

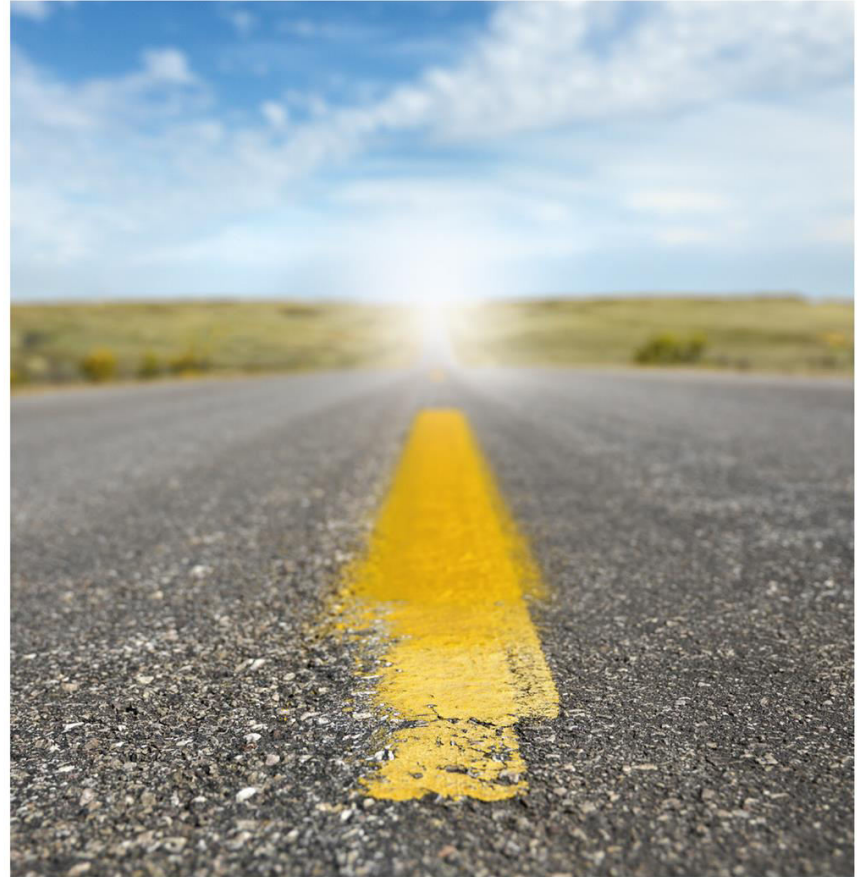
Injury Schemes Seminar

Road to Recovery



**Actuaries
Institute**

8-10 November 2015 • Hilton • Adelaide





Interactions between income systems

Lisa Simpson and Raewin Davies

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Injury Schemes Seminar.*

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Income systems



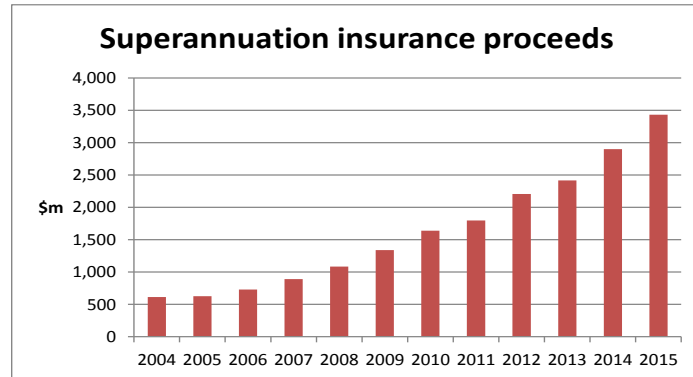
For persons unable to work, alternative sources of income can include:

- Individual savings – including personal, group life and private insurance, and spousal income
- Government – Centrelink, Medicare, Public Hospitals
- Compulsory insurance – workers' compensation and CTP

Claiming behaviour across the income streams

- What is the experience across the income streams?
- What interactions are there between the income sources ?
 - Scheme benefit changes?
 - Behavioural economics?
 - Demographic shifts?

