



# NSW Self Insurers Association

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**Actuary**

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# AGENDA

NSW Self Insurers Association September 2021

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## INTRODUCTION

Overview

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## SCHEME WIDE ISSUES

COVID-19  
Mental Injury claims  
Other challenges

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## SELF-INSURANCE

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## STATE SCHEMES

NSW  
VIC  
QLD  
SA

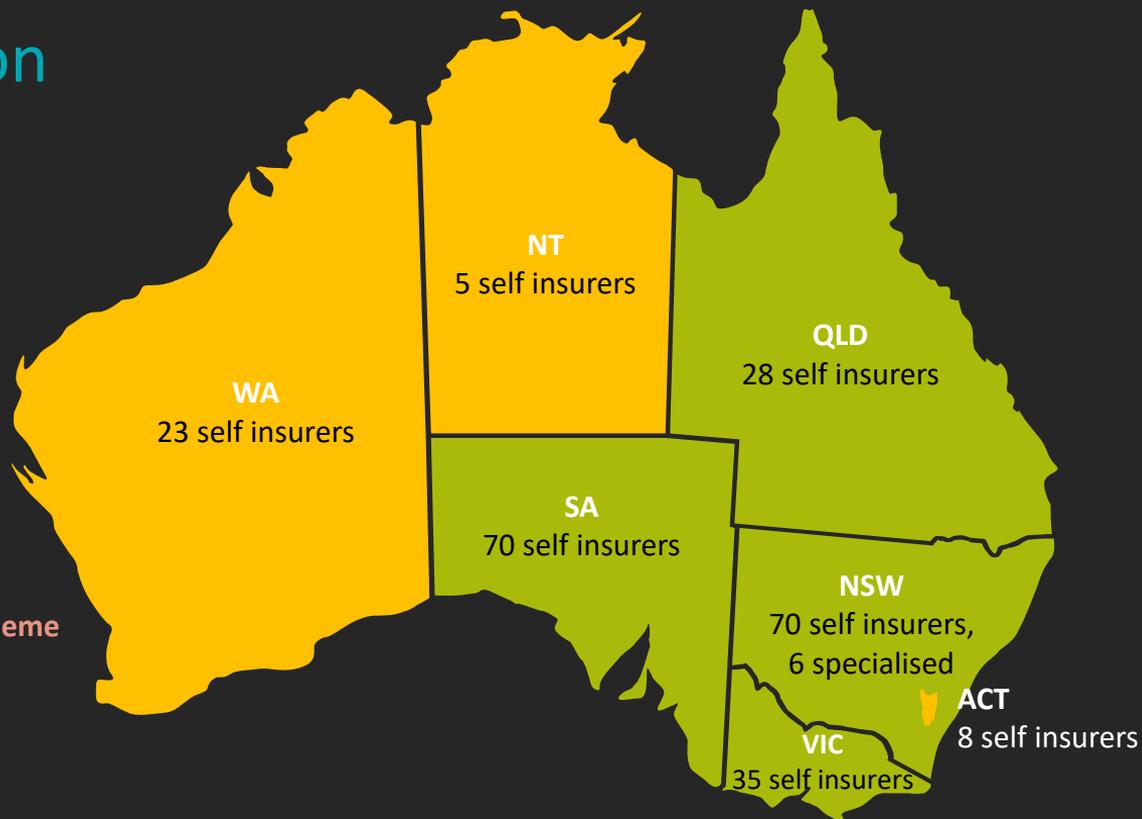
# Overview

# Workers Compensation and self-insurers in Australia

Centrally funded government schemes

Privately underwritten

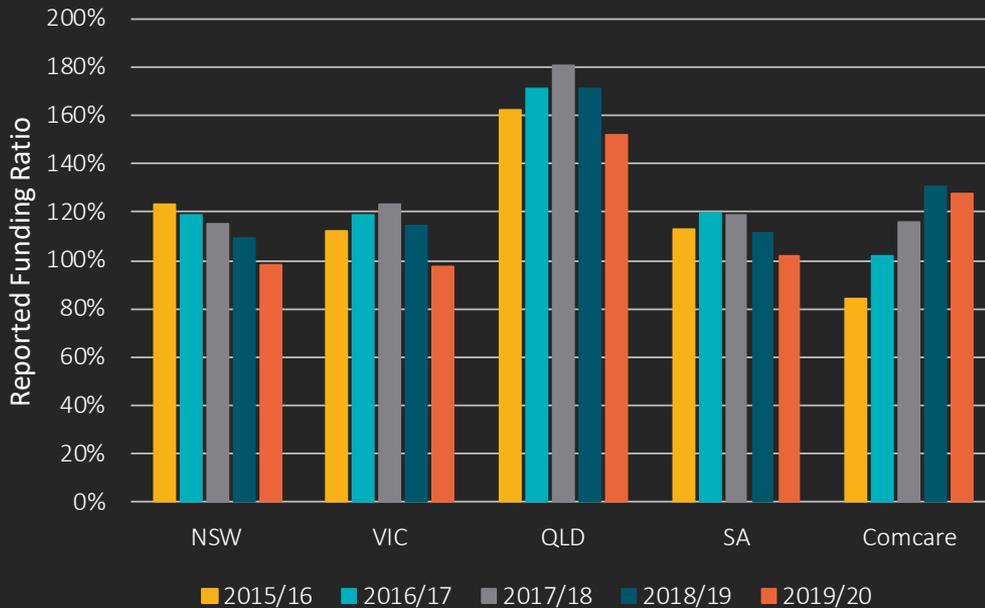
Comcare  
Commonwealth scheme  
40 self insurers



