



NSW Self Insurers Association

Presented by: Danielle Casamento
Actuary

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AGENDA

NSW Self Insurers Association September 2021

1

INTRODUCTION

Overview

2

SCHEME WIDE ISSUES

COVID-19
Mental Injury claims
Other challenges

3

SELF-INSURANCE

4

STATE SCHEMES

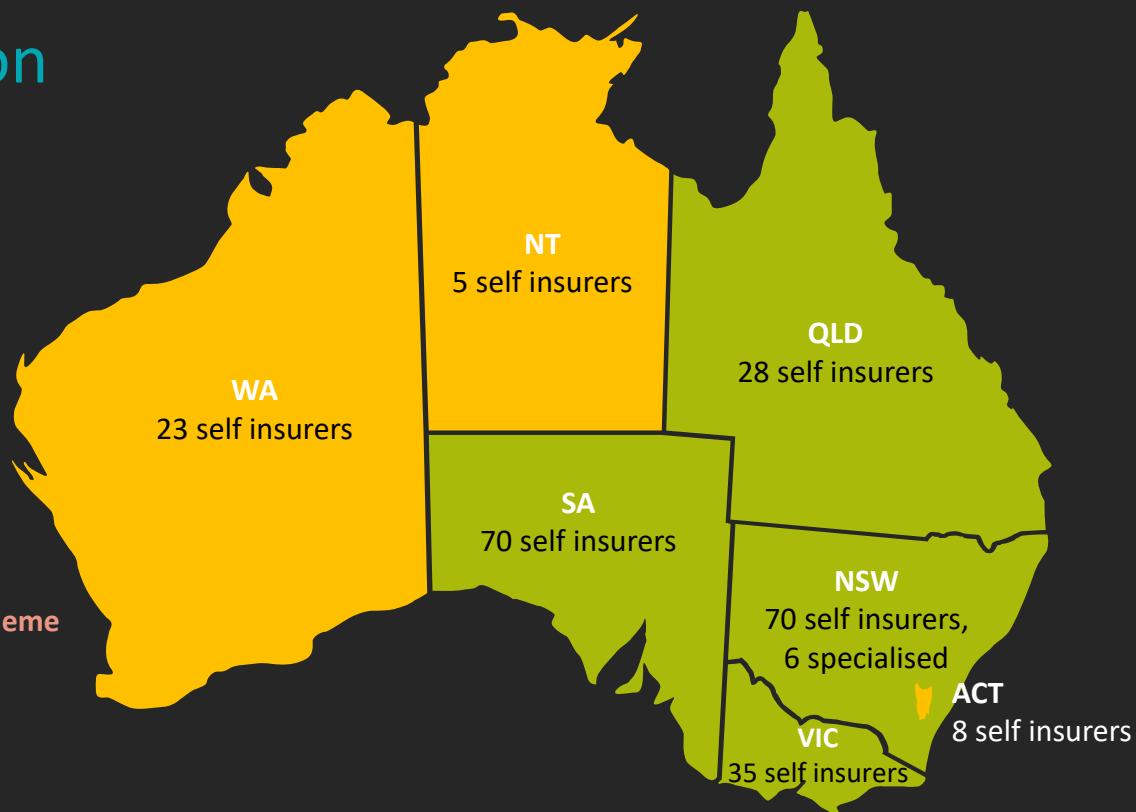
NSW
VIC
QLD
SA

Overview













Workers Compensation and self-insurers in Australia