Trends in group life insurance



Superannuation payouts include both TPD and salary continuance, with the lump sum TPD driving the increase.

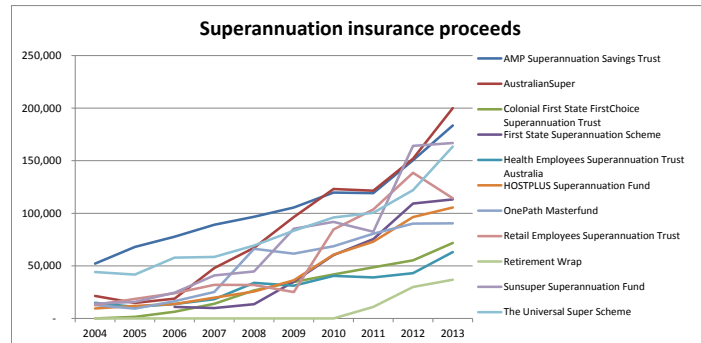
Access to insurance benefits is widely promoted:



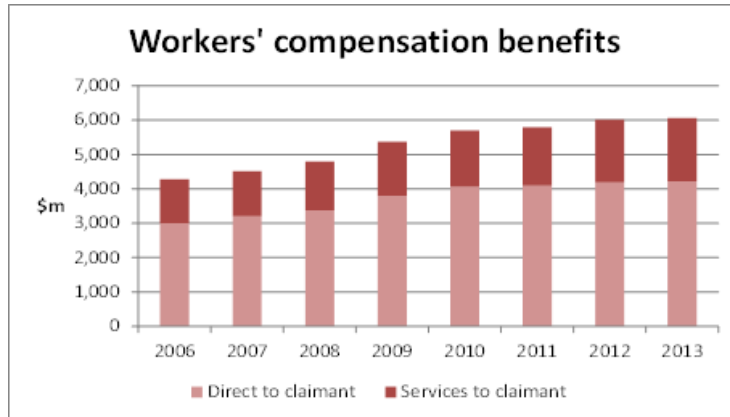
You're eligible for a TPD lump sum payment if you can show you're not able to do your normal job or any other work related to your training and experience. That doesn't mean you're unfit for all work – just the work that fits your skills and experience. For example, a bad back that stops you from working in your normal construction job allows you to make a TPD claim, even if your doctor says you're still fit for office work.



TPD insurance is a lump sum payment paid to yourself and is used to clear out debts, provide funds for medical costs and annual income streams to ensure you maintain the same quality of lifestyle. It is generally paid when you have been advised by a medical specialist that you will never work again.



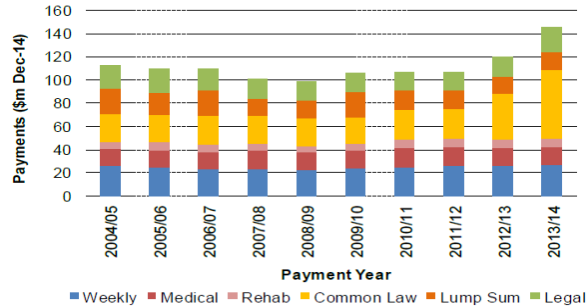
Trends in workers compensation



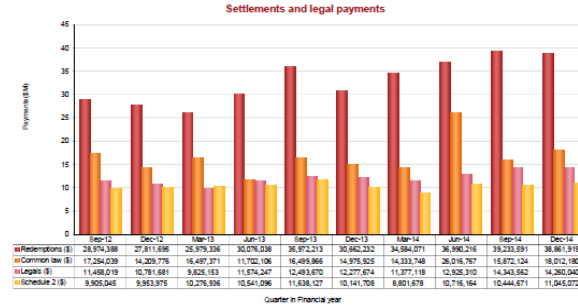
- Overall growth has been slower than that of superannuation payouts
- Changes in benefits are a factor in payment experience