# National snapshot

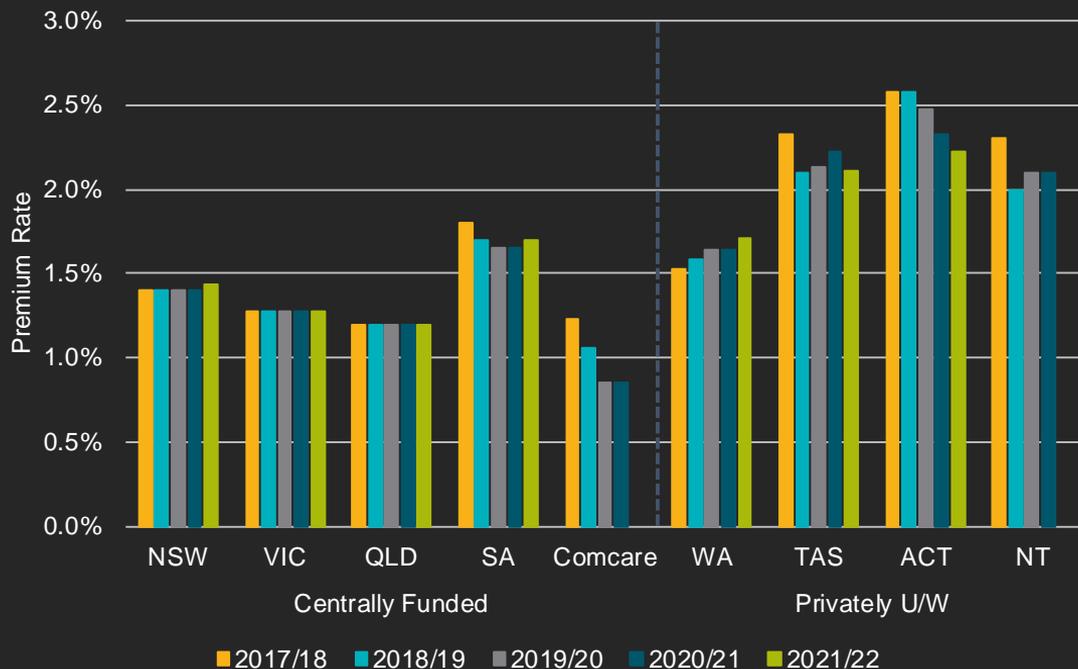
State	Funding Ratio		Premium Rates FY21 vs FY22	Reported profitability FY20
	FY20	Change		
NSW	<100%	↓	↑	Loss
VIC	<100%	↓	→	Loss
QLD	>100%	↓	→	Loss
SA	~100%	↓	↑	Loss
Comcare	>100%	↓	n/a	Loss
WA	n/a	n/a	↑	Small profit
TAS	n/a	n/a	↓	
ACT	n/a	n/a	↓	
NT	n/a	n/a	n/a	

# Funding ratios reduced for all states in FY20



- Funding ratios trending downwards in all jurisdictions except Comcare
- NSW, VIC in deficit (balance sheet calculated rather than reported funding ratio)
- SA just over 100%

# Targeted premium rates stable in 'state' schemes



- Despite falling funding ratios in NSW (and other states) premium rates have remained relatively stable in all centrally funded government schemes
- 3% increase in premium rates for both NSW and SA for FY22

# Key market wide challenges

## ENVIRONMENT

- Low investment returns
- High claims inflation
- Claims mix – shift toward higher cost claims (longer duration, mental injury claims)
- COVID-19 uncertainty
- Changing workplace landscape

## EMERGING / STRATEGIC ISSUES

- Primary and secondary psychological claims – increased awareness and acceptance
- Difficulty in increasing premium rates when there is low corporate profitability, low wages inflation and increasing unemployment
- Claims management automation
- Control of claims cost escalation
- GIG economy