Centrally funded government schemes
Privately underwritten

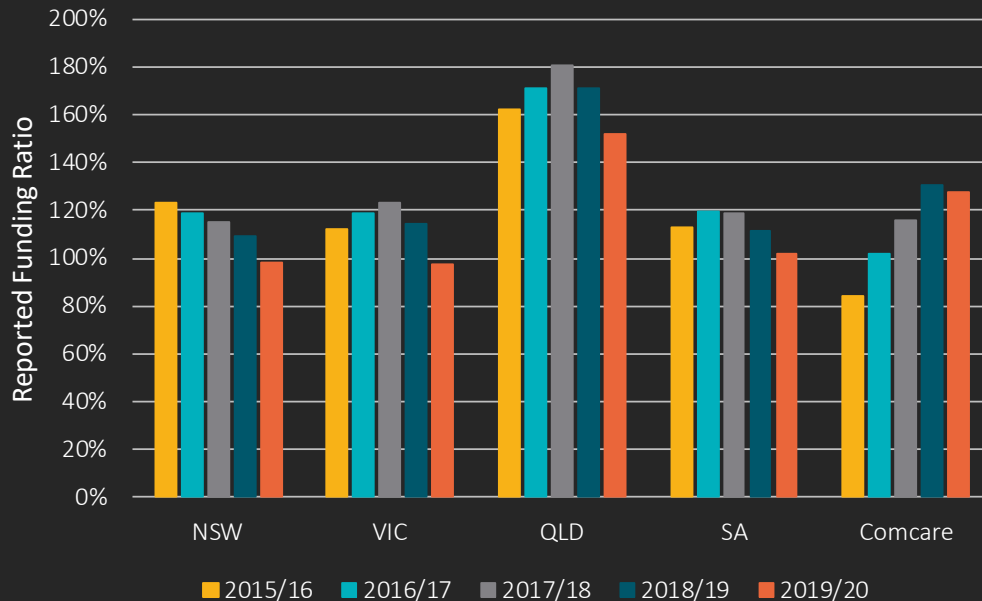
Comcare
Commonwealth scheme
40 self insurers



National snapshot

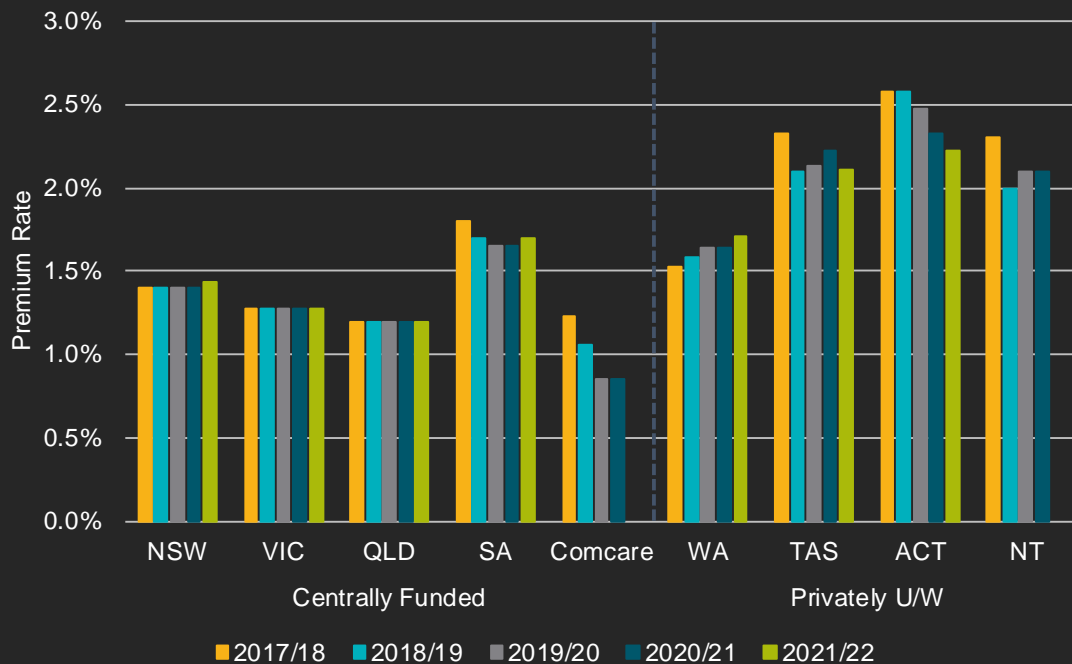
State	Funding Ratio		Premium Rates FY21 vs FY22	Reported profitability FY20
	FY20	Change		
NSW	<100%			Loss
VIC	<100%			Loss
QLD	>100%			Loss
SA	~100%			Loss
Comcare	>100%		n/a	Loss
WA	n/a	n/a		Small profit
TAS	n/a	n/a		
ACT	n/a	n/a		
NT	n/a	n/a	n/a	

