

Injury Schemes Seminar

Balancing Outcomes

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The Comcare Self-Insurance Option – Mark II

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*This presentation has been prepared for the Actuarial Institute 2013 Injury Schemes Seminar.
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Introduction

Who is Mark?



Mark I – 2007 Accident Compensation Seminar paper



A Trip Down Memory Lane – 2007 findings

OH&S

- Significant advantages for employers in working under a single regulatory framework
- The greatest difference in OH&S is the approach to enforcement

Workers' Compensation

- There are operational and practical benefits for employers from a single framework
- Comcare generally more costly

Licensing and Regulation

- The existence and uncertainty around the size of exit fees act as a real barrier to moving to Comcare



A Trip Down Memory Lane – 2007 findings

Implications for State Schemes:

- As long as there is no meaningful reform to improve consistency, increasing numbers of larger employers will leave the State schemes
- The movement of 10% of a State scheme to Comcare implies a small premium increase of around 2.5%



Six Years On – Changes to Comcare

2007

Moratorium
on joining
Comcare

2008

Comcare
Scheme
review
announced

2009

Changes to
Comcare
announced
following
review

2011

Changes to
legislation
introduced

2013

Hanks
review

- Reinstating coverage for off-site recess breaks
- Ongoing compensation for medical expenses
- OH&S enforcement to be strengthened



Six Years On – Changes to Comcare

Hanks review recommendations

1. Remove moratorium on new self-insurers joining Comcare
2. Allow group licenses
3. Replace the current competition test with a 'national employer' requirement
4. A raft of benefit changes – an overall **increase** in cost of benefits

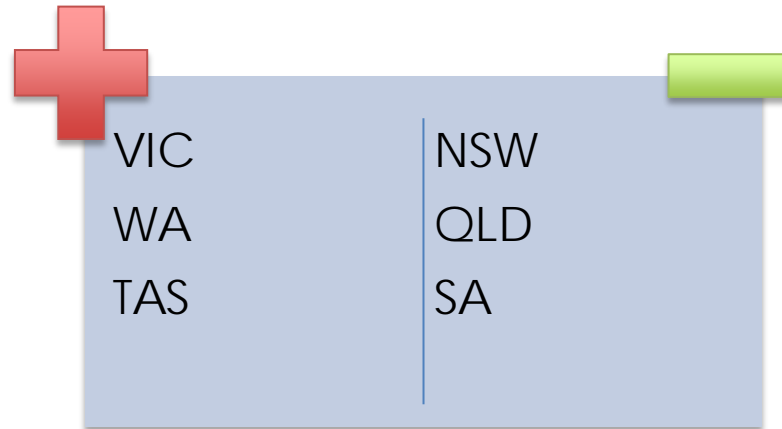




Six Years On – Changes to State Schemes

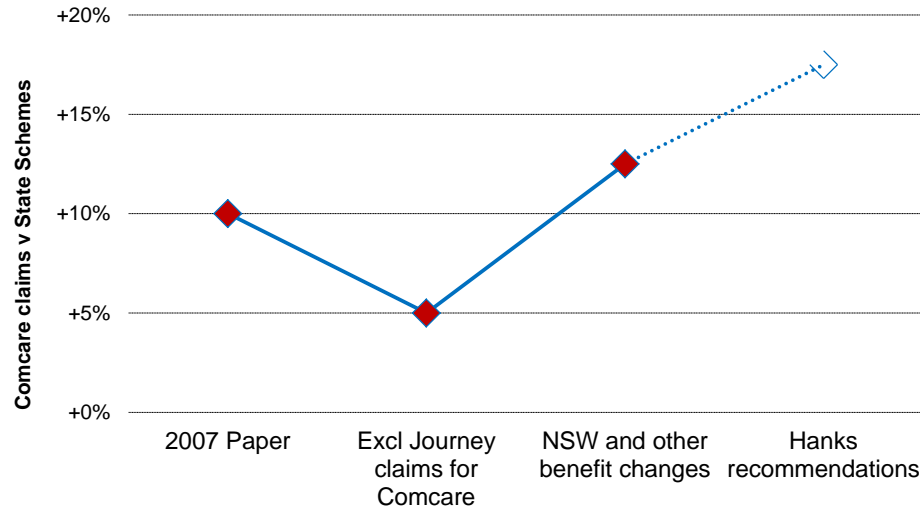
There have been numerous changes to individual state and territory schemes.

