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How to make Workers Compensation Fit for Growth?

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Executive Summary

The Australian Workers Compensation insurance market is undergoing significant change from shifting demographics (e.g. ageing population, increasing life expectancy, increasing females participation in the workforce), changing nature of employment (e.g. sharing economy, rise of robotics), rising cost of insurance and care, and increasing customer expectations (e.g. expectation that insurance buying experience is as easy as buying products on Amazon). At the same time, profit margins for insurers are under pressure as underwriting and admin costs are spiraling, outpacing other product classes. Lastly, whilst Workers Compensation regulations at the highest level are similar across Australia, there are significant differences in process guidelines, practices, and metrics amongst states, which adds unnecessary complexity for insurers, customers, and claimants.

The rising costs and quantum of change is driving new strategic priorities for both insurers and scheme owners. They need to tackle increasing expense ratios whilst at the same time responding to new growth opportunities and keeping employers and claimants truly satisfied.

To deliver to these priorities, we believe insurers need to take a different, sustainable approach to transformation - they need to become Fit for Growth. This involves having a clear strategy for how they will differentiate in the market, reorganising for growth through new Workers Compensation products tailored to specific segments (e.g. SME), investing in differentiated capabilities (e.g. digital distribution), transforming cost structure to reduce structural costs (e.g. automation of payments) and reinvest savings in capabilities that matter (e.g. through a risk-based claims triage model, better medical provider practices), and putting their culture to work.

In our experience, insurers can realise significant benefits from this approach – i.e. new products driving 5-10% top-line growth, claims process redesign and automation driving 15-20% reduction in Claims Handling Expenses (CHE), early triage and intervention, prevention and other levers driving 5-10% reduction in claims indemnity costs. Lastly, and perhaps most importantly, improved RTW outcomes for injured claimants (e.g. claims with 26+ weeks duration reduced from 60% to 30%).

The Current State of Workers Compensation in Australia

Workers Compensation schemes in Australia can be broadly divided into two scheme types – Fee based schemes ('Fee states') and Risk based schemes ('Risk states'). In the former, the government (e.g. icare in NSW, WorkSafe Victoria) underwrites the risk and typically interacts with the insured and claimants through one or more scheme agents on a fee-for-service basis. In the latter, commercial insurers underwrite the risk with oversight from a government body (e.g. WorkCover WA).

Whilst the intent of the schemes is largely the same, there are variation across these schemes in terms of customer interactions, claims processing model, and key performance indicators. This adds complexity for employers operating on a nation-wide basis, claimants, and insurers in



how they organise themselves. Furthermore, within Risk states there is large variation in operational requirements, processes, and KPIs as shown in the table below, e.g. access to common law, notification period, and submission forms. The intent of these variations has merit; however, the lack of full consistency places additional impost on claimants, employers, staff, and insurers.

Figure 1; Key detailed differences across select states with commercial / Risk based WC insurance models

Area		WA	TAS	ACT	NT
Legal / regulatory	Insurance model	Commercial, regulated by WorkCover WA	Commercial, regulated by WorkSafe	Commercial, regulated by WorkSafe ACT	Commercial, regulated by WorkSafe NT
	Cross-border operations	Silent on location	Silent on location Insurers required to commit appropriate resources to further objective of rehabilitating injured workers	Regulatory requirement to maintain physical presence	Guidelines require complex claims to be managed in state
	Common law avenue	Yes	Yes	Yes	No
Claims lodgement	Submission	2 forms – employer report & form 2b Medical certificate	1 form Medical certificate		
	Format	Paper (signed by injured worker) – via mail Carbon copy of forms sent to WorkCover by insurer	Paper (physically signed by injured worker) – via mail, fax, email (scanned copy)		
Claims assessment	TOOCS for injury coding	Yes	Yes	Yes	No
	ANZIC	Yes	Yes	Yes	Yes
	NDIS	No	Yes	Yes	Yes
Key KPIs	Worker notifies employer	As soon as practical, within 12 months	As soon as practical	As soon as practical, within 12 months	As soon as practical
	Employer notifies insurer	Within 5 days	Within 3 working days after injury	Within 48 hours (claim form passed to insurer within 7 days)	Within 3 working days
	Claim decision	Within 14 days	84 days if not disputed via tribunal	Within 28 days	Deemed accepted within 10 working days of decision not made
	Claims form passed to authority	21 days after payments commence	Payments not admission of liability	No specified timeframe	10 working days

