



Institute of Actuaries of Australia

XIth Accident Compensation Seminar 2007

WorkCover SA

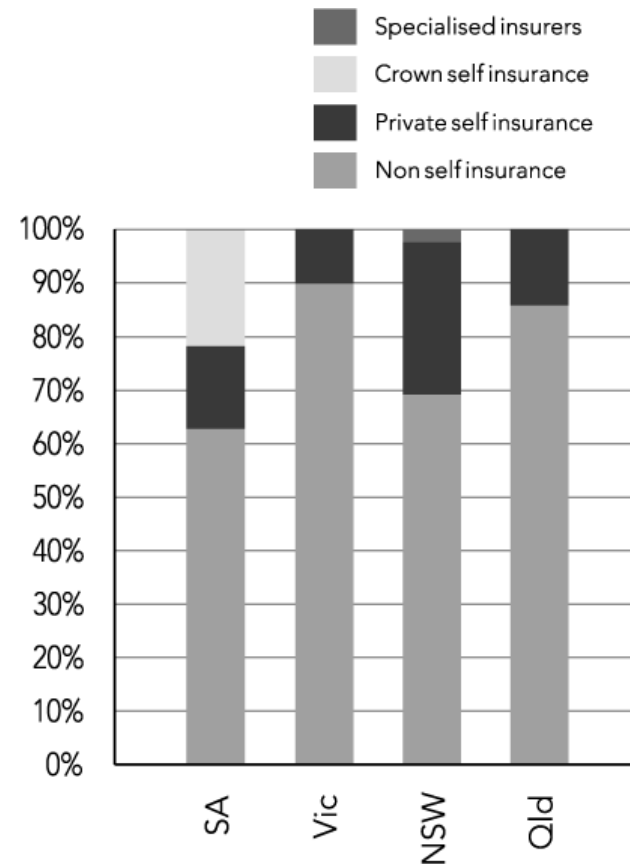
Ian Rhodes

Presentation Structure

- Current position
 - Where are we?
 - How do we compare with other jurisdictions?
 - How did we get here?
 - What have we done about it?
- The future
 - Where are we heading?

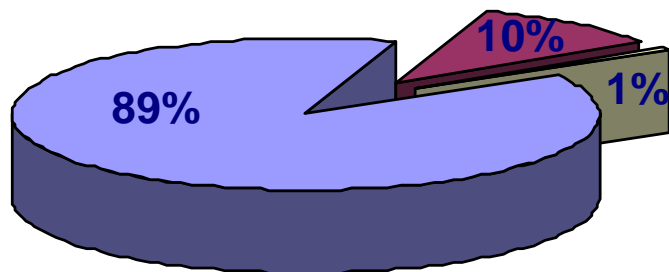
SA Scheme Composition

- Fund covers 60 per cent of State workforce
 - 65,000 registered employers
 - 500,000 workers
- 40 per cent of State workforce is self-insured
 - 215 employers
 - 330,000 workers
- Substantial employer churn
 - 7,000 new registrations
 - 5,000 cancellations



