

Injury Schemes Seminar

Balancing Outcomes

10-12 November 2013
Sheraton Mirage Gold Coast



NSW Scheme Update

Chris Koutoulas, A/Director Claims

© WorkCover Authority of NSW

*This presentation has been prepared for the Actuaries Institute 2013 Injury Schemes Seminar.
The Institute Council wishes it to be understood that opinions put forward herein are not necessarily those of the Institute
and the Council is not responsible for those opinions.*

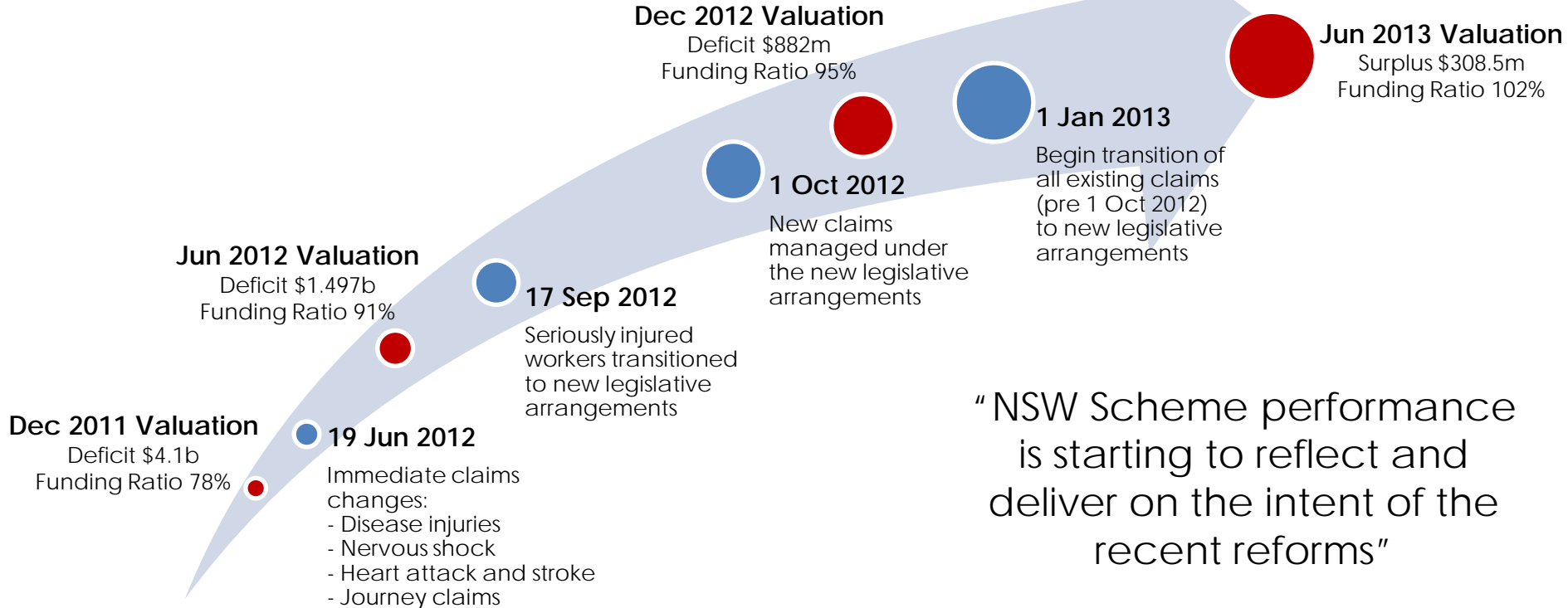


NSW Scheme Update

- Reform pathway
- Scheme results at June 2013
- Allowance for reforms
- Drivers of Scheme performance
- Scheme outcomes
- Risks and uncertainties



NSW Reform Pathway



“NSW Scheme performance is starting to reflect and deliver on the intent of the recent reforms”