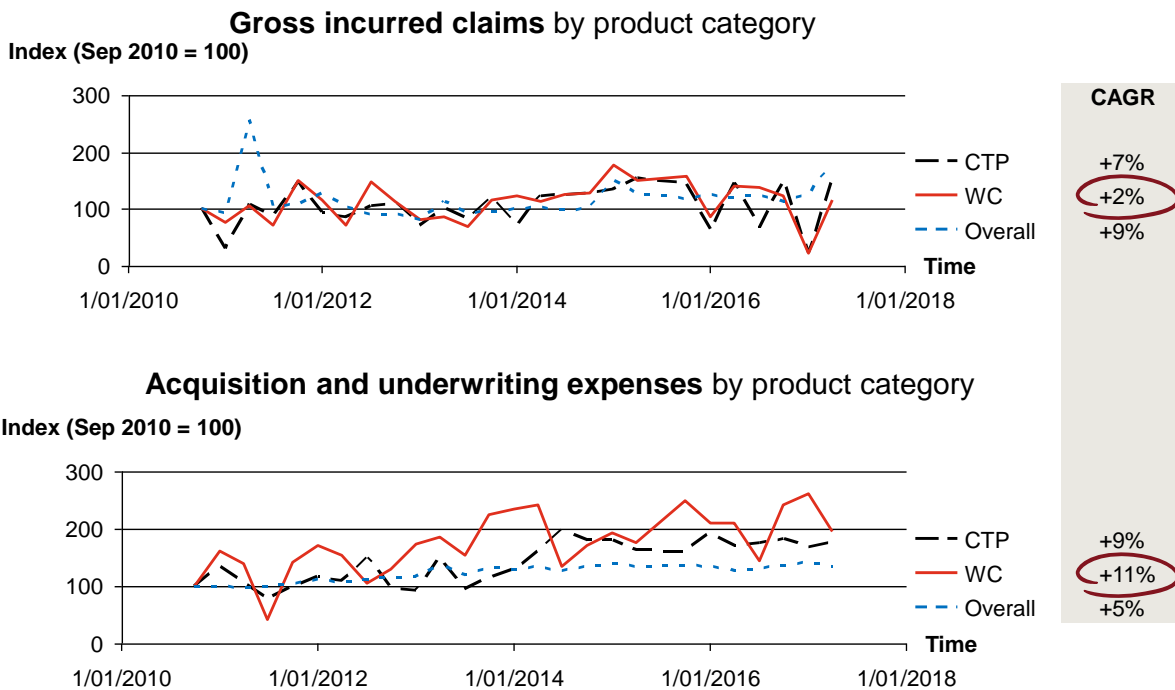
Source: Strategy& analysis

The overall complexity of Workers Compensation resulting from the inherent complexity of the product as well as the scheme differences across states is reflected in both claims cost and underwriting expenses, of which the latter has increased rapidly at a CAGR¹ of 11% since 2010 – more than double that of the overall industry (5%).

¹ Compound Annual Growth Rate



Figure 2: Gross incurred claims costs and Acquisition and Underwriting Cost Trends by Product Category



Source: APRA, Strategy& analysis

It follows from the analysis above that Workers Compensation claims costs have increased steadily albeit at a slower rate than the overall market and CTP) with some volatility. This underscores the need for insurers to manage volatility better and focus on outcomes (e.g. greater prevention focus, early intervention).

Acquisition and underwriting costs growth of 11% CAGR in the same period have outpaced the market average of 5% CAGR, emphasising the need for insurers to drive efficiency and scale in sales and underwriting operations.

Beyond rising costs, insurers and scheme owners face challenges in the macro environment along four key areas – 1. Changing demographics of the workforce (e.g. ageing population), 2. Increasing cost of insurance and care, 3. Changing nature of employment (e.g. sharing economy), and 4. Shifting customer expectations (e.g. digital customer experience). This is resulting in key challenges (e.g. increasing stress related claims) as well as new opportunities (growth through new products) for insurers and scheme owners /agents. These are further outlined in Figure 3 below.



Figure 3: Key economic and societal factors shaping Workers Compensation insurance in Australia

Drivers of change	Evidence	Implications for WC
1 Shifting demographics <ul style="list-style-type: none"> • People live longer and work beyond age 65 to fund retirement – different risk • More females in the workforce • Rising youth unemployment, increasing stress 	<ul style="list-style-type: none"> • # Australian aged 65 will double by 2054, whilst population growth is slowing (1.4% → 1.3%) • 66% → 70% of females in workforce by 2054 • 1 in 1,000 people will live longer than 100 years (compared 1 in 10,000 in 1970) 	<ul style="list-style-type: none"> • Different risk to be written, taking into account older people and more • Likely more stress related claims
2 Changing nature of employment <ul style="list-style-type: none"> • Shift to 'gig economy', temp labour • Less work in energy / mining, increasing construction and services • Rise of robotics putting pressure on manual labour (and different injury types) 	<ul style="list-style-type: none"> • 3% of AU workforce shifted from full-time to part-time work over past 10 years • ~50% increase in US workers in 'alternative jobs' from 2005-15 • Up to 40% of UK jobs at risk from automation 	<ul style="list-style-type: none"> • Potential to take new products to market, e.g. SME segment • Need to manage risk around uninsured / underinsured • Refocus workplace injuries from hazardous to mental health
3 Rising cost of insurance & care <ul style="list-style-type: none"> • Government budgets under scrutiny; focus on scale • Pressure from ageing population and lifestyle diseases • Need for personalised care to treat complex diseases 	<ul style="list-style-type: none"> • Since 2006 Australia has <ul style="list-style-type: none"> – Increased health spend / citizen at 5% CAGR – Almost doubled annual health spend from \$87b in 2006 to \$170b in 2016 	<ul style="list-style-type: none"> • Need to review and streamline health provider procurement • Need to adopt outcomes based care practices, collaborating with government and industry
4 Changing customer expectations <ul style="list-style-type: none"> • Rise of digital channels, omni-channels • Customers expect the same from their insurer as they do from retailers • Threat from non-insurers capturing market share, e.g. Amazon 	<ul style="list-style-type: none"> • Growth in online spending grew 10% yoy from 2015-16, compared to 3% for traditional retail • Looming Amazon entry into AU retail 	<ul style="list-style-type: none"> • Need to understand top needs of key customer segments and how digital channels can realise them • Drive digital interactions across distribution and claims