# COVID-19

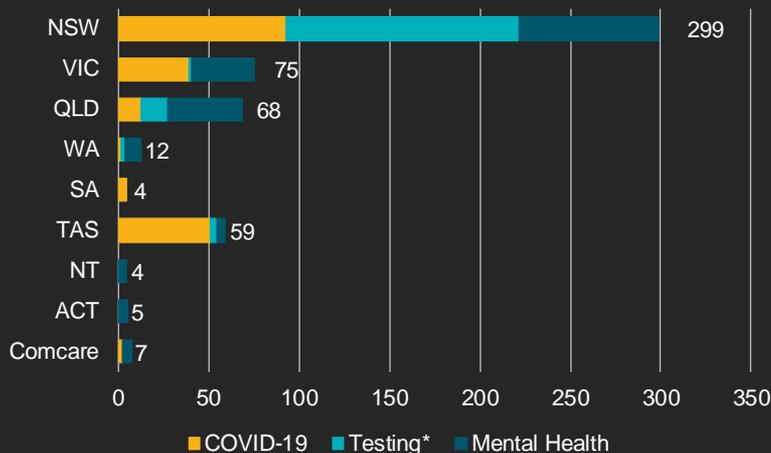
# COVID-19 impact on claims

Direct claims	Mental Injury claims	Indirect impacts	Other considerations
<ul style="list-style-type: none"><li>• Contracting COVID-19: NSW presumptive legislation</li><li>• WFH claims</li><li>• COVID-19 related death claims - e.g. NSW claim, US trip, \$12m</li></ul>	<ul style="list-style-type: none"><li>• Fear, lockdown impact, anxiety re: RTW, vaccination, job security</li><li>• Some self-insurers are seeing fewer performance management action related mental injury claims</li></ul>	<ul style="list-style-type: none"><li>• Slower return to work - lack of suitable duties</li><li>• Delays in elective/non-urgent surgeries</li><li>• Disruption to claims management</li><li>• Drop in claim volumes</li></ul>	<ul style="list-style-type: none"><li>• Impacts depend on industry (see next slide)</li><li>• Will employers be able to make vaccines compulsory?</li><li>• “Long COVID” – possibly could lead to significant WC claims</li></ul>

# COVID-19 related claims

- At end July 2020 there were over 500 COVID-19 related claims lodged in Australia
  - ~40% by workers diagnosed with COVID-19
  - ~30% related to isolation requirements
  - ~30% relate to mental health impacts

## COVID-19 by State



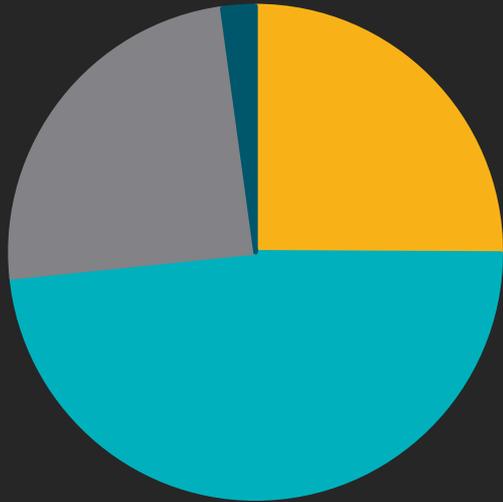
## COVID-19 by Occupation



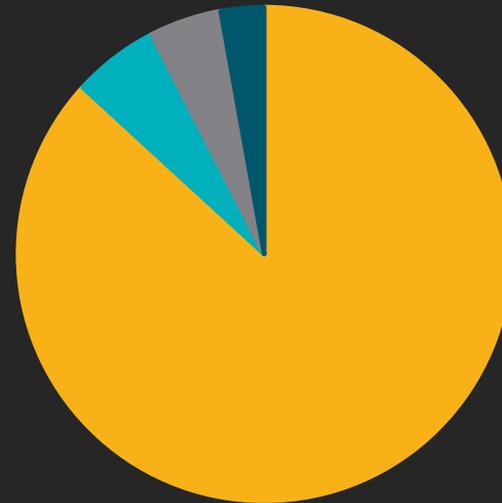
# COVID-19 related claims – NSW only

- Mid August 2021 there were over 750 COVID-19 related claims and notifications lodged in NSW

Employers (~300 claims)



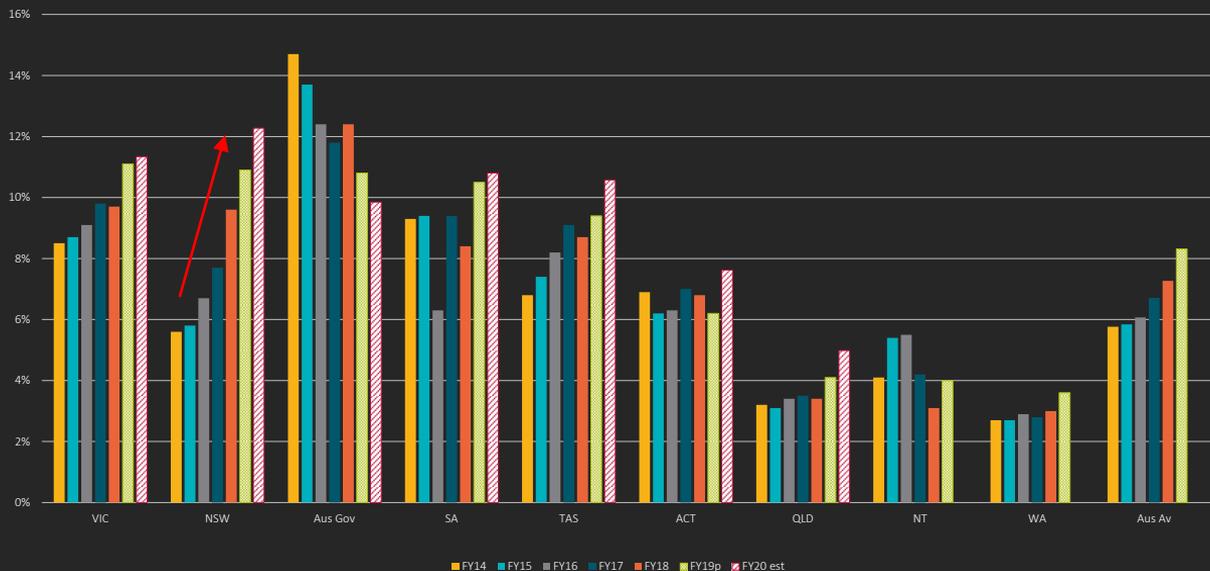
Self-insurers (~100 claims)



