

Workers Compensation

Insights for Clubs Australia Members

August 2024

Businesses of Marsh McLennan



Agenda

- Workers Compensation Arrangements
- Market Update
- Available Premium Options
- 3 Key Drivers that Influence Premium
- What Claims Costs Impact on your Premium?
- Optimal Case Management Process
- Key takeaways



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Workers Compensation in Australia



Workers Compensation

- Workers Compensation is a no fault scheme
- Organisations that employ workers **need to hold** a policy
- Each state in Australia operates independently
- Benefits are determined by legislation
- Policies pay out based on the legislation - Statutory Cover and Common Law



Privately Underwritten – Risk States

- Liabilities are the financial responsibility of the insurer
- Insurers underwrite the risk and make a profit or loss based on their pricing
- Premium = Wages x Rate (plus any levies / charges)
**Premium is either gross (includes broker commission), or net – as agreed with the client. This needs to be transparent to the client.*
- Rate is based risk and profitability with Claims Performance, Industry and Insurer's own performance influencing rates
- Client's should be supported in putting their bets foot forward with regards to presenting to or providing the insurer with their preventative initiatives, or other information which makes the risk look more attractive. Role of the broker to facilitate this.
- Rates and program structure are negotiable.



Managed Fund

- Regulators control the financial risk
- Insurers act as 'agents' of the regulator, and are remunerated based on a mix of the volume of policies and KPIs in managing claims
- Premium formulas are set by the regulators
- Wages, industry rates and historical claims experience are included in the premium calculation
- Offer alternative insurance models for large employers

Workers Compensation in NSW

How does it work?

NSW

- In the managed fund states (including NSW) the premium is underwritten by regulator – rates set
- Specialised insurers are able to seek approval from the State Insurance Regulatory Authority (SIRA) on their own risk pricing.
- Claims driven premium methodology
- Alternative models available

Options for Clubs in NSW

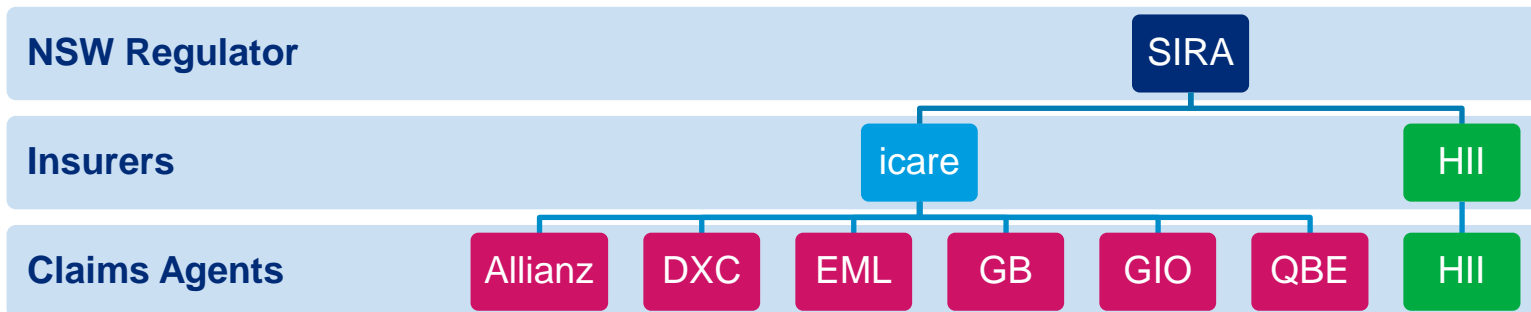
1) Icare scheme

- Manages policy and premium services for majority of organisations. Premium model will depend on size.
- Scheme agents providing the claims management services. They are: EML, GB, DXC, GIO, QBE, Allianz

2) Specialised Insurer (HII)

- Policy and claims are managed by one insurer which is HII.

NSW Market Options



Market Update

Landscape and Current Insights

Premium

- iCare NSW scheme average has increased 8% over the past 2 years with anticipated increases in the foreseeable future.
- Industries such as Clubs, have seen rate increases in this scheme of 10% per year over the past 2 years.
- Specialised insurers such as HII continue to grow and expand their book of business at a more competitive rate.
- An alternative premium model has been launched for extra large employers.
- The Australian Capital Territory (ACT) scheme report has noted wages and premiums continue to rise in the ACT offsetting claim liabilities, resulting in the recommended average scheme rate to reduce by 0.10% from expiring (to a rate of 2%).
- MMB note most insurers are targeting stable growth in the ACT, particularly in low risk sectors such as admin and hospitality, however, continue to actively avoid writing high risk industries such as construction which has greater common law exposure.