Source: Australian Government, the Treasury: 2015 Intergenerational Report; 2015; ABS; StarTrack / Auspost; Australian Institute of Health and Welfare, ONS; PIAAC; PwC UK; Bartlett, C, Butler, S. and Haines, L.(2016), Reimagining health reform in Australia: Taking a systems approach to health and wellness; Strategy& analysis

Finally, the ongoing reforms to State based schemes such as icare in NSW are good starting points to understand how and why Workers Compensation is changing. For instance, a recent survey conducted by icare² shows how the unit cost of medical imaging for workers' injuries is almost twice as high when compared to schemes in Victoria (Fee based) and WA (Risk based). This proves significant improvement is achievable, and we believe scheme owners now have a responsibility to citizens, employers, and governments to transform and improve scheme efficiency and effectiveness.

Strategic Priorities and Opportunities

The rising costs, quantum of change, and government reforms set new strategic priorities for Workers Compensation insurers and scheme owners. They need to tackle the burden of increasing expenses whilst at the same time responding to new growth opportunities and changing customer needs.

Key priorities can include modernising regulation to allow for new distribution and claims experiences (e.g. digital quote and bind, digital claims lodgement), working with healthcare providers to shift to an outcomes-based care model, and shifting from injury detection to

² Press release: 'NSW pays high price for medical imaging of workers' injuries', icare NSW, 27 October 2017



prevention (e.g. through dynamic pricing, targeted campaigns, and wellness programs). Specifically for Risk states there are opportunities to price differently, launch new and differentiating Workers Compensation products targeting emerging sectors, and optimizing back-office efficiency e.g. through automation and robotics.

Overall, we also believe governments and regulators need to review their insurance schemes and regulations to ensure they are fit for purpose and reflect the right economic, health-related, and societal priorities beyond return to work itself. Figure 4 below summarises these priorities.

Figure 4: Strategic opportunities for insurers and scheme owners in response to the key drives of change

Drivers of change	Risk States	Fee States (Schemes owners and agents)
1 Shifting demographics	Better pricing and new risk models using different data sets	
		New scheme incentive / performance models beyond RTW, e.g. mental health
2 Changing nature of employment	Ecosystem product approach	Targeted campaigns for workplace risk led by regulator, e.g. SIRA
	Micro segmentation of employers and dynamic pricing, e.g. WC for start-ups to drive cross-sell / upsell, tailored offerings that 'flex' with work	Better use of government data assets to regulate schemes better, e.g. NSW government data exchange
	Use of new tech to price & loss adjust, e.g. using drones to survey high risk construction sites	
	Community engagement and active prevention e.g. targeted workplace campaign, mental health days	
3 Rising cost of insurance & care	Steering claimants to preferred health providers immediately after FNOL similar to motor insurers steering to own smash repairer network	
	Shift to outcomes based care managing providers to effectiveness of care, e.g. Kaiser Permanente model	
	Back-office robotics, e.g. Lemonade (claims processed in 3 seconds)	
	Claims triage model across classes to drive scale and concentration of skills	
	Analytics embedded in claims processes, e.g. ODG / MDA	
4 Changing customer expectations	Customer-centric operating model	Changing legislation to digitise forms
	WC digital distribution, quote and bind	
	End to end digital WC claims, e.g. GEICO Digital ID Cards	

