

CLIENT BRIEFING

UPDATE ON WORKERS COMPENSATION SCHEMES ACROSS AUSTRALIA

The past year has brought multiple challenges for employers in their management of workers compensation insurance. Across the privately underwritten schemes, market conditions are changing and rates are beginning to lift for the first time in many years.

In New South Wales, icare has drastically changed the agent selection process, which will reduce the panel of five agents to one sole agent (EML) for all new claims from 1 January 2018. Coinciding with this change will be the introduction of a new claims service model, a major development that icare says is designed to improve the claims experience of injured workers and employers.

SUMMARY OF WORKERS COMPENSATION PREMIUM RATE CHANGES

The table below shows the recommended average premium rate by jurisdiction for the past two financial years, along with any percentage movement. It is important to note that these rates are not reflective of individual classifications.

STATE/ TERRITORY	2016-17 RECOMMENDED AVERAGE RATE	2017-18 RECOMMENDED AVERAGE RATE	VARIANCE	GOVERNMENT-CONTROLLED/ UNDERWRITTEN
NSW	1.400%	1.400%	0.00%	Government-Controlled
VIC	1.272%	1.272%	0.00%	Government-Controlled
QLD	1.200%	1.200%	0.00%	Government-Controlled
SA	1.950%	1.800%	-7.69%	Government-Controlled
WA	1.478%	1.525%	3.18%	Underwritten
ACT	2.700%	2.580%	-4.44%	Underwritten
TAS	2.250%	2.270%	0.88%	Underwritten
NT	N/A	N/A	N/A	Underwritten

GOVERNMENT CONTROLLED SCHEMES

In jurisdictions with government controlled schemes, the claims and policy function is managed internally or outsourced to insurers, also known as agents in some states. The premiums are determined by a set calculation and are therefore non-negotiable.

New South Wales

In April 2017, icare announced that EML would manage all new claims from 1 January 2018. GIO and Allianz will manage the run off of claims prior to this date while both CGU and QBE ceased providing NSW workers insurance service to icare on 31 October 2017. The move, which took the industry by surprise, will affect many businesses and removes the option for multi-state employers to partner with a single national provider. National employers with operations in NSW will now need to adopt a new structure that sees them dealing with multiple insurers and agents.

For employers, the challenges and concerns include:

- Risk management funding in NSW no longer being readily available
- A lack of choice and competition within the NSW market
- The absence of accurate data for reporting purposes as a result of the portability of claims exercises currently underway
- Limited talent within the NSW market following the redeployment of staff internally within exiting scheme agents

Several other changes are also compounding the challenges of this transitional period in NSW. Chief amongst them is icare's introduction of a new claims model, which takes effect on 1 January 2018.

The new claims model introduces specialised case managers with appropriate qualifications to aid in the recovery of the most significantly injured across the scheme. It will also introduce automation within the claims process, aimed at improving efficiency through quicker approvals and empowering injured workers to proactively engage in their own recovery.

The new claims model remains largely untested amongst large national employers. Consequently, there is an understandable level of uncertainty as to how it might affect premiums for those employers. Additionally, there are a number of foreseen challenges that will need to be addressed in the implementation of this model.

These include the complexities of multiple agents managing one period of insurance (potentially leading to disruptions to current claims performance), difficulties in amalgamating this model within a national injury management framework, and a clear shift in accountability over the return to work process to employers across the automated segments with no clear financial incentive to do so.

Employers will also need to ensure their processes take into account the following changes in NSW:

- Agents are now required to contact the worker to confirm notification and that there is no requirement for weekly compensation or medical treatment. This has raised concerns around the potential for increased claim numbers across the scheme.
- Approval now needs to be sought by the agent should an employer wish to refer to an independent medical examination (IME). An IME will need to be granted by a panel of independent doctors that the agent will refer to, and will cover matters ranging from liability to reasonable necessity of treatment. The panel will either make a binding decision or provide advice that an IME is reasonable.
- icare has mandated that any request for surveillance must be approved by icare

Victoria

As one of the country's most stable workers compensation schemes, WorkSafe Victoria has again maintained an average premium rate of 1.272% (4th year in a row). Numbers of workplace injuries have fallen to a new record low and the rate of workplace injuries per million hours have dropped by 7.5% to 6.43 claims.¹

In September 2016, the Victorian Ombudsman released its findings from the investigation into the management of complex workers compensation claims and WorkSafe oversight. Scheme feedback has suggested that this has resulted in general reluctance by agents to reject contentious claims.