Claims Management

- Employers with an average performance premium (APP) of greater than \$200K are able to choose the claims service provider in NSW (iCare).
- Eventually, icare will give this choice to all employers with an APP above \$30K.
- Mental Health claims have driven increases in the average cost of claim but look to be stabilising.
- The ACT being a highly litigated jurisdiction with common law continuing to impact insurer profitability, offsetting the large losses is the projected reduction in claims frequency expected in 2024/25.

Common risks and challenges within the Clubs industry:

- Psychosocial Risk from Occupational Violence
- Musculoskeletal injuries
- Lack of Safety Training and Awareness to meet compliance standards
- Front-line Manager Upskilling
- Skills shortages impacting attract and retention of talent
- Return to Work Planning and workplace policies and procedures are inadequate

Available Premium Options

Driven by the size of the organisation

Items	Conventional	Conventional (HII)	Loss Prevention & Recovery and Burner models	Risk States Underwritten	Self-Insurance
Jurisdiction	All states	NSW	All states	Risk States (ACT, NT, TAS, WA)	All states
Client Size	Small – Large	Small – Large	Medium – Extra Large	All clients	Large – Extra Large
Premium	<ul style="list-style-type: none"> Gazette industry classification rate as approved by SIRA Rates driven rates by overall scheme and industry performance 	<ul style="list-style-type: none"> Agreed Premium Rate (as approved by SIRA) Fluid effective rates year on year Discretionary premium overview 	Closer aligned to claims performance	Annual gazetted rates that can be negotiated with the insurer.	No Premium (Re-insurance only)
Claims Exposure	3 years of CPR claim costs	Risk Performance Rate – 3 years Incurred Claims Costs (Paid and Estimated)	Each policy period	5 years loss ratio	Company pays for claims

Case Study: Situation

- MMB identified an alternative premium option with a specialised insurer for a client in the Clubs and Hospitality industry

Action

- MMB presented the client's performance over 3 years and advocated for a competitive pricing structure.

Outcome

- HII assessed the risk and provided a premium that was **10% lower** than iCare, with a **further 10%** reduction opportunity based on claim performance

3 Key Drivers That Influence Premium

What can you control?



Remuneration

- Estimated and actual wages will impact premiums.
- Diligence in wage declaration process to ensure premium accuracy.



Rates

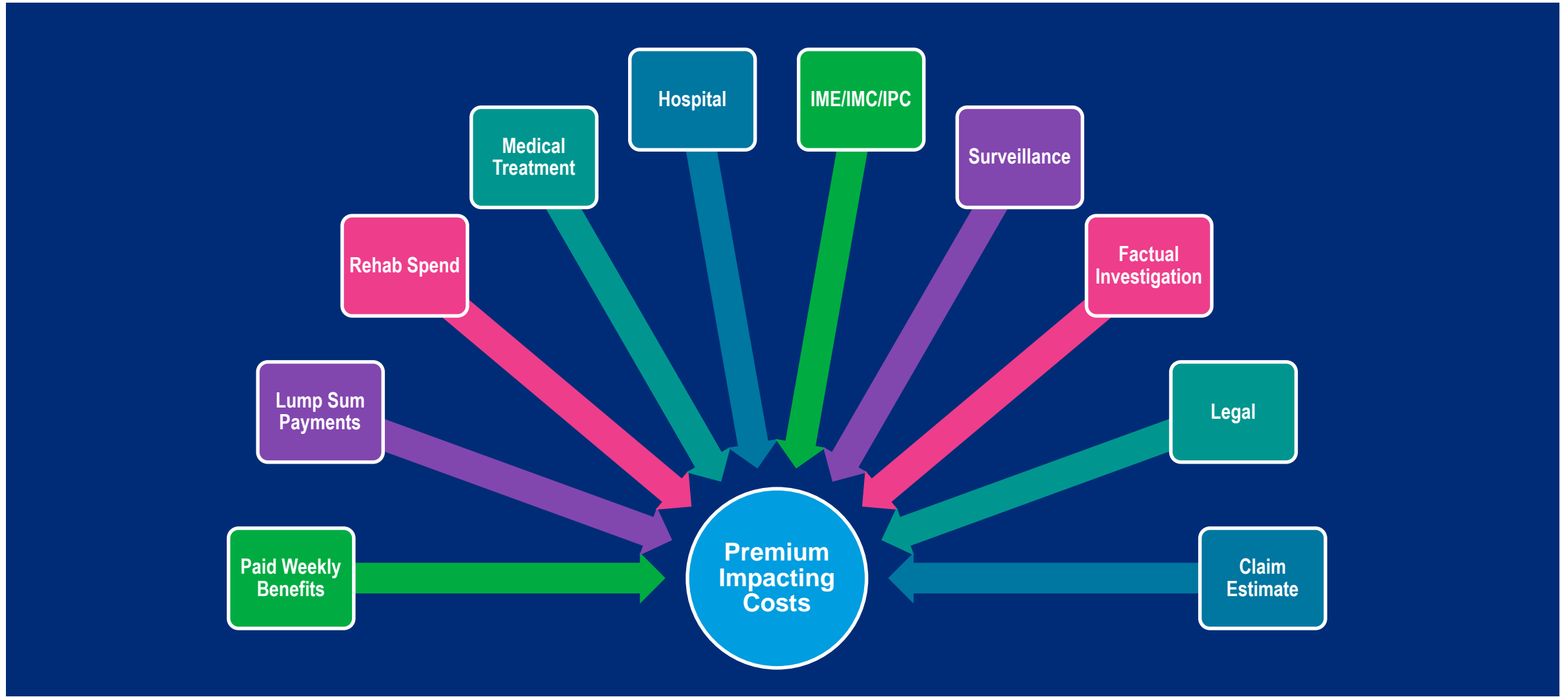
- Ongoing pressure on industry classification rates within the nominal insurer scheme across premium models.
- Under specialised insurance arrangements, rates can be influenced by performance including improved RTW duration.