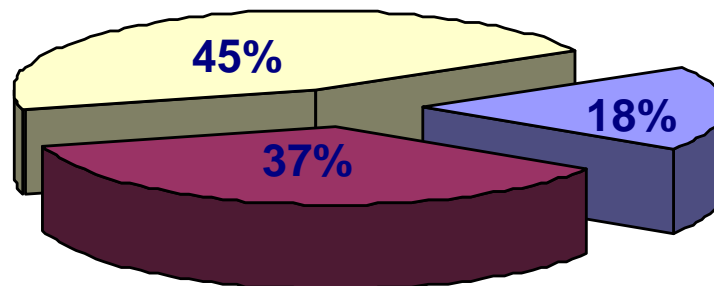
Employer Base

Number of employers



■ \$- to \$10k ■ \$10k to \$100k ■ \$100k plus

Levy Paid

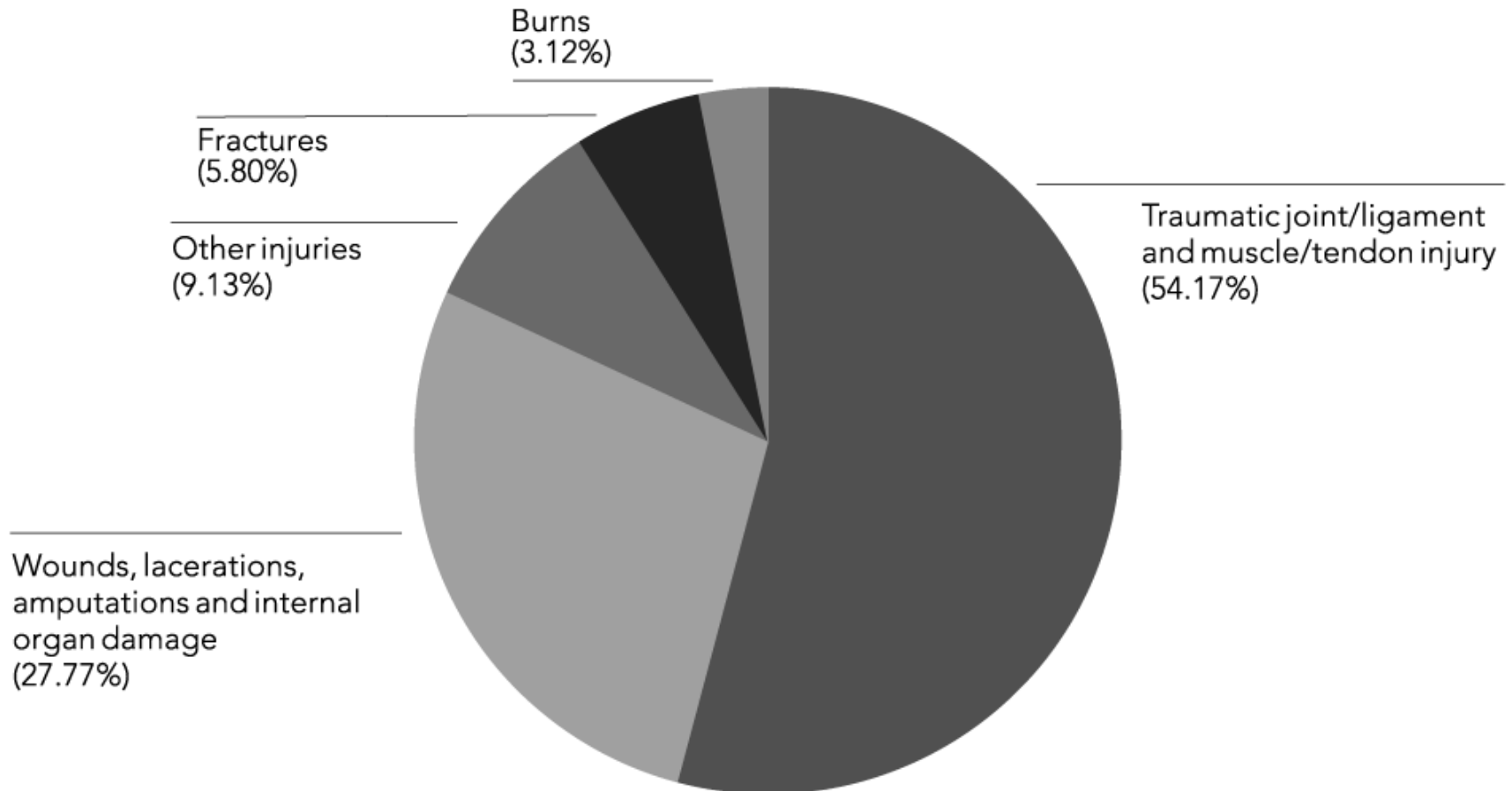


■ \$- to \$10k ■ \$10k to \$100k ■ \$100k plus

Highest Cost Industries

SAWIC* description	Claims	Total claim expenditure \$	Total claim exp/\$ rem
Non-ferrous casting or forging	750	8,067,901	6.7%
Corrective centres	932	15,075,890	5.2%
Construction services nec**	426	6,469,949	4.4%
Livestock processing	1,732	11,955,605	4.4%
Cleaning services	885	12,039,875	4.2%
Concreting services	252	5,487,652	3.9%
Rubber tyre manufacturing	767	5,713,104	3.4%
Road freight transport	2,712	38,136,872	3.4%
Ambulance services	773	5,366,308	3.2%
Short distance bus transport	923	7,010,738	3.0%

