

# TRANSCRIPT

## ROAD SAFETY COMMITTEE

### Inquiry into serious injury

Sydney — 5 August 2013

#### Members

Mr A. Elsbury

Mr T. Languiller

Mr J. Perera

Mr M. Thompson

Mr B. Tilley

Chair: Mr M. Thompson  
Deputy Chair: Mr T. Languiller

#### Staff

Executive Officer: Ms Y. Simmonds

Research Officer: Mr J. Aliferis

#### Witness

Mr A. Cutter, fellow, Actuaries Institute.

**The CHAIR** — On behalf of the Road Safety Committee, I would like to welcome you and thank you very much for appearing before us today. The evidence you are giving today is being recorded by Hansard. You will get a transcript of it, and we would appreciate it if you could correct any typographical errors or factual matters that need to be amended and return it to us. It would be envisaged that it would then be available to be placed on our website. There is the opportunity to give evidence off the record as well, should that be necessary. I thank you for contributing to the work of the Victorian Parliament's Road Safety Committee and its current inquiry into serious injuries. I invite you to speak to your submission.

**Mr CUTTER** — Thank you, Chair. My name is Aaron Cutter. I have prepared a handout of a few pages for us to go through. I am a fellow of the Actuaries Institute, and I am one of four members who were primarily responsible for drafting the submission. The submission was a document that went up through what was called the General Insurance Practice Committee through to the institute's council and was subsequently prepared and presented to the inquiry.

By way of background, I am currently a consulting actuary. I work with insurers and scheme regulators et cetera in accident insurance. Previously, between 1997 and 2004, I was employed as an actuary at the Transport Accident Commission in Victoria. However, at this particular hearing of this inquiry I am acting on behalf of the institute of actuaries and not on behalf of my firm, the Transport Accident Commission or myself personally. I must also say that the institute's submission does not necessarily summarise or present a consensus or average view of its members; it is the view of the committee that was asked to prepare the submission in the first instance.

**The CHAIR** — Thank you.

**Mr CUTTER** — If we turn to the first substantive page, which is page 3, the introduction, the institute of actuaries, or the Actuaries Institute as it is now called, is the sole professional body representing the members and actuaries in Australia. We provide independent expert and sometimes ethical comments and venture into public policy issues from time to time. Our specific area of expertise, we would say, is where there is some uncertainty in the future of financial outcomes. In our submission, we tackled points (a), (b) and (c) substantively, with limited comment on points (d), (e) and (f). My presentation today will go along similar lines.

I want to turn to the next page, which is point (a) of the terms of reference. It identifies the cost of a serious injury. As I mentioned, I have been and other members of the institute are variously employed or otherwise engaged by insurers, regulators of motor accident compensation schemes throughout Australia, New Zealand and in fact the Pacific region. Our members provide advice on scheme design, on pricing and reserves in relation to compensation provided under those motor accident schemes, and these activities necessarily focus on the costs of treatment and compensation. We have referred to those in our submission as the direct costs, which is item 1.

The direct costs for compensation are in respect of restitution or rehabilitation of the injured participant, and in some cases there is also an element of compensation for loss of life or compensation for loss of quality of life in respect of what are termed impairment benefits or compensation-to-relative benefits. In Victoria I believe the compensation is under the Wrongs Act for wrongful death. There is also impairment under the no-fault benefits. There are also general damages available through common-law settlement in Victoria as well. Those are the sorts of compensation I am talking about, which are identified as economic costs or indirect social costs but are also provided for under an insurance or a compensation setting.

The institute does recognise that the direct treatment and associated costs are only an element of the total cost of serious injury from motor accidents. I am not going to comment on whether I think that is a small, medium or large component of the total cost, but it is only one element of the cost to society of motor vehicle accidents, which you can see by reference to the other general costs and the indirect costs that are not part of the compensation.

You will not be surprised to hear that the literature suggests that the concept of the value of a statistical life, as estimated by a willingness-to-pay concept, provides the preferred method to use when establishing policy and in fact when establishing the value of life or the value of a serious injury. The institute of actuaries prefers not to make any further comment on whether that particular approach is the optimal approach for the committee to

consider going forward; however, it just draws your attention to the fact that that tends to be the experts' opinion, and actuaries would not in general perceive themselves as being experts in that field.