Common law trends and scheme changes

ACT Workers'

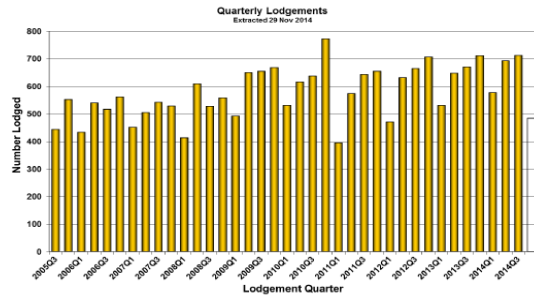


WA Workers'



- Some trends towards increasing use of common law

WorkSafe Victoria



** Note: 2014Q4 represents only 2 months of data

Changes in scheme design

Common law thresholds:

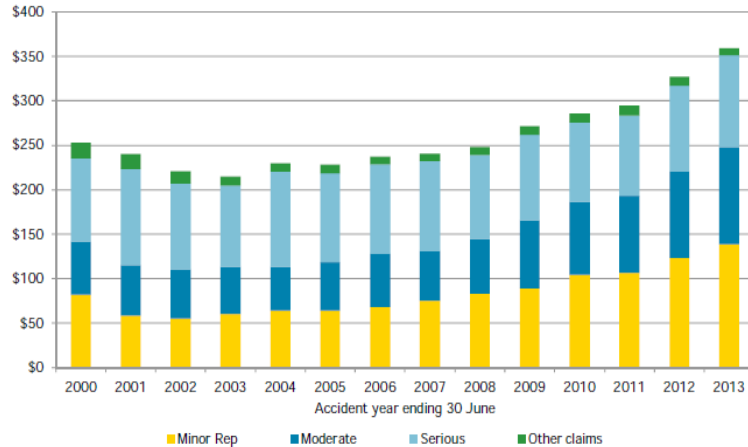
State	Motor Liability	Workers Compensation
QLD	ISV for general damages	ISV for general damages Current >5% DPI for any damages
NSW	10% WPI For Pain and Suffering	15% DPI for damages
VIC	Narrative test or >30% WPI	Narrative test or >30% WPI
ACT	None	None
SA	> 10% ISV for NEL, Voluntary services and > 7% ISV for loss of earning capacity	> 30% WPI for economic loss only >5% for NEL and Economic loss statutory lump sums
WA	> 5% for NEL	> 15% PWPI for damages
NT	Not available	Not available
TAS	None	> 20% WPI

Recent trends with schemes' benefit changes:

- Common law thresholds
- Limiting period for weekly benefits
- Increasing focus on early intervention and rehabilitation

Case study: claimant response to thresholds

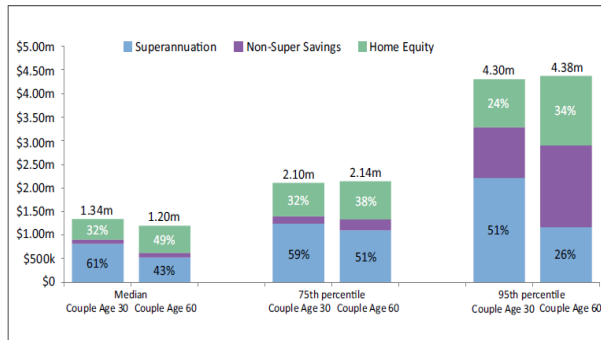
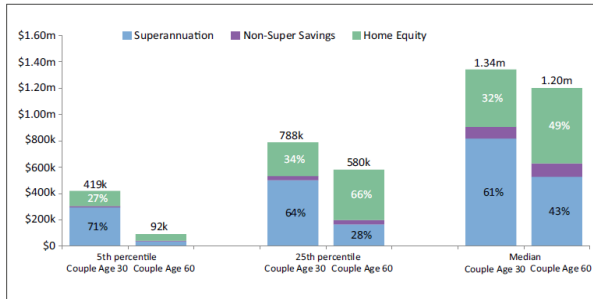
NSW CTP, Cost per policy



