

12th Accident Compensation Seminar 2009 Rising to the Challenge

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Self Insurance in the NZ Accident Insurance Market

Mark Weaver



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- Costs to employer including insurance
- Comparative results
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Possible changes

- Insurance
- Audit
- Flexible claims management periods
- Manage non-work claims
- TPA's
- Benchmarking data



NZ ACC Scheme – Levy Income

Levy Income	2008 (\$m)	2009 (\$m)
Work	524	539
Residual Claims	457	496
Earners	1,038	1,112
Motor Vehicle	759	739
Non Earners	833	982
Treatment Injury	142	315
Total	3,753	4,183



NZ ACC Scheme – Levy Rates

	Work Account (\$ per \$100 liable earnings)			Earners' Account Levy Rates (\$ per \$100 liable earnings)			Motor Account Levy Rates (\$ per vehicle)		
	Current	Residual	Combined	Current	Residual	Combined	Current	Residual	Combined
2009/10 Actual	0.75	0.56	1.31	1.61	0.09	1.7	119	168	287
2010/11 Proposed ¹	1.18	0.71	1.89	2.6	0.2	2.8	205	213	417
Increase	57%	27%	44%	62%	230%	65%	72%	27%	45%
2010/11 Proposed ²	1.11	0.36	1.47	n.a	n.a	2.45	n.a	n.a	317
Increase	48%	-36%	12%			44%			11%

1 Based on 2014 fully funded deadline

2 Based on 2019 fully funded deadline



Facts and Figures on the ACCPP Scheme

- 136 employers
- 22% workers covered
- Estimated cost of claims 2010/11 \$160 million
- Two scheme options
 - Full Self Cover FSCP
 - Partnership Discount Plan PDP
- Workplace Safety Management Discounts 10%, 15%, 20%
- Full monthly claims reporting to ACC



FSCP Option

- Employer liable for full cost of claims
- Choice 2, 3 or 4 year claims management period
- Hand back management of open claims at end of period to ACC and pay future estimated claims cost
- Must take out stop loss cover. Any \$ level between 160% and 260% of the expected cost of claims
- Can effect High Cost Claims Cover for “an event”. Cover from \$0.25 m to \$2.5 m
- Employers in FSCP - 97



PDP Option

- Either 1 or 2 year claims management period
- Hand back claims at end of period with no future liability
- Insurance optional
- Receive discount for expected cost of claims in period of self management
- For 2010/11 average discounts are
 - PDP 1 49.8%
 - PDP 2 58.6%
- Employers in PDP - 39



How an employer joins

- Demonstrate long term stability and ability to meet cost of claims. Complete financial audit
- Active injury management procedures, including claims admin and rehabilitation support
- Demonstrate involvement of employees
- Meet audit standards
- ACC states more suitable where standard levy is \$0.2 million plus per annum



Costs as % standard levy 2010/11 year

- Administration fee 2.3%
- Bulk Health costs 1.5%
- Primary Health costs 2.8%
- Workplace Safety Management Discount applies to latter 2
- Plus cost of managing own claims



Third Party Administrators

- AonWork
- WellNZ
- Catalyst
- CareAdvantage Southern Cross Company
- Gallagher Bassett
- Cover 82% of the market by no. employees
- Agent of employer



Example Cost insurance 2010/11

- Standard levy \$2.108 m
- Stop loss cover limit \$3.126 m
- Stop loss premium rate 1.1%

- With HCCC limit of \$250,000 premium rate is 7.6%
- Major reduction in rates over past rates



Comparative costs – ACC statistics

Year ending March	Claims per \$m liable earnings		Weekly compensation claims per \$m liable earnings		Average cost per claim \$'s	
	Work Account	ACCPP	Work Account	ACCPP	Work Account	ACCPP
2003	3.19	3.33	0.39	0.40	1,336	1,035
2004	2.89	3.11	0.37	0.39	1,374	1,153
2005	2.58	2.84	0.35	0.40	1,472	1,155
2006	2.42	2.66	0.34	0.38	1,522	1,170
2007	2.21	2.38	0.32	0.36	1,437	1,105
2008	1.98	2.19	0.28	0.33	884	728



Comparative costs - MJW examples

Total Costs as % of Std Levy net SMP

Partner Size	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 YTD	Total
Small	47%	49%	68%	95%	112%	84%	118%	105%	115%	86%
Medium	82%	76%	81%	115%	129%	91%	89%	101%	104%	100%
Large	72%	75%	74%	61%	51%	69%	58%	69%	92%	68%



Assessing the actuarial liability

Estimation of ACCPP Outstanding Claims Liabilities as at 31 March 2009

Accident/Cover Period	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Estimated claims paid										
Claims paid to 31 March 2009	345	789	950	897	831	783	762	762	386	6,506
Estimated future claims										
IBNR claims	7	11	13	16	20	27	37	65	276	471
Reopened claims	11	30	52	72	66	88	99	123	88	630
Open claims	0	0	0	0	13	28	101	117	329	589
Total future claims	18	41	65	88	99	142	237	305	694	1,690
Total estimated future claims before stoploss	363	830	1,014	985	930	926	999	1,068	1,080	8,196
Stoploss cutoff	3,082	3,175	2,687	3,803	5,247	4,488	3,784	3,232	3,340	
Claims in excess of stoploss	0	0	0	0	0	0	0	0	0	0
Total estimated future claims after stoploss	18	41	65	88	99	142	237	305	694	1,690
Claims management expenses reserve	1	3	5	7	7	11	18	23	52	127
Total Outstanding Claims Liabilities Required	20	44	70	94	106	153	255	328	746	1,816



TPA's feedback

- Good programme – encourages H&S and rehabilitation
- Too limited insurance options
- Dual standards ACCPP clients have higher bar to meet
- Open ended claims management
- Focus audit on actual claims outcomes - not ticking boxes
- Allow employers to manage non work claims
- Separate out ACC regulatory role
- Restrictive and does not allow for employer innovation



Possible changes - Insurance

- Allow employers to purchase what they want
 - Burning cost
 - Retro-rating
- Will mean involving private insurers
- Need minimum cover limit



Possible changes - Audit

- Base the levy discounts on actual outcomes
- Should look more at the longer duration claims
- Variability in auditors
- Some progress made at the last major review of ACCPP



Possible changes – Flexible claims management periods

- Why limit to 4 years maximum
- Let employer decide when they want to hand back
- Required flexible insurance approach
- Allow employers to close out their liability if they want to
- Costly and time consuming annual process for ACC



Possible changes – Manage non work claims

- Employers are certified as able and competent to manage the work claims
- Employers have interest in non-work claims including motor account claims. They want their workers back at work
- Employers best equipped to rehabilitate claimants
- Earners account claims need serious injection of energy
- ACC would have to reimburse costs and claims management expenses
- Applies to Residual Claims Account claims as well



Possible changes – TPA's

- They are effectively regulated by ACC
- At the same time they compete with ACC
- Arguably they should be regulated by another authority
- Need more entrants
- Market would benefit if role was expanded and they were forced to compete more



Possible changes – Benchmarking data

- This is a must
- Only current body able to supply this is ACC
- Has started but long way to go
- All employers need this to see how good they (or their TPA is)
- Will be challenges around reporting of claims
- Related to this is the need for ACC to keep and disclose separate accounting for the ACCPP.