

Road Safety Committee Inquiry into Serious Injury

Dr Richard Tooth

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Sapere aude – dare to be wise



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research group

Scope of comments

1. determine the appropriate methodology to identify the cost of a serious injury to the Victorian community and economy;
[...]
5. identify cost effective countermeasures to reduce serious injury occurrence and severity; and
6. identify best practice in managing long term reductions in serious injury including raising the profile of the serious injury burden.

Cost of serious injury

- Approach depends on the purpose. With policy in mind:
 - We don't cost an individual injury
 - We cost, benefit to society of reducing injury risks
- Two common methods
 - Human capital (HC) approach
 - Willingness to pay (WTP) approach

Implementations of HC have been too low.
- With serious injury might consider other approaches
For example:
 - Disability adjusted life years; and
 - analysis of subjective well-being

Risks that WTP will also be too low

- Care required with international comparisons – large revisions in recent years
 - US DOT now use \$9.1m for value of statistical life*
- Values will increase over time – theory and evidence suggest faster than income*
- Impact on friends/family doesn't appear to be fully incorporated
- Other issues**

* US Department of transportation, Guidance on Treatment of the Economic Value of a Statistical Life in U.S. Department of Transportation Analyses. Available from <http://www.dot.gov> .

** Tooth R, 'The cost of road crashes: A review of key issues', 2010, Available from www.ara.net.au

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Reducing injury occurrence

1. Current arrangements have effect of taxing safe road-use and subsidising unsafe use
2. Unravelling subsidies has potential to reduce significantly road-crashes and financial costs
3. A market-based approach is needed