Source: Strategy& analysis

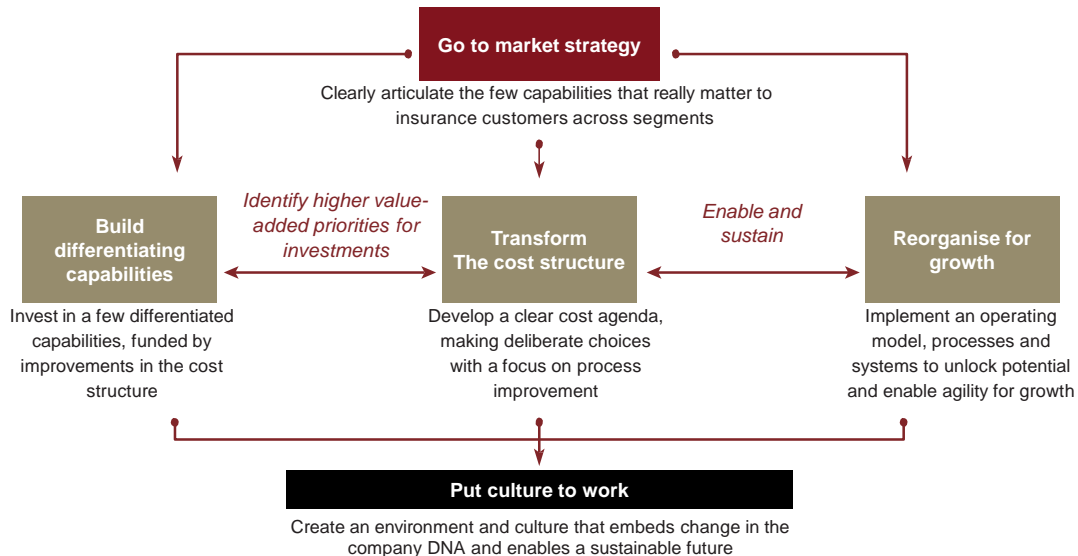
Fit for Growth in Workers Compensation

To realise these opportunities, we believe insurers need to take a different, structured approach. This involves simplifying the business in a systematic and sustainable way and set it up for growth. In this context, Fit for Growth (FFG) is a very relevant framework for insurers and scheme agents to align costs and to customer value. Central to this is transforming the cost structure in a sustainable way whilst investing in market-differentiating capabilities and embedding change in the organisation's DNA to succeed in the future.



Figure 5: Fit for Growth Framework

Fit for Growth Framework



Source: Strategy & IC

FFG has key priority areas that insurers must look at in conjunction to improve profitability in a sustainable way, drive new revenue for growth, to deliver better customer and RTW outcomes, and embed a culture that enables sustainable change:

- **Reorganising for growth**, e.g. by developing new and differentiated Workers Compensation products targeting different segments.
- **Transform the cost structure** e.g. through a new claims triage model and proactive claims leakage management.
- **Build differentiating capabilities** such as a digital customer experience, dynamic pricing, and evidence-based treatment practices.
- **Put culture to work** by addressing cultural challenges in Workers Compensation whilst building on strengths around customer and employer focus.

The following sections describe how insurers can address these priorities and drive a more holistic transformation. Figure 6 summarises the what 'good looks like' across the Workers Compensation insurance value chain and the typical benefits that can be pursued / achieved using an FFG approach.



Figure 6: Summary of key benefits drivers and potential from Fit for Growth in Workers Compensation

	Strategy & Customer	Pricing & Underwriting	Distribution	Claims - Lodgement & Triage	Claims – Handling & RTW
What good looks like	<ul style="list-style-type: none"> Customer segmentation model applied to WC customer base Clearly articulated value proposition for each segment (and channel) End to end customer journey per segment designed, aligned to channels Single customer view across products, claims, and channels Strategic partnerships with government & industry to drive injury campaigns 	<ul style="list-style-type: none"> Dynamic, real-time pricing linked to segmentation model Single pricing and rating engine, no manual pricing Automated underwriting for 80% of policy volumes Automated quote and bind Automated 1st line risk review Digital forms, e.g. certificate / PDS automation 	<ul style="list-style-type: none"> Straight through processing of new business and renewals Multi-channel distribution approach Direct digital experience Commission structure tied to quality of book, RTW outcomes Pro-active outbound injury prevention campaign Self-service access to policy, cover, and claims history (customers and brokers) 	<ul style="list-style-type: none"> Automated risk based triage model Single lodgement and coding team One touch claims finalisation Digital and phone based lodgement Pro-active injury mgmt. on first notification of loss; steer to own provider network Provider integration to book first injury assessment Straight through processing with evidence based medicine screening 	<ul style="list-style-type: none"> Digital payments (EFT, BPAY) Single provider panel with consistent payment terms Single view of provider spend, proactive leakage analytics Single investigations and recoveries team Single legal / litigations team to share expertise across jurisdictions Provider integration to automate bookings and billing Automated regulatory reporting Outcomes based treatment
Typical benefits potential	<ul style="list-style-type: none"> 10-20% improved cross-sell from better segmentation 5-10% GWP uplift Customer and employee satisfaction improvement 	<ul style="list-style-type: none"> 30-40% reduction in underwriting and pricing costs (FTE savings) 	<ul style="list-style-type: none"> 20-30% reduction in acquisition cost (FTE savings) 30-40% reduction in renewals cost from self-service 20-30% reduction in commissions / fees 	<ul style="list-style-type: none"> 40 → 70% claims with < 26 weeks duration (improved RTW) 10-20% caseload uplift (open claims / case manager) 20-30% unit rate improvement from supplier consolidation 20-30% total CHE reduction 10-15% claims indemnity reduction 	

Source: Strategy& analysis based on Strategy& / PwC experience in workers compensation and related industries; Strategy& FFG benchmarks

FFG addresses all key benefits pools in Workers Compensation from GWP growth and improved cross-sell through claims handling efficiency to faster return to work and lower average claims costs.