Scheme Results at June 2013

Surplus
\$308.5m

- Improvement of \$1,190m in last 6 months

Funding Ratio
102%

- Improvement of 7% in last 6 months

Target
Collection Rate
1.55%

- Reduction of 0.13% from last valuation

**Solvent
Scheme**
first time in
5 years



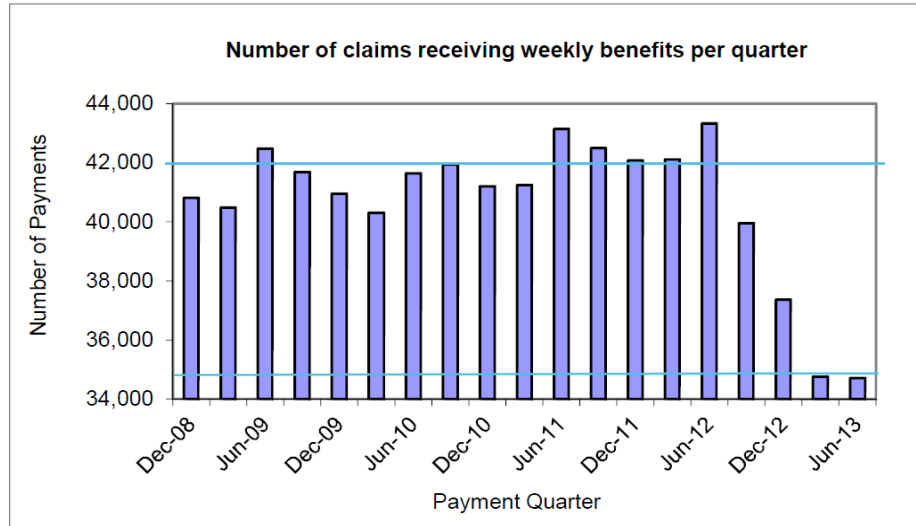
Allowance for Reforms

- Some, not full, allowance of the benefit reforms
- Valuation only allows for:
 - impact of reforms as reflected in the emerging claims experience; or
 - where there is reasonable certainty as to impacts on future claims costs
- Limited experience in the post-reform environment
- Full financial impact of the reforms still uncertain, and will take a number of years before known



Drivers of Scheme Performance

- Emerging Claims Experience



Active Number of Weekly Claims

- Reduction of 18% over last 12 months
- 10% reduction over last 6 months
- Across all accident years and whole person impairment bands
- Almost all of the reduction occurred prior to transition to the new benefit regime under the reforms
- Increase in average payment size



Drivers of Scheme Performance

- Emerging Claims Experience

Claims reported

- Reduction in total number of claims reported
- Partly attributed to elimination of journey claims
- Likely changes in claimant behaviour

Weekly benefits

- Reduction of \$531m
- Lower number of active weekly claims
- Higher average weekly payments per claim

Medical benefits

- Reduction of \$92m
- Extremely favourable experience in last 6 months

Other benefit types

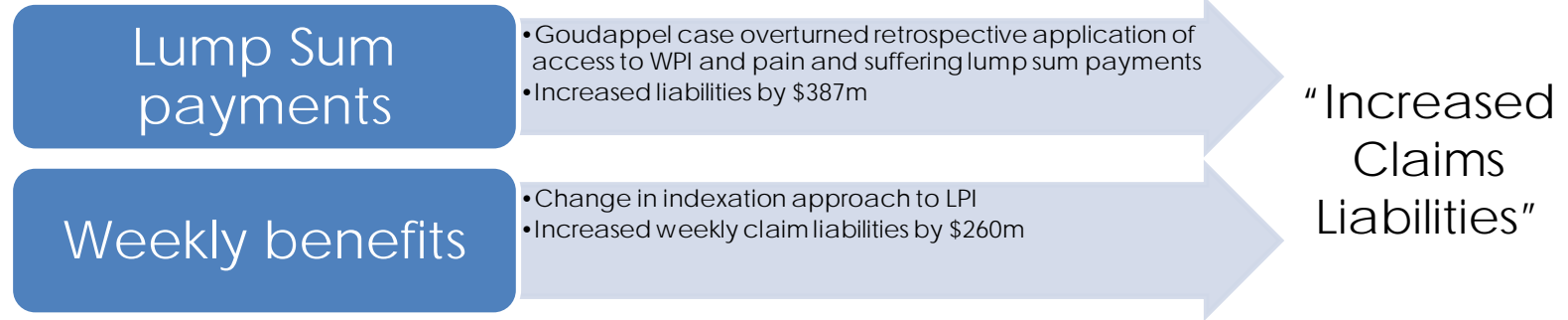
- Reduction of \$187m
- Mainly in rehabilitation by \$72m and investigation by \$96m
- Higher average payment size for these types per claim

“Reduced
Claims
Liabilities”



Drivers of Scheme Performance

- Emerging Claims Experience





Drivers of Scheme Performance

- Other





Scheme Outcomes

- Claims

Return to Work

- NSW return to work rate improved by 3% to 88%
- Higher than the national average
- Durable return to work rate in NSW equal highest at 80%