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

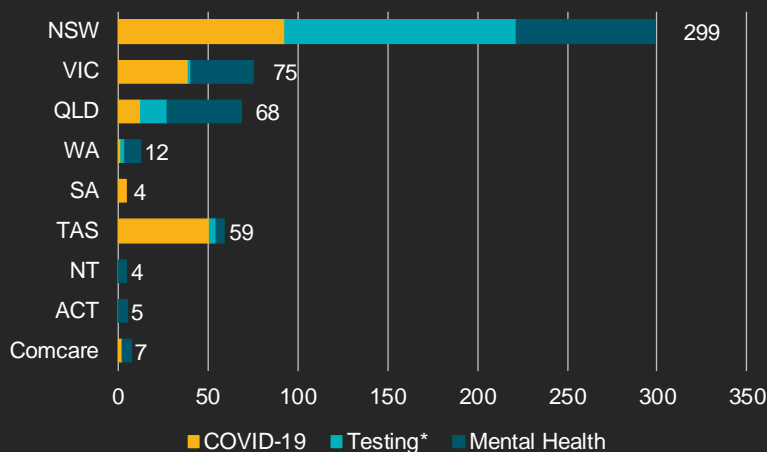
COVID-19 impact on claims

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

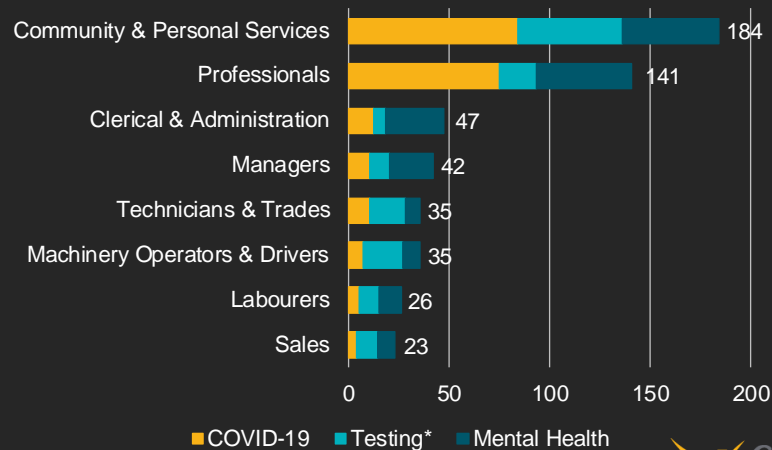
COVID-19 related claims

- 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



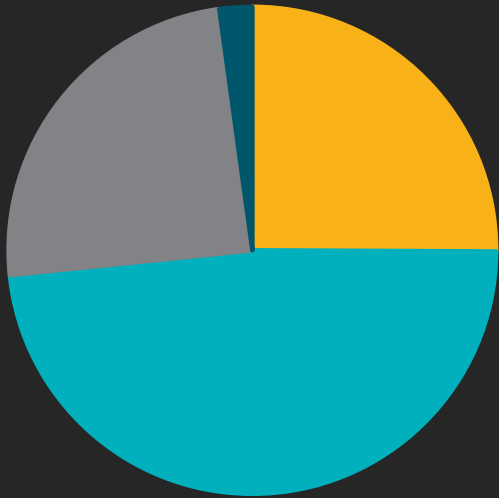
COVID-19 by Occupation



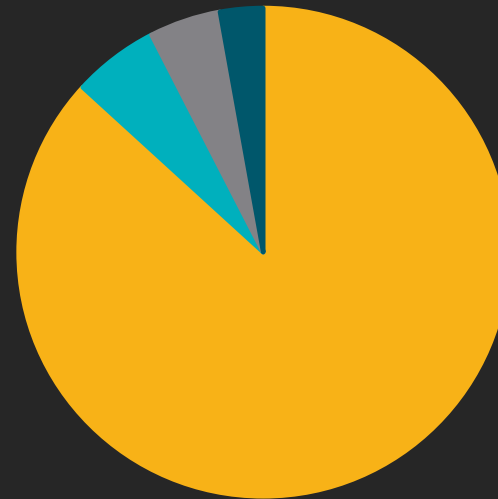
COVID-19 related claims – NSW only

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

Employers (~300 claims)



