



Injury Schemes Seminar*

Balancing Outcomes

10–12 November 2013
Sheraton Mirage Gold Coast

* Formerly the Accident Compensation Seminar



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SYNOPSIS

DISCOUNT RATES AND PERSONAL INJURY INSURERS – FINDINGS OF THE WORKING PARTY

David Gifford, Monica Gluschenko, Peter Mulquiney, Michael Playford, Felix Tang, Arie van den Berg

Key words: Discount Rates, Outstanding Claims Liabilities, Workers' Compensation, CTP

Purpose of your paper: Discount rates and personal injury insurers – findings of the working party

Synopsis: The Actuaries Institute has established a working party to examine the topic of discounting of liabilities in respect of non-APRA regulated Accident Compensation insurers and self-insurers in Australia and New Zealand. The working party has the following broad objectives:

- To understand and document the range of approaches used to discount liabilities for non-APRA regulated Accident Compensation insurers and self-insurers in Australia and New Zealand;
- To raise and discuss the issues associated with the various approaches;
- To make observations and potentially recommendations in relation to discounting of liabilities; and
- To ultimately assist the Accident Compensation industry, as well as actuaries who undertake work for Accident Compensation insurers, to be better informed in relation to discounting of liabilities.



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'INSURED FOCUSED' RISK MANAGEMENT – A TREND FOR THE FUTURE?

Katrina Ren and Laurel Kong

Key words: Risk management

Synopsis: Risk management is part and parcel of sustaining affordable (and competitive) premiums for schemes and insurers alike. While some risks are managed within the insurer/scheme, some are active in promoting risk management at the insured level. Our paper intends to examine the state of play of:

- The role insurers and schemes are currently playing on risk education
- How this differs across the industry (e.g. medical indemnity, workers compensation)?
- The availability of risk management programs offered to scheme 'insureds'
- The scope and breadth of the programs on offer, and how these align to the insurable (or scheme covered) risks.
- What incentives (through premiums or otherwise) are offered to participating insureds and are those incentives commensurate with the savings achieved? Is this measured or measurable?

Our paper would be of interest to schemes seeking to understand common approaches to incentivising risk management, and what the desirable features are of a risk management program targeted at insured. We will also consider the available evidence as to the effectiveness of these programs and therefore the implications for their use in the future.



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SYNOPSIS

A RELATIVELY RISKY PRACTICE: DRIVERS OF COMMON LAW PAYMENTS

Jonathan Cohen and Ash Evans

Key words: Common law, analytics, risk factors, data visualisation, medical indemnity

Purpose of your paper: By analysing risk relativities across jurisdictions and time for a database of US malpractice claims, we determine which drivers are universal features and how these are impacted by changes in the common law environment.

Synopsis: Changes in legislation can impact common law settlement amounts, but not always as anticipated. For example, do caps on general damages reduce the aggregate cost or do they end up increasing this as the cap becomes the default settlement amount? It can be difficult to assess the success or failure of broad legislative amendment in a relatively homogeneous common law environment such as Australia. Thankfully, we can explore the drivers of common law payments across diverse jurisdictions by using a comprehensive database of US medical malpractice claims.

Since malpractice in the US is legislated at a state level and varies considerably between states, we have a strong foundation for understanding the universal drivers of common law payments. This includes the impact of legislative changes on these payments, and the responsiveness of common law settlements to specific legislative action. Using data analytic methods, we can isolate drivers that are likely to translate to the Australian marketplace. By analysing the risk relativities across jurisdictions and time, we determine which drivers are universal features of malpractice claims and how these are impacted by changes in the common law environment.



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SYNOPSIS

LARGE CLAIMS COST IN WORKERS' COMPENSATION

Greg Moran and Julie Evans

Key words: large claims, workers' compensation, WorkSafe Victoria

Purpose of your paper: To examine the frequency and size distribution of large claims incurred for a large monopoly workers' compensation insurer. This will help inform pricing and reserving decisions for market participants and may assist with benchmarking for other schemes.

Synopsis: The paper will present the results of an investigation of the frequency and size distribution of large claims incurred for a large monopoly workers' compensation insurer (WorkSafe Victoria). In particular the cost of large claims above large limits such as \$500,000 or \$1,000,000 will be investigated.