- Confirmed diagnosis
- Exposure only
- Psychological
- Other, incl. reaction to vaccine

# Mental injury claims

# Mental injury claims as proportion of 'serious claims'



- Proportion of mental injury claims has increased nationally
- NSW has had the largest increase in the proportion of mental injury claims
- Comcare is a significant outlier with a decreasing proportion

# Mental injury claims cost significantly more than other claims

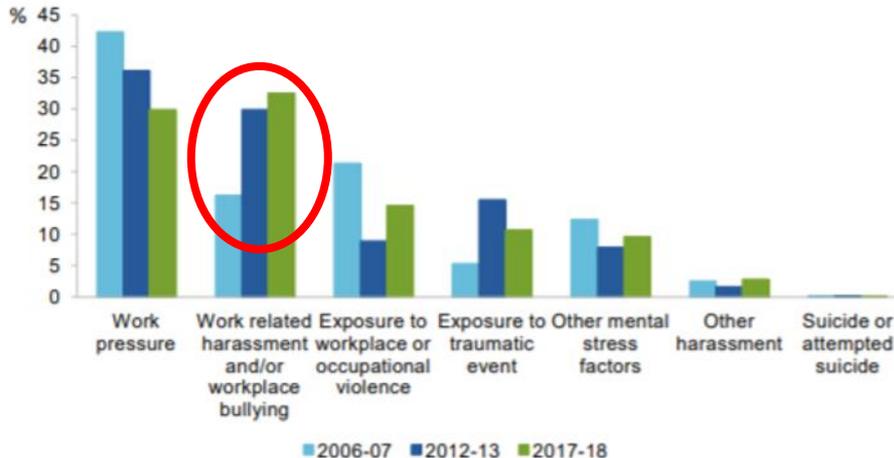
	<b>Mental Injury claims</b>	<b>All Serious claims</b>
Duration (median)	21 weeks – 2017/18 15 weeks – 2013/14	6 weeks – 2017/18
Average Cost (median)	\$36,000 – 2017/18 \$26,000 – 2013/14	\$13,000 – 2017/18 \$10,000 – 2013/14

- Average cost and duration of mental injury claims is ~3 times higher than all serious injury claims

# The profile of mental injury claims is changing...

Figure E.1 Accepted workers compensation claims, by type of mental stress

Share of total accepted serious claims in Australia, selected years<sup>a</sup>



<sup>a</sup> Serious claims are those accepted claims that resulted in absence from work of a single working week or more. Data does not include Victoria and is provisional for 2017-18.

Source: Safe Work Australia's National Data-Set for Compensation-based Statistics.

- Fewer relating to “work pressure”
- More relating to “bullying and harassment”
- Bullying / harassment claims have the longest durations
- Impact of COVID-19?

# Self-Insurance

# Trend towards self-insurance in NSW

Jurisdiction	Number of self-insurers 2011	Number of self-insurers 2017	Number of self-insurers 2021
NSW	60	60	70
Victoria	37	38	35
Qld	25	28	28
SA	67	69	70
WA	27	24	23
Comcare	29	35	40
Total	245	254	266