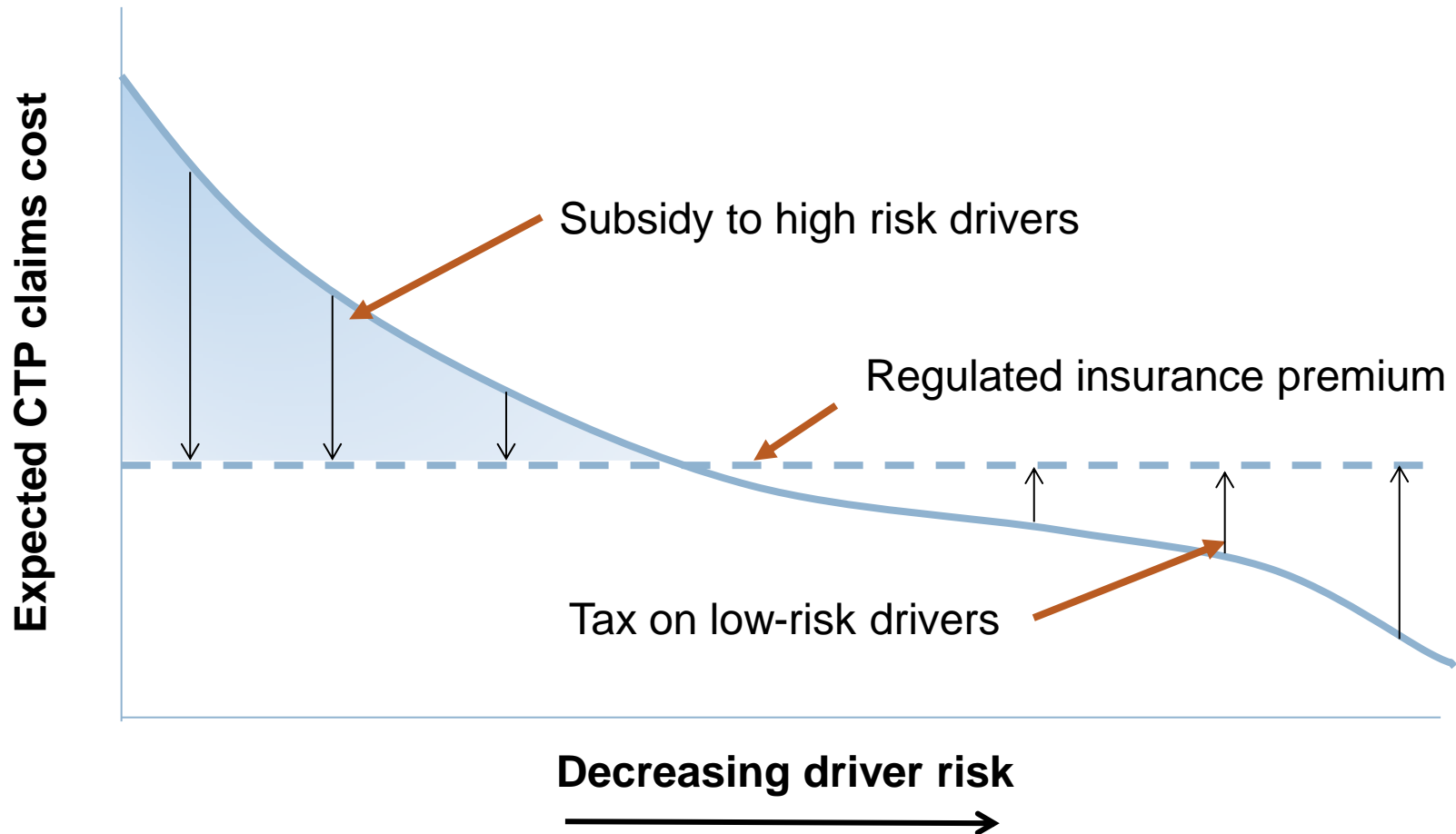
Current arrangements

- Compulsory Third Party (CTP) regulation in (each Aus. jurisdiction) has the effect of subsidising unsafe road use
- With minor qualification

CTP premiums are the same for those who speed in a heavy vehicle and those who drive carefully in a compact safe car

- The issue is becoming increasingly significant

Taxing safe road-use and subsidising unsafe use



Unravelling the subsidies

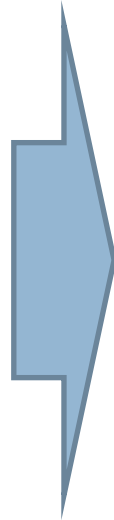
- Incentives to choose less aggressive and safer vehicles
- Greater incentive to maintain safe driving record
- Usage base insurance
 - Using telematics technology to enable safe driving to be rewarded

Usage-based insurance in the UK

Factors considered

- Night-time driving
- Aggressive acceleration and braking
- Mileage
- Speed
- Cornering

Many types of policies

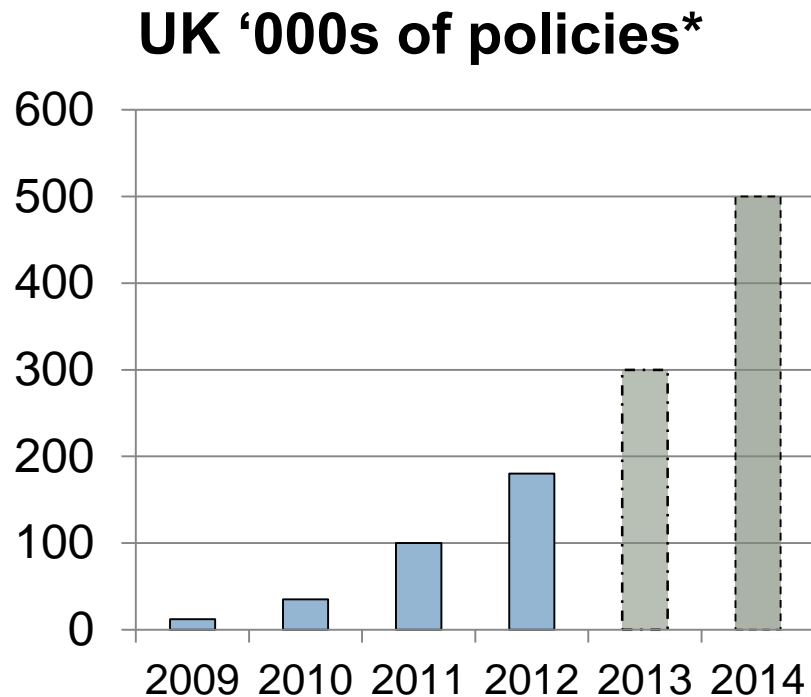


The benefit

- Incentives & analysis to make drivers safer
- 35 percent to 40 percent accident reduction in young drivers*
- Average premium saving over £600 (≈\$875) year*

* insurethebox, (2012), 'Telematics Motor insurance cuts young driver accident risk by up to 40%', insurethebox media release, Published on Wednesday, 02 May 2012.

Usage based insurance in the UK



“57% of drivers believe they will switch to a telematics or black box insurance policy by 2017”, Source: Gocompare.com, survey of 2008 drivers

* BIBA [British Insurance Brokers' Association] (2012), BIBA Research on Telematics market, available at <http://www.biba.org.uk/UploadedFiles/556biba%20research%20paper.pdf>.

Why an market based approach?

- Privacy – Insurers can provide an opt-in approach
- Insurers can more flexibly trial different approaches
- Insurers can compete on getting right balance of regulatory burden and road-safety
- Can be a separate issue from how compensation is managed



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research group

Dr Richard Tooth
+61 2 9234 0216
www.srgexpert.com

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