The analysis will focus on the more mature claims (the cut-off date is yet to be determined, but is likely to be such that all claims are at least five or six years old). The cost of individual large claims will use both past payments and the statistical case estimate (SCE). Use of a more mature book – at least in the initial stages – will help ensure that most large claims have been reported and recognised in the payments and estimates.

The experience will be grouped by accident year and industry risk group, and will be compared against past exposures – wages and/or FTE. This will provide an indication of trends in part costs and claims rate.

Benefits of the research:

- **Self Insurers** - Each self-insurer is required to purchase excess of loss cover to provide protection from the potential large claim or event (multiple claims from one event). It may be possible to compare a notional cost of large claims for self-insurers in broad industry categories against the excess of loss premiums charged in the market.
- **Actuaries advising self insurers** – One of the more difficult aspects of reserving for small portfolios is establishing the appropriate allowance for large claims. This analysis will provide actuaries with additional information on the scheme experience which may help inform their self insurer valuations.
- **WorkSafe** - The premiums charged by WorkSafe provide unlimited claims cover to all premium paying employers. The past history of large claims cost and trends will enable a hindsight view of the cost and distribution of cost of claims above various limits.
- **Other Underwriters** - The analysis will assist underwriters by providing information on the large claim distribution for a large monopoly workers' compensation underwriter. This may assist with their own pricing, reserving or benchmarking.



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SYNOPSIS

LEGAL RISK – HOW ONE DECISION CAN CHANGE A SCHEME?

Andrew Smith and Gavin Moore

Key words: Legal Risk, Legal Precedents, Injury Schemes, Accident Compensation, Workers' Compensation, Compulsory Third Party (CTP)

Purpose of your paper: To provide a summary of the impact that legal precedents have had on Injury Schemes and how these Schemes manage their legal risk.

Synopsis: Injury Schemes impact most Australians and hundreds of thousands of claims are reported each year. Most of these Injury Schemes in Australia permit access to common law. As a result, these schemes are subject to substantial legal risk through judicial precedents. These precedents can have a significant flow on effect and are often a tipping point for scheme change.

We summarise the key historic legal precedents and the impact they have had on Australian Injury Schemes.

We also aim to explore how Injury Schemes manage their exposure to legal risk and communicate emerging risks to scheme management. The extent to which a scheme is able to successfully manage their legal risk will be strongly linked to the long term stability of the scheme itself.



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MORTALITY PROJECTIONS FOR CATASTROPHIC INJURIES

Darryl Frank, David Gifford

Key words: Catastrophic injury, mortality, mortality improvement

Purpose of your paper: To assist schemes and other stakeholders with understanding the mortality experience, including rates of mortality improvement, for people with catastrophic brain and spinal injuries.

Synopsis: This paper will explore the rates of current and future mortality for people with catastrophic injuries. While there has been significant research regarding mortality soon after accident there is limited information about experience once people survive the initial trauma. This paper will focus on people who survive for at least three years post accident and compare their mortality experience against the population.

The main sources of data used for this analysis will be TAC (and potentially other scheme's) claims experience.

Recent mortality experience

Compare how mortality experience across different types of injuries, the amount of care required and other characteristics.

We will also look at international experience

Rates of improvement in mortality

Population mortality improvement experience over the past 100 years

Drivers of past mortality improvement

Potential rates of future mortality improvement for the population

How mortality improvement for catastrophic injuries compare against population, and reasons for any differences

Longitudinal research for people with catastrophic injuries

Financial impact of different mortality scenarios

Highlight how sensitive the outstanding claims liability is to future mortality assumptions

Impact on supply and demand for carers and what it may mean for the cost of care for accident compensation schemes For example if population mortality improves faster than those with catastrophic injuries then there will be more demand for carers across the population who might prefer to deal with people with aging relating conditions as opposed to catastrophic injuries and hence the cost for schemes could be higher.



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REMUNERATION MODELS: ACHIEVING A BALANCED OUTCOME BETWEEN THE SCHEME AND EXTERNAL SERVICE PROVIDERS

Peter Hardy and Grace Ng

Key words: agent remuneration, incentives, external service provider, claims and administration management

Purpose of your paper:

The purpose of the paper is to explore how remuneration models can be used to achieve scheme outcomes in the context of accident compensation schemes.

Synopsis: External service providers are increasingly being used within accident compensation schemes for a wide variety of reasons. There are a number of remuneration models that can be used to reward external service providers and to achieve scheme outcomes.

