

28 November – 1 December 2004

Xth Accident Compensation Seminar

2004



Managing your portfolio liability – using effective monitoring to change outcomes

Richard Brookes, Kris Bruckner and David Wright



Institute of Actuaries of Australia



Outcome monitoring central to liability management

- Underpins operational stability



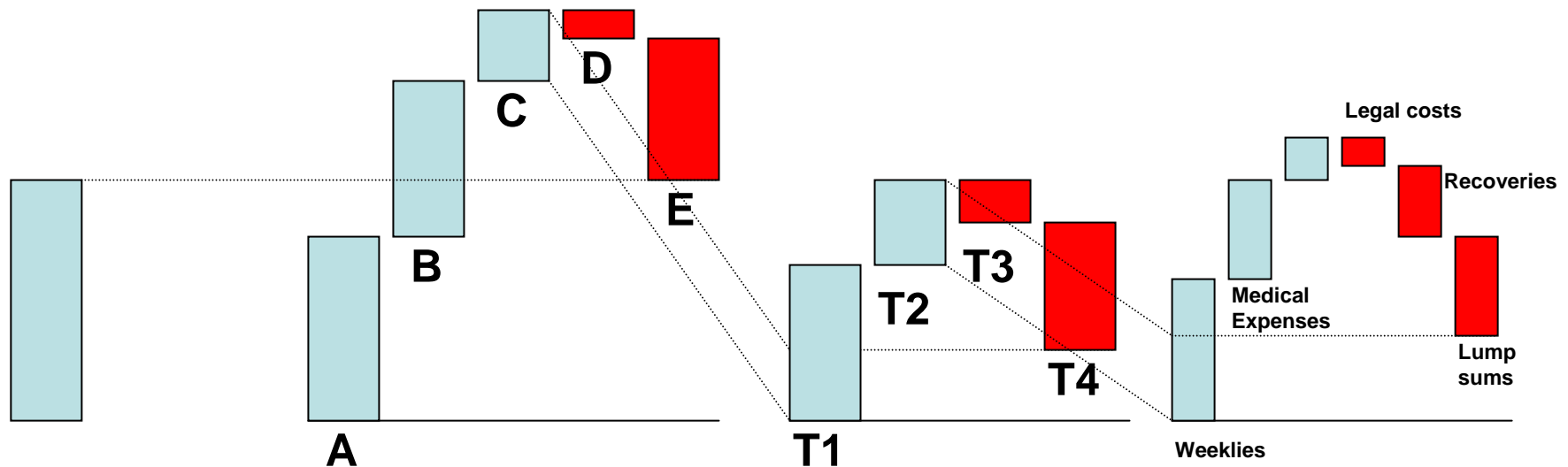
Hidden in the averages is substantial improvement offset by substantial performance deterioration