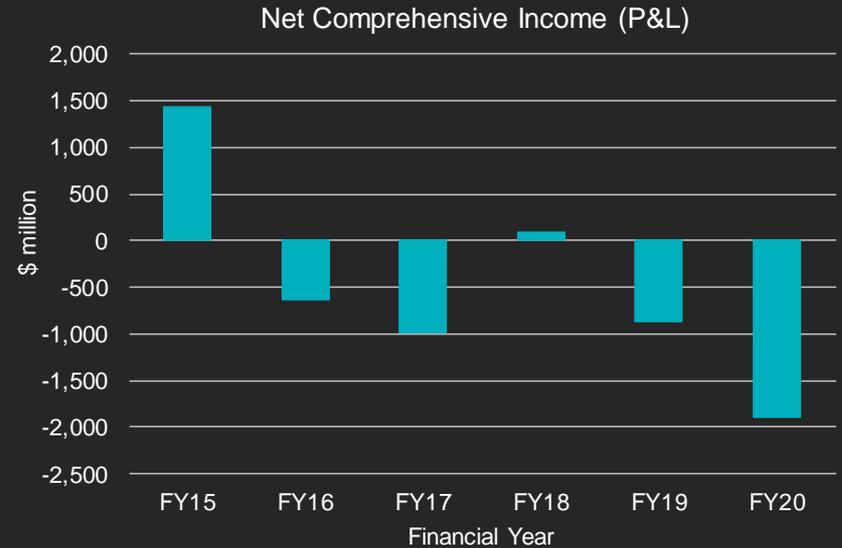
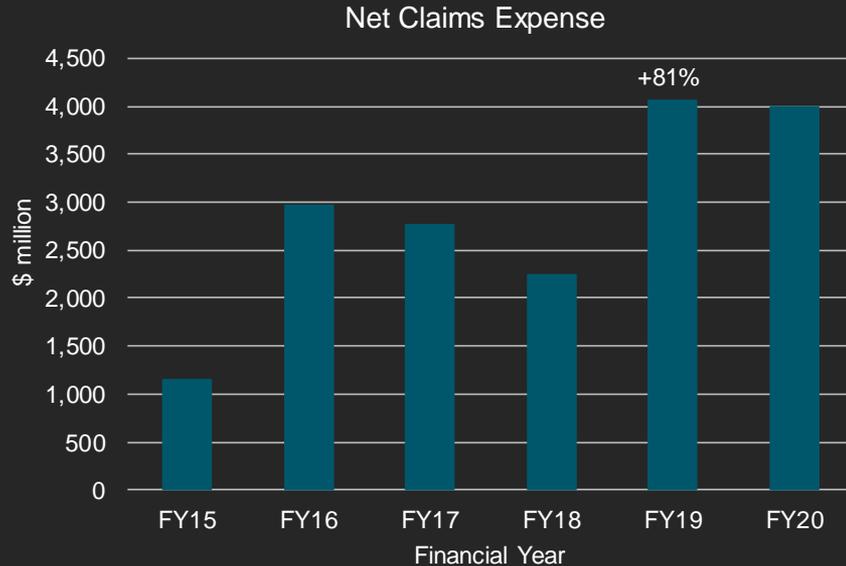
- NSW: +10 new self-insurers (net) over last 4 years
- Comcare: +11 new self-insurers (net) over last 10 years

# Reasons for trend towards self-insurance

- NSW
  - Increasing LPR factors – up 34% in last 4 years
  - Pressure on premiums
  - Deteriorating claims cost within scheme leading to higher premiums for individual employers
  - Management of claims?
- Comcare
  - Advantage of uniform benefits
  - Dealing with one regulator
- General - control over claims and potential for financial savings

NSW

# NSW: Financial performance



- Claim costs increased significantly in FY19 and FY20
- Material losses in recent years – due to claims and lower investment returns

# NSW: Key issues

## Claims

- Claims experience has deteriorated
- Lower RTW rates
- Medical 'super inflation'
- Mental injury claims increasing
- Hearing loss claims
- Ozcan decision

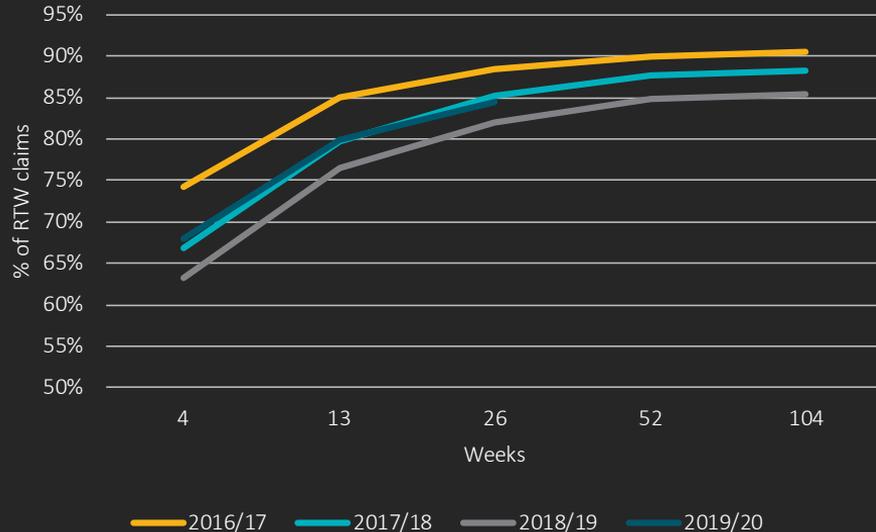
## Premiums

- Scheme deficit has put pressure on premiums
- icare increased average premium rate to 1.44% for 2021/22 (up from 1.4%) – Communication Services, Health and Community Services had largest increases – expected to continue
- Loss, Prevention and Recovery (LPR) rates up 34% last 4 years – further increases possible

