

SYNOPSIS

REINSURANCE FOR INJURY SCHEMES

Ty Birkett

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.

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.



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FIREFIGHTERS' CANCER RISK

Lisa Simpson, Kathryn Cannon

Key words: Firefighters, Cancer, Presumptive legislation, Lifetime Costing, workers' compensation

Purpose of your paper: To illustrate a lifetime costing approach in respect of workers compensation benefits for firefighters who contract cancer due to occupational exposures, under presumptive legislation.

Synopsis: Presumptive legislation has been introduced in many jurisdictions internationally in respect of firefighters' occupational exposures to carcinogens. It has also recently been considered by a number of jurisdictions in Australia. This paper compares the international experience with that in Australia, and considers the evidence on cancer incidence rates. A lifetime costing model is then used to illustrate the cost using an example Australian workers compensation scheme if presumptive legislation were introduced.



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STRESS AND PSYCHOLOGICAL INJURY – HOW TO COMPENSATE?

Andrew McInerney

Key words: Accident compensation, workers compensation, stress claims, psychological injury

Purpose of your paper: To examine the available literature on stress claims and psychological injury, which is to be used as an evidence base in considering how such claims should be compensated.

Synopsis: Claims for stress and/or psychological injury have been a focus of much attention in both workers compensation and CTP schemes in recent years.

The high cost of these claims and difficulties in proving or disproving compensability and severity mean the focus on these claims is likely to continue.

The paper will develop a proposal for how such claims should be compensated, and what should and shouldn't be considered when making such decisions.



**Injury
Schemes
Seminar***
Balancing Outcomes
10–12 November 2013
Sheraton Mirage Gold Coast

* Formerly the Accident
Compensation Seminar



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SUSTAINABILITY OF COMMON LAW **Geoff Atkins**

Key words: Accident Compensation, Common Law Sustainability, Benefit Design

Purpose of your paper: The purpose of this paper is to investigate the sustainability of common law arrangements in schemes throughout Australia and New Zealand and to compare recent common law scheme design changes.

Synopsis: In the last ten years at least ten schemes have made or proposed changes in their common law arrangements.

All academic and policy research argues that common law is far inferior to other arrangements and we predicted 15 years ago that common law access would not exist today. We were wrong! Debate regarding common law access and design has been and will continue to be a very controversial topic due to the many stakeholders involved.

When common law is considered by schemes, sustainability is always one of the main concerns. Generally one or more of three controls is considered

- Restricting common law to serious injuries
- Some degree of reduction of entitlements to various heads of damage
- Some control over legal and litigation costs

This presentation will compare and contrast examples of common law scheme design changes with a focus on sustainability.



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THE IMPORTANCE OF CLAIMS MANAGEMENT IN INJURY SCHEMES

Natasha Anning, Peter McCarthy

Key words: claims management, claims leakage, compensation, strategy

Purpose of your paper: To highlight the important role that claims management has in injury management schemes.

Synopsis: Schemes have a focus on design of injury schemes, analytical approaches to scheme management, governance and other aspects. However in our experience not enough attention is given to management of claims. From one perspective management of claims is 'the' product that schemes/insurers/agents deliver and it is arguably the most important function within injury schemes.

We firstly define claims management and note that in our definition to it includes a range of different activities (e.g. injury management, return to work, management of medical providers, case management, etc). It is important to recognise that we are dealing with personal injuries where medical matters are an important aspect.

We then explore the range of approaches we have seen in the management of claims and identify the deficiencies with the approaches adopted. We also include some examples of the extent of claims leakage we have seen in CTP and workers compensation portfolios and what some of the main causes of the leakage have been.

Lastly we identify what injury scheme should be doing to ensure management of claims delivers on its promise to claimants.

Our views in this paper come from the author's personal experience from working within insurers, to undertaking claims leakage studies both for insurers and for agents of schemes and for monopoly schemes.