**Scheme
performance**

**Insurer
performance**

**Insurer C Team
performance**

**Team 2 Areas
of performance**



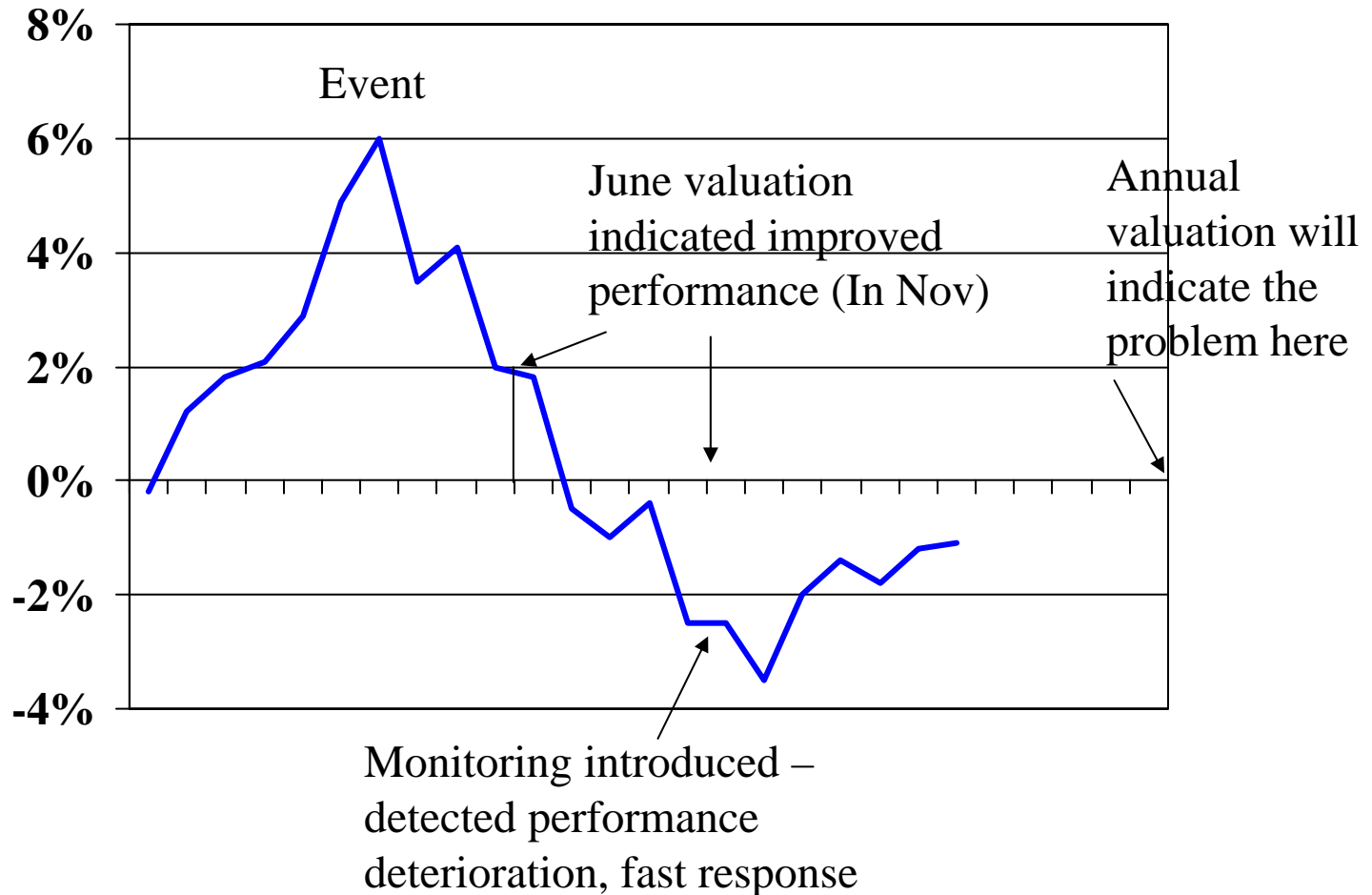


Outcome monitoring central to liability management

- Underpins operational stability
- Detect adverse trends / test initiatives quickly



Continuance rate relative to forecast (disguised example)





Outcome monitoring central to liability management

- Underpins operational stability
- Detect adverse trends / test initiatives quickly
- Understanding performance differences improves operational control