Reorganise for Growth

Insurers need to prepare for growth by ensuring their organisation model, processes and systems are centred on the customer to support their growth agenda and allow them to respond to the changing Workers Compensation landscape.

Case study: A leading international insurer adopted a customer-centric model by going to market with three distinct customer segments, each with their own P&L. Each customer segment develops its own go-to market strategy, business development and product management, tailored to each segment. Products are offered and written to the customer value proposition (CVP) of each segment, e.g. based on inherent risk in different employer industries, acknowledging the common risk across all industries.

In this context, key levers to improve customer centricity (and profitability) included:



- **Segments & CVPs:** ability to understand the underlying needs of employers in different industries (e.g. mining, agriculture); employer customer as an asset view (as opposed to a product view) to maximise share of wallet potential; summation of customer risk when quoting as opposed to an aggregation of multiple policies sold; and to deliver tailored solutions that meet specific segment needs
- **Pricing:** price risk on a micro-segment basis, behavioural segmentation insights, price sensitivity, and geolocation mapping to price risk (e.g. using a mix of industry and claims history data sets)
- **Products:** speed to market, new ideas (e.g. sharing economy, cyber products), harmonising current product complexity supported by a common, integrated product platform (a single product and underwriting system which supports a streamlined process for both employees and brokers and easily interfaces into employer and broker systems)
- **Incentives / commissions:** aligning commissions (in an intermediated context) to customer value, e.g. shifting from flat commissions to commissions and other incentives based on quality of the book (loss ratio, renewal rate) and customer outcomes
- Taking an **active prevention approach** in the community, e.g. workplace safety and community risk rating

In addition to organising around the customer, insurers must also work through the practicalities across the value chain: the role of each function at each stage and each customer touchpoint, as well as how functions interact with each other to deliver value to the customer.

Transforming the cost structure

Given the spiraling underwriting and admin costs, a key focus for insurers is to drive efficiency and effectiveness by transforming their claims models. This involves two steps: 1) transforming the way claims are segmented and triaged and 2) reorganising the supporting operating model³ around it. Using this approach, insurers can typically deliver 20-30% improvements in caseloads, claims frequency, reduced hand-offs between claims consultants, return to work (RTW) outcomes, etc. as shown in Figure 7.

³ I.e. structures, processes, decision rights, and systems / information flows



Figure 7: Levers for driving efficiency and effectiveness in Workers Compensation claims

Long Tail Claims Transformation Levers		Benefit Type			
		Quantitative Benefit Drivers	Indemnity	Efficiency	
				Labour	Non-labour
A	Improve team utilisation and productivity , e.g. increasing case manager capacity and caseload by reducing low value tasks and increased skills specialisation	• Caseload per FTE		✓	} Labour savings driven by improved utilisation and reduced duplication
B	Reduce overlapped activities and resources , e.g. reduce overhead and duplicate roles	• Caseload per FTE		✓	
C	Reduce footprint (assuming that the space can be utilised by another part of the team)	• # property sites • Avg cost / FTE			✓ Based on FTE reduction expected from Levers A + B
D	Shorter claims duration , e.g. improve claims outcome by adopting best practices and through increased skills specialisation (and alignment of FTE capability with claim complexity)	• Avg claim indemnity cost - claim cost excl. 3 rd party and settlement	✓		} Indemnity savings split across levers (no duplication)
E	Supply chain procurement scale and negotiation power , e.g. national model and negotiate lower costs with higher volume of business on offer	• Avg claim indemnity cost - 3 rd party costs only	✓		
F	Better claims settlement , e.g. specialised resources focused on dispute management, settlement negotiations	• Avg claim indemnity cost - lump sum settlement only	✓		