Claim Types



Other Jurisdictions

Jurisdiction	Average levy/premium rate (%)			Funding ratio at 30/06/2006 (%)
	2004/2005	2005/2006	2006/2007	
South Australia	3.00	3.00 ↔	3.00 ↔	65
New South Wales	2.57	2.44 ↓	2.06 ↓	90
Western Australia	2.25	2.32 ↑	2.13 ↓	125
Victoria	2.00	1.80 ↓	1.62 ↓	119
Queensland	1.55	1.43 ↓	1.20 ↓	137

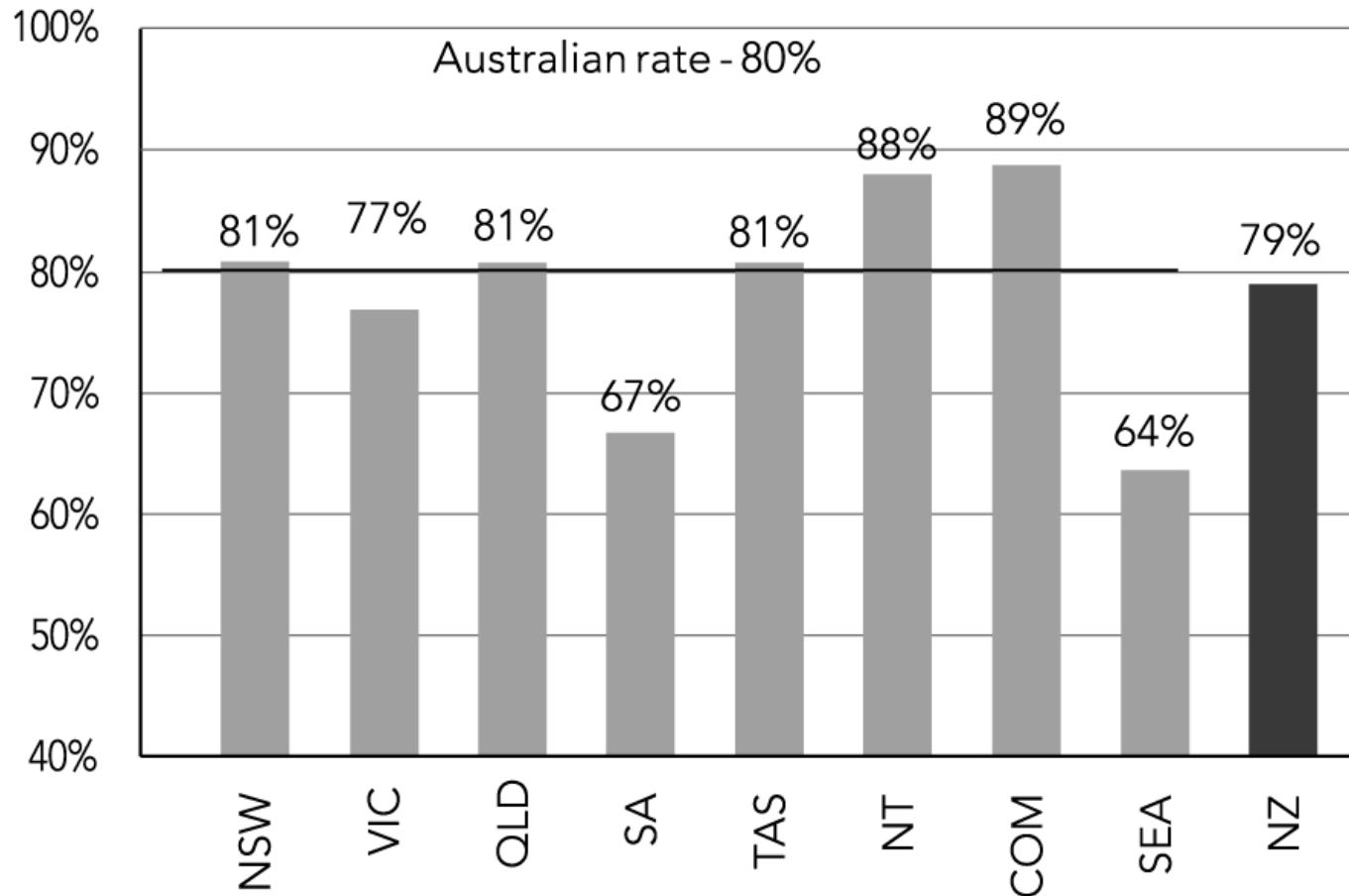
Scheme Issues

- Poor return to work rates
- Rising levels of claim payments
- Significant growth in outstanding claims liability – long term claims
- Historical over-reliance on redemptions for discontinuance
- Levies set at inadequate levels to meet claims cost