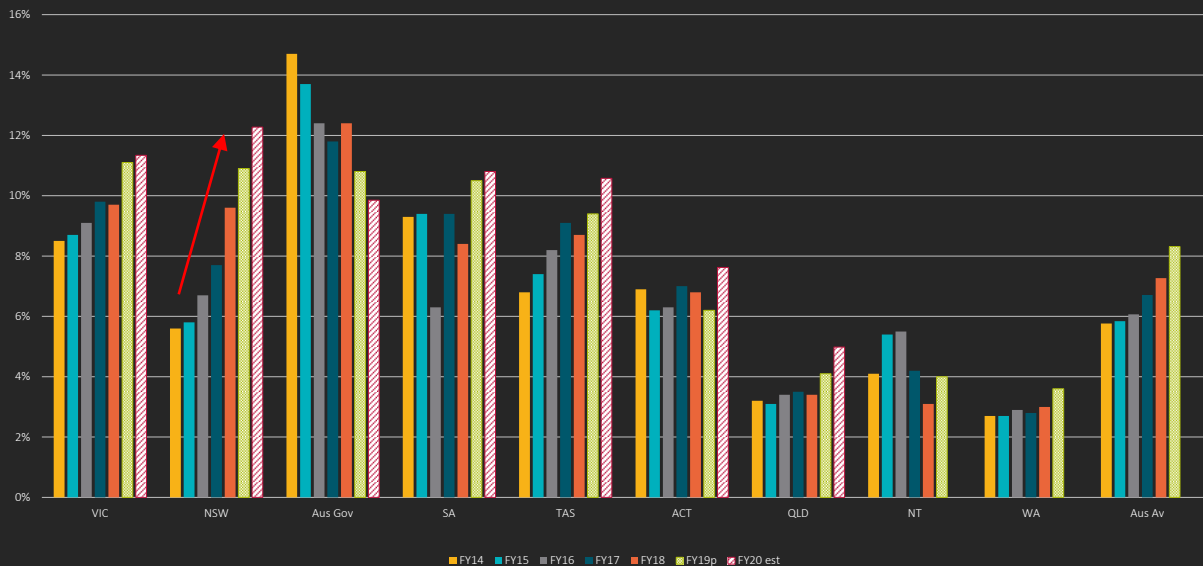
Self-insurers (~100 claims)



- 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

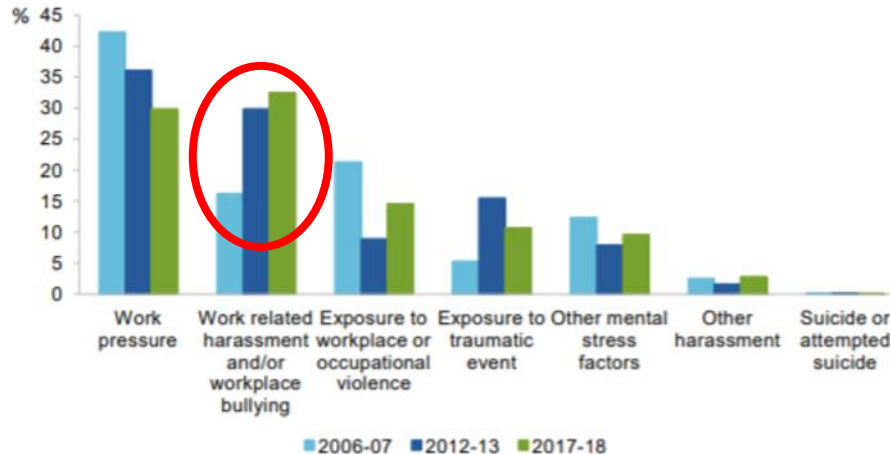
	Mental Injury claims	All Serious claims
Duration (median)	21 weeks – 2017/18 15 weeks – 2013/14	6 weeks – 2017/18
Average Cost (median)	\$36,000 – 2017/18 \$26,000 – 2013/14	\$13,000 – 2017/18 \$10,000 – 2013/14