Overall impact on claims costs:





What Does This Mean for Claims Costs?



- Comcare still more expensive than States – even more so than previously due to tightening of NSW benefits and QLD Common Law restrictions
- Introduction of Hanks' recommendations would further increase Comcare's relative cost



What Considerations Are There For Employers in switching to Comcare?

1. An employer has to be declared eligible
 - Current arrangements – Competition test
 - Hanks recommendation – National employer test





What Considerations Are There For Employers in switching to Comcare?

2. Benefits

- Consistent benefits across states
- Equitable outcomes for all employees
- Simplicity





What Considerations Are There For Employers in switching to Comcare?

3. Claims Costs

- Likely to be higher and potentially considerably higher
- Depends on type of claims and mix of employees across states





What Considerations Are There For Employers in switching to Comcare?

4. WHS

- Comcare have low rates of WHS enforcements relative to other states
- Employees of Comcare self-insurers are no longer under the same WHS framework





What Considerations Are There For Employers in switching to Comcare?

5. Expenses

- Significant compliance savings through single costs for bank guarantees, annual levies, license fees, actuarial and audit costs
- Potential for claims management savings through centralisation of claims management function





What Considerations Are There For Employers in switching to Comcare?

6. Simplicity

- One regulator
- Benefits
- Claims management (potentially)





What Considerations Are There For Employers in switching to Comcare?

7. Happy employees
 - Generous benefits
 - Fairness

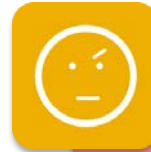




Summary of Considerations



- Benefits
- Expenses
- Simplicity
- Employees



- Eligibility
- Claims Cost
- WHS



Impact on State Schemes

- It is a matter of Federal government policy to determine what constitutes a “national employer”.
 - We expect this to cover considerably more employers than the current competition test does
- Actual impacts on State schemes will depend on factors beyond just the national employer test, for example:
 - The current level of self-insurance in the scheme
 - Scheme costs/premium rates
 - Breakeven premium rates
 - Contribution to past deficits
 - The likelihood of individual employers wanting to self-insure (whether in Comcare or in a State based scheme).



Impact on State Schemes

Hanks gave 4 examples of how a national employer test might work:

Definition	Implications	Potential Workforce Coverage
A corporation employing staff in more than one State or Territory	<p>This is a relatively broad test eg. an employer could have a small interstate office to meet the national employer requirements.</p> <p>Some employers with relatively few employees could be classed as national employers.</p>	Perhaps 35-45% of the workforce
A corporation employing staff in each of the States and Territories	<p>A narrower test, which would require complete national coverage; potentially some existing licences would not meet this test.</p> <p>Likely to mean only very large employers would meet the test.</p>	Perhaps 10-15% of the workforce
A corporation carrying on business in more than one State or Territory, regardless of the number of States and or Territories in which its staff are employed	<p>Again, a broader test which would be more easily met.</p>	Similar to option 1
A corporation employing a certain percentage of its staff in at least two or more States or Territories	Middle ground between options 1 and 2.	Depends on approach taken - between options 1 and 2



Impact on State Schemes

- If a broad national employer test is adopted, then it is possible a relatively large proportion of some existing State schemes could be allowed to transfer to Comcare self-insurance, if they desired.
- Over time, this process would increasingly leave the State schemes with smaller and poorer risks.
- Regardless, unless there are very significant cross-subsidies in current premium rates from large to small employers, it is unlikely this would present any material risk to either:
 - the ongoing viability of the State based schemes
 - the affordability of premium rates for employers who remain.
- There would likely be implications for scheme design over time, so that cost relativities for individual scheme to Comcare do not diverge.



What Does The Future Hold?

Future is uncertain for Comcare due to:

- The moratorium
- Adoption of Hanks' other recommendations
- National employer test
- Opposition by unions and state governments





Questions?