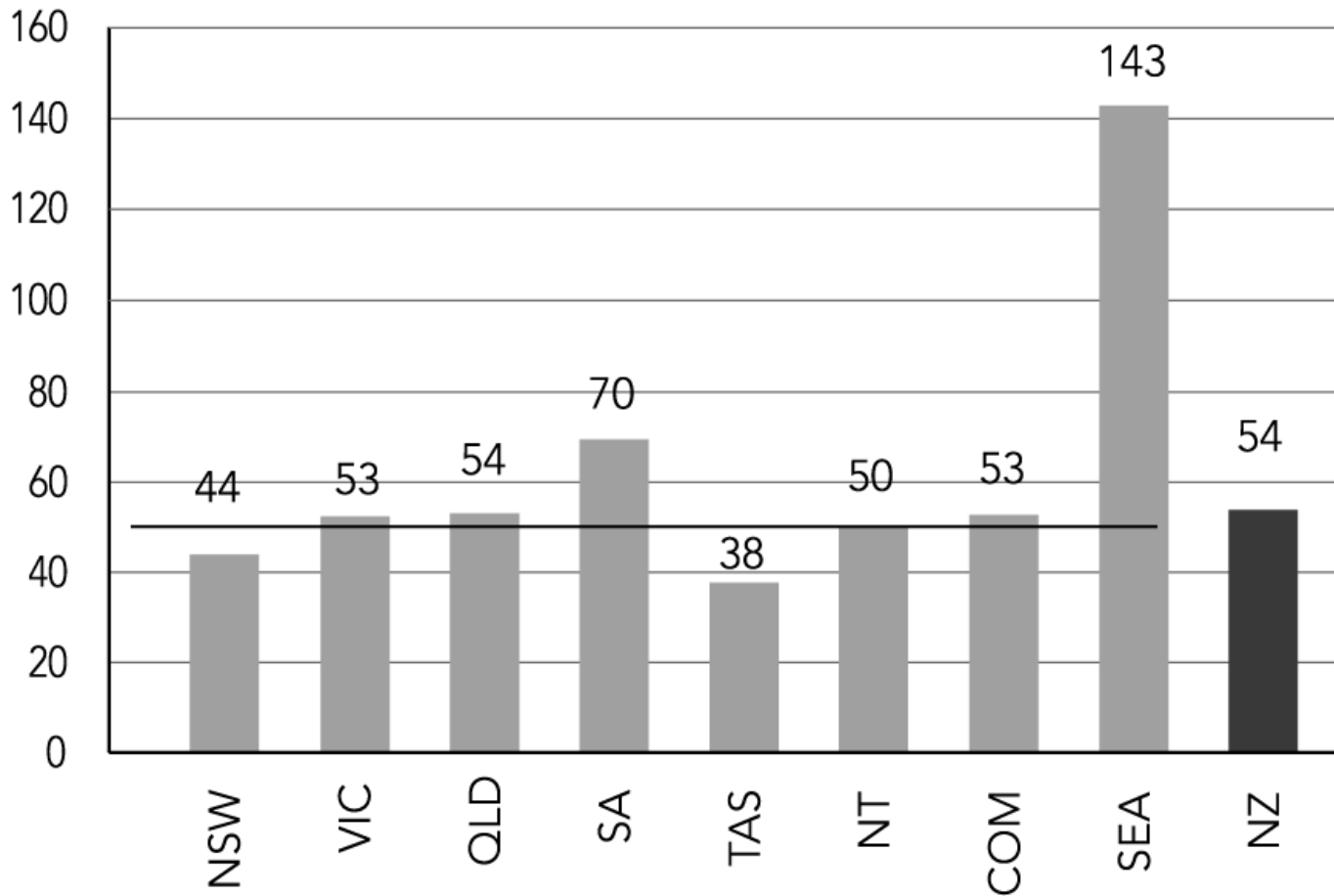
Return to Work Rates



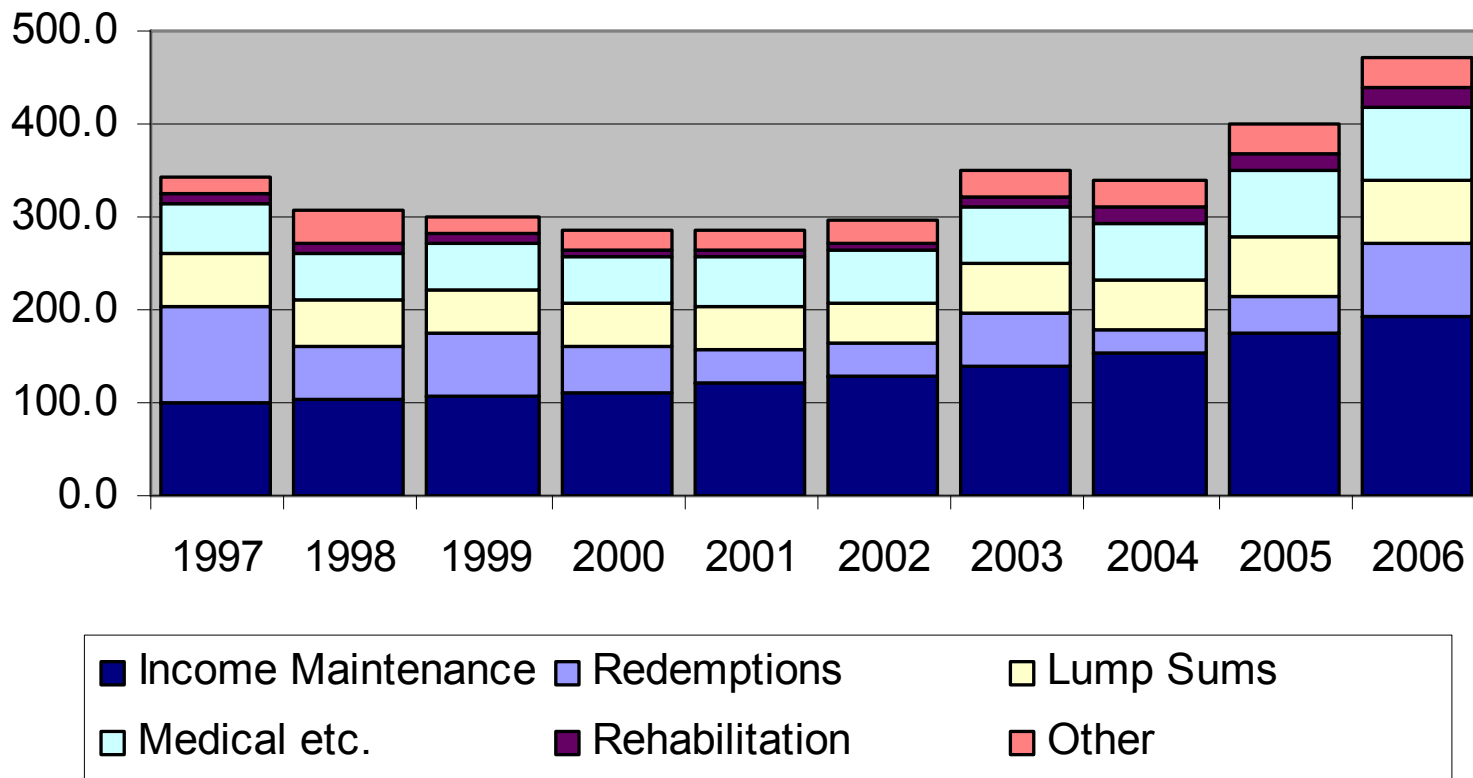
Durable Return To Work



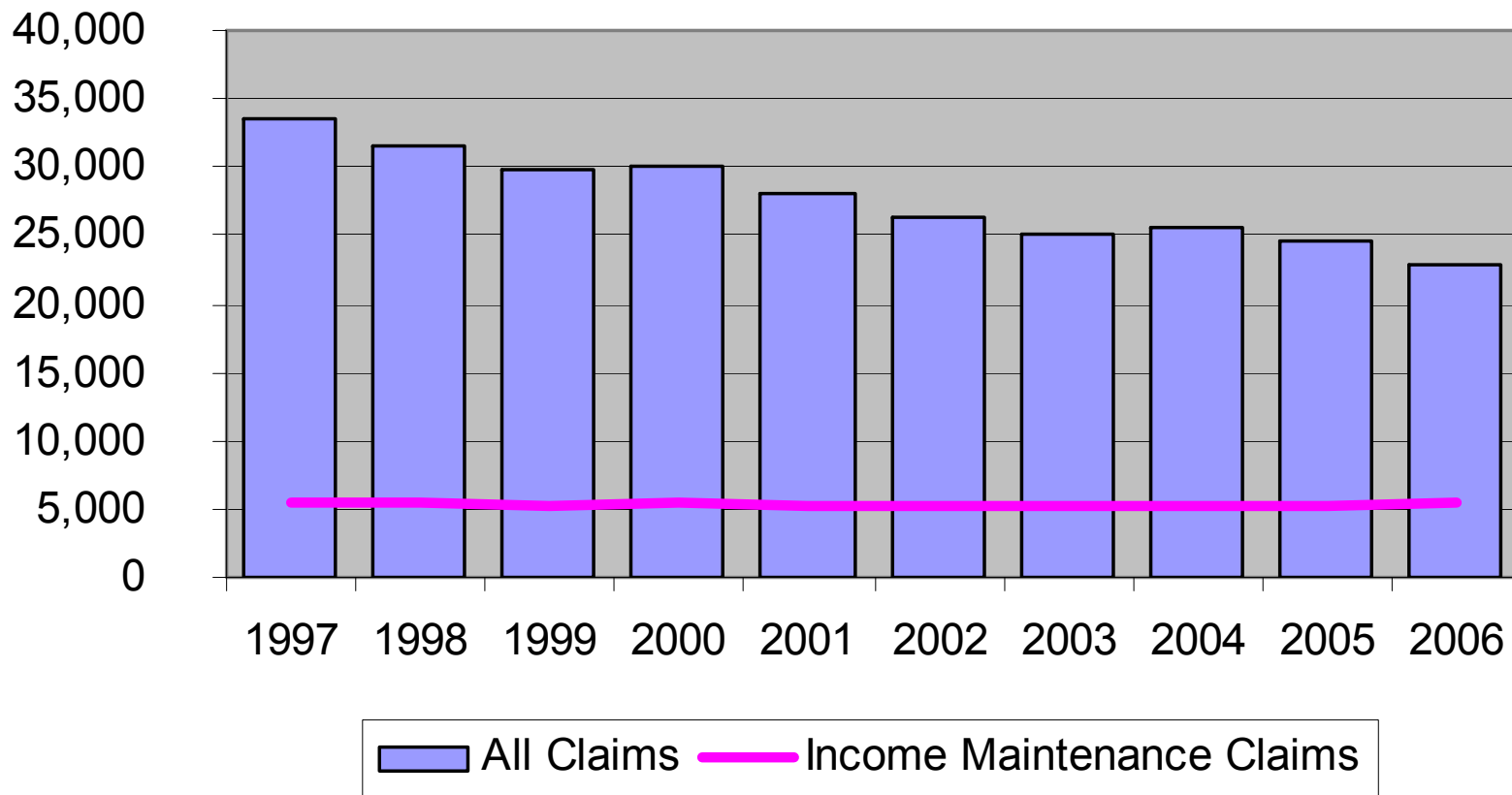
Mean Days Compensation



Claim Payments

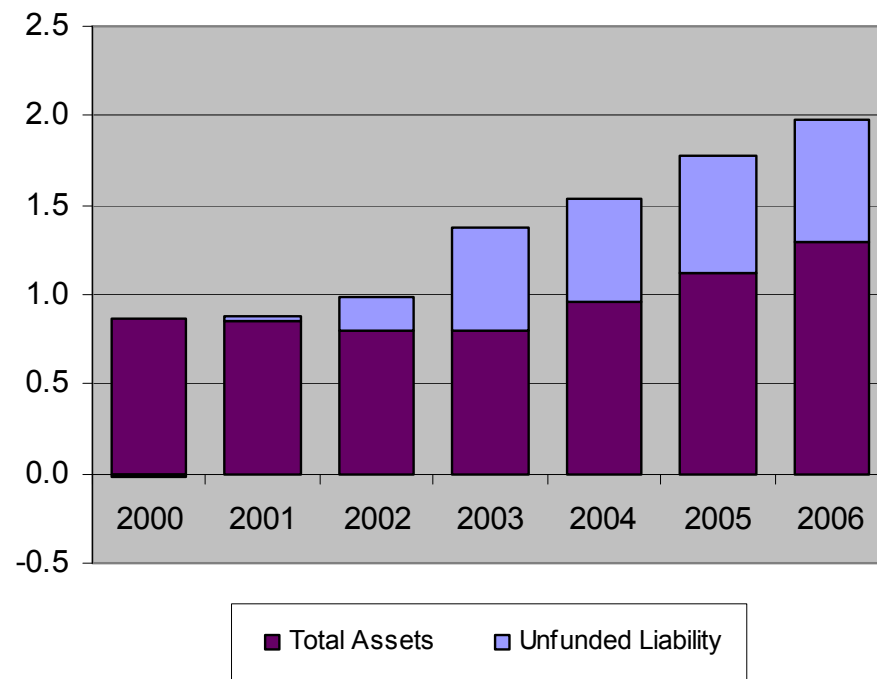


Claim Numbers



Financial Position

- Assets - \$1.29 bn
- Liabilities - \$1.98 bn
- \$694 m unfunded liability
- Funding ratio - 65 per cent



2006 – Year Of Reform

- Contract 2006 – the appointment of Employers Mutual
- Sole-provider legal services contract with Minter Ellison
- Regulated new fees for health care providers

2006 – Year Of Reform

- New vocational rehabilitation model developed