In the context of accident compensation schemes, our paper discusses:

- The value and worth of outsourcing specific functions to external service providers.
- Potential conflicting priorities between the scheme and the external service providers.
- Some considerations in developing fair remuneration models.
- Specific challenges in developing appropriate remuneration models for the outsourcing of claims and administration management.
- The use of incentives within remuneration structures and how incentives might be used to enhance outcomes.



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“STUCK IN THE MIDDLE”: A QUALITATIVE STUDY OF THE EXPERIENCES OF PERSONAL INJURY COMPENSATION CLAIMS MANAGERS IN THREE AUSTRALIAN NO-FAULT COMPENSATION SYSTEMS

Alex Collie, Sharon Newnam, Alan Peterson, Adam Vogel, Niki Ellis, Helen Keleher

Key words: claims management, stress, injury management

Purpose of your paper: To describe the results of a study conducted to assess the experiences of personal injury claims managers in no-fault workers' compensation and CTP schemes, and the implications for insurers and regulators in the sector.

Synopsis: Claims managers have a critical role in the personal injury compensation sector, often having dual responsibility for cost and liability controls for facilitating the recovery and return to work of injured persons. While there is substantial anecdotal evidence and experience in the sector regarding 'good practice' in claims management, there have been very few rigorous academic studies of the experiences of claims managers in performing their day to day role. This study aimed to identify how claims managers are affected by their interactions with injured persons and other parties in the injury compensation system. Twenty-one compensation industry 'front-line' employees from three Australian no fault compensation systems participated in three focus groups. Transcribed focus group data was analysed using a grounded theory approach to identify emergent themes and concepts. The findings revealed a range of impacts associated with claims managers' direct interactions with the injured person or with other parties in the system. Six themes describing the predominantly negative impact on claims managers emerged including complex case management, frustration, stress, conflict, anger and defensiveness, which have the potential to impact negatively on the emotional wellbeing of the claims managers. The participants in this study were aware that they occupied a position of authority within the compensation system, given their role as decision makers with regards to the provision of financial support and treatment to the injured persons. Participant also recounted their frustrations of dealing with 'complex' clients, with other experts who had conflicting expectations about the compensation scheme and in some cases their own feelings of inadequacy in the face of multiple pressures. These experiences were [or can be] characterised as 'being stuck in the middle'. The study highlights the diverse emotional demands on case workers, who confront a range of tensions in their work related to the conflicting expectations of service staff and users, and uncooperative or 'unstable' clients. Managing the various emotional demands to the workplace—including conflict, anger, and frustration—can be hard work, although rarely acknowledged as such in formal work roles. The findings suggest a number of opportunities to reduce the pressures experienced by case managers and enhancing staff retention in these frontline roles. Given research demonstrating that claims managers can have a substantial influence on the health and recovery of injured persons, such interventions may also have the potential to improve health outcomes for injured persons.



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THE COMCARE SELF-INSURANCE OPTION – MARK II

Andrew McInerney, Mark Hurst

Key words: workers compensation, self insurance, Comcare, WorkCover

Purpose of your paper: To provide an update on the 2007 paper “The Comcare Self-Insurance Option” following completion of the 2013 Hanks review into the Safety Rehabilitation and Compensation Act 1988.

Synopsis: Since the start of the current Federal Labor government there has been a moratorium on new self-insurance licensees under the Comcare scheme.

Following completion of the Hanks review in 2013, there are a number of recommended changes to the licensing approach for new self-insurers, including a lifting of the moratorium and removal of the competition test.

This paper provides an update of the 2007 report “The Comcare Self-Insurance Option”, with a focus on the implications for state workers compensation schemes if employers exit to Comcare and on the cost differentials to employers from such a move.