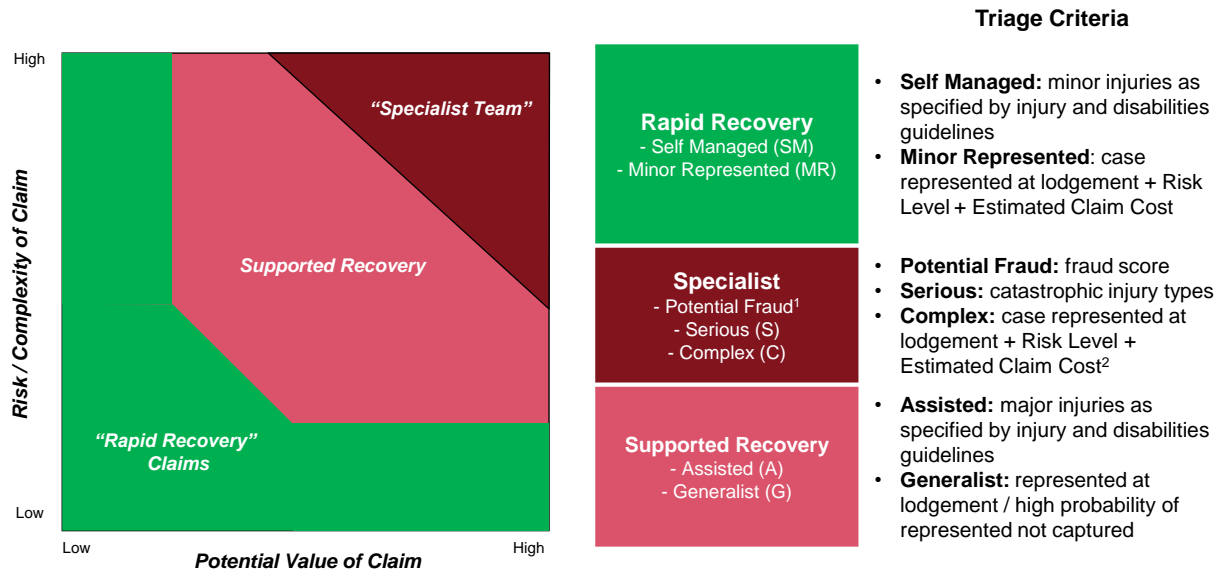
Case study: A multi-line commercial insurer transformed its cost structure by implementing an automated claims triage model and orienting its claims team structure and processes around it. Benefits were realised by:

- **Simplifying the claims management process** – combining lodgment and triage steps of the process workflow, minimising claim hand-offs and reallocations between case managers and teams, early identification and intervention of problematic claims to mitigate risk and shorten duration
- **Aligning effort to risk** – decreasing claims costs as simple and low risk cases can be resolved faster (from lodgment through to file closure) and decreasing the overall case load of the team, shifting the focus towards achieving better outcomes on larger, complex claims and better use of claims support staff (injury management advisors, medical and legal advisors, etc.)

The latter point was achieved by ‘triaging’ claims up front along two dimensions: potential value and risk / complexity of the claim (see Figure 8). Depending on the triage outcome, claims were then ‘streamed’ to case management teams with the right skills and expertise (e.g. specialist claims for serious, fraudulent, or highly complex claims).



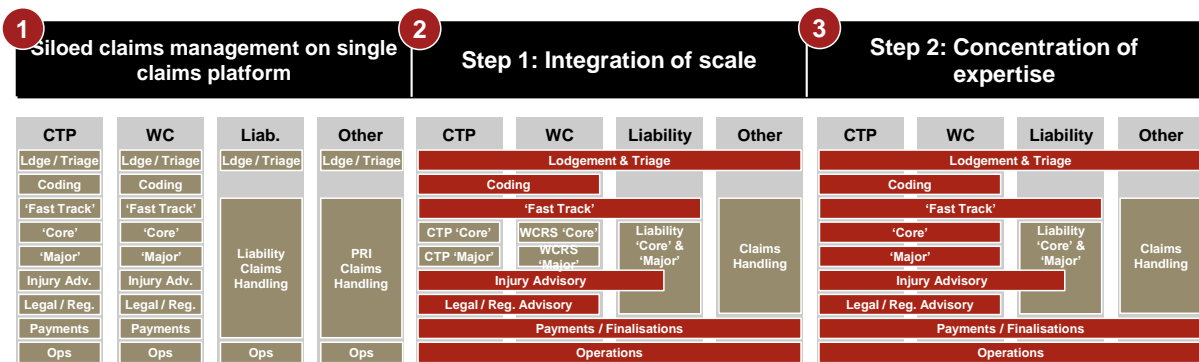
Figure 8: Automated Risk based Claims Triage Model



Source: Strategy& analysis

In order to drive scale the insurer decided to manage different classes of long tail claims (Workers Compensation, personal injuries, 3rd party liability, and others) through the same claims function and model. This required striking the right balance between consolidation of common activities for scale (lodgment, injury coding, collections, payments, etc.) whilst keeping class-specific activities separate (e.g. class specific injury management). As part of the transformation, the insurer brought all claims teams and processes onto a single claims system to streamline end to end operations. Figure 9 below shows the evolution of the claims operating model from claims teams in functional silos to an integrated claims function using the same claims triage model.