Claims Experience

- Early intervention, delays in treatment, return to work and recovery will have an impact on your claims experience.
- Third party partners to support minimal time loss is critical

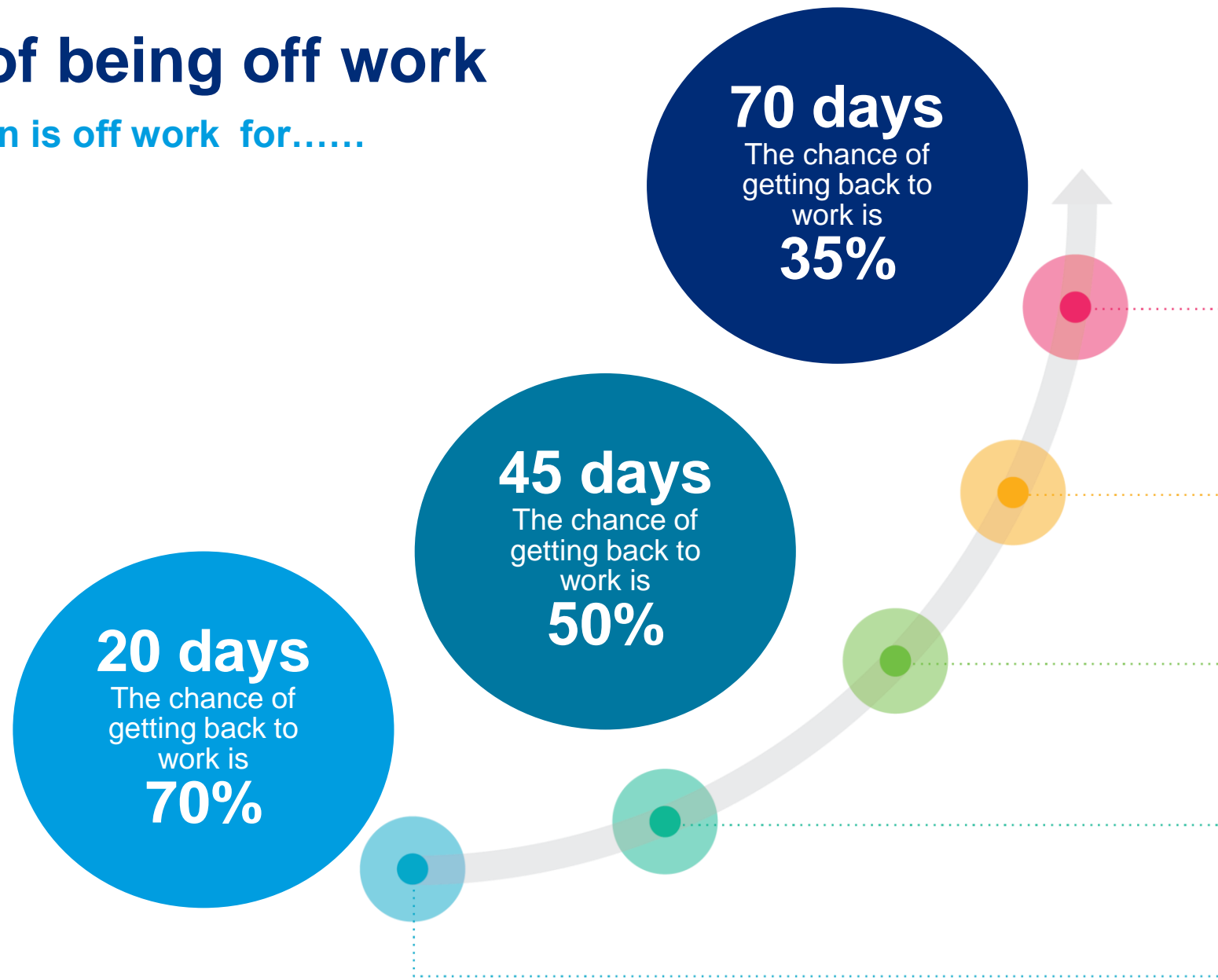
What Claims Costs Impact on your Premium?