- 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^a



^a 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

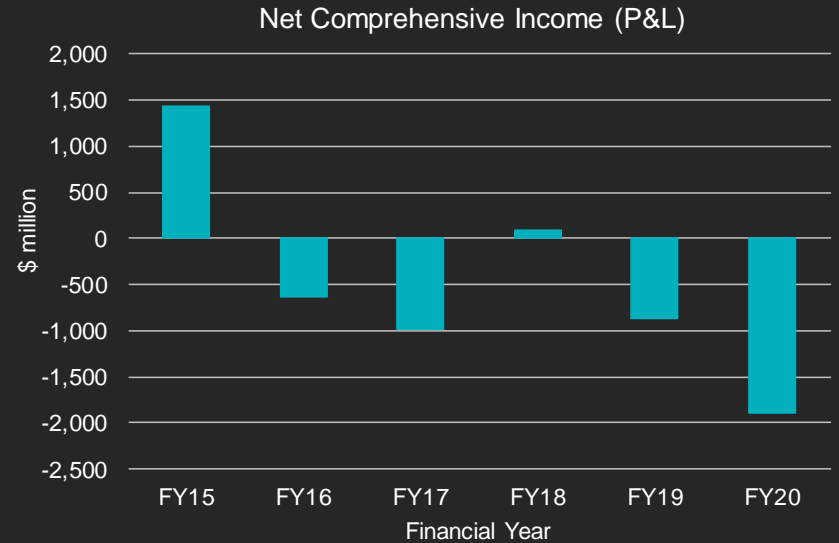
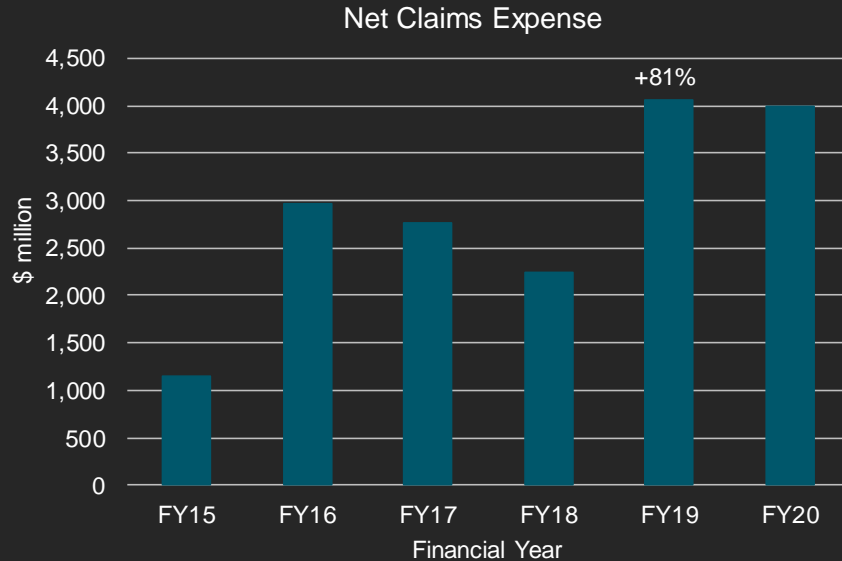
- NSW: +10 new self-insurers (net) over last 4 years
- Comcare: +11 new self-insurers (net) over last 10 years