Figure 9: Three steps towards a single claims triage and operating model



Source: Strategy& analysis



Build Differentiating Capabilities

Insurers win in the market by investing in differentiated capabilities and diverting funds away from low value initiatives or 'nice to haves'. For Workers Compensation insurers this has often been through customer-focused digital initiatives to increase convenience and ease of access, e.g. icare's automated online policy renewal (including payments), WorkSafe Victoria's partnership with HICAPS to minimise out of pocket payments and manual paperwork for claimants, and use of digital first notification of workplace loss by some insurers. Figure 10 below shows some of the typical capability opportunities along the worker compensation value chain.

However, differentiating capabilities in Workers Compensation can be better use of data and analytics to drive faster return to work and reduce claims leakage (e.g. over servicing by health providers). A key example is the adoption of evidence based medicine (EBM) practices to ensure that the delivery of healthcare for work related injuries are in line with evidence based best practices. This is often supported by a software platform such as ODG (Official Disability Guidelines) or MDGuidelines to assist with claims assessment (e.g. claims cost and risk estimates / reserving, and ICD coding), correspondence (e.g. treatment proposals), and settlement (e.g. research for litigated claims) with physicians, lawyers, and other parties involved in settling a claim.

Some insurers have further increased efficiency and effectiveness by integrating EBM analysis and screening directly in the straight through processing and reserving of claims, e.g. by flagging high risk / high cost claims based on injury codes, likelihood of litigation, and other parameters.



Figure 10: Key capabilities from Fit for Growth along the Workers Compensation value chain

	People	Process	Technology
Customer, Product & Underwriting	<ul style="list-style-type: none"> Structures, decision right and incentives to drive differentiated / segment specific pricing 	<ul style="list-style-type: none"> Underwriting, rating, and commercial pricing aligned to different and varying WC needs Modular product model to tailor WC cover and wording to different segments Automated segmentation of customer 	<ul style="list-style-type: none"> Centralised, dynamic rating to enable differentiated pricing Ingesting different data sets in real-time to price better
Distribution	<ul style="list-style-type: none"> Automated commercial pricing guard rails to avoid excessive discounting Incentives aligned to both revenue and quality of book 	<ul style="list-style-type: none"> Enforcement of commercial pricing guard rails Streamlining of key distribution processes (outbound, renewals, PDSes) to automate and digitise 	<ul style="list-style-type: none"> Single front-end to enable digital quote/bind and renewals
Claims – Lodgement & Triage	<ul style="list-style-type: none"> Train lodgement staff with basic medical knowledge to steer claimant to preferred providers Multiskilling of injury and coding teams to code cases across claims and jurisdictions (drive scale) Single team to manage fast-track claims across states and classes 	<ul style="list-style-type: none"> Single claims model based on cost and complexity, with automatic streaming to best case team Single lodgement process across classes and jurisdictions to drive scale (with minimal exceptions) Influencing regulators to allow for digital lodgement, e.g. as icare NSW Common workflow for fast track claims to support single team 	<ul style="list-style-type: none"> Straight through processing (STP) workflow Automated triage upon FNOL Integration of evidence based guidelines to assess risk / cost of new claims and automatically assign
Claims – Handling & RTW	<ul style="list-style-type: none"> Central regulatory / legal team for concentration of skills and expertise 	<ul style="list-style-type: none"> Shared screens between lodgement teams and case managers to minimise hand-offs Supervisory ability to review and audit claims, e.g. based on key milestones / KPIs All case data in single system / process to eliminate paperwork and doublehandling 	<ul style="list-style-type: none"> Dashboards to monitor case management performance (caseload, frequency, avg. reserving, regulatory KPIs) Integration with provider systems, HICAPS
Claims – Resolution	<ul style="list-style-type: none"> One team of legal and regulatory specialists that manage technical aspects of settlement Central panel management function to leverage scale and drive provider performance 	<ul style="list-style-type: none"> Harmonised settlement process to the extent that regulation allows Preferred provider panel to drive better unit rates and reduce leakage 	<ul style="list-style-type: none"> Supplier system integration, e.g. for contract management, document management

Put Culture to Work

When implementing large scale change, insurers also need to focus on getting the right behaviours and values in place to enable change and drive performance. Workers Compensation insurers typically have challenges around ingrained culture that need to be addressed, e.g. limited customer focus, industry relationships clouding commercial / RTW outcomes, and career progression. Figure 11 summarises key culture challenges and useful interventions to address them.