Looking ahead to the 2018-19 policy period, it is possible that a claims period of 3 years will be reintroduced, lifting it from the current 2.5 year period.

Insurers providing clients with risk management funding are now subject to WorkSafe guidelines. These stipulate what employers are allowed to utilise the funding on, as well as maximum amounts that agents can offer.

¹ [WorkSafe Victoria Annual Report 2017](#)

Queensland

Queensland continues to provide the country's most affordable workers compensation scheme for employers with an average premium rate of 1.20%. For the current 2017-18 period, WorkCover QLD has further incentivised upfront payment of premium by increasing the discount from 3% to 5%.

WorkCover QLD continues to provide a market-leading online system for employers, which offers a platform to generate performance reporting, benchmarking data and the ability to submit wage declarations. There is also a pilot program currently in place for a select group of employers to trial a new premium structure, which is similar to that of a burning cost premium model.

South Australia

South Australia remains the most expensive scheme of the government-controlled jurisdictions. The average premium rate for the past five years up until 2014-15 was 2.75%. However, following the introduction of new legislation for injured workers benefits and changes to the premium calculation in 1 July 2015, the average premium rate reduced significantly to 1.95%. The rate has further decreased since 1 July 2017 and now stands at 1.85%.

ReturntoWorkSA provides large employers an option to be insured under the Retro-Paid Loss (RPL) arrangement. This is available to large employers that pay greater than \$300K base premium or greater than \$500K for a group of employers.

PRIVATELY UNDERWRITTEN SCHEMES

Like general insurance classes, these schemes are underwritten by insurers and therefore premium rates are negotiable.

In recent years, the privately underwritten schemes have seen average premium rates falling year on year. However, 2017 has seen a small shift in market conditions with the rates levelling out and, in some cases, experiencing increases. Some insurers are now going through a rate remediation stage while others have shown a diminished appetite for new business. Increase to reinsurance costs will place pressure on rates in the next 12-24 months. On a positive note, good performing organisations that can also demonstrate a robust safety culture will continue to achieve very competitive rates.

Western Australia

After four consecutive years of reductions, the 2017-18 WA recommended premium rate has increased. The movement represents a 3.18% increase to 1.525% and became effective from policies. Despite this being a small overall increase, in some industry divisions the movement of rates have changed considerably:



Agriculture, Forestry & Fishing
10.5% increase



Electricity, Gas and Water
9.1% increase



Construction
8.7% increase



Accommodation, Cafes & Restaurants
14.5% decrease



Communication Services
13.5% increase

Northern Territory

The Northern Territory scheme's premium pool has continued to erode and is expected to sit at \$100M in the 2017-18 period, having been at \$114M and \$156M in 2016 and 2015 respectively. This is largely due to the near completion of the Inpex-operated Ichthys LNG construction project. There have been no further legislative changes since 1 October 2015.

Australian Capital Territory

The ACT continues to be Australia's most expensive jurisdiction for workers compensation insurance with a recommended average premium rate of 2.58%. Greater access to common law (compared to other jurisdictions), uncapped common law and a small scheme premium pool are all contributing factors to this scheme's high rates.

Tasmania

The written premium rate in Tasmania is 1.73%, which is approximately 23% lower than the suggested rate of 2.25%. In a highly competitive broker environment, premium rates have been pushed to levels well below the suggested rates.

In November, the Tasmanian Government passed the Workers Rehabilitation and Compensation Amendment Act 2017, bringing the following changes:

- Removal of the first five day compensation exclusion and \$200 excess from employers' policies
- Changes to assessments of whole person impairment
- Removal of need for death certificate on fatality claims
- Increase of pension age to align with Department of Human Services
- Return To Work coordinator now required for employers with more than 100 workers (up from 50)
- Return To Work plans to align with dates in injury management programs
- Medical practitioners may now issue certificates for a period of up to 28 days (up from 14 days)

The full suite of changes contained in the Act can be viewed online at <https://www.legislation.tas.gov.au/view/whole/html/asmade/act-2017-039>

NEXT STEPS

The Workforce Strategies team is familiar with the challenges and complexities faced by employers in the current workers compensation environment. If you have any concerns or queries about how these changes may impact your business, please contact your Marsh advisor.

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