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

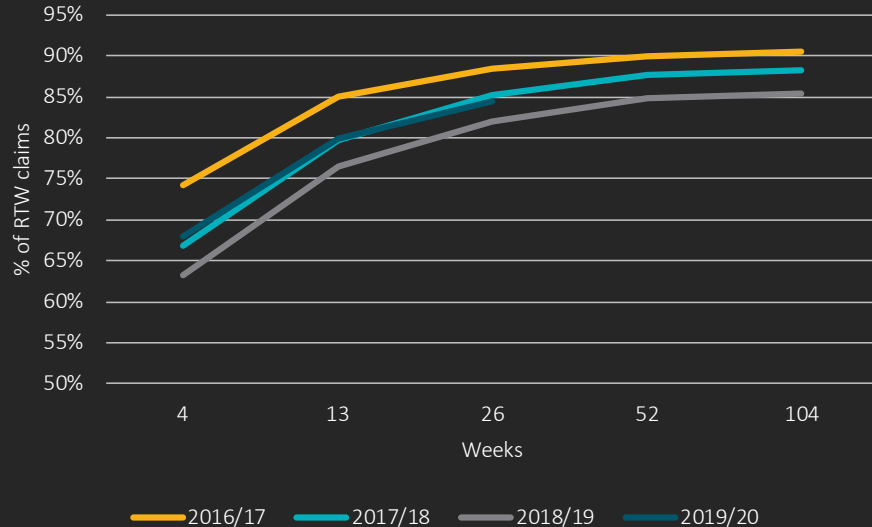
Premiums

- 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

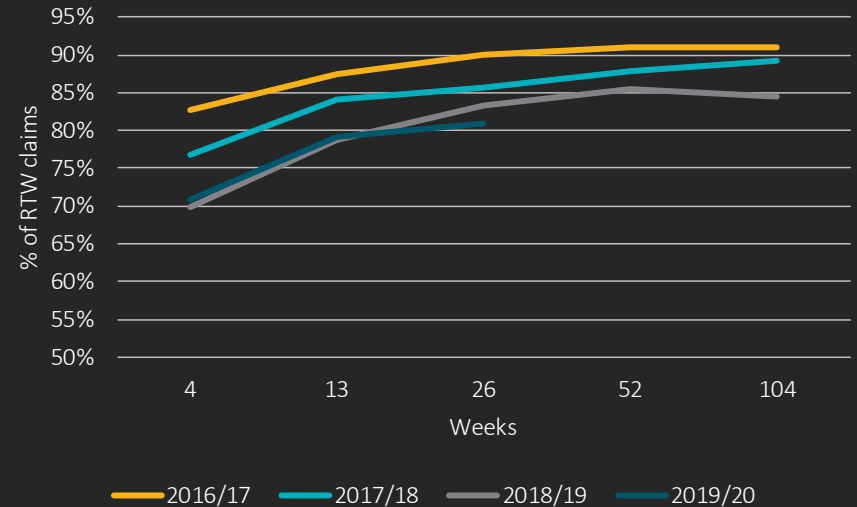
LPR Factor	\$350k claims cap
2017/18	1.75
2018/19	1.98
2019/20	2.24
2020/21	2.24
2021/22	2.35

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:

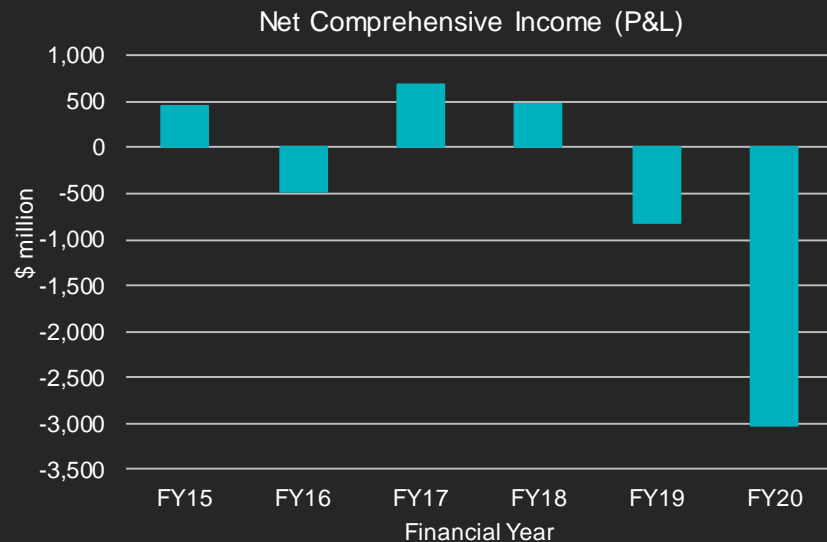
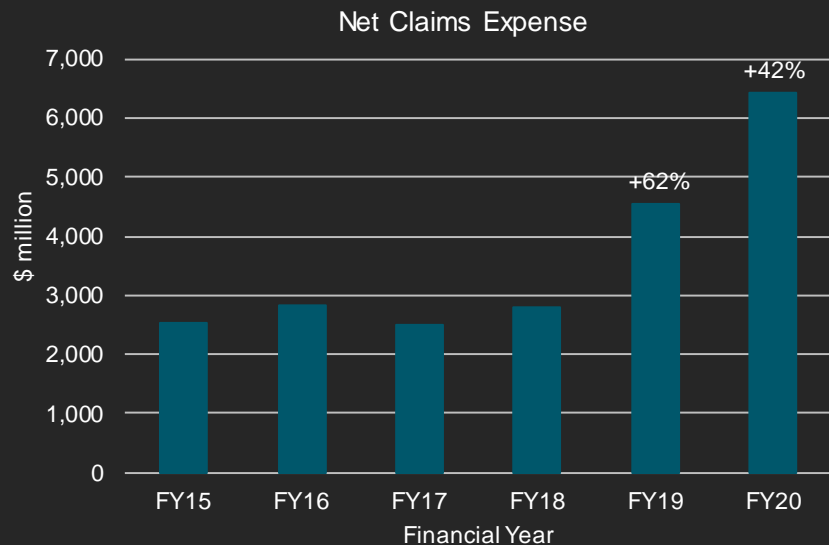
Overtaken the Commission decision as shoulder injury was caused by the spinal injury