- Significant reforms in 1999
- Steady reduction in number of minor claims, particularly for legal represented claims
 - Claiming less economically attractive for injured persons (& plaintiff law firms)
 - Increase in average size of minor claims
- More recently, utilisation of future care has been increasing

Intergenerational differences – sources of wealth

Projected sources of wealth at age 65,
 for cohorts of 30 year old & 60 year old couples :

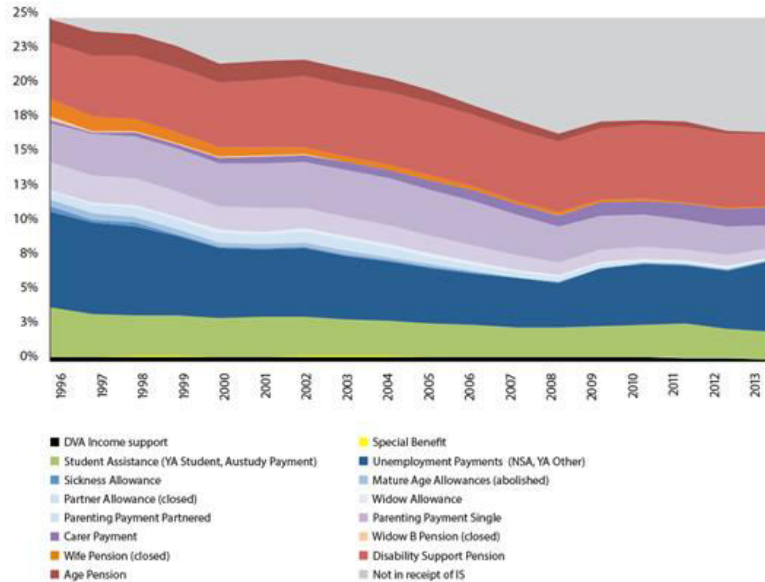


The introduction of compulsory superannuation in 1994 has changed savings patterns.

As a proportion of overall wealth:

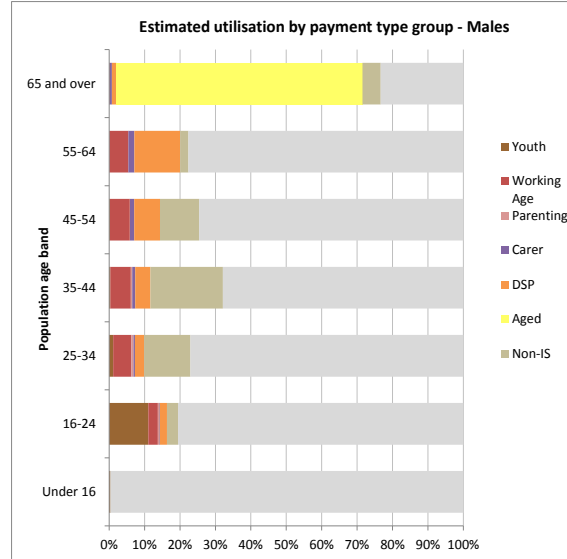
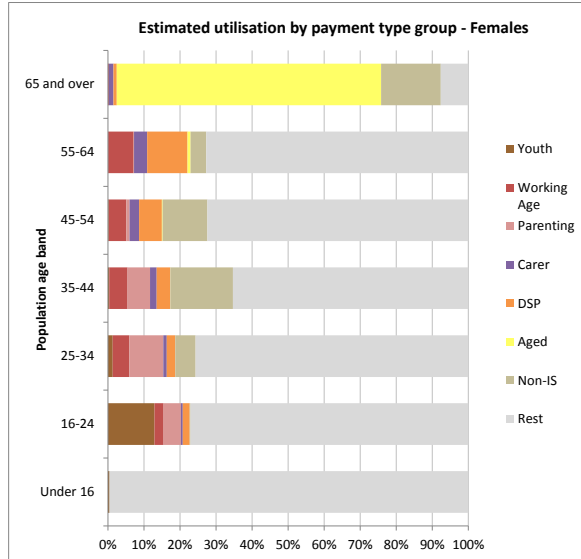
- Generation X has a much higher proportion of superannuation savings
- Older workers have higher savings in homes and other