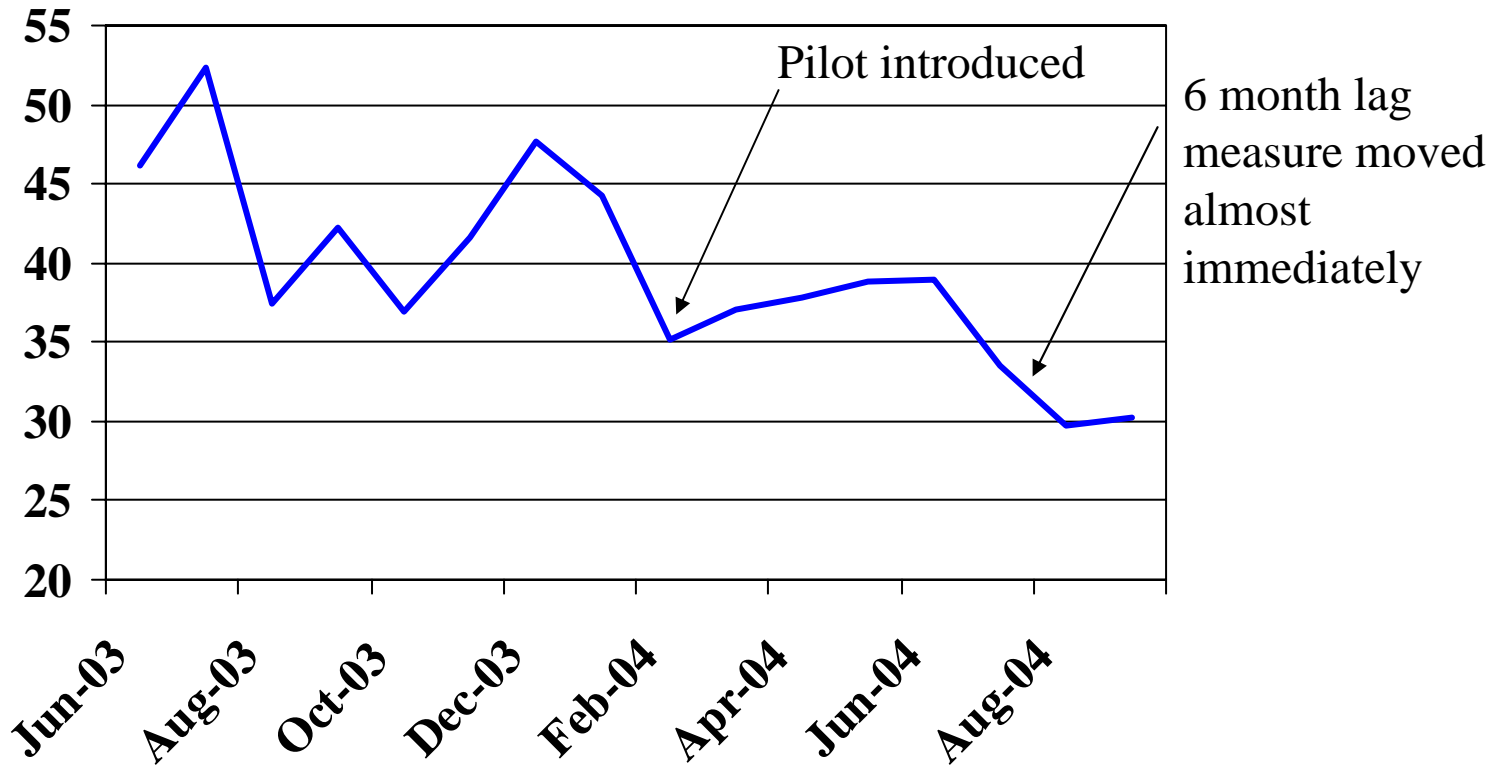


Disaggregating results

- Results need to be disaggregated:
 - *To small time periods* so that results can be tied to operational issues
 - *To the team level* so that results are “owned” by the claim managers
 - *To the claim level* so that issues can be investigated and concrete action taken



