



# Injury Schemes Seminar\*

**Balancing Outcomes**

10–12 November 2013  
Sheraton Mirage Gold Coast

\* Formerly the Accident Compensation Seminar



**Actuaries  
Institute**

**Call for Papers  
and Presentations**

## SYNOPSIS

### REINSURANCE FOR INJURY SCHEMES

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**Key words:** Reinsurance, Capital Management, Earnings Volatility, Risk Management

**Purpose of your paper:** Reinsurance has had little coverage at previous conferences. Injury Schemes differ significantly from private companies and the purpose is to provide a basic education on reinsurance for long tail injury schemes – the motivation, the range of approaches available, the issues to consider and what is done elsewhere.

The manner in which reinsurance is used will change as the benefit design, structure and coverage of schemes change. The aim is to cover these important considerations.

**Synopsis:** Private insurers buy reinsurance for a range of purposes. These include:

- Capital Management - whether it be regulatory capital, economic capital or rating agencies,
- To limit earnings volatility,
- To protect against extreme events,
- Regulatory requirements, or
- To enhance capital efficiency.

These decisions are usually focused around property and natural peril exposures.

Injury schemes – across Australia, NZ and globally - have often bought reinsurance. The motivation, as well as the level of cover, has varied considerably.

The decision process around the form and amount of reinsurance for an Injury scheme is very different to a private insurer. Other issues that need to be considered include:

- Fund position and target of the Scheme,
- Acceptability, duration and approach to rectifying shortfalls,
- Ability to alter original premiums,
- Other risks on the balance sheet (e.g. investments and asset/liability mismatch), and
- Link to overall Government balance sheet as well as other funds.



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The presentation will cover the following topics:

- A discussion of the issues that need to be considered in setting a reinsurance strategy
  - Scheme structure
  - Funding approach
  - Government approach
  - Risk Appetite
  - Benefit design
- An overview of the forms of reinsurance available and used
- A brief overview of the reinsurance market place
- Some example of approaches adopted locally and overseas (as well as by public and private schemes)
- Issues to consider with the various changes in benefit design – e.g. fault versus no-fault, lump sum versus annuity, etc.