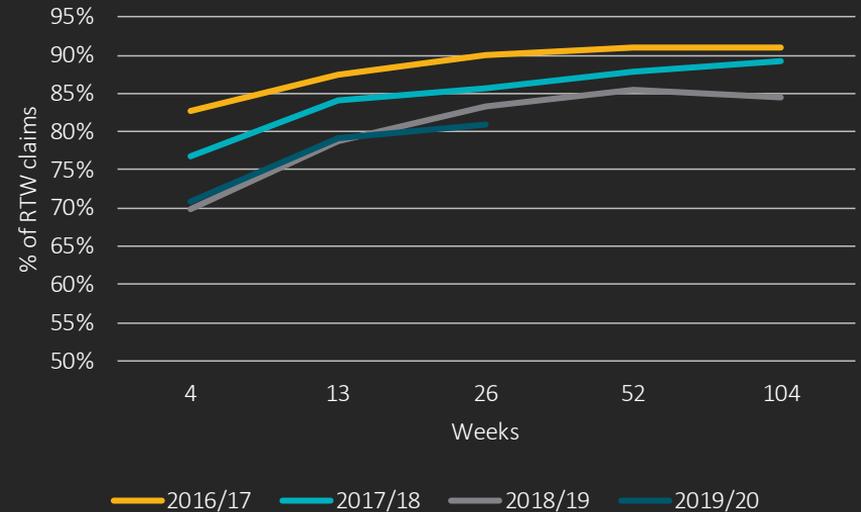
LPR Factor	\$350k claims cap
2017/18	1.75
2018/19	1.98
2019/20	2.24
2020/21	2.24
2021/22	2.35

# NSW: Return to work rates

## Insured employers (nominal insurer) return to work rates



## Self-insurers return to work rates



- RTW rates fell materially from FY17 to FY19 for both icare and self-insurers
- Generally, injured workers of self-insurers return to work faster than workers of insured employers

# NSW: Medical cost increases

- Significant rise in medical payments in recent years
- Gazetted rates are far higher than Medical Benefits Schedule (MBS) rates and even higher for surgeries than Australian Medical Association (AMA) rates
- SIRA announced in February 2021 that AMA rates will be adopted from July 2021 (in line with CTP)
- Surgeon fees in the NSW workers compensation scheme are between 50% - 400% higher than fees in other personal injury schemes

Operation	Bill in workers compensation	Bill in CTP	Difference %
Percutaneous neurotomy	\$2,428	\$1,387	75%
Spinal decompression/ fusion	\$17,162	\$7,859	118%
Pelvic ring fracture	\$6,435	\$4,290	50%
Knee arthroscopy	\$3,413	\$2,275	50%

# NSW: Ozcan decision

The injured worker was injured on three occasions:

Lumbar spine (7% permanent impairment)

Thoracic spine (5%), and  
Shoulder (3%)

NSW Workers Compensation Commission:

Lumbar spine and thoracic spine could be combined for WPI

Injury to the shoulder excluded

NSW Court of Appeal:

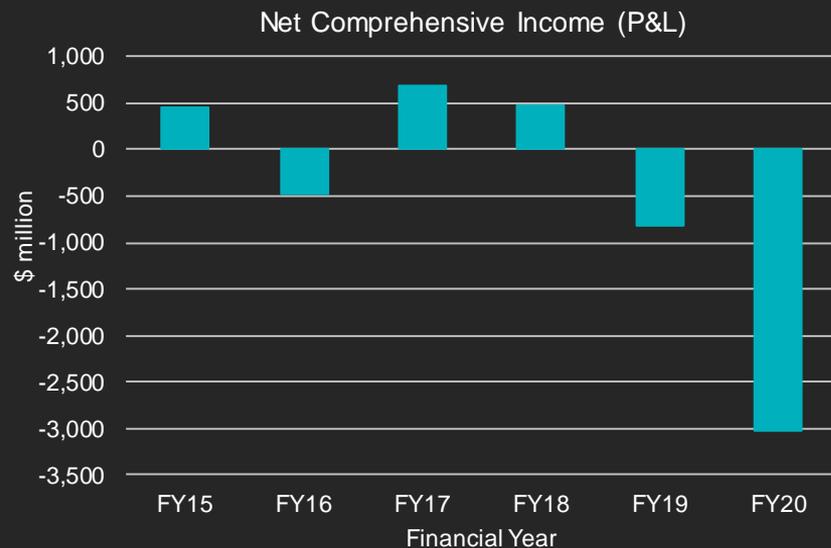
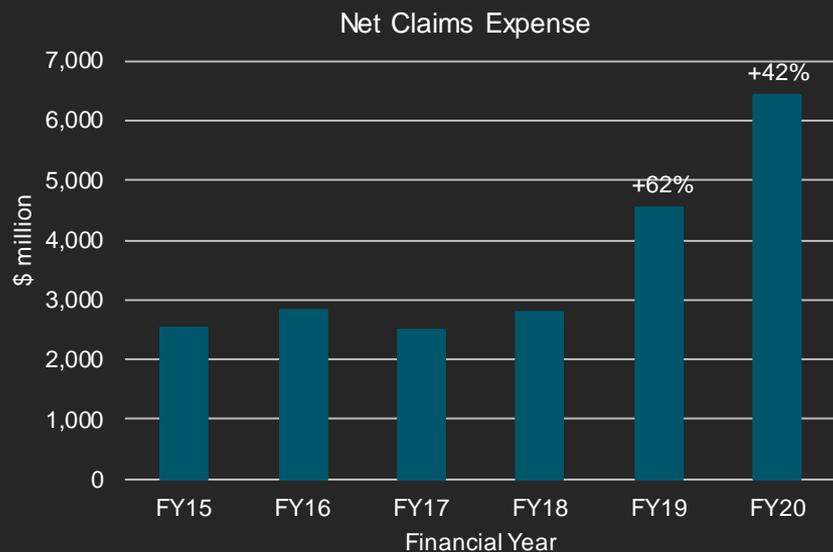
Overtured the Commission decision as shoulder injury was caused by the spinal injury