- OHS&W transferred SafeWork SA in January 2006
- Legacy application replacement underway
- Internal structural changes

Contract With Employers Mutual

- Different relationship to that with previous agents:
 - Significant financial incentives linked to performance
 - Increased resources and reduced case loads
 - Importance of Employer and Injured worker satisfaction

Contract With Employers Mutual

- Status
 - Decision made - January 2006
 - Employers Mutual commenced operations - 1 April 2006
 - Agent transition completed - 1 July 2006
 - Relationship with Employers Mutual established and functioning well

Legal Services

- Sole-provider contract for legal services, Minter Ellison
 - New model
 - Faster and more efficient dispute resolution
 - \$30 million saving over five years

Medical Fees

- Medical fees (Alexander review)
 - Comprehensive model for setting fees for various providers
 - System ensures a fair, sustainable and certain return for medical and allied health providers

Vocational Rehabilitation

- Vocational Rehabilitation contracts (Clayton review)
 - New contracts in place on 1 July 2006 with all providers
 - Designed to deliver best possible rehabilitation support for injured workers
 - Rewards providers for outcomes

SafeWork SA

- SafeWork SA responsible for administering OHS in South Australia
 - Occupational Health, Safety and Welfare (SafeWork SA) Amendment Act proclaimed in August 2005
 - Functions transferred to SafeWork SA in January 2006
 - Strategic partnership between SafeWork SA and WorkCover

Legacy System Replacement

- Legacy system replacement
 - Three-year project, commencing mid-2007
 - Core business operating system
 - Benefits include:
 - streamlined claims and case management processes
 - improved data collection capabilities
 - One of largest IT projects in SA

Moving Forward

- SA scheme out of line with other jurisdictions
- Board is in discussions with Government about further reforms
- Legislative change may be required