Case study: a leading global insurer had redesigned its operating model for long-tail claims (Workers Compensation, injury, and 3rd party liability). The new model drove claims efficiency

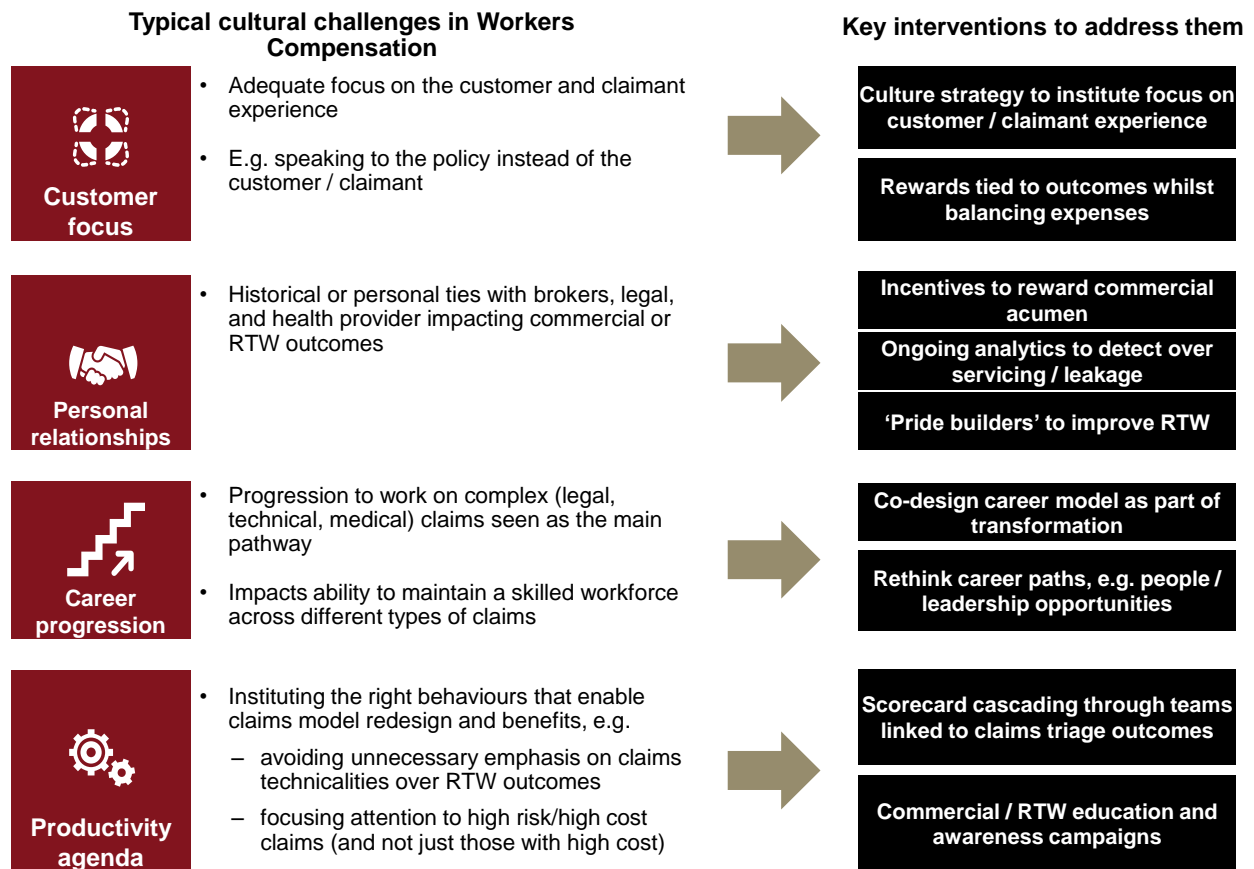


and RTW effectiveness by segmenting claims by potential cost and risk/complexity and consolidation of activities (e.g. lodgement across different claims classes) to drive scale.

However, cultural pride impacted buy-in and benefits realisation, e.g. as case managers took pride in managing claims end to end from notification to settlement.

The insurer drove two key initiatives to change the culture: behaviour and values redesign tied to personal KPIs (e.g. bonus tied to RTW outcomes) and a redesigned career model with new pathways (e.g. specialising in claims analytics; team leadership opportunities).

Figure 11: Cultural challenges and corresponding interventions



Implications & Next Steps

Becoming Fit for Growth has significant implications along the insurance value chain in terms of people, process, and technology. To manage the impact, Workers Compensation insurers need to:



- Understand key skills and capability gaps (e.g. claims analytics skills to build and maintain automated triage models) and proactively resource as new underwriting and claims models are rolled out.
- Ensure key processes are designed, consolidated, and streamlined in a business-led way and avoiding designing the operating model to a particular technology (e.g. a claims system). On the other hand, standard processes in core insurance systems can often provide the fastest way of standardising processes. Business SMEs, e.g. case officers, should be engaged to advocate common, standardised processes where practical.
- Explore new opportunities for growth e.g. through new offerings, competing in direct channels, and cross-sell / up-sell driven by real-time analytics.
- Pursue the opportunity to automate processes on common IT platforms and rationalise the IT spend. For instance, modern claims systems, real-time analytics, and machine learning can increase straight through processing of claims significantly. Legacy niche Workers Compensation systems can then be switched off.



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