Implications:

Allows multiple impairments to be combined

# Victoria

# VIC: Financial performance



- Significant deterioration in claims experience last two years
- Loss of \$3 billion in FY20 – due to claims and lower investment returns

# VIC: Key issues

## Claims

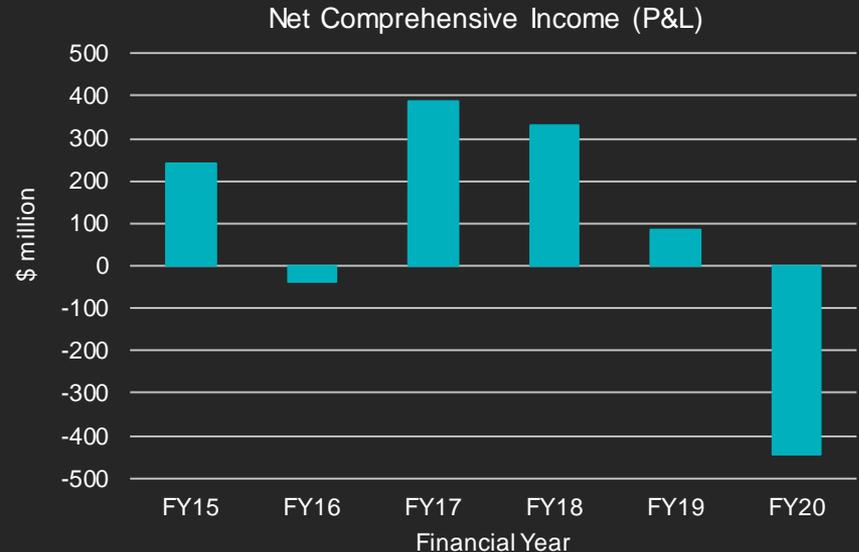
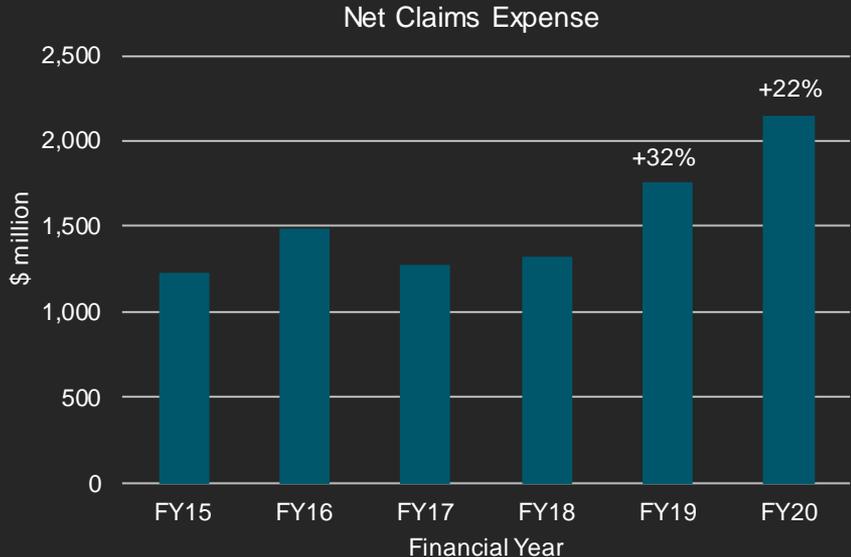
- Claims experience has deteriorated
- Ombudsman report has put pressure on WorkSafe
- Increasing number of mental injury claims
- Reducing RTW
  - Longer claim durations for both mental and other injuries
  - Lower than expected number of terminations at 130 weeks
- Provisional payments for mental injury claims coming into effect 1 July 2021
  - Access to provisional payments for work-related mental injuries, while their compensation claim(s) are being determined

## Premiums

- Premium rate has remained steady

# Queensland

# QLD: Financial performance



- Deterioration in claims experience in FY19 and FY20
- Loss of \$400 million in FY20 – claims performance and lower investment returns