A claims team's return to work performance





Disaggregating results to the claim level

- Example: Unusually high levels of weekly reactivations

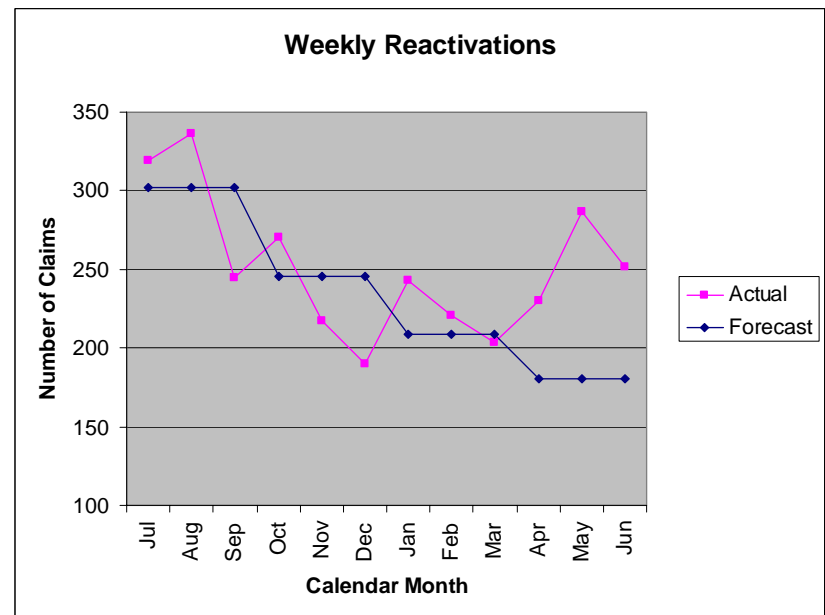
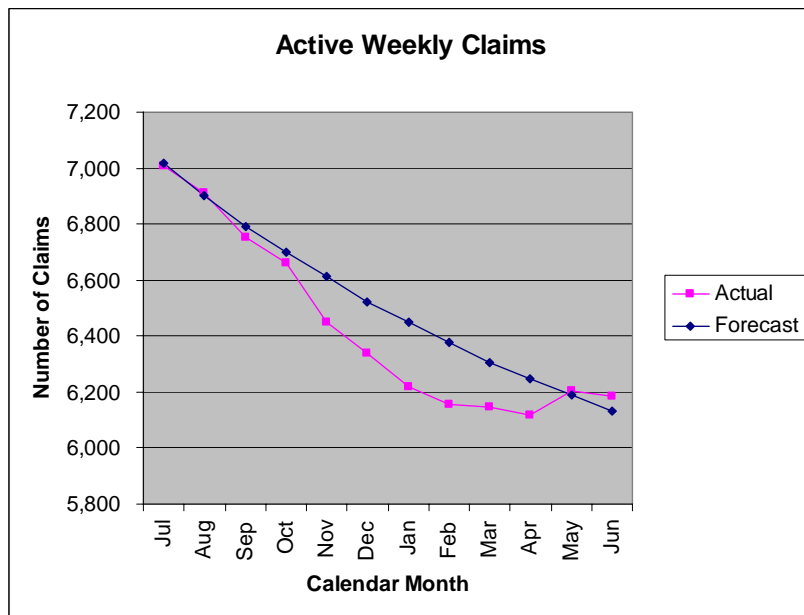
Get List

	Apr	May	Jun
Active Weekly Claims			
<i>Actual</i>	6,115	6,205	6,186
<i>Forecast</i>	6,249	6,189	6,130
<i>Outperformance</i>	+ 2.1%	- 0.2%	- 0.9%
Weekly Reactivations			
<i>Actual</i>	230	286	251
<i>Forecast</i>	181	181	181
<i>Outperformance</i>	- 27.5%	- 58.5%	- 39.1%



Disaggregating results to the claim level

- Example: Unusually high levels of weekly reactivations





Disaggregating results to the claim level

- Monitoring tool produces a list of all claim identifiers relating to the weekly reactivations for further analysis.

