Of course.

Mr KINGSTON - With our lifetime care - it's about 100 long-term clients that we have in that scheme - the claims officers tend to be talking to them weekly, sometimes daily, depending on the claim, so they are very heavily involved with the clients and their family. When there are issues that are raised directly by them - either to us or quite often we have advocates raise it because, again, many of these people have acquired brain injuries and so it can be difficult for them to articulate what they're not happy with - we tend to have case conferences which is all the allied health, all the medical staff, the representatives from the family, the family themselves, and they can get quite large. They usually go to the doctor's location or an independent location and talk through any issues about how it can be resolved.

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We tend to handle them very intensively, one on one, most of the claims that are finalised finalise within 12 months. It can be broken legs and get better, or physio and they are gone after six months, so they are more a score whereas with the future-care clients we are looking for individual management.

EMRS do our survey. We are talking to them now about whether we can look at a survey for our future-care clients - 100 people, we normally have about 1000 close claims - so de-identifying becomes difficult. We are very cautious about it. We have spoken to our equivalent schemes on the mainland that have more numbers - TAC in Victoria and iCare in New South Wales - and borrowed some of their questions that they do in surveys with bigger numbers and we will work with EMRS to try to look at a survey.

We are less worried about the score and we are more worried about how we engage with people so that they are raising issues with us and we are responding. I don't think it will be something we will look to necessarily publish. We will have it there but it will be more about how we get them to have a voice to us. We are also looking into trying to more formally engage with some advocates - whether that be disability advocates or more general services in Tasmania - to help those people raise issues where they might feel they can't with us. That is another thing that we are looking to do.

Ms WEBB - That would be valuable even just for the organisation's benefit to know people are not able to feel like they can raise those things themselves.

Mr VALENTINE - A supplementary question with regard to the survey. What percentage of people are responding in that survey? I do not know what your sample size is.

Mr CHALLEN - Our sample size is 100 per cent because we go to everybody.

Mr VALENTINE - How many are actually responding?

Mr KINGSTON - I think it is around 35 per cent. It is about a third, roughly. Some people just do not want to, they were with us for a short time. In some cases, for example, where there is only an ambulance invoice so that is all that is on a claim, they don't take them to hospital, they do not even know they are our client until we have paid the bill for them. They find out later. Of the ones that EMRS can get hold of, some people do not want to talk on the phone and they do like that intensive follow up because it is a very intensive survey, a third is about normal. We went from doing it every two years, even when I started in 2015, we moved to every year and the numbers responding have stayed the same despite us going from two years to one year. I think we are still getting a good broad spectrum.

Mr VALENTINE - It's a pretty good indicator of satisfaction.

Mr KINGSTON - Yes.

CHAIR - Regarding investment in road safety strategy and other things that MAIB invests in, how are the outcomes of these measured specifically? Do you report outcomes on your investment in these programs?

Mr CHALLEN - There are two different ways this is done. The biggest component of the support we provide in this area is put through the Road Safety Advisory Council. For many

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years we have been using an independent survey, a professor at the University of Adelaide, to do a formal review of that program every three years. He is about to commence one for us very shortly. It is three years since we have done one. He does a very thorough job of looking at the way RSAC used our funds and how effective it has been in improving road safety outcomes. It always comes up with a few recommendations that help us fine-tune what is done and improve things.

CHAIR - Do you publicise that report, or is it just an internal document?

Mr CHALLEN - No. I think we could, I don't think there is anything especially secret about it. No, we haven't publicised it in the past. We have seen it as an internal discipline to make sure that we are getting good value for the money that we are putting into the Road Safety programs.

The other chunk of money which the minister mentioned in his opening remarks we have put out through our foundation. We have a formal acquittal process, people put in applications for funding, they say what they are going to do with the money and we ask them to acquit. At the end of a program we get a little report back, it is not very onerous, but we get a report back that says what they have done, where the money was spent and whether they achieve the objectives that they told us they were after. Some of these are very simple. For instance, one of my favourite things the foundation does is we fund education programs for kids in country schools. This is particularly with all-terrain vehicles, those things with big wheels, that farm kids just spend their lives on and, unfortunately, they are pretty dangerous. There are lots of incidents around them and for quite a few years we have been funding a number of country schools to educate kids in how to ride ATVs safely and responsibly. It does not cost a lot of money, \$10 000 will deal with a school program for a year and we do quite a few of those. At the end of it we get a little report back. There will be a teacher in a school that coordinates these things and will tell us how many kids went through and the success rate of the program. Little things like that can make a huge difference.