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THE ISCRR EVALUATION OF THE TAC 2015 STRATEGY: DESIGN AND DELIVERY OF A MULTI-FACETED RESEARCH TRANSLATION PROGRAM

Dr Michael Fitzharris, Ms Sara Liu, Associate Professor Alex Collie, Dr Swati Shourie, Associate Professor Belinda Gabbe

Key words: evaluation, strategy, Transport Accident Commission (TAC), TAC 2015 Strategy

Purpose of your paper:

Synopsis: The Transport Accident Commission (TAC) '2015' Strategy represented a significant shift in the claims model with client outcomes added to the headline indicators of client satisfaction and scheme viability. The 2015 strategy was the culmination of significant planning and has been implemented in a staged approach. The Institute for Safety, Compensation and Recovery Research was commissioned to provide an independent evaluation of the TAC 2015 Strategy. This presentation will describe the core elements of the evaluation, how the evaluation model was developed, and how results have been used to add value across the business. Despite being conducted in an extremely dynamic environment, the evaluation model remains largely as designed, that being a process, impact and outcome evaluation, but with a highly flexible 'action-research' program that is responsive to the needs of the TAC. Examples of 'action-research' will be provided, including how staff perceptions of change and capability needs was measured and research aimed at improving the early identification of clients 'at risk' and the remote mental health options that might follow. Lessons learned include the imperative of integrating information from across the business with findings from the independent evaluation, and the manner of reporting. It is argued that embedding independent researchers within the operational context adds value and ultimately ensures relevant research findings are rapidly translated into practice.



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THE ROLE OF THE REGULATOR IN INJURY SCHEMES

Andrew Doughman, Bevan Damm, Peter McCarthy

Key words: Regulator, CTP, Workers Compensation, Governance, Management, Scheme, Agents

Purpose of your paper: The purpose of this presentation is to explore the various functions of regulators of injury schemes in Australia. The presentation will cover high-level views from privately underwritten schemes to managed fund schemes across both CTP and Workers Compensation.

Synopsis: As injury schemes in Australia continue to evolve over time, questions are asked about the viability of certain models and in particular how management & regulation of the various schemes are enshrined through the selected model.

Regulation is the cornerstone to the successful management of an injury scheme and as such it is crucial to understand what is “best practice” given the stakeholder dynamics influencing the performance of the scheme. In forming a view on best practice it is prudent to consider the views of practitioners in the industry and investigate what has and has not worked in the past and why.

This presentation will combine the views of regulatory representatives from some injury schemes across Australia with the oversight of experienced professionals in the industry to explore the various functions of regulators in injury schemes in Australia and the impact of these functions on the performance of the scheme. We will form a view as much as practical on the ideal set of functions and practical implementation for regulators of injury schemes and engage the audience regarding their perspective on the role of the regulator in respect of the functions explored.



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WORKSAFE VICTORIA ACTUARIES...TRADITIONAL? NOT REALLY!

Niki Appleton and Amanda Aitken

Key words: WorkSafe Victoria, actuaries, non-traditional roles, value, thought consultants, softer skills

Purpose of your paper: To examine the various “traditional” and “non traditional” roles held by actuaries at WorkSafe Victoria as an example of the value the actuarial profession can add within such an organisation. To explore what skill sets have enabled that value to be added and how some of these skills have been or could be developed in addition to those acquired through the actuarial education process.

Synopsis: Over time actuaries have become regarded more and more as pure technical experts. The Actuaries Institute has undertaken to promote actuaries as thought consultants and enhance the brand of an actuary, particularly for those wanting to make a difference in non-traditional fields. This paper investigates the traditional and not-so-traditional roles of WorkSafe actuaries and the value they can and have contributed.

Actuarial involvement in general insurance has increased three-fold over the last 15 years, with accident compensation schemes also receiving increased actuarial focus. The concept of actuarial release has become an integral part of WorkSafe's management and focus in the last decade, and the scheme's financial performance has substantially improved, with a sustainable funding ratio and the lowest premium rate in Australia.

A number of WorkSafe's actuaries are employed in the actuarial team, but spend only some of their time engaged in what would be thought of as “traditional” actuarial work of valuations and pricing - the focus of most of their work is much more varied and outside the traditional box. There are a handful of other actuaries spread throughout the organisation in roles such as operational management, premium and management of information services.

This paper examines both the value WorkSafe actuaries provide to the organisation and the skills they draw upon to provide that value, both from their perspective and the perspective of their non-actuarial colleagues. Some of these skills have been acquired through the actuarial education process and some of the “softer skills” have been developed independently of it.

Consideration is given to how the actuarial profession ensures today's students acquire the softer skills that lie outside the current actuarial education framework, but are regarded as valuable and necessary if these students are to be the actuarial “thought consultants” of the future. but are regarded as valuable and necessary if these students are to be the actuarial “thought consultants” of the future.