*Please note: Premium impacting costs will vary depending on your premium model.

Risk of being off work

If a person is off work for.....



Case Study

Situation:

A client had a long standing claim where the injured worker was performing reduced hours. This caused productivity issues when covering shifts and impacted premium.

Action

We forecasted their premium impact to be in excess of \$122K. In order to mitigate cost and drive an outcome, we ensured the scheme agent conducted a labour market analysis and applied a work capacity decision.

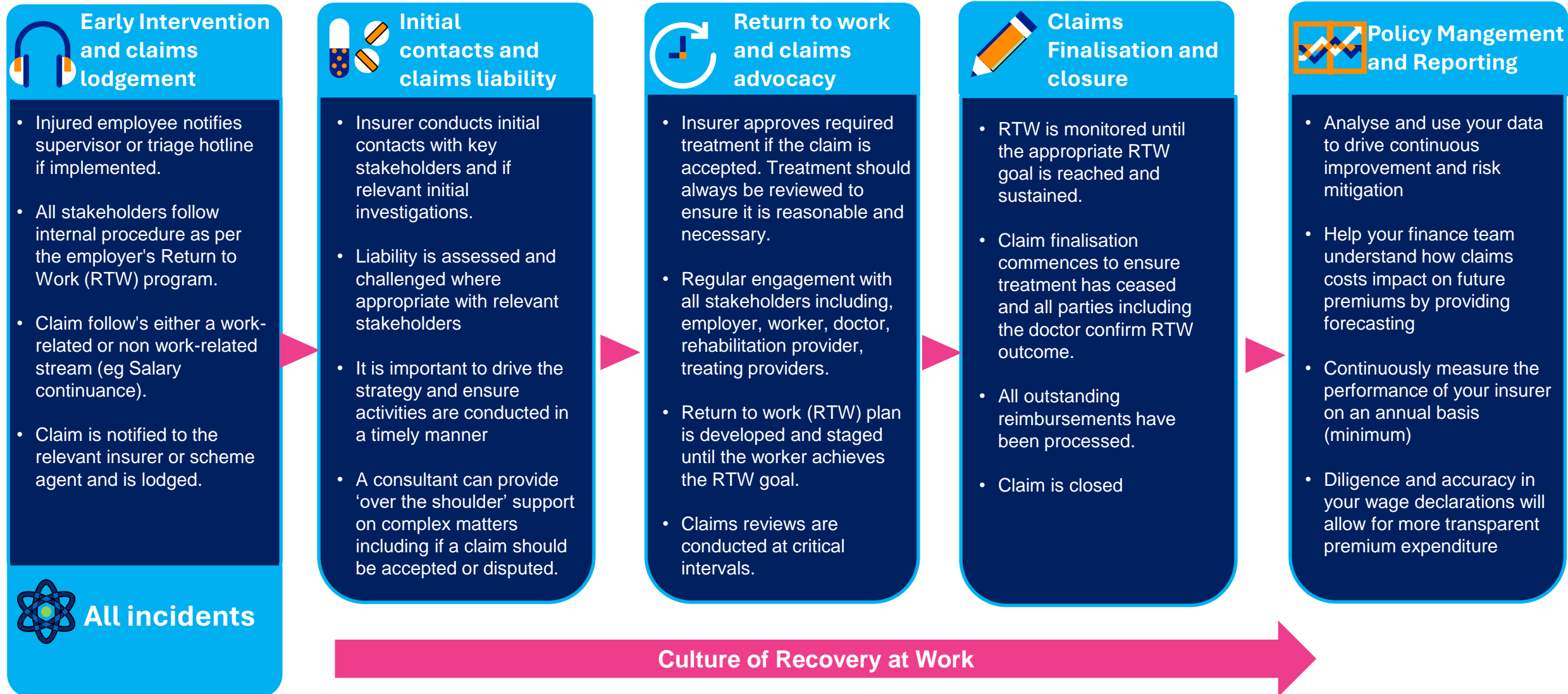
Outcome

The weekly compensation was reduced and the premium impact mitigated to \$18K.

Johnson D, Fry T. Factors Affecting Return to Work after Injury: A study for the Victorian WorkSafe Victoria Authority. Melbourne: Melbourne Institute of Applied Economic and Social Research; 2002. AFOEM Position Statement (2010). Realising the Health Benefits of Work