List of Claim Numbers for Weekly Reactivations

From State(s): All states except 4 (Active Weekly)

To State(s): 4 (Active Weekly)

As at: May

G6053

G2120

G3630

G8762

G2900

G1029

G4317

G3609

G9909

H5622

H1235

H8548

H2253

I4964



Disaggregating results to the claim level

- Further scrutiny and comparison of these claims revealed the main causes.
 - Majority of reactivations were due to delayed reimbursement schedules from years ago.
 - Provides comfort that the reactivations are not an ongoing deterioration.
- However, similar examples could be the result of reactivations of more permanent weekly claims.
- Frequent monitoring can highlight any adverse trends early and quickly identify their causes.



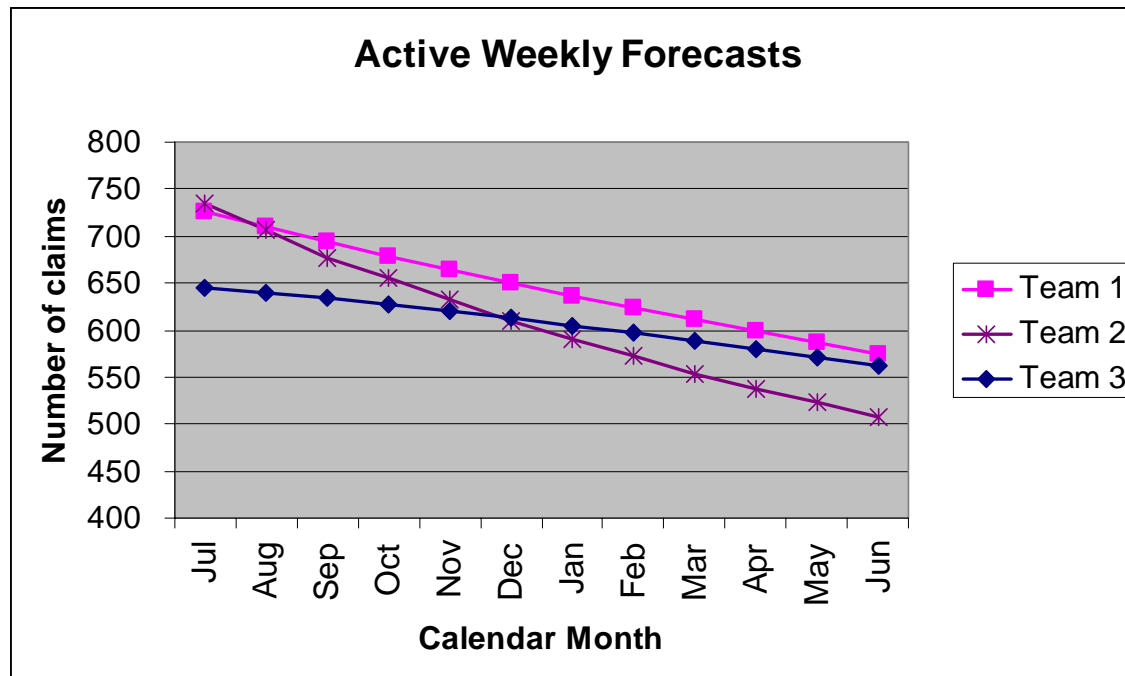
Benchmarks

- Performance relative to actuarial forecasts
 - Immediate barometer of current performance
 - Promotes active claim management
- Actuarial forecasts
 - Provide realistic benchmarks that are customised for the portfolio mix and claim characteristics
- Other benchmarks can be used
 - However they must consider the differences between portfolios.