I will move on now two pages to comment on part (b) of the terms of reference — the process to improve reporting. My comments in respect of that particular point are that the institute welcomes efforts to improve the validity and reliability of information available in decision making. The important aspect in relation to actuaries, as I have previously outlined, is to collect sufficient data to enable proper analysis of past and hence future estimates of the costs associated with serious injury in motor accidents, in particular causal links to the drivers of economic costs, changes in the trends in these causal links over time, the granularity and the time stamp at which these incidents occur and these particular points in the drivers occur.

**The CHAIR** — You used the term 'granularity'. What does that mean in this context?

**Mr CUTTER** — It means identifying either specific cohorts or items of causation that allow differences in the ultimate outcomes to be measured quantitatively and with enough certainty that they can be used as predictors of future activities.

Our submission referred to four points of data collection that we believe currently occur within Victoria that may be used to describe the life cycle of the accident from its circumstances through to treatment and other compensation. Those are, namely, the police and potentially other emergency services, ambulance and hospitals, the Transport Accident Commission, which has a very rich database of compensation-type data, and VicRoads, which is the collator of the CrashStats database, which contains information on location et cetera.

The institute believes that consolidation of this data to allow the history and life cycle of the effects of serious injury to be captured would be most beneficial. We further say that a single organisation that is responsible for the collection of the data that is associated with the life cycle of the costs associated with serious injury may be a step forward.

One further point is that data completeness may necessarily involve some retrospective population of databases. This should be undertaken but with care so as not to distort the apparent speed at which complete data appears to have been captured historically and therefore future trends misstated.

I think I have covered off the second slide on term of reference (b) and I now move on to (c) — definitions and measures of road-related serious injury and injury severity. My points are that, in line with capturing time-based information about causation and treatment et cetera, the institute recommends that in defining 'serious injury severity': firstly, it can be attached in a timely way; it is consistent over time between injured persons, both with respect to the injury itself and also those in the field who record such information; and it has statistical validity in differentiating injury outcome.

There is merit in investigating and capturing the use of injury severity over time, at various points in that. I draw your attention to capturing information at initial occurrence at the acute phase of recovery and potentially over the long term for those who are unfortunate enough to suffer a profound and permanent injury in a motor vehicle accident.

The measures that the institute is aware of that are being used around Australia and also globally are three. The abbreviated injury scale is in common use. It had its genesis in America and is variously used to provide information on the maximum abbreviated injury severity, MAIS, which is a number from 1 to 6 — 6 being fatal and 5 being seriously injured. The injury severity scale can also be derived directly from a number of abbreviated injury scale numbers associated with multiple injuries. That type of injury definition is used in both New South Wales and Queensland CTP insurance settings, which are attached to each claim as the claim is recorded.

The World Health Organisation also uses the international classification of functioning in disability and health. Those sorts of measures of injury and disability have a place, I suppose, once the outcomes of the injury are known and the extent of the disability can be assessed. We are aware that the national disability insurance scheme, or DisabilityCare Australia, is either adopting or considering the use of the World Health Organisation's ICF classifications.

Lastly, I will mention the TAC's internal claims management definitions. There is merit in continuing to adopt a definition of 'serious injury' that has a long history, which can be analysed and trends and changes observed over time.

I just want to make a brief comment on terms of reference (d), (e) and (f). They relate to the correlations between fatalities and serious injury through to the cost-effectiveness measures and managing long-term reductions. The institute supports understanding links between occurrences of road-related fatalities and serious injuries in the context that understanding these historical links may help make sense of past trends and most likely help future decisions designed to reduce the incidence and severity of these. We support the use of clear and reliable evidence in the pursuit of this, but often a further specific direction, and encourage that the best practice to managing long-term reductions in serious injury must also use valid data and analysis of the causes of serious injury. I will conclude there and open up to any questions that the committee may have.

**The CHAIR** — Thank you, Aaron.

**Proceedings in camera follow.**

**Open hearing resumed.**

**The CHAIR** — Mr Cutter, thank you very much for your time and for appearing before us. We greatly appreciate your representative role on behalf of the Actuaries Institute. We thank you for your keen-minded commentary and the insights you have conveyed to us.

**Mr CUTTER** — Thank you, Chair.

**Committee adjourned.**