CHAIR - It is a bit hard to measure the success rate of that until these kids do not kill themselves on an ATV. It is a bit like preventive health?

Mr CHALLEN - It is about education. Much of what we do in road safety is about education. The other thing you have to do in road safety is compliance. That is an area in which Tasmania could do a whole lot more.

Mr VALENTINE - Can I go back to the issue of premiums again and people who do not re-register, because they simply forgot. Do you have any statistics on the length of time from when it should have been registered till when they end up registering? What is the average for the people who simply forgot? They do not have registration stickers to remind them anymore. You did talk about text messaging or whatever. Do you have any figures on that?

Mr CHALLEN - They get a renewal notice in the mail. It is hard to forget.

Mr VALENTINE - If you are not at home, away on holiday somewhere, and not getting your mail.

Mr CHALLEN - Very few people forget. Paul probably has some statistics.

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Mr VALENTINE - Given the consequences of forgetting, I know what the stress was for this particular couple and it was 11 days. It nearly cost them their house.

Mr KINGSTON - State Growth would have to look at the full numbers because they do the registration side of things. I spoke before about 25 cents for every registration goes towards the uninsured, unregistered program and State Growth runs that. They use automatic number plate recognition software from their own staff, transport inspectors and other sources to detect hundred of thousands of vehicles through the year. That lets them know instantly if someone is driving uninsured. We fund, which is becoming more expensive with mail, we are now using SMS a bit more, literally a letter goes out saying you are unregistered get it back in because like us, State Growth want people in the system because the more people who pay, the more it is spread and obviously everyone is covered. When that program first started in 2000 the detection rate of uninsured was 3 per cent and over the last handful of years it has ranged between 0.5 per cent and 1 per cent being detected as unregistered. It is not the full number, but it gives you an idea. We get 70 per cent to 80 per cent of them re-registering when they get that follow up letter. That is a very high percentage to what we get back and is what we want to do.

Mr VALENTINE - The follow-up letter comes just prior to when the registration is due as opposed -

Mr KINGSTON - This is they have been detected on the road as uninsured and they get a letter.

Mr VALENTINE - Sorry, that is right. That could be any length of time.

Mr KINGSTON - It is when they get detected.

Mr VALENTINE - You have not thought about a grace period of some sort? Has that been talked about?

Mr CHALLEN - The act does not provide a grace period, so we do not have that scope. It is obviously not in our interest to have people driving uninsured.

Mr VALENTINE - I absolutely appreciate that.

Mr CHALLEN - We are still liable for all the innocent parties that get hurt. It is only the driver of the uninsured vehicle who knew or should have known the vehicle was uninsured is not covered. Everybody else involved in the incident, passengers and people in other vehicles are all covered. It is definitely not in our interests to have uninsured vehicles out there. It is just a question of how much you can do to remind people of their responsibilities.

Mr VALENTINE - It sounds like you are taking steps to improve it.

Mr CHALLEN - Absolutely. We take this very seriously.

Mr VALENTINE - We have talked about bicycles before, but given the fact that electric bikes are becoming more and more common on the roads, have you given any consideration to the possibility of registering electric bikes? There is not much difference between a motor cycle and an electric bike. They are a more powerful machine -

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CHAIR - Watch the time, Rob. Cut to the chase for the question.

Mr VALENTINE - That is the question about consideration of electric bikes.

Mr FERGUSON - Consideration has been given insofar as finding an appropriate wattage of an electric, but fundamentally small powered electric bicycles should be legally allowed to use public roadways. That has been settled about four or five years ago.

Mr VALENTINE - 250 watts I think.

Mr FERGUSON - I would need to consult and get back to you exactly. The implication being anything above that needs to be a registered motorcycle to be legally able to be used. There has been that undertaking to find what is the common-sense outcome here because the higher up you go in a powered vehicle the more likely you are to be travelling at speed and causing a collision that might be road trauma.

Mr VALENTINE - Clearly with a car that crashes into an electric bike, the electric bike rider's covered.

Mr FERGUSON - Yes.

Mr VALENTINE - But if an electric bike crashes into an electric bike, they're not.

Mr FERGUSON - Similar to a non-powered bike.

Mr CHALLEN - If they were very seriously injured though, NDIS would cover them.

Mr FERGUSON - If they're under 65.

CHAIR - So an area you may need to focus on in the future is electric vehicles not being heard by pedestrians and getting cleaned up.

Anyway, we're out of time and that is something for you to think about for the future. Not so far away, I might add. Thank you minister. Time goes very quickly but we appreciate your attendance and that of your team and we will have a short break.

The committee suspended at 3.06 p.m.