# QLD: Key issues

## Claims

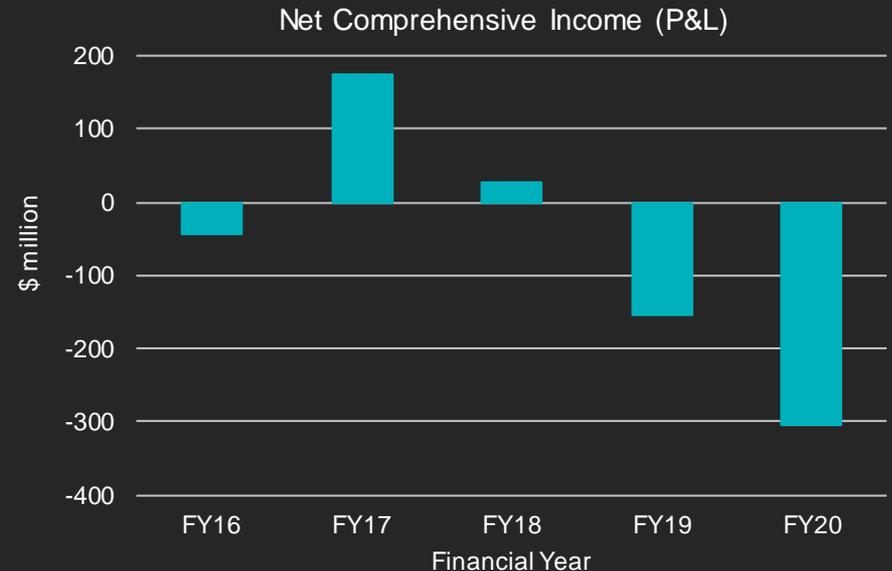
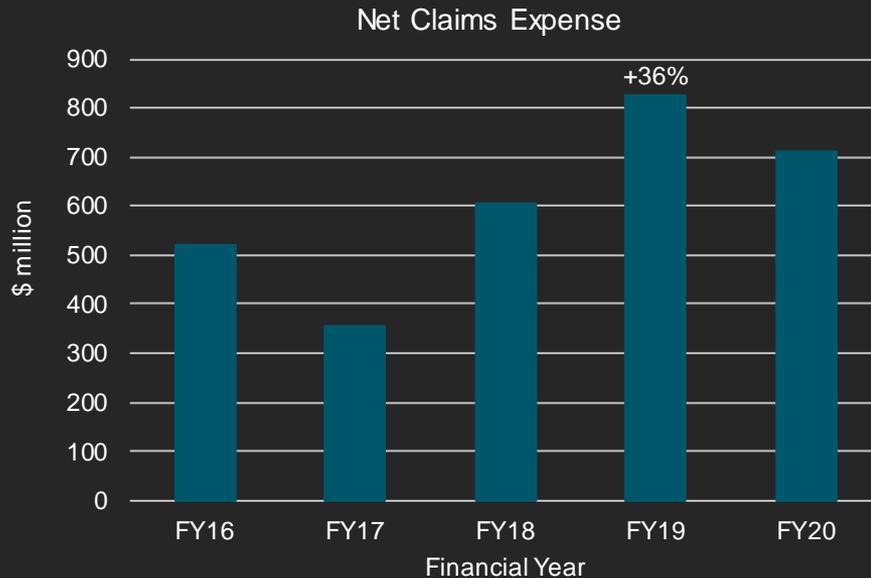
- Increase in weekly claim payments – higher volume and longer duration
- Higher mental injury claims recently – longer in duration, higher medical and common law costs
- Common law claims have slowly increased but not back to pre-threshold levels
- 2019 Amendment Act: Psychiatric and psychological injuries – employment need not be the major significant factor

## Premiums

- Premium rate has remained steady at 1.2% since FY15
- Introduction of LEAP model in 2018

# South Australia

# SA: financial performance



- Deterioration in claims experience in recent years
- Losses latest two years – claims performance and lower investment returns

# SA: Key issues

## Claims

- Higher than expected serious injury claims activity
- Lower return to work rate during FY20 compared to two previous years
- Growth in hearing loss claims driven by targeted provider activity
- Full Court of SA Supreme Court ruling on Summerfield (March 2021)
  - WPI scores can be aggregated for injuries with common cause → expected to lead to more serious injury claims
- **Section 18 of Act:** If an employer injures an employee they have the right to employment with that employer for life
  - Section 18 should be considered before terminating or discontinuing the employment of a worker with an active Workers Compensation claim

## Premiums

- Premiums reduced from FY16 to FY20, stable in FY21, increased FY22

# National snapshot

	Funding Ratio		Premium Rates FY21 vs FY22	Reported profitability FY20
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ACT	n/a	n/a	↓	
NT	n/a	n/a	n/a	

Key Issues	
NSW	RTW, Mental injury, continuing losses, pressure on premiums, increasing LPR factors, scheme reviews, Ozcan decision
VIC	Duration of claims, Mental Injury, significant losses FY19 & FY20, pressure on premiums, Ombudsman report
QLD	Weekly claim payments have increased, large loss FY20
SA	Increasing serious injury claims, hearing loss claims, Summerfield decision

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