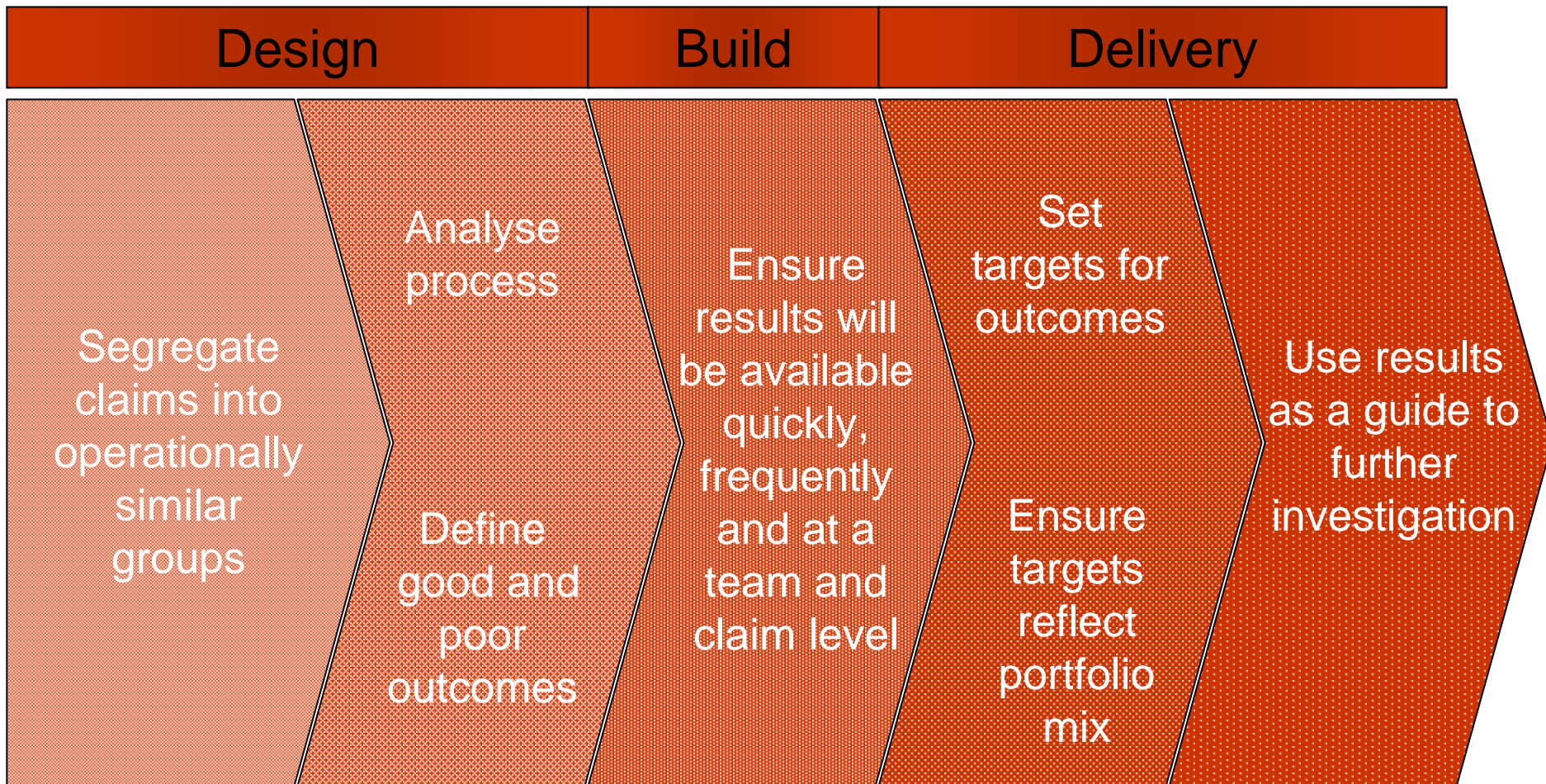
Benchmarks

- Example: Different portfolio characteristics
 - Different claim states or claim durations





Steps in design, build and delivery





Summary

- An effective monitoring system can help change the way a portfolio is managed
- To do this the system must be
 - Fast and frequent
 - Outcome and action focused
 - Aligned with Scheme objectives
 - Modifiable
 - Personal enough to be “owned”
 - Results at team level
 - Be relevant to the portfolio being monitored
 - Benchmarks adjusted for claim profile