Optimal Case Management Process

Best Practice Approach

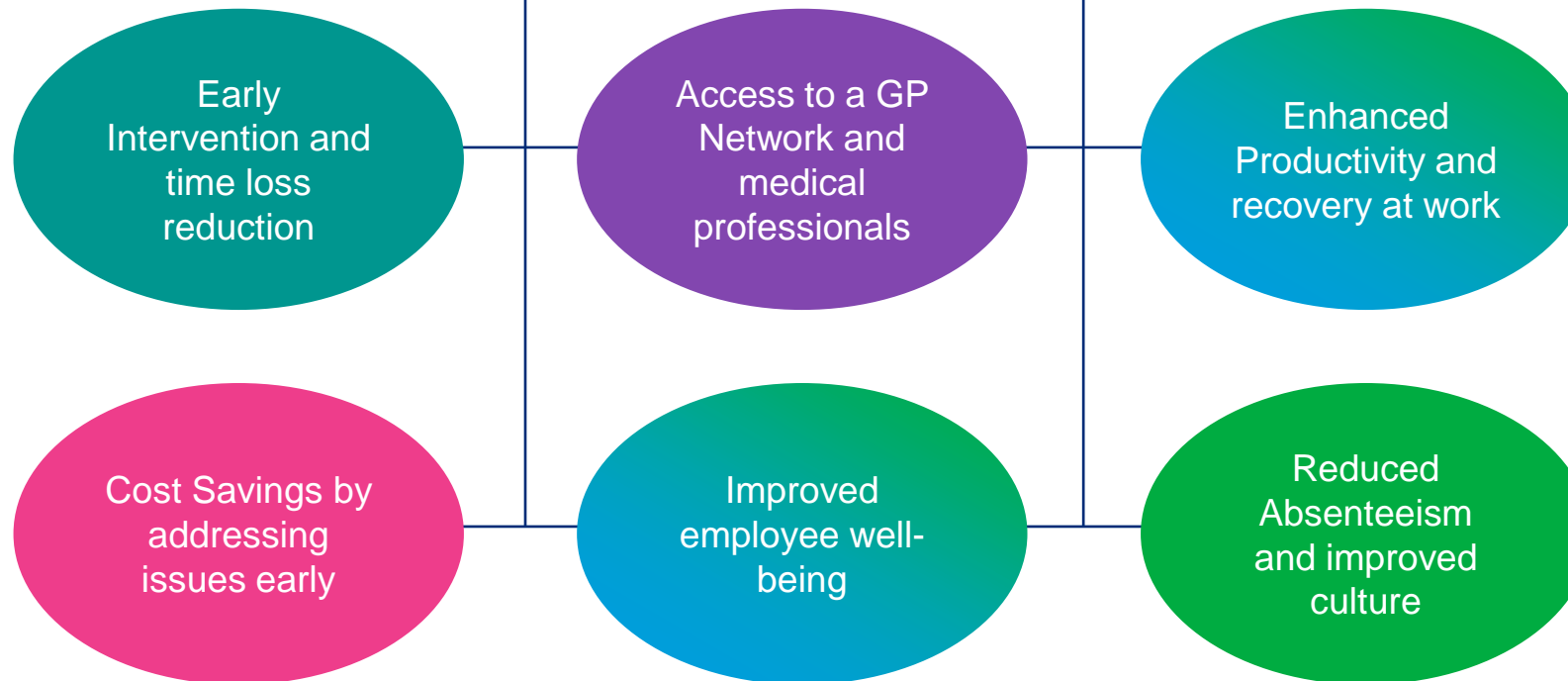


Benefits of an Early Intervention Model

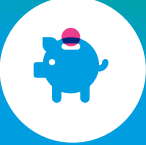



Centralised and Best Practice Approach

Centralised Co-ordination and data driven insights

Cost Controls, Consistency, Reporting



Investment into early intervention

	The Analysis	The Results	Impact
 Average Claim Cost	\$10,642	\$5,574	48%
 Wages	\$4,937	\$2,780	44%
 Medical	\$3,965	\$2,466	38%
 Claims Delay	21Days	10Days	11Days

Key takeaways

Areas of focus for Clubs NSW



Regulatory compliance and governance for future success

1. Build relationship with your insurer and third-party providers so they understand your business
2. Plan proactively and collaborate with your people to ensure a clear and concise Return to Work practices are in place
3. Ensure compliance on RTW and WHS obligations (including regular reviews)



Enhance workforce productivity through Early intervention

1. Foster a positive culture with effective injury management processes to provide early care and support to injured employee
2. Promote recovery at work and deploy useful tools to minimise time loss exposure (e.g. job task analysis, suitable duties register, GP network)



Education and upskilling of your Leaders (Front-line)

1. Ensure Leaders are supported in driving your return-to-work objectives
2. Ensure your health and wellbeing benefits/tools are easily accessible and understood
3. Allows for a culture of care and support for injured employees to improve timely return to work outcomes



Thank you

If you want to know more about MMB

Our Capability and Solutions

- ✓ Clubs and Hospitality bespoke solutions – Placement, Consulting and Intervention (Customised Ecosystem)
- ✓ Evaluate cost-effectiveness of policy structures to identify premium savings
- ✓ Partnership approach – Complement & enhance internal resources and partnerships
- ✓ Strategic WHS risk profile approach aligned to interventions
- ✓ Ensure access to funding and alignment of resources (prevention, mental health, training, wellness and occupational rehabilitation)