Employer Incentives

- Return To Work Assist Program for employers with <5 staff who can access work-trial funding for their injured workers
- 10% Return To Work Incentive for Small Employers who achieve RTW outcomes within 13 weeks

Implementation of Reforms

- Most seriously injured workers receiving 70% more in benefits
- Focus on capacity for work for less seriously injured workers
- Higher average weekly & rehabilitation payments per claim

Other Claims Initiatives

- Return To Work Engagement with Workplaces Program
- Expanded vocational programs – 88% increase in utilisation
- Specialist case managers for Severe Injury and WID claims

“Outcomes delivered to Injured Workers”



Scheme Outcomes

- Underwriting

Premium reductions

- Average up to 12.5% rate reduction in 2013 premium cycle
- About \$330m returned to NSW business
- Up to 200,000 employers will benefit from reductions
- Without reforms, premiums may have increased up to 28%

Small Employer Incentives

- Employer Safety Incentive premium discount of 10%
- Return To Work Incentive for RTW outcomes in 13 weeks
- Increased discount to 5% for premium paid in full

Small Employer Initiatives

- Expanded definition of Small Employer
- Easier policy renewals with removal of 260,000 wages forms
- Renewal date rationalisation – aligned with month end
- Extended period for submitting wages

“Outcomes delivered to Employers”



Risks and Uncertainties

- Key risks in respect of potential impact of reforms

Work Capacity Assessments

Effectiveness unclear
Most claims that ceased receiving weekly benefits not due to work capacity assessments
No allowance made

Work Injury Damages

Increased utilisation in recent years
Not directly affected by the reforms
Now 18% of Scheme liabilities and still increasing

WPI Assessments

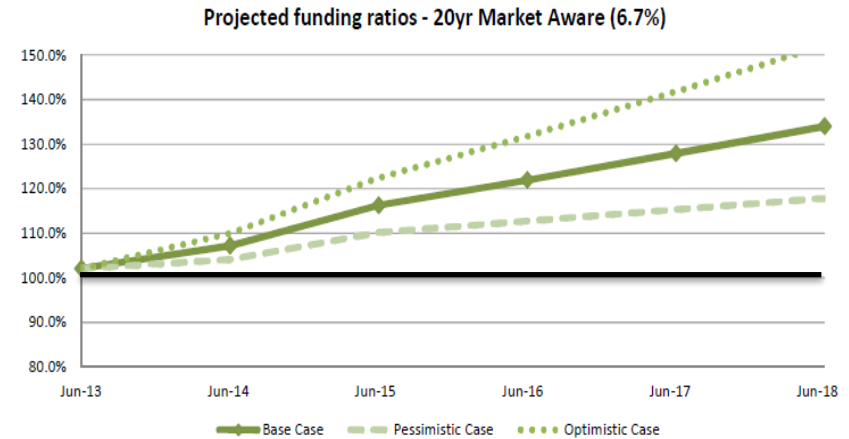
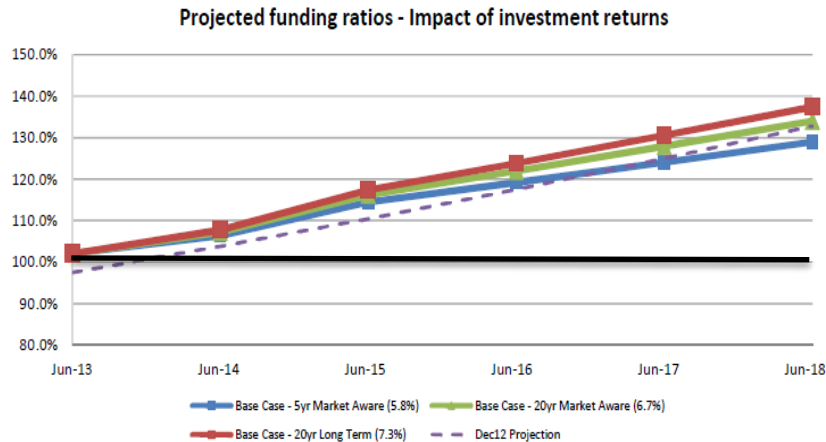
Slippage observed prior to reforms
Reform thresholds for WPI and caps on weekly benefits may impact experience
Stability in assessments unknown

“What does a steady state Scheme look like in the post-reform environment?”



Risks and Uncertainties

- Sustainability? Projections of Scheme Solvency Trajectory



“Within a range of possible experience, assuming no change in premiums & benefits, the funding position of the Scheme is expected to continue to improve”