Trends in welfare utilisation



- Increases in the age pension eligibility age is increasing the utilisation of the disability support pension
- The interaction between the aging population, later access to pensions and superannuation can be anticipated to impact workers' compensation utilisation for the 55-65 year old group

Welfare utilisation by age and gender

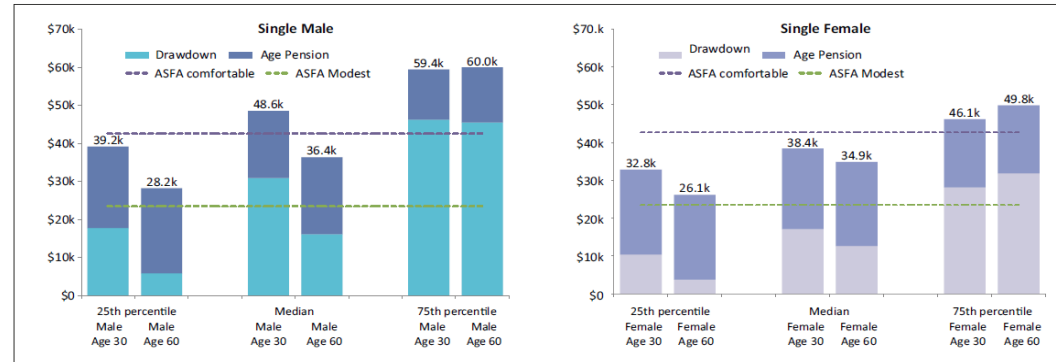


Overall, between 20-30% of the working age population receive welfare

Welfare is therefore an important part of the decision making process through the income systems

Behavioural and household economics

Citizen 1	Citizen 2
Time, attention and ability	Limited time, attention and ability
Planner	Present biased
Just the facts	Presentation matters
Personal outcomes, selfish	Social considerations
Rational computer	Looks for cues to take shortcuts



Person's with low superannuation savings are more reliant on the age pension
This has implications for the attractiveness of common law settlements, via Centrelink's preclusion period

Case study

Worker profile:	
Pre-Injury earnings	\$45,000
Centrelink benefit	\$22,000
Current age	60
Years to retirement	6

	Option 1	Option 2	Option 3	Option 4	Option 5
Lump sum benefits					
Economic loss	\$0	\$0	\$221,280	\$221,280	\$221,280
Pain and suffering	\$0	\$0	\$0	\$100,000	\$100,000
TPD	\$0	\$65,000	\$0	\$0	\$65,000
Total lump sum	\$0	\$65,000	\$221,280	\$321,280	\$386,280
Legal fees	\$0	\$10,000	\$50,000	\$50,000	\$60,000
Centrelink exclusion period (weeks)	-	-	118	171	171
(years)	-	-	2.3	3.3	3.3
Compensation and welfare benefits to retirement					
Year 1	\$22,000	\$77,000	\$171,280	\$271,280	\$326,280
Year 2	\$22,000	\$22,000	\$0	\$0	\$0
Year 3	\$22,000	\$22,000	\$16,214	\$0	\$0
Year 4	\$22,000	\$22,000	\$22,000	\$15,714	\$15,714
Year 5	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Year 6	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Total payments	\$132,000	\$187,000	\$253,493	\$330,994	\$385,994
Average payments p.a.	\$22,000	\$31,167	\$42,249	\$55,166	\$64,332
<i>Health care card provides additional benefits</i>					