- ✓ Get the basics right, challenge and evolve performance and ensure we leverage and share best practice

MercerMarsh Benefits

The only people to partner with you across the whole people risk cycle

Group Life & Income Protection | Accident and Health | Health Insurance | Workers Compensation | Rehabilitation (Recovre)

Advisory: Workforce Health | Psychological Risk & Compliance | Benefits Strategy | Flexible Benefits | Digital

Businesses of Marsh McLennan

MercerMarsh Benefits

The MMB Client Advantage

- Integrated Broking, Early Intervention, Claims and Rehabilitation
- Largest team of in-house expertise Allied Health Practitioners
- Best in Class Premium Pricing #1 Broker by volume in Australia
- Guaranteed Access to Risk Improvement Funding

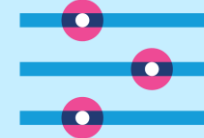
The only people to partner with you across the whole cycle

- Alternative pricing/markets/insurers
- Conventional, LPR, LPR Plus and Bespoke Modelling
- Self-Insurance Journey
- Premium Projections and Tracking

Alternative Risk Solutions



Strategy and Reporting



- Claims data analytics
- Mental health and well-being training and support
- Early intervention programs
- Risk Mitigation and Initiatives

Healthy



Protected

Health & Well-being



Insure

Workers Compensation

- Mental health and well-being training and support
- Training and education programs
- Health and wellbeing programs
- Competitive benefit programs
- Pre-employment health screening
- Employee and employer assistance

- Insurance program design
- Insurer selection
- Policy renewals
- Complex claims management
- High-risk claims advocacy with third party arrangements
- Ad-hoc Premium modelling on complex claims

Thought Leadership

Using thought leadership to enhance broader conversations



[MMB People Risk Report 2024](#)



[MMB Health Trends 2024](#)



[MMB People Risk Pulse Check 2023](#)



[2024 Global Talent Trends](#)



[Global Risks Report 2024](#)



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