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

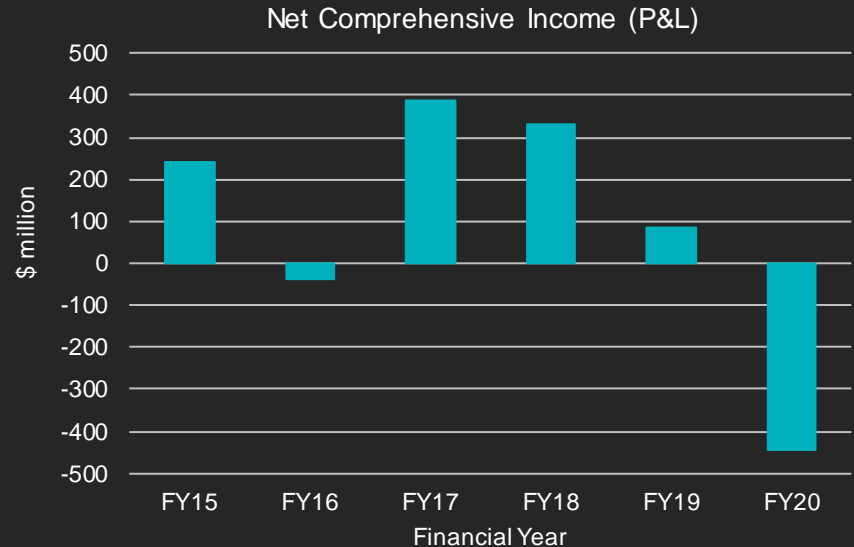
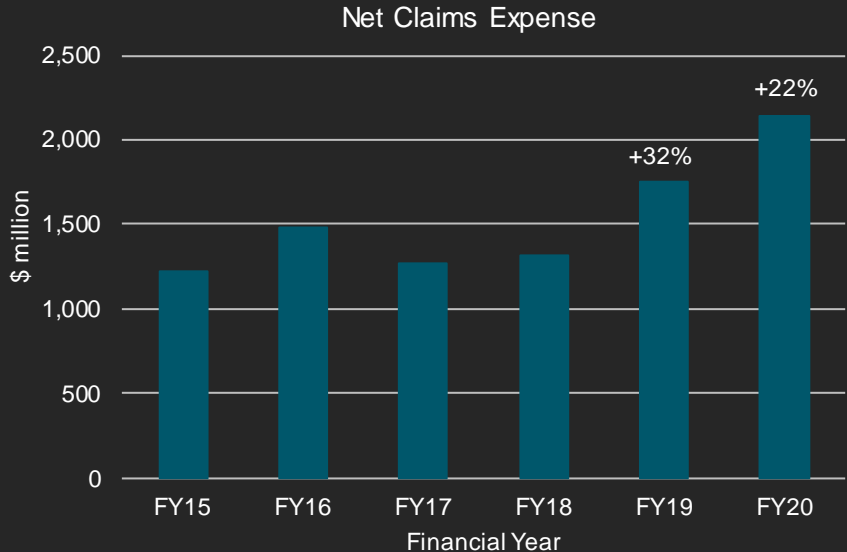
- Claims experience has deteriorated
- Ombudsman report has put pressure on WorkSafe
- Increasing number of mental injury claims
- Reducing RTW
 - Longer claim durations for both mental and other injuries
 - Lower than expected number of terminations at 130 weeks
- Provisional payments for mental injury 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

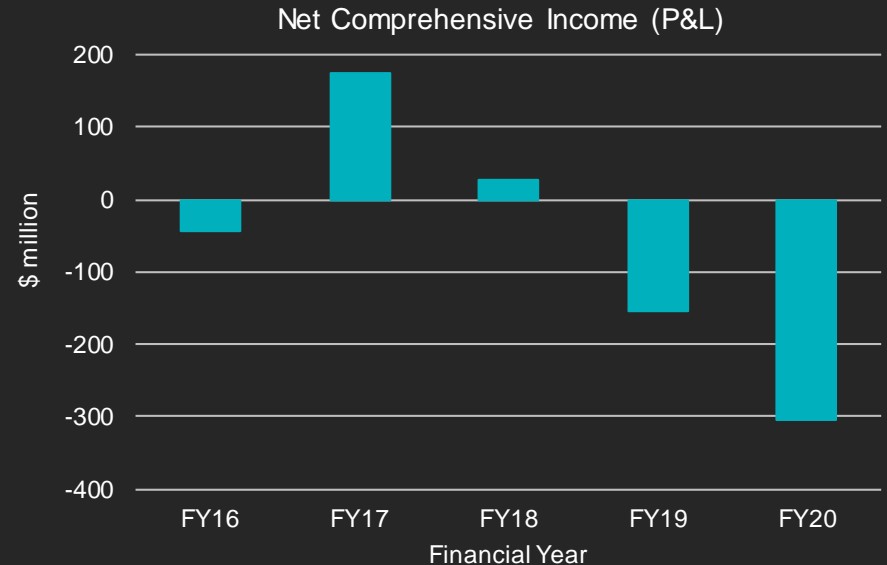
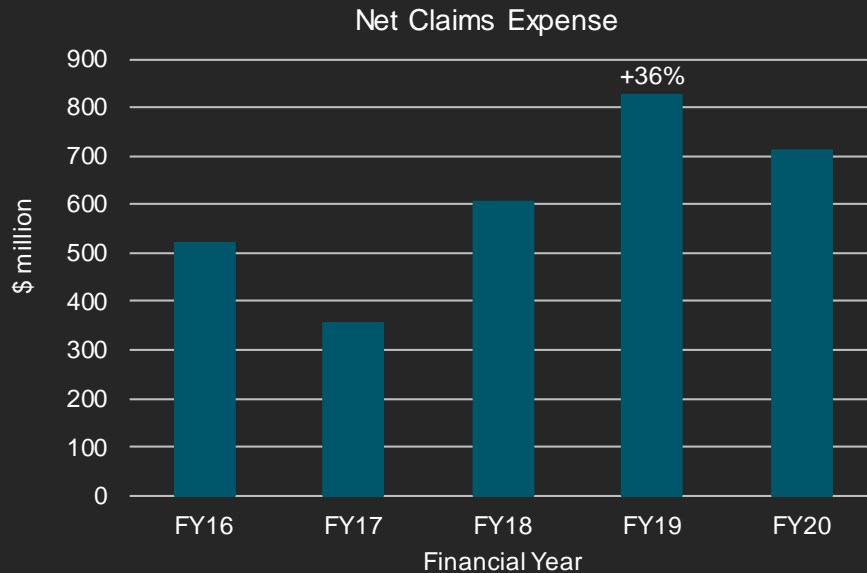
- Increase in weekly claim payments – higher volume and longer duration
- Higher mental injury claims recently – longer in duration, higher medical and common law costs
- Common law claims have slowly increased but not back to pre-threshold levels
- 2019 Amendment Act: Psychiatric and psychological injuries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

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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Danielle Casamento

Presenter, co-author

E: danielle.casamento@finity.com.au

P: (+61) 409 327 867



Mark Hurst

Co-author

E: mark.hurst@finity.com.au

P: (+61) 402 425 462