WorkCoverSA - Scheme Update

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Presentation overview

• Current position
  – Overview of South Australian scheme
  – Results at 30 June 2013

• Current strategies
  – Scheme improvement initiatives
Overview of South Australian scheme

- High cost scheme
- Prevention managed separately - SafeWorkSA
- New Board (November 2013)
- New Management team (February 2013)
- Clear Ministerial expectations of improved performance & initiatives
- Premium managed in house (new ERS)
- Claims & legal outsourced (new arrangements 1 January 2013)
- Common law not a feature in SA
WorkCoverSA by the numbers

• 50,000 registered employers covering ~500,000 workers
• ~35% of the State workforce is self-insured
• General numbers each year
  – ~$650m premium collected
  – ~$420m claims costs
  – ~$125m scheme expenses
• Good investment returns
Employers by base premium

- < $20,000 base premium and < $300,000 remuneration: 90.6%
- >= $20,000 and <= $500,000 base premium and >= $300,000 remuneration: 56%
- > $500,000 base premium: 19%

Likely to have a claim every…
- < $20,000 base premium and < $300,000 remuneration: 14 years
- >= $20,000 and <= $500,000 base premium and >= $300,000 remuneration: 5 months
- > $500,000 base premium: 2 weeks
## Indicative cost of claims over time

<table>
<thead>
<tr>
<th>Group</th>
<th># claims</th>
<th>% claims</th>
<th>Lifetime cost ($m)</th>
<th>Average cost</th>
<th>% cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 2 wks &amp; medical</td>
<td>13,500</td>
<td>74%</td>
<td>26</td>
<td>1,950</td>
<td>4%</td>
</tr>
<tr>
<td>2-13 weeks</td>
<td>1,700</td>
<td>9%</td>
<td>13</td>
<td>7,500</td>
<td>2%</td>
</tr>
<tr>
<td>13-26 weeks</td>
<td>1,000</td>
<td>5%</td>
<td>17</td>
<td>17,000</td>
<td>3%</td>
</tr>
<tr>
<td>&gt; 26 weeks</td>
<td>2,000</td>
<td>11%</td>
<td>570</td>
<td>285,000</td>
<td>86%</td>
</tr>
<tr>
<td>Serious Inj.</td>
<td>25</td>
<td>0.1%</td>
<td>38</td>
<td>1,500,000</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>18,225</td>
<td>664</td>
<td>36,410</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
New claim trends

- Claims Incurred
- Income Maintenance Claims > 10 days incurred

Graph showing the trend of claims incurred and income maintenance claims from 1987-1988 to 2012-2013.
RTW compared nationally

- Are you currently (at 7-9 months) working in a paid job?

2012/13 Headline Measures Report (Australia and New Zealand), August 2013 (Figure 3, page 5)

^ SA > 10 days los, * Small sample size
Results at 30 June 2013

- Scheme funding **63.7%**
- Outstanding claims liability for all funds **$3.725b** ($1.366b unfunded)
  - Compensation fund outstanding claims liability **$3.552b**
- In 2012-13
  - **16,774** claims incurred from WorkCover insured employers (~65% scheme)
  - **5,051** income maintenance claims >10 days lost time incurred
  - **2,309** claim disputes
  - Net investment return **13.1%** ($253m)
- 2012-13 hindsight rate **3.28%** at June 2013 vs. premium charged of 2.75%
- Current forward break even premium rate in excess of **3.3%**
Liabilities at 30 June 2013

$0m  $500m  $1,000m

<table>
<thead>
<tr>
<th>Period</th>
<th>Liability (incl. risk margin)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-13</td>
<td>$670m</td>
</tr>
<tr>
<td>Jun-12</td>
<td>$539m</td>
</tr>
<tr>
<td>Jun-11</td>
<td>$432m</td>
</tr>
<tr>
<td>Jun-10</td>
<td>$333m</td>
</tr>
<tr>
<td>Jun-09</td>
<td>$333m</td>
</tr>
<tr>
<td>Jun-08</td>
<td>$313m</td>
</tr>
<tr>
<td>Jun-07</td>
<td>$273m</td>
</tr>
<tr>
<td>Jun-06</td>
<td>$125m</td>
</tr>
<tr>
<td>Jun-05 &amp; prior</td>
<td>$339m</td>
</tr>
<tr>
<td>Scheme management</td>
<td>$285m</td>
</tr>
</tbody>
</table>

Less recoveries of $91m

- Income Maintenance: $2,101m, 58%
- Medical: $520m, 14%
- Lump sums: $285m, 8%
- Other: $175m, 5%
- Rehabilitation: $147m, 4%
- Legal: $145m, 4%
- Hospital: $95m, 3%
- Travel: $68m, 2%
- Physical Therapy: $55m, 1%
- Expenses: $147m, 4%
- Travel: $68m, 2%
- Physical Therapy: $55m, 1%
Premium vs. liability at 30 June 2013
Strategies

- Free advisory service for injured workers, employers and the public, launched August 2013
- Early intervention with employer workplace visits for small employers
- Enhancing use of RRTW Coordinators
- Improved focus on the work capacity review provisions
- Revised claims agent KPIs & more active management
- Improving reporting, scheme analytics and data mining
- Increasing fraud and investigation act
- Enhanced outcome focussed vocational rehabilitation model
- Remissions and Supplementary